ANNUAL REPORT
2016-17

"People think its 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

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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.

Board of Directors

Shri Mohammad Mustafa, IAS
Chairman

Shri Pankaj Jain, IAS
Govt. Nominee Director

Ms. Jyotsna Sitling, IFS
Director

Shri Ajay Kapur
Nominee Director

Shri Manoj Mittal
Nominee Director

Shri N. K. Maini
Director

Ms. Ratna Vishwanathan
Independent Director

Shri P Satish
Independent Director

Shri Jiji Mammen
Managing Director & CEO

Chairman's Message

I am happy to present the second Annual Report of Micro Units Development and Refinance Agency Ltd (MUDRA), covering its performance during the Financial year ended 31 March 2017. In this connection, I would like to compliment MUDRA Team and all its stake holders for a successful financial year, recording 100% achievement of the target under Pradhan Mantri Mudra Yojana (PMMY).

MUDRA was launched as a refinancing institution to provide funding support to the lending institutions engaged in financing micro units in the country, through the GoI's flagship programme - PMMY. Apart from providing funding support under the programme, MUDRA is also required to monitor the progress of the programme and ensure its successful implementation. I am happy to note that MUDRA, through its digitised monitoring system developed on an exclusive portal, has been able to ensure a meaningful monitoring of the programme.

Micro enterprises are an important sector of the economy providing jobs to millions of people and taking care of their income generation as well. It is estimated that there are more than 60 million micro units which support over 100 million people for their jobs and livelihood. In this scenario, providing funding support to these units becomes very important as far their growth and employment creation is concerned. MUDRA and MUDRA Yojana are meant to support these enterprises and provide the required funding support to these units.

I am sure Team MUDRA will work together with various implementing agencies and help achieve the noble objective of supporting the unfunded micro units. In this connection, I would like to express my sincere thanks to all the stake holders of MUDRA, which include GoI, Department of Financial Services, Ministry of Finance, GoI, RBI, Banks, NBFCs, MFIs, etc., who have been instrumental in taking the vision of 'funding the unfunded' ahead. I am sanguine that together we can make a difference.

With warm regards,

Mohammad Mustafa

MUDRA Ltd. was launched as a refinancing institution to provide funding support to the lending institutions engaged in financing micro units in the country, through the GoI's flagship programme - PMMY.

Economic Scenario

The Growth Prospects of micro enterprises in the Emerging Financial Backdrop

Micro enterprises constitute an important pillar of Indian economy as they account for more than 90% of total number of enterprises, as also 90% of non-agriculture employment.

According to RBI, India's economy grew by 7.3% in FY 2017. Though GDP growth rate for India slipped to 6.1 per cent and 7.3 per cent in the last quarter of FY 2017 and during the entire FY 2017 respectively, however, the International Monetary Fund described the Indian economy as the "bright spot" in the global landscape and has kept its outlook for India GDP growth rate unchanged at 7.2% in 2017-18 and 7.7% in 2018-19.

Central Statistical Organisation (CSO) reported that the growth rates achieved by agriculture sector, industry sector and services sector during FY 2016-17 stood at 4.9%, 5.6% and 7.7%, respectively as opposed to 1.2 per cent, 7.4 per cent and 8.9 per cent respectively in 2015-16. The services sector continues to be the largest contributor to the Gross Value Added (GVA) with a share of 53.8% in GVA as at end-March 2017. The industry sector remains at the second place at 28.8%, whereas the contribution of agriculture sector stood at 17.4%.

The World Bank forecasts that global economic growth will strengthen to 2.7 percent in 2017-18 and 2.9 percent in 2018-19 on account of pickup in manufacturing and trade, rising market confidence, and stabilising commodity prices.

According to World Bank's "Global Economic Prospects – A Fragile Recovery" report (June 2017), India has achieved the fastest growth rate among major economies in 2017. It is expected to achieve growth rates of 7.5% and 7.7% in 2018 and 2019 respectively.

The economic growth in India remained robust during the year with current account balance improved despite continuing sluggishness in global demand, fiscal trends remained attuned to the consolidation plans and inflation remained broadly within the corridor. Various new initiatives were undertaken in this year as part of the economic reforms of the Government which include: the passage of Goods and Services Tax bill, passage of the Insolvency and

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Bankruptcy Code 2016, formalisation of the Monetary Policy Committee and instituting inflation targeting, changes in FDI policy regime with putting a large number of sectors on automatic route for FDI. Further initiatives include: promoting rapid adoption of digital payments by measures like creating a Unified Payment Interface (UPI) and launching of BHIM (Bharat Interface for Money), launch of Start-up India programme to promote entrepreneurship among Scheduled Caste / Schedule Tribe and Women and approval of National Intellectual Property Rights Policy for laying down the future roadmap for intellectual property in India. Other sectoral initiatives include measures to revive the construction sector, measures for employment generation and promotion of exports in textile and apparel industry.

Government took a bold initiative in November 2016 to withdraw the legal tender character of all existing ₹500 and ₹1000 currency notes in circulation to, inter alia, clean up the system and to tackle the menace of black money. This measure could have short-term costs, but has the potential to improve medium-to-long term growth prospects. The initiative has given a boost to digital payment in the country which will enable the micro entrepreneurs to access credit with ease due to the digital trail they leave.

The performance of the banking sector, public sector banks (PSBs) in particular, however, continued to remain subdued in the current financial year. The asset quality of banks deteriorated further. The gross non-performing assets (GNPA) ratio of scheduled commercial banks (SCBs) increased to 9.1 per cent from 7.8 per cent between March and September 2016. The steps taken in this direction including passing Insolvency and Bankruptcy code, amendment to BR Act etc. is likely to improve the position.

Further, the Economic Forecast Summary by Organisation for Economic Co-operation and Development indicates that economic growth is projected to remain strong and India will remain the fastest-growing G20 economy. Private investment will recover gradually as excess capacity diminishes and the landmark Goods and Services Tax (GST) and other measures to improve the ease of doing business are being implemented.

Micro enterprises constitute an important pillar of Indian economy as they account for more than 90% of total number of enterprises, as also 90% of non-agriculture employment. The sector continues to grow despite issues like non-availability of credit, limited market linkages, technology obsolescence, etc.

In order to augment credit flow to the micro enterprises sector, the Govt. of India has taken a number of policy initiatives to promote the micro enterprises. The GoI had launched Stand-up India (SUI) scheme for loans of more than ₹10 lakh and up to ₹100 lakh to be given by each bank branch to one SCs/STs and one Women and Start-up India scheme to foster entrepreneurship and promote innovation by creating an eco-system that is conducive for the growth of start-ups, operationalisation of Credit Guarantee Fund for Micro Units (CGFMU) with the objective of guaranteeing payment against default in micro loans extended by banks / NBFCs / MFIs / other FI intermediaries, etc., Credit Guarantee Fund Scheme for Stand-up India (CGFSSI), enhancing the credit guarantee limit from ₹1 crore to ₹2 crore under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), extending CGTMSE guarantee coverage to eligible Non-Banking Finance Companies (NBFCs) in respect of collateral-free and/or third party guarantee-free credit facilities to MSEs, etc.

To realise the country's aspirations for double digit growth, it is crucial that the potential of MSME sector is optimally tapped. Reserve Bank of India also took a number of proactive measures. It has stipulated priority sector lending target of 7.5% of bank credit to micro enterprises. It also took a supportive measure by including factoring transactions with recourse

under priority sector lending by banks which carry these activities departmentally with the objective of increasing cash flow to MSMEs. In addition, the factoring transactions taking place on TReDS platform shall also be eligible for classification under priority sector. Already an electronic platform jointly launched by SIDBI and NSE by name RXIL has become operational.

These proactive initiatives of Govt. of India and the Reserve Bank would not only strengthen the micro enterprise eco-system, but also make them stronger, more vibrant and competitive.

To realise the country's aspirations for double digit growth, it is crucial that the potential of MSME sector is optimally tapped.

Digitisation and MSMEs

The Way Forward

Electronic payments can bring substantial benefits. However, the nature and scale of benefits may change, as may the distribution of costs and benefits across different stakeholder groups.

The 'CASH', apart from perceived advantage of acceptance by masses has several challenges. Some of them are – security, storage, transportation, volume, lack of trail, reach across geographies and also hygiene and environmental challenges. In predominantly cash-based economies where access to financial services is restricted, managing individual or family liquidity stays to be a major issue. People have concerns about theft of household savings or being robbed en route to making purchases or payments.

This has paved the path of evolution and acceptance of digital payments all across the world.

The consumers today, can choose from range of options available for making or receiving payments, balancing a range of attributes such as convenience, security, speed as well as cost. While cash still may seem a benevolent ruler in a land of choice, it can be a tyrant in a place with few or no other options.

BENEFITS OF DIGITAL PAYMENTS

Electronic payments can bring substantial benefits. However, the nature and scale of benefits may change, as may the distribution of costs and benefits across different stakeholder groups.

From the macro perspective, digitisation helps because transaction trails are left and hence, enhances tax compliance and reduces generation of black money. The costs of currency issuance and management will also come down. It will pave the way for universal availability of banking services to all (financial inclusion) as no physical infrastructure is needed other than digital convenience. There will be greater efficiency in welfare programmes as money is wired directly into the accounts of recipients. Thus once money is transferred directly into a beneficiary's bank account, the entire process becomes transparent. Payments can be easily traced and collected, and the leakages will be reduced significantly. Lastly, there will be efficiency gains as transaction costs across the economy should also come down.

From an individual perspective, the benefits of going cashless are several. The ease of conducting financial transactions is probably the biggest motivator to go digital. Making transactions digitally also makes it easy to keep track of finances. It can also make personal budgeting easier. There is also reduced risk of losing money-if stolen, it is easy to block a credit card or mobile wallet remotely, but it is difficult to get the lost cash back. In that sense, the digital option offers more security.

Governments, the private sector and the development community distribute billions in cash payments worldwide in the form of benefits, pensions, social programmes, humanitarian aid, or payroll. As bulk payers, these institutions have a unique role to play in initiating a deliberate, strategic shift toward electronic payment systems.

Such a shift brings material benefits in terms of reduced costs, improved transparency, enhanced security, and access to financial services. The level and nature of the

Making transactions digitally also makes it easy to keep track of finances. It can also make personal budgeting easier.

benefits of electronic payments depend on the size, and type of the payment, and, importantly, on the starting position before the shift. And realising these benefits is often dependent on wider changes than the means of payment alone.

Transparency and security reduce risk of losses, while cost refers to savings in transaction costs.

THE DIGITAL PAYMENT LANDSCAPE

The payment landscape can be distinguished according to the category of payment instruments, their size and frequency, and the identity of the payer/payee in each case.

1. **Categories of Payment -**

   Instrument usually recognised are five main categories of payment instruments:

   i. Cash

   ii. Cheques

   iii. Electronic transfers (known as 'credit transfers' where the account holder directly authorises a payment to be pushed from his account to another named account)

   iv. Direct debits (or 'debit orders', where an account holder authorises another party to initiate a debit, or pull, on his account and a credit to theirs)

   v. Payment cards (whether credit, debit or pre-paid)

The categories are distinguished by the different rules around how they are authorised, cleared and settled. The first two (cash and cheques) are considered 'paper instruments.' The remaining three are called 'electronic' since they involve transfers to or from accounts that hold electronic value in some form - whether bank accounts or another store of value such as an e-wallet or prepaid card.

Cash is usually the most commonly used mode of payments at merchants for small value purchase transactions, but its use drops sharply for high value transactions, where it is replaced by debit and credit cards and cheques.

Off late, digital payment is being encouraged as part of digitisation initiatives of the Government. In Indian context, going digital would mean use of channels like e-wallets, mobile apps based programmes like Unified Payments Interface (UPI) or Bharat Interface for Money (BHIM), RuPay payments (card) and other electronic systems for payments including Aadhaar-based payment systems.

DIGITAL PAYMENT – THE PRESENT STATUS

India's tryst with digital payment systems began somewhere around the year 2010. However, globally (see table 1), as of December 2016, India still ranks low among other countries in terms of percentage of cashless transactions (just 2%)-what this means is that "India is a country where 98 per cent of the total economic transactions by volume are carried out by cash".

Map not to scale

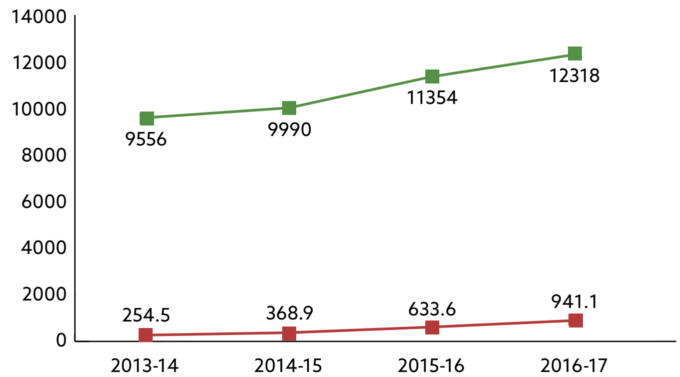
TABLE 1: **TOP CASHLESS COUNTRIES**

Countries	Cashless Transactions	Countries	Cashless Transactions
Singapore	61%	Australia	35%
Netherlands	60%	Germany	33%
France	59%	South Korea	29%
Sweden	59%	Spain	16%
Canada	57%	Brazil	15%
Belgium	56%	Japan	14%
United Kingdom	52%	China	10%
USA	45%	India	2%

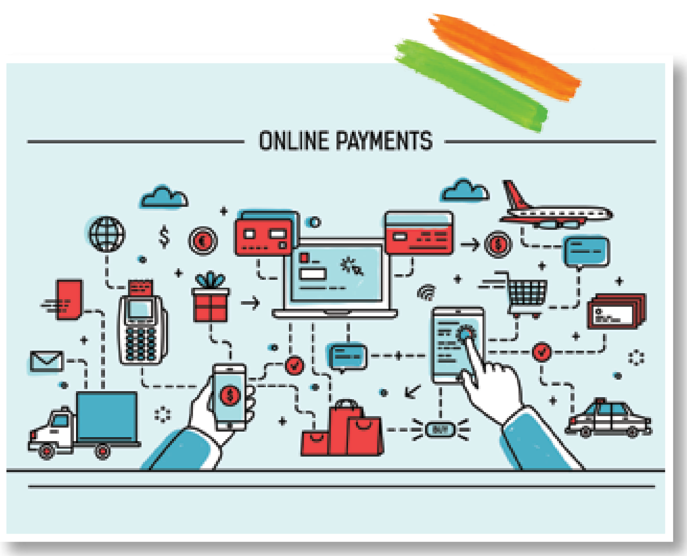
Source: MasterCard Advisor's Measuring progress toward a cashless society

Digital payment is being encouraged as part of digitisation initiatives of the Government.

DIGITAL PAYMENTS (FY 2014 TO 2017)



Volume (in crore)	254.5	368.9	633.6	941.1
Value (in ₹10,000)	9556	9990	11354	12318



ROADBLOCKS IN DIGITISATION

In a world in which half of adults is now banked, and the number of mobile subscriptions exceeds 86% of the world's population, the potential for widespread electronic payments seems higher than ever. Although there is a prevailing drift toward more electronic payments, there are significant barriers that can lengthen the transition, increase the costs or reduce the benefits, and even stall widescale adoption. Barriers may impede or arrest a shift. We need to address these barriers and address them for sustainable strategic shift to electronic payments.

Many obstacles to digitisation and a cashless economy still remain including the following and these need to be tackled expeditiously:

- Lack of internet connection, quality electricity availability and lack of digital literacy, especially among the millions of people especially the rural folks.

- There are many vested interest groups-that for various reasons-desire no move towards cashless economy and these need to be tackled. Sometimes these resistance come from sections trying to obviate state obligation. India is dominated by micro enterprises, who are in the informal sector and do not keep proper records and documents. The general apprehension among them to move into a digital system, resources to invest in electronic payment infrastructure and lack of literacy come in the way towards digital payment.

Post demonetisation, digital transaction volumes grew 43% between November and December of 2016, at a time when cash circulation had fallen by about two thirds.

MOVING TOWARDS LESS CASH SOCIETY

A coordinated approach is needed to surmount the barriers that exist to reaching large scale. Otherwise, a prolonged drift is likely, in which not only the benefits may not be fully realised, but the costs of transition may be higher than necessary.

There are four stages on the path from a "cash heavy" society to a **"cash lite"** or digitised society:

Flow of electronic	Stage 0	Stage 1	Stage 2	Stage 3
	Cash Heavy	**Bulk Payer**	**Increasing e-usage**	**Cash Lite**
Main payment instrument in use	Mainly paper (typically cash; maybe some cheques)	Mixed: Paper and electronic (cards used at ATMs, some on-line banking)	Mainly electronic (mobile used for bill payments and remittances)	Almost all electronic (use of mobile and/or card at point of sale through interconnected switches)
What is needed to shift to this stage	-	Sufficient cash-out points; B2P & G2P shifts	Ability of business and consumers to make cheap electronic payments via computer, standing order, ATM (P2P, P2B)	Pervasive acceptance of electronic payments at POS and mobile phone, compelling financial products

Source: MasterCard Advisor's Measuring progress toward a cashless society

In terms of total number of digital payment users, the numbers went up from

40 million to 100 million.

Post demonetisation, digital transaction volumes grew

43%

between November and December of 2016.

Each shift requires different focus and action. The first shift happens when bulk payers in an economy, such as government, large employers or development aid distributors decide to pay electronically. Typically, infrastructure at this stage does not extend to widespread acceptance of electronic payments for small purchases.

The second shift takes place as opportunities grow for recipients to spend or transfer money electronically. The transfers here would include options to send money to other people (P2P) and to pay loans and bills to businesses (P2B) and taxes and fees to governments and utilities (P2G) (whether by electronic transfer or direct debit). The ability to make these payments is restricted mainly to those who have access to on-line banking through personal computers until mobile payments become available.

Finally, the third shift comes when even the majority of small payments, which are usually between people and merchants (i.e., P2B) for everyday items like groceries, also become electronic. This happens when purchase at the point of sale using a card or even a mobile phone becomes easy, cheap and convenient for consumers and widely accepted by merchants.

A lack of cash-out infrastructure, together with a shortage of knowledge and information on the part of bulk payers about options and implications of making bulk payments, impedes the first shift.

The second shift depends more on individual users being willing and able to initiate payments.

Trust plays a large part at the second and third shifts, more so than in the first.

At the second shift, a lack of knowledge and expertise about how to receive e-payments on the part of large recipients, including government, may be a barrier.

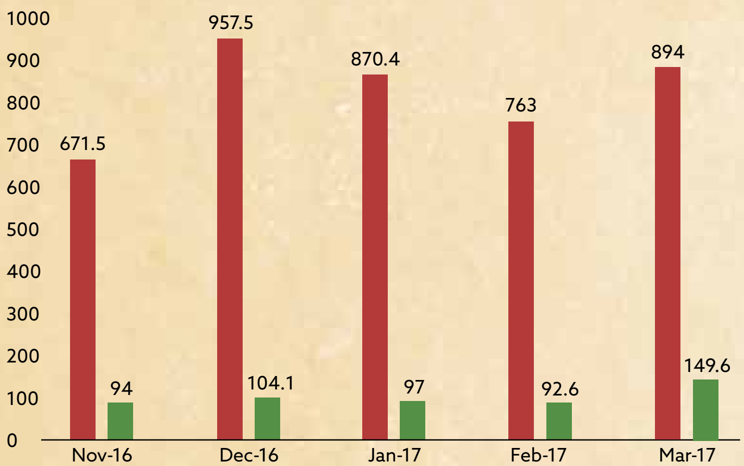
The third and final shift is only possible when electronic payments become widely affordable and widely accepted for all types of payments.

DEMONETISATION- A BOOST TO DIGITISATION

In a bold move, Government of India decided to withdraw the legal tender character of all existing ₹500 and ₹1000 currency notes in circulation on November 8, 2016, causing a massive disruption in the supply of cash in the society. The move resulted in shortage of cash which led the people to look for alternative options which included the digital payment.

Post demonetisation, digital transaction volumes grew 43% between November and December of 2016, at a time when cash circulation had fallen by about two thirds. In terms of total number of digital payment users, the numbers went up from 40 million to 100 million in the same period. RBI data-given in table 2 which provides an estimate of the volume and value of digital transactions between October 2016 and February 2017, also confirms the above trend.

DIGITAL TRANSACTIONS DURING 2016-17



	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17
Volume (in million)	671.5	957.5	870.4	763	894
Value (in ₹ lakh crore)	94	104.1	97	92.6	149.6

ANNUAL TURNOVER (RETAIL PAYMENTS)

Year	Volume (₹ in Millions)	Value (₹ in Billions)
2015-2016	6,945.2	1,77,752
2016-2017	10,861.7	2,20,634

TABLE 2: DIGITAL TRANSACTIONS BETWEEN OCTOBER 2016 AND FEBRUARY 2017

Month/Year	Volume (in Crore)	Change (in %)	Value (₹10,000 Crore)	Change (in %)
October 2016	79.0		1,099.1	
November 2016	91.2	15.4	1,136.5	3.4
December 2016	133.1	45.9	1,260.8	10.9
January 2017	123.9	-6.9	1,153.1	-8.5
February 2017	109.0	-12.0	1,092.5	-5.3

Source: Database on India Economy (DBIE), RBI

THE ROLE FOR MSMEs IN DIGITISATION

According to a survey, "as many as 41 per cent of MSMEs said their clients have shifted to cheque or electronic payment since demonetisation." However, the gain has not come without its share of pain. This survey "which covered more than 1,100 MSMEs between November 24 and December 24, found that almost half of the MSMEs with annual revenue of ₹2 crore or less saw a substantial shift away from cash transactions." On the contrary, as per the survey, "only a third of the MSMEs with revenues above ₹25 crore witnessed a greater shift towards digital payments." Further, MSMEs from Tier 2 cities and smaller towns also saw a significant shift of around 42 percent to cheque or electronic payments.

What is interesting from the above is the fact that Micro, Small, and Medium Enterprises (MSMEs) -whose importance to India's economy is well known-could also become the backbone of India's digital ecosystem.

In the context of the Indian MSME sector, digital payment systems-credit and debit cards, mobile wallets, other prepaid instruments and the like-offer a credible means to 'formalising' this invisible and hidden sector, a significant percentage of which remains in the 'informal' space and unregistered.

The demonetisation experience has certainly gone to underline the need for a secure, robust and yet simple alternative payment method and the digital payment systems are certainly positioned to satisfy this need. Small manufacturers, vendors and service providers have realised the importance of seamlessly transiting to a digital finance economy-both the fear of losing business in the absence of cash and also the huge impetus the government is trying to give to the creation of a relatively cash-free economy are causes for this change in attitudes amongst MSMEs.

As far as MSMEs are concerned, the future-without a doubt-lies in going digital. In fact, as noted earlier, one of the biggest positives to come out of India's demonetisation exercise is the realisation for many MSMEs that the future is going to be digital and cashless-with the projected size of the digital payments market pitted to be about 15 per cent of the GDP, at a phenomenally huge $500 billion by 2020. With growing volumes and over time, transaction costs are expected to fall and user experience is also guaranteed to improve. Therefore, MSMEs must take advantage of the same and go digital.

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IMPACT OF A DIGITISATION STRATEGY CENTRED ON MSMES

Digitisation would have many direct impacts for MSMEs - boost their creditworthiness and enable them to gain access to digital funding for their various needs. "Using a digital financing and banking method will also ensure that there is transparency in an MSMEs business operations and leave an audit footprint that is clean. Creditworthiness can then be used for greater equity and over-draft limits."

Indeed, a report by the Boston Consulting Group (BCG) suggests that, even from the perspective of the Indian government, it would be far more effective if the digitisation strategy focussed on the MSMEs instead of consumers. The report had a strong basis for arguing an orientation towards MSMEs with regard to the digitisation strategy. "Out of the 1700 plus consumers surveyed by BCG post demonetisation, 22 percent indicated their preference for digital payment methods within six months compared to only 11 percent earlier. In contrast, majority of the 50 plus MSMEs with which BCG conducted a deep discovery interview indicated a preference for reverting to cash." Given the significance of MSMEs in the country, this is a segment which might give a decisive edge to the government's Digital India mission. This point needs emphasis.

While it would be important for MSMEs to go digital for various reasons including greater ease of access and speed than formal banks, today's increased thrust on digital financial systems also makes it equally critical though, in ensuring a safe and smooth transition to the digital economy. Given that the digital financial systems are vulnerable to cyber attacks, ensuring multiple levels of safety checks is critical to ensure consumer data is protected from any kind of theft or misuse. Also there is need to simplify and standardise costs involved in transacting digitally, a factor that can be a deterrent in ensuring the customer's continued use of the systems. While demonetisation was a strong catalyst to ensure the shift to a 'cashless' digital economy, the subsequent on-going experience needs to be simple, easy to use and rewarding enough for the user to stay on-this is especially critical for MSMEs as otherwise, they could get back to the old way of transacting in 'cash'.

THE WAY FORWARD:

Transition to electronic payments must be supported through a range of associated measures, not just a legal mandate: No matter how well intentioned, we push to electronic payments without ensuring that there is an adequate payment infrastructure and appropriate incentives for customer support, is likely to founder, especially in the first shift. Support may include tax incentives to providers to deploy infrastructure.

Governments should consider how to be strategic as buyers of e-payment services, aggregating requirements across departments to reduce costs per transaction.

Government should identify opportunities to implement innovative payment approaches and monitor the results carefully. Piloting new approaches on a "test and learn" basis is consistent with Principle 7 of the G20 Principles for Innovative Financial Inclusion. However, supporting piloting with public money may require a review of regulations, such as those relating to paper record keeping. Identifying opportunities will mean a thorough analysis of costs

Using a digital financing and banking method will also ensure that there is transparency in an MSME's business operations and leave an audit footprint that is clean.

and benefits-neither exaggerating the immediate costs of a transition nor undercounting the potential benefits in the medium term.

Industry bodies, can collect information on payment patterns across their membership. This type of information can also enhance understanding of the national payments landscape.

Business community may invest in record-keeping systems with appropriate application programming interfaces (APIs). Existing electronic payment solutions often do not integrate easily to business accounting systems. There is a business case for payment providers and vendors of accounting systems or services to make the process easier and cheaper, especially for small businesses, and for businesses to evaluate the expense taking into account the benefits of a more general shift.

Business community may coordinate within sectors across value chains. Supply chains differ in their propensity to automate and to accept electronic payment. Leading firms in national supply chains can analyse the propensity of their own supply chains to "go electronic" and consult widely on the outcomes. This analysis may identify demand in particular sectors or under-served regions of a country in ways that could support the business case for a shift.

In this context, the following issues need to be effectively addressed for wide-scale adoption and continued use of digital payment systems by MSMEs.

There is need for an ecosystem that supports the transition to the digital space in a smooth manner. Data connectivity continues to be a challenge in many parts of the country, despite the reported upgrade from 3G to 4G. In the absence of access to the internet, most mobile applications (apps) would be rendered useless. It is critical to ensure data connectivity in every nook and corner of the country, but, equally important is the need to provide backup services in the event of the lack of network access. This is very critical for MSMEs even while located in the urban areas.

Process and digital literacy is yet another critical need right now. Before we push MSMEs headlong into the digital stream, it would be useful if we at least impart them the basic survival skills needed to negotiate the new waters and stay afloat. The digital instruments that currently populate the market are designed for those with a fair degree of understanding of both the financial and the digital process. Given that a large proportion of MSMEs predominantly remain still excluded even from the formal financial process, and given that the country hopes to bring into the digital fold, appropriate mechanisms to impart digital and process literacy to MSMEs are imperative if they are to be facilitated to transact continually in the digital space.

There is also the constraint imposed by language. Even if vernacular options are available, the complex language and syntax puts them above the reach of many MSMEs. Then there is the challenge involved with comprehending the financial transaction process and negotiating its various steps. Clearly, there is a need for process and digital literacy tools and aids, without which it is going to be very difficult for low-income people running MSMEs to use digital finance options. Actual use of these digital finance mechanisms (DFMs) have to be facilitated through applications that handhold the user MSME and promote digital and process literacy of the end-user in real time, thereby bolstering the use of DFMs.

There are also anti-trust implications that need to be considered in the present scenario. While there are a plethora of players in the digital financial space, there is also scope for monopoly by resorting to unfair trade practices, undercutting opponents and so on. The practice of using capital revenues to fund such practices in the form of cashbacks, for example, is not a healthy trend. One must draw a parallel with the situation in the call taxi space in India, where aggregate operators have more or less driven out the competition by offering superior service at par or even below par prices. The danger is that once they have consolidated their market shares sufficiently, they may jack up prices and the loyal client-base of MSMEs would be forced to continue their patronage, in the absence of viable alternatives. It is important that we guard against the emergence of such a situation in the digital financial services space.

Also important are the unique risks that the digital economy faces, which needs safeguarding against in a comprehensive manner. These risks are both known and unknown. Known risks pertain to the safety of digital money. Unknown risks include natural and man-made calamities like cyclones, etc. Therefore, it is clear that all possible risks associated with the transition to a digital ecosystem need to be thoroughly considered and tackled through an appropriate framework-this analysis needs to be specifically done from a user MSME perspective and MUDRA could play an important role in this area.

In addition, to take care of cyber crime, specialised task forces with qualified people on board-at district and state levels-need to be established. This is to ensure the speedy resolution of criminal cases, especially where MSMEs have been the victims of cyber crime.

A related issue here is the privacy of data-without a doubt, the digital footprint should not be the cause for creating a security risk for individuals and/or result in the misuse of their personal data. For example, mobile wallets ask for access to a variety of personal data at the time of installation, so much of which does not even appear relevant to their purpose. Also, there is no transparency in terms of the exact data being accessed or used, which the consumer is entitled to know. A privacy act with sufficient teeth must, therefore, be enacted immediately to safeguard the data of MSMEs who leave a digital footprint.

It would serve the transition well in this context, if a Digital Services Consumer Protection Agency (DSCPA) were to be established, on the lines of FINRA (Financial Industry Regulatory Authority), which was established in the United States post the 2008 financial crisis and which has done significant work. The agency could first function as a separate cell under the RBI to look at the above issues and consumer protection aspects in the digital space with a financial exposure, including e-commerce. At a later date, it could be spun off as an independent body with statutory powers.

As a part of this, it would also help to have a dedicated helpline to redress grievances arising out of digital financial transactions, again, including e-commerce companies.


Krazy Kids
Krazy Kids
Krazy Kids
S.R.R.

It is important that digital service providers (both financial and e-commerce) are subjected to independent periodic audits and are rated in terms of their security measures to protect customer privacy and data.

While service charges on digital payment gateways have been waived in the present in a bid to promote digital transacting, it is important that charges on the use of digital finance instruments (Credit Cards at POS, Debit Cards at POS, Mobile Wallets and Prepaid Instruments) are further reduced across the board, especially for MSMEs and DFMs. One way to do it would be to give a tax incentive for these instruments for a period of 3 years-at least for MSME users. Given the existence of a gender divide in adopting digital financial transaction methods, taxes and other charges may also be waived or reduced significantly for women led MSMEs to encourage them to make the transition to the digital way of transacting. Similarly, merchant acquisition by banks/payment gateways must be facilitated and supported as also the setting up of the required acceptance infrastructure.

Finally, it is important that digital service providers (both financial and e-commerce) are subjected to independent periodic audits and are rated in terms of their security measures to protect customer privacy and data. Independent specialised rating agencies may be created, like CRISIL, to rate the various risks inherent in the services provided by the Digital Service Providers (DSPs) and their ability to mitigate those, especially from the perspective of protecting privacy and data of MSMEs. Such ratings should also provide insight into the ability of the DSPs to manage newer and newer risks occurring in the digital ecosystem, given that technology is often leapfrogged. This risk analysis must specifically consider the perspective of MSMEs as users of DFMs.

Conclusion

Well begun is half done, they say. It is important that due weight is given to all these concerns and the digital ecosystem is empowered upfront to deal with any anomalies that may arise while going forward. This is critical to facilitate greater adoption of digital payment systems among MSMEs.

To summarise, there is no denying the benefits that the country and MSMEs would gain from the transition to a less-cash economy, especially in the medium and long term. Hopefully, the several back-up measures-mentioned above-will be implemented to help build a robust digital ecosystem to enable a smooth transition from a 'cash economy' to a 'less-cash economy', especially with a strategic focus on MSMEs.

Alternative Funding Mechanism for Financial Inclusion

MUDRA and PMMY initiative started in 2015, has enabled millions of micro enterprises to access credit from various banking and non-banking channels.

Financial Inclusion is a process of providing the financial services and products to all, especially the weaker sections of the society in a cost-effective manner. This includes ensuring a bank account to all and also providing various services like deposit facility, credit, payment, transfer of funds, insurance, etc.

In India, the Financial Inclusion started as a programme in 2005-06, when RBI in its Annual Monetary Policy Statement, announced in April 2005, mentioned the need to have Financial Inclusion as a programme. This was also followed by setting up of a Committee under Dr. C. Rangarajan, ex-Governor, RBI viz. The Committee on Financial Inclusion, which gave a roadmap to the Financial Inclusion Programme in India. As a result, GoI initiated a programme called 'Swabhiman' whereby villages with 2,000 or more population were required to have banking facility by the year 2012. Accordingly,

During the last two years, the MUDRA and PMMY programme has helped about 7.50 crore loan accounts to avail of credit exceeding ₹3.17 lakh crore.

around 72,000 plus villages which did not have such facility, were provided one or other type of banking outlet in 2013.

The real impetus on financial inclusion came in the year 2014, when the Government started the Pradhan Mantri Jan Dhan Yojana [PMJDY] as per which, all adult population is to have a bank account. The programme is a huge success and resulted in opening 29 crore accounts with a credit balance of ₹64,922 cr.

In spite of all these, there is a felt need to expand the financial services in India through new intermediaries and products, which would help in expanding the financial inclusion across the country, providing credit facility and other related products. MUDRA and PMMY is one such initiative, started in 2015, which has enabled millions of micro enterprises to access credit from various banking and non-banking channels. During the last two years, the programme has helped about 7.50 crore loan accounts to avail of credit exceeding ₹3.17 lakh crore.

Stand-up India is yet another programme for achieving financial inclusion by providing credit to the unserved / underserved persons from SC / ST / Women categories, to set up their own enterprise / manufacturing unit / service industry.

Similar initiatives have helped in emergence of various players and products in the financial sector.

A. EMERGENCE OF ALTERNATE INSTITUTIONS

a. Small Finance Banks

To further strengthen and supplement the flow of credit to the sector, Reserve Bank of India, during September 2015, came out with the policy for differentiated banking for meeting its financial inclusion mission by creation of Small Finance Banks (SFBs) and Payment Banks (PBs). In view of the objective for which Small Finance Banks are set up, it is required to extend 75 per cent of its Adjusted Net Bank Credit (ANBC) to the priority sector. Further, in order to ensure that the bank extends loans primarily to small borrowers, at least 50 per cent of its loan portfolio is required to be constituted of loans and advances of up to ₹25 lakh. RBI has issued ten in-principle approvals under this category, of which, 8 are existing micro finance institutions, an NBFC and a local area bank. Of these, seven have already launched / started operations. The remaining are also in the process of getting the final licence and starting operations.

b. Payment Banks

The creation of Payment Banks by the Reserve Bank of India promises to offer a range of exciting opportunities, as well as some challenges, for the licensees.

Payment Banks can do more than provide just payment or remittance services. They can accept demand deposits with an end of the day balance of up to ₹1,00,000 per individual customer. They can issue ATM/Debit cards and provide Internet banking; function as a business correspondent for a bank; distribute simple third party financial products such as mutual funds, insurance and/or pension products (albeit after prior approval from the central bank); and undertake utility payments.

However, they cannot accept time deposits or undertake any form of lending activities. At least 75% of their 'demand deposit balances' have to be invested in government securities or treasury bills as statutory liquidity ratio (SLR). They need to maintain the stipulated cash reserve ratio (CRR) with the central bank for their 'outside demand deposit and time liabilities'.

RBI has issued in-principle approval for 11 Payment Banks in the country. Many of them are from the telecommunication sector. Of these, 4 have got the final licence and started their operations.

c. Innovative Mechanisms for Finance:

(i) Fin-Tech Companies

Financial technology, also known as Fin-Tech, is an industry composed of companies that use new technology and innovation in order to compete in the marketplace of traditional financial institutions and intermediaries in the delivery of financial services. Banks and regulators are hard-pressed to revisit their operating model and policies respectively to create a conducive environment of collaboration and dynamism amidst the participants in the fin-tech ecosystem. The year 2015 was a formative year for the Indian fin-tech sector, which saw the emergence of numerous fin-tech start-ups, incubators and investments from public and private investors. It was clearly reflected that a right mix of technical skills, capital investments, government policies, regulatory framework and entrepreneurial and innovative mind-set could be the driving force to establish fin-tech as a key enabler for financial services in India. Building a robust fin-tech ecosystem where start-up firms engage in external partnerships with financial institutions, universities and research institutions, technology experts and government agencies is the key enabler for growth and innovation in the fin-tech sector.

CONTACTLESS LOANS – AN INTERNATIONAL EXPERIENCE FROM ALIPAY

Ant Financial Services Group ("Ant Financial"), originated in October 2014 from Alipay (Alibaba group of China), which is the world's leading third-party payment platform founded in 2004. Ant Financial provides inclusive financial services (premier Superannuation, Investment, Insurance, and Finance service) to small and micro enterprises and individual consumers.

Ant Financial has continuously driven innovation in technology to improve user experience and create value.

Ant Financial applies Big Data technology to the businesses in its ecosystem. Following a comprehensive risk assessment process drawing on relevant models, customer data and other relevant data, Ant Financial developed "3-1-0" online lending, that is, a service standard characterised by a 3-minute application process, and 1-second loan granting and all with zero manual intervention. It has provided loans totalling over RMB 700 billion to over 4 million small and micro enterprises and entrepreneurs over the past five years, helping them tackle capital shortage, allowing them to survive and grow, and in turn create more job opportunities.

The technology of Big Data is also well utilised in the third-party credit scoring. A "Credit Score" is obtained through processing and assessing vast amounts of data, especially related to the five dimensions of anonymised user credit history, behavioural preferences, contractual fulfilment capacity, identity characteristics and social connections. Credit score is underpinned by e-commerce transaction data derived from Alibaba and online financial data from Ant Financial, along with data from partners, such as the Public Security Bureau and other public institutions.

Ali Finance currently has 4,09,444 borrowers spanning the country with an outstanding portfolio of 105 billion RMB ($17.2 billion). Loans are 100% unsecured and require 3 months of platform trading activity to qualify. The average loans size is 20-30,000 RMB ($3,500 to $5,000) and repayment terms are flexible. Clients qualify for a credit limit based entirely on their scoring model. No contact is needed between borrower and lender, with all communications, contracting and payment handled online, helping reduce costs and risk. NPL on the portfolio is 50-60 million RMB out of 105 billion outstanding, or less than .0005%.

(ii) Flow-based lending through India Stack

India Stack, a set of Application Programme Interface (API), that allows governments, businesses, startups and developers to utilise a unique digital Infrastructure towards presence-less (through universal biometric digital identity-Aadhaar), paperless (digital records attached to an individual's digital identity), and cashless (single interface to all the country's bank accounts and wallets to democratise payments) service delivery. India Stack is supported by a Technology think tank called iSPIRT-Indian Software Product Industry Round Table. The team has initiated a pilot on Flow-based Lending in Jaipur, Chandigarh and Visakhapatnam. The pilot will demonstrate how lending could take place by accessing information through India Stack.

To supplement the use of fin-techs in the ecosystem, there is a need for developing a platform of platform which will enable the beneficiary to lodge applications "online". The platform should access the various database through the open set of APIs under "India Stack" and provide value addition to the application by way of "credit scores" to enable the financial institutions to take a credit decisions using technology and the exhaustive data.

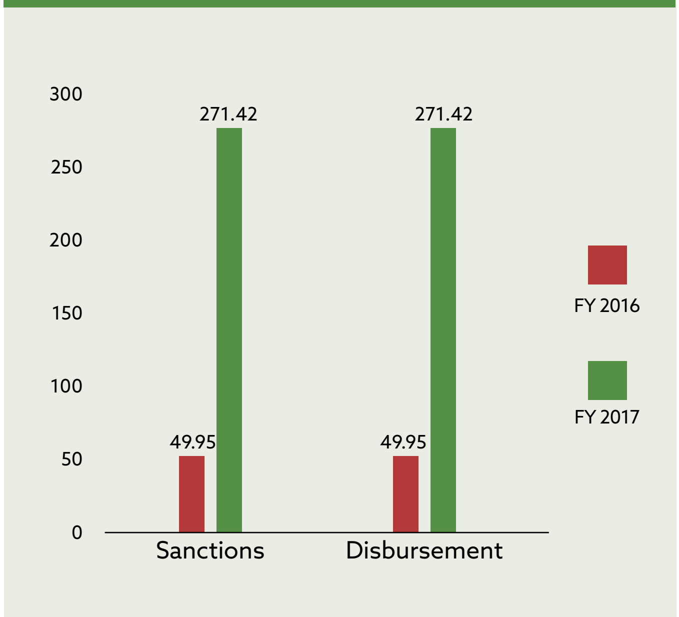
B. ALTERNATIVE FUNDING MECHANISM FOR FINANCIAL INTERMEDIARIES

With the development of new financial intermediaries, there is also the need to support them through innovative funding mechanism. Traditionally, the Banks get their resources through deposits and borrowings from various sources, including, refinance institutions like SIDBI, NABARD, NHB and MUDRA. MFIs and NBFCs traditionally raised funds through borrowing from Banks and Refinancing institutions. Since the financial requirements of the sector are humongous, opening up of alternate avenues for raising affordable resources is the need of the hour. In such a scenario, a few alternate funding mechanisms viz. Alternative Investment Fund (AIF), Securitisation, Non-Convertible Debentures (NCDs), Partial Guarantees for Bond issuances are emerging as popular resources.

Securitisation

Under securitisation transactions, the originators such as MFIs/NBFCs sell their portfolio to investor institutions but continue to service these loans. As a result, they get funds to grow their portfolio as also attracting lower regulatory capital requirement as assets bearing 100% risk weight get transferred from the balance sheet of the MFIs to buyers of securitised paper. It provides a window of opportunity for the originators (MFIs/NBFCs) to improve their profitability. This also ensures affordable cost to borrowers. The securitised assets are either assigned directly to the buyer or are sold in the form of Pass Through Certificates [PTCs] issued by the intermediary Trustee Company. Such securitised assets also qualify for the priority sector portfolio if it is otherwise eligible.

Assistance under Securitisation (₹ crore)



Non-Convertible Debentures

Non-Convertible Debentures ("NCDs") are issued by Corporates / NBFCs / Banks in a transaction structured and arranged by an arranger-cum-structurer ("arranger") who is also a lender and investor to the Issue. The NCD investment can be both in primary market and secondary market. NCDs could be either Secured / Unsecured, Redeemable / Irredeemable, Convertible / Non-Convertible. The issue of NCDs can be provided credit enhancement through adequate mechanism, so that it attracts more investors from the capital markets and institutions.

ALTERNATE INVESTMENT FUNDS

With the economy looking for strong investment led thrust, the importance of Alternative Investment Funds (AIFs) in the Indian economy is growing manifold. In May 2012, The Securities and Exchange Board of India (SEBI), notified the Alternative Investment Funds (AIF) Regulations, 2012. AIF means any fund established in India in the form of a trust, company or limited liability partnership which is a privately-pooled investment vehicle and is not covered under the SEBI's Mutual Funds (MFs) Regulations or Collective Investment Schemes (CIS) Regulations.

Thus, AIFs offer a new way of investing in India, separate from the MF or CIS route. As reported by SEBI as on September 30, 2016, AIFs have invested nearly ₹25,000 crore in India. Nearly 60% of this amount is invested by Category II AIFs, which in turn invest in the day-to-day requirements of the NBFC/MFIs. Alternate Investment Fund is a robust product platform for facilitating debt funding to retail finance institutions that are at the forefront of promoting financial inclusion in India which bridges the gap between the NBFC/MFIs and the capital markets.

The close-ended nature allows the Fund to follow a mix of passively and actively managed debt portfolio. Based on the credit support jointly provided by the Investment Manager and investor, the structure shall enable the participation of a wide range of investors and attract mainstream capital market participants to the sector of financial inclusion in India. The AIF will provide differentiated debt capital to high-quality retail financial institutions. Such a product shall enable high quality small and medium-sized institutions to access capital markets at affordable rates.

Common-pooled Partial Guarantee for Bond Issuances

Yet another mechanism is by way of partial second loss guarantee from a financial institution favouring the SPV implementing single / multi originator (NBFCs / MFIs-NBFCs) securitisation with first loss being met by originator with a possible further comfort of a subordinated investment tranche by a reputed arranger / structure of the securitisation deal.

Another mechanism could be a common partial pooled guarantee from a financial institution for Bond (non-convertible debentures) issuances by multiple issuers (NBFCs / MFI-NBFCs), with a likely co-guarantee or subordinated guarantee by arranger / structure of the securitisation deal.

C. ROLE OF FACILITATION AGENCIES-RSETI, RUDSETI, EDII ETC.

RSETIs stand for Rural Self Employment Training Institutes which are managed by Banks with active co-operation from the Government of India and State Government. RSETI concept is based on RUDSETI (Rural Development and Self Employment

Training Institute), a society established jointly by agencies. One RSETI is established in every district in the country. The lead bank in the district takes the responsibility for creating and managing the RSETI which are dedicated institutions designed to ensure necessary skill training and skill upgradation of the rural BPL youth to mitigate the unemployment problem. After successful completion of the training, the trainees are provided with credit linkage assistance by the banks to start their own entrepreneurial ventures.

Udyamimitra Portal

A universal enterprise loan portal www.udyamimitra.in has been positioned by SIDBI with thrust on SUI, MUDRA & MSME enterprise loans. The Portal is managed as a virtual marketplace which endeavours to provide 'End to End' solutions not only for credit delivery but also for the host of credit plus services by way of hand-holding support, application tracking, multiple interface with stakeholders. The portal provides access to both financial (1.25 lakh bank branches) and non-financial services (17,000+ handholding agencies [Financial Literacy Centres]) with three distinct features viz. (i) Seek Handholding support; (ii) Select and apply for loans to preferred banks; (iii) Enable faster loan processing. The Portal is designed to obtain application forms, gather and provide information, enable registration, provide links for handholding and assist in tracking request for handholding or loan. At the loan marketplace, a preferred banker or any other banker who are active, can pick up loan applications as also mark their sanctions and rejections online. The portal is open to access loan application for Stand-up India programme, PMMY and the MSME loans up to ₹ one crore. As a result, more than 2,000 loan applications were submitted by MUDRA loan applicants, a few of which were picked by banks for sanction.

Conclusion

MUDRA will continue to embrace new developments in the micro unit segment and would create enabling environment for promotion, development and refinance for the micro units sector in the country.

MUDRA Initiatives for Funding the Unfunded

"Small opportunities are often the beginning of great enterprises."
--Demosthenes

Increasing financial access for traditionally underserved population, including women, poor households, vulnerable groups and micro and small enterprises is critical to achieving inclusive and balanced economic growth.

Micro Units Development and Refinance Agency Ltd (MUDRA) is engaged in creating an enabling environment for the existing institutions engaged in extending financial assistance to micro enterprises. MUDRA's support for inclusive finance is provided through refinance and credit guarantee products. While refinance is provided by MUDRA, the credit guarantee product is managed and operated by NCGTC. MUDRA provides refinance to primary lending institutions financing income generating micro enterprises engaged in manufacturing, processing, services, trading and activities allied to agriculture extended loans up to ₹10 lakh under Pradhan Mantri Mudra Yojana (PMMY). Further, the overdraft amount of ₹5,000 sanctioned under Pradhan Mantri Jan Dhan Yojana (PMJDY) is also treated as part of MUDRA loans under Pradhan Mantri Mudra Yojana (PMMY) and the support is extended.

BUSINESS OPERATIONS

During the year, MUDRA enrolled 33 additional partner institutions taking the total number of enrolled partner institutions to 193 as on March 31, 2017, comprising 27 Public Sector Banks, 18 Private Sector Banks, 31 Regional Rural Banks (RRBs), 13 State / Urban Co-op Banks, 73 MFIs and 31 NBFCs.

The sanctions and disbursements of funding support made during the FY 2017 stood at ₹3,708.94 crore and ₹3,525.94 crore respectively, as against ₹3,783.20 crore and ₹3,337.20 crore respectively, during the previous financial year. The comparative position of sanction and disbursement in the last two financial years is as under:

(₹ in crore)

	FY 2015-16		FY 2016-17	
Particulars	**Amount sanctioned**	**Amount disbursed**	**Amount sanctioned**	**Amount disbursed**
Banks	2,432.00	2,432.00	1,886.73	1,886.73
MFIs	812.00	616.00	820.00	787.00
NBFCs	250.00	0.00	549.00	399.00
RRBs	239.25	239.25	181.79	181.79
Sub Total	3,733.25	3,287.25	3,437.52	3,254.52
PTCs	49.95	49.95	271.42	271.42
Grand Total	**3,783.20**	**3,337.20**	**3,708.94**	**3,525.94**

During the year, five transactions were done, aggregating to ₹271.42 crore, taking the total number of securitisation deals to 6, aggregating to ₹353.50 crore cumulatively.

REFINANCE

Commercial Banks, RRBs, Cooperative Banks, NBFCs and MFIs engaged in financing micro enterprises (loan requirement up to ₹10 lakh) are eligible for refinance support from MUDRA subject to fulfilling eligibility norms prescribed by MUDRA from time to time.

a. Refinance to Commercial Banks

Eleven Public Sector banks availed of refinance support from MUDRA during the year. The sanctions/disbursement to Commercial Banks during the year was at ₹1,886.73 crore, as against that of ₹2,432 crore availed of during the previous financial year. The downward availment of refinance during the year was on account of ample liquidity with the Banks, especially post demonetisation.

b. Refinance to RRBs

Refinance to RRBs amounted to ₹181.79 crore, as against ₹239.25 crore refinanced to RRBs in the previous financial year.

c. Refinance to MFIs

Refinance assistance aggregating to ₹820 crore was sanctioned to 20 MFIs, of which ₹786.99 crore was disbursed during the year. The corresponding figures for the previous year were ₹812 crore & ₹616 crore respectively.

d. Financing to NBFCs

NBFCs are a major channel for providing financial support to Micro enterprises and transport operators in the country. MUDRA has identified this important channel to provide greater support. During the year, 2 new schemes for providing assistance to NBFCs (with asset base of > ₹500 crore and < ₹500 crore) were introduced out of funds other than PSS funds, including owned funds of MUDRA. Refinance assistance aggregating to ₹549 crore was sanctioned to four NBFCs, of which ₹399 crore was disbursed during the year.

MUDRA adopted a special programme in extending the refinance assistance to MFIs. NBFCs extending loan / resource support to MFIs (both NBFC-MFIs and non-NBFC MFIs) for on-lending to ultimate borrowers were considered as eligible institutions for refinance support from MUDRA. Under this, several smaller MFIs, who are generally not eligible to draw refinance support from financial institutions on account of their small scale of operations, could avail of assistance from MUDRA through such NBFCs. Under this mechanism, assistance was extended to Annanya Finance for Inclusive Growth Private Limited, Ahmedabad which benefited 14 small MFIs, including 2 smaller MFIs from North Eastern Region.

SECURITISATION - MUDRA AS A MARKET MAKER

Funding support to NBFCs and NBFC-MFIs was extended through securitisation of micro loan assets. Securitisation, not only allows MUDRA to leverage its capital, but also enables small and medium-sized originators to access capital markets at affordable rates. Securitisation got a push during the year. During the year, five transactions were done, aggregating to ₹271.42 crore, taking the total number of securitisation deals to 6, aggregating to ₹353.50 crore cumulatively.

OVERALL BUSINESS OPERATIONS

As on March 31, 2017, the outstanding refinance portfolio of MUDRA stood at ₹6,113.87 crore, as detailed below:

S. No.	Particulars	Sanctioned	Disbursed	O/s as on March 31, 2017
1	Banks	4318.73	4318.73	4190.19
2	RRBs	421.04	421.04	277.04
3	MFIs	1681.50	1403.00	1085.93
4	NBFC-MFIs	799.00	399.00	399.00
5	PTC-Transaction	321.37	321.37	161.71
	Total	**7541.64**	**6863.14**	**6113.87**

RESOURCES

MUDRA Refinance Corpus Fund of ₹20,000 crore allocated by RBI now stands reduced to ₹10,000 crore on account of earmarking of ₹10,000 crore to Stand Up India (SUI) programme. Out of the said Fund, MUDRA has drawn ₹8,125 crore in 3 tranches. SIDBI has contributed ₹1,000 crore towards capital including ₹925.93 crore equity share capital of MUDRA and balance towards share premium during the year, taking the total share capital contributed by SIDBI to ₹1,675.93 crore.

MONITORING OF PMMY

For effective monitoring of PMMY, a dedicated portal linked to MUDRA website www.mudra.org.in was commissioned for capturing weekly data on the performance of various institutions under PMMY. Provision has been made to capture district level disaggregated data giving details of loan and borrower-wise categories. The data is used for analysis and monitoring the progress under PMMY, both at State and Central Government level. An NPA module has also been launched to capture NPA position under PMMY portfolio. Similarly, a module for online boarding of success stories of PMMY is also being made available in the portal.

CREDIT GUARANTEE FUND FOR MICRO UNITS

Credit Guarantee Fund for Micro Units (CGFMU), is being operated by National Credit Guarantee Trust Corporation (NCGTC). During the year, ₹2,000 crore was received by NCGTC out of the ₹3,000 crore CGFMU Corpus allocated by GoI. Out of the 46 Member Lending Institutions (MLIs) registered with the Trust, 13 MLIs have transacted on SURGE (NCGTC's online platform) for CGFMU guarantee, involving 6,69,846 loan accounts covering an amount of ₹6,910 crore.

MUDRA LOAN ACCESSIBILITY THROUGH "UDYAMIMITRA.IN"

A universal enterprise loan portal www.udyamimitra.in has been positioned by SIDBI with thrust on SUI, MUDRA & MSME enterprise loans. The portal is easing access to credit and handholding services through

1. Anywhere/anytime online loans (using standardised forms)
2. Business ideas knowledge pool
3. Enabler E-Loan Market place (where banks are competing and are responsive)
4. Credible connect to 1.25 lakh bank branches and 17,000 plus handholding agencies (for application filling, DPRs, financial/ EDP/skill training, mentoring, access to margin money and subsidy)
5. Decide on banks (by choosing them online through branch locator)

As on July 25, 2017 the portal witnessed registration of 55,133 aspirants followed by 10,012 online loan applications.

As on July 25, 2017 the portal witnessed registration of 55,133 aspirants followed by 10,012 online loan applications. (Out of these MUDRA aspirants lodging online application from almost all parts of the country are 3,813). Overall, till July 25, 2017, Banks have sanctioned 2,057 online loans for ₹469.97 crore. With support from institutions like RSETIs, there has been an uptrend in MUDRA loan applications which on a monthly basis has risen from 117 per month in January 2017 to 1,025 per month by July 2017. This is poised to grow.

HUMAN RESOURCES DEVELOPMENT

As on March 31, 2017, MUDRA had on its rolls 14 officers on deputation from SIDBI/NABARD, one Company Secretary (on roll) and 2 Associates (off roll).

TRAINING AND CAREER DEVELOPMENT

Changes in banking/microfinance environment and expectations from various stakeholders are throwing up lot of opportunities and challenges. To update the skills of its staff and impart appropriate, relevant and necessary training and knowledge and also with a view to increase motivation and job satisfaction, MUDRA regularly deputes its staff members to inland training programmes/workshops conducted/ organised by reputed national institutions within the country. The focus of the training function is to ensure comprehensive all-round development of the staff. During the year, a customised programme was also organised on management development for all the staff of MUDRA with the help of Pegasus Institute for Excellence.

OTHER INITIATIVES

i) KfW Microfinance Line - TA Component

Under the KfW Microfinance Line-Technical Assistance Component allocated by SIDBI, from the TA sanctioned to SIDBI by kfW, MUDRA has carried out various Capacity Building (CB) activities.

Stakeholders meet for design and development of innovative financial products for MUDRA

A one-day brainstorming session of stakeholders for discussing the design and development of innovative financial products for MUDRA clients was conducted at Bankers Institute of Rural Development (BIRD), Lucknow. About 40 officials representing SIDBI, NABARD, MUDRA, Commercial Banks, SEWA, Gramin Banks, Fintech, MFIs, etc. attended the programme. Dr. K. Shivaji, IAS, Chairman MUDRA, Shri Manoj Mittal, DMD, SIDBI and Shri Jiji Mammen, MD & CEO, MUDRA addressed the meet and participated in the deliberations.

Interactive meet with NBFCs

To engage NBFCs as one of the main delivery channels for refinance and guarantee products of MUDRA, a half day interactive meet with NBFCs was organised at Mumbai. The meeting was attended by Shri K. K. Jalan, IAS, Secretary, MSME, Shri S. N. Tripathi, IAS, Development Commissioner, MSME, senior officials from SIDBI, MUDRA, CGTMSE, FIDC and representatives from around 25 NBFCs. The meet emphasised the need to engage with smaller NBFCs for supporting micro-enterprises in the country.

Annual Business Review Meet cum Management Development Programme

A 2-day Brainstorming Session/Annual Business Review Meet of MUDRA was organised at Ukksan Village near Lonavala, Mumbai. During the meet, inputs on team-building, decision-making, time management, stress management, goal-setting, new business ideas for MUDRA, etc. were also imparted. A session on leveraging technology for better delivery of MUDRA products was handled by Shri Ajay Kumar Kapur, DMD, SIDBI.

Code of Conduct Assessment (COCA) / Loan Portfolio Audit

To enhance the operational efficiency of MFIs and enable smooth flow of adequate credit to the micro finance sector, MUDRA supported a few MFIs through measures like Code of Conduct Assessment to assess MFI's degree of adherence to the voluntary microfinance code of conduct. Further, support was extended for Loan Portfolio Audits of an MFI.

Business Literacy App

MUDRA has developed a Mobile App, the Business Literacy, which include a short movie also. The app is meant to guide the prospective enterpreneur in how to setup his enterprise, schemes of Government and Banks, Features of MUDRA Scheme, BHIM etc.

Compilation of Success Stories of PMMY

Two booklets containing selected success stories of MUDRA yojana compiled from banks, covering around 150 cases were published during the year.

Coffee Table Book

A Coffee Table Book on Pradhan Mantri Mudra Yojana was also published during highlighting the scheme, its benefits and success achieved under the same.

ii) Conclave on Small MFIs

Addressing challenges in upscaling –[Coordinated by Access-Assist/PSIG].

A workshop was organised for Small MFIs, along with SIDBI and PSIG, at Delhi with a view to encourage the small MFIs to scale-up their activities and be active players in the field of microfinance programme on August 26, 2016 at New Delhi. The meet deliberated on the challenges in upscaling small MFIs and how to overcome. The workshop was addressed by Dr. Kshatrapati Shivaji, Chairman MUDRA and attended by Shri Manoj Mittal, DMD and Jiji Mammen, CEO.

iii) Participation of MUDRA in National and International Forums

MUDRA has participated in the following national/international forums during the last one year

S. No.	Particulars	Venue	Period
1	ASSOCHAM Summit-Financial Clinic for MSMEs, Mumbai	Hotel Four Seasons, Worli, Mumbai	23.06.2016
2	National Seminar on "Equity, Access & Inclusion-Transforming Rural India through Financial Inclusion" to be held at NIRD & PR, Hyderabad	NIRD & PR (National Institute of Rural Development & Panchayati Raj), Hyderabad	18.07.2016
3	ASSOCHAM at Hyderabad	Hotel Taj Krishna, Hyderabad	19.07.2016
4	Sa-Dhan National Conference on Micro Finance at New Delhi	India Habitat Centre, New Delhi	14 & 15.09.2016
5	Innovative technologies for enabling and consolidating financial inclusion at the workshop on financial inclusion for BRICS nations	Hotel Leela, Mumbai	19.09.2016
6	Eastern India Micro Finance Summit organised by The Association of Micro Finance Institutions, West Bengal (AMFI-WB)	The Lalit Great Eastern Hotel, Kolkata	18.11.2016
7	13th Annual Inclusive Finance India Summit 2016 organised by ACCESS-ASSIST	Hotel Ashok, New Delhi	5 & 6.12.2016
8	Mint's 10th anniversary panel discussion on "Inclusive Finance and a March Towards a Cashless Economy".	Taj Land's End, Mumbai	23.01.2017

Awards/Recognition

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

- "Outstanding Development Project Award" was given to PMMY and MUDRA by Association of Development Financing Institutions in Asia and Pacific (ADFIAP) for the year 2016.
- "Business Excellence and Innovative Best Practices Academia Award 2017" was awarded by New Delhi Institute of Management [NIDM] on March 11, 2017.
- MUDRA was also awarded with "JURY SPECIAL AWARD" from the gracious hands of Shri Suresh Prabhu, Hon'ble Minister for Railways during "MSME Banking Excellence Awards" held on Thursday, April 20, 2017, organised by Chamber of Indian Micro, Small and Medium Enterprises (CIMSME).

MUDRA's Board releasing the Coffee Table Book

MUDRA Activities

MUDRA celebrates completion of two years

Taking oath on Vigilance Awareness Day

Activity during brainstroming session at Pegasus

MUDRA team at Pegasus

Setting targets for the next year with Col. Patanjali Puri

Trek at Ukksan


MUDRA team on second Foundation Day


A Session with Col. Patanjali Puri during MDP


Shri A K Kapur DMD attended a session


Shri Jiji Mammen, CEO on a Field visit to a MFI


MUDRA officers with the CVO, SIDBI


Diwali at MUDRA office

PMMY
Two Years of Pradhan Mantri Mudra Yojana

Pradhan Mantri Mudra Yojana (PMMY) was launched on April 8, 2015 by the Hon'ble Prime Minister Mr. Narendra Modi and since then an amount of ₹3.18 lakh crore has been sanctioned under the programme, benefiting nearly 7.46 crore loan accounts, in the first two years of the programme

In India, despite having a vast banking network, there are many micro units which are outside the formal banking sector. According to NSSO Survey (2013), there are 5.77 crore small business / micro units, mostly individual proprietorship or 'Own Account Enterprises' (OAE), and majority of them are owned by people belonging to Scheduled Caste, Scheduled Tribe or Other Backward Classes (OBCs). Of these, less than 5% only have access to formal credit institutions and the rest have to rely upon informal sources for funding their business (friends, relatives or money lenders). In order to bring them under the formal credit channel, as part financial inclusion process, Pradhan Mantri Mudra Yojana (PMMY) was launched, along with the launch of Micro Units Development and Refinance Agency Limited (MUDRA), on April 8, 2015. The scheme has since completed two years. During the first year, an amount of ₹1.22 lakh crore was set as the target under PMMY, against which an amount of ₹1.37 lakh crore was sanctioned by Banks and MFIs, thereby achieving the target comfortably. During the second year i.e. FY 2016-17, the target was set at ₹1.80 lakh crore and the same was achieved by sanctioning more than ₹1.80 lakh crore loan by banks, MFIs, SFBs and NBFCs. MUDRA as a support institution extended refinance and credit guarantee support to the lending institutions and monitored the programme closely with the help of a dedicated portal developed for the purpose.

ANALYSIS OF THE PERFORMANCE OF PMMY DURING 2016-17

Agency-wise Achievement

The target set for the year 2016-17, under PMMY was at ₹1.80 lakh crore, which was initially distributed to the banks and MFIs, who in turn were distributed further into State-wise and branch-wise targets. The agency-wise performance against their overall target for the year is as under:

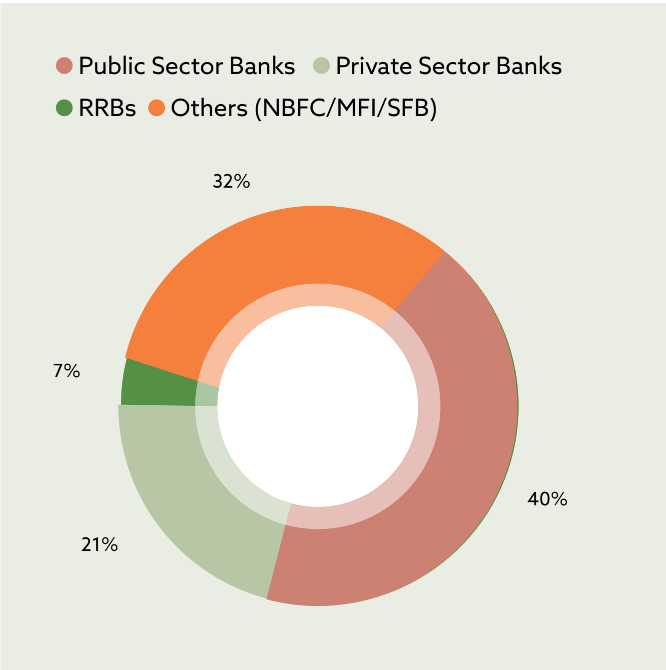
AGENCY-WISE PERFORMANCE

(₹ in crore)

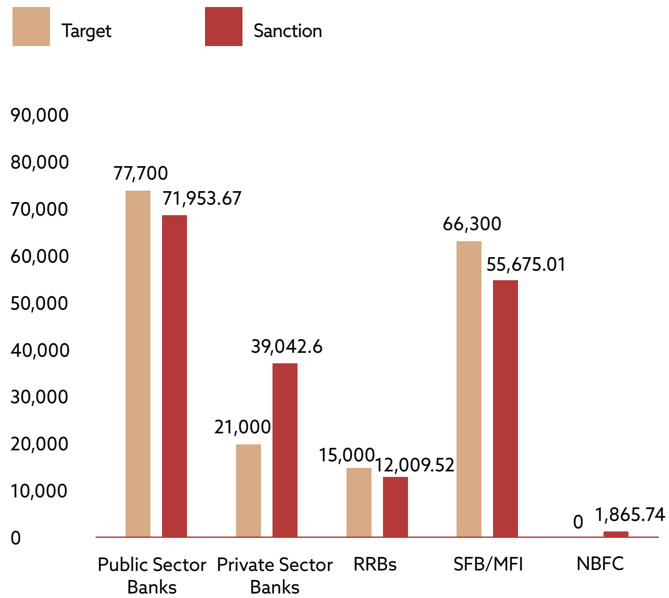
Agency	Target for 2016-17	Sanction 2016-17	Sanction 2015-16	Growth
Public Sector Banks #	77,700	71,953.67 (40%)	59,674.28 (43%)	21%
Private Sector Banks $	21,000	39,042.60 (21%)	20,445.74 (15%)	91%
RRBs	15,000	12,009.52 (7%)	11,324.47 (8%)	6%
SFBs/MFIs@	66,300	55,657.01 (31%)	46,004.78 (34%)	21%
NBFCs %	*	1,865.74 (1%)	*	-
Total	**1,80,000**	**1,80,528.54 (100%)**	**1,37,449.27 (100%)**	**31%**

- including SBI and its associates; $ - including Foreign Banks; @ - Includes SFBs, NBFC-MFIs, Non-NBFC-MFIs; % - Newly inducted into the programme; *target not given
The figures in the parenthesis indicates the share of different agencies

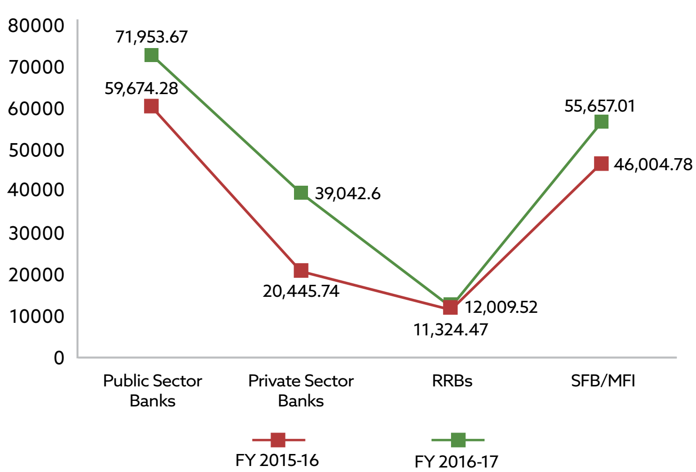
Total Sanctions made under Pradhan Mantri Mudra Yojana for FY 2016-17, Percentage-wise breakup for Banks



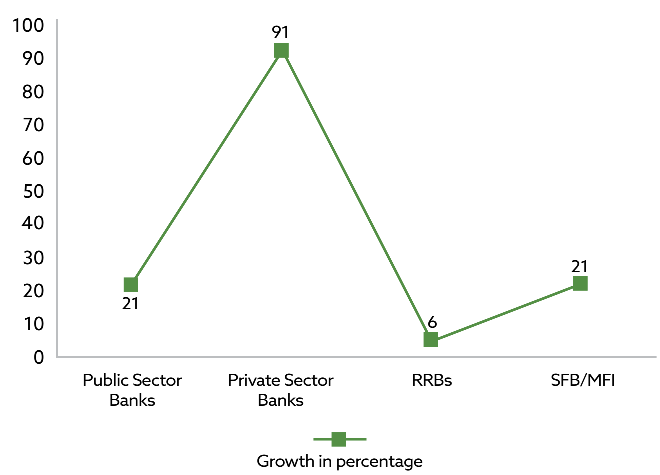
Banks Category-Wise Target Vs Sanction for FY 2016-17



FOR FY 2015-16 and FY 2016-17 LOANS SANCTIONED BY DIFFERENT CATEGORIES OF BANK



GROWTH IN PERCENTAGE FOR LOANS SANCTIONED BANK-WISE FOR BANKS BETWEEN 2015-16 & 2016-17



To realise the country's aspirations for double digit growth, it is crucial that the potential of MSME sector is optimally tapped.

The achievement data indicate a 31% growth in the overall performance of the programme by all the institutions. While the growth in respect of Public Sector Banks and MFIs/SFBs remained at 21%, the same increased significantly by 91% for Private Sector Banks. The growth of RRBs was at a mere 6%.

Among the Public Sector Banks, State Bank of India with ₹16,746 crore for 11.54 lakh accounts topped the table. SBI along with its other associate banks (which have since merged with SBI) have sanctioned an amount of ₹22,599 crore for about 13.56 lakh accounts and accounted for 12.52% of the total sanctions. SBI was followed by Punjab National Bank and Canara Bank, with ₹6,228 crore and ₹5,301 crore respectively.

The private sector banks also performed very well with a sanction of ₹39,042.60 crore during the year, recording 91% growth. The Bandhan Bank, which converted itself to a universal bank from MFI, topped the list with ₹14,762 crore, which is more than one third of the share of the private sector banks. The other major contributors in the private sector banks category are HDFC Bank with ₹5,523 crore, IndusInd Bank with ₹5,456 crore and ICICI Bank with ₹5,168 crore.

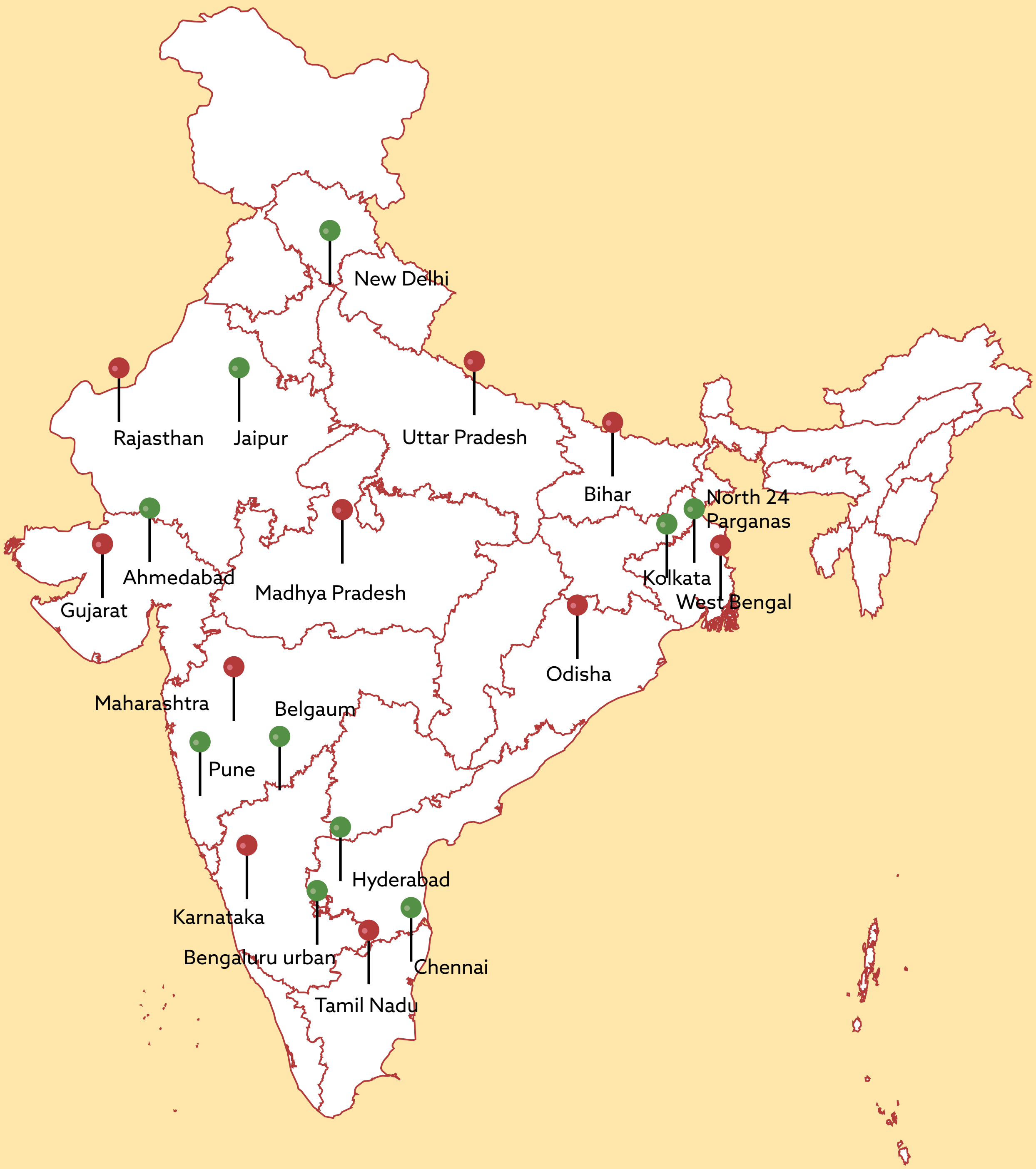
During the year, the Micro Finance Institutions contributed significantly to PMMY with ₹45,338.22 crore, extended to 214.21 lakh borrowers. Bharat Financial Inclusion Ltd (formerly known as SKS Microfinance Ltd.) with ₹11,733 crore and Janalakshmi Financial Services Ltd with ₹7,684 crore was the top two among the MFIs.

The Regional Rural Banks sanctioned ₹12,010 crore under PMMY during the year and their share was only about 7%. Among these banks, two banks viz. Pragathi Krishna Gramin Bank with ₹2,317 crore and Kerala Gramin Bank with ₹2,125 crore were the major contributors. Madhya Bihar Gramin Bank sanctioned ₹809 crore, which was followed by Karnataka Vikas Gramin Bank with ₹759 crore and Paschim Banga Gramin Bank with ₹403 crore.

A new category of Banks viz. Small Finance Banks, emerged during the year. Most of these SFBs were the erstwhile MFIs converted into SFBs. During the year, five SFBs reported their performance under PMMY which amounted to ₹10,319 crore, extending loans to 29.60 lakh borrowers. Almost all these loans are of micro finance loans, which were continuation of the business model carried forward from their previous entity.

STATE-WISE PERFORMANCE

The bank-wise / agency-wise targets were further distributed to state-wise by the respective banks based on their network and potential to lend. The state level performance was monitored by SLBC. Of all the States, Tamilnadu topped with ₹18,053 crore sanction, closely followed by Karnataka with ₹18,003 crore and Maharashtra stood at third with ₹17,287 crore. Following Top ten states, which have contributed 73% in terms of total sanctions whose performance along with their comparative position in sanctions during the previous year is as under:



STATE-WISE AND DISTRICT-WISE

Map not to scale

PERFORMANCE OF TOP 10 STATES

Sr. No.	State	Target (2016-17)	Sanction (2016-17)	Sanction (2015-16)	Growth (%)	Share to overall performance (%)
1	Tamil Nadu	20,117.10	18,052.68	15,846	14	10.00
2	Karnataka	18,388.68	18,002.55	16,861	7	9.97
3	Maharashtra	20,159.08	17,286.66	13,806	25	9.58
4	West Bengal	10,157.42	15,695.01	8,034	95	8.69
5	Uttar Pradesh	16,636.78	15,282.61	12,276	24	8.47
6	Bihar	10,657.51	12,190.6	7,554	61	6.75
7	Madhya Pradesh	10,442.56	10,506.45	8,097	30	5.82
8	Rajasthan	7,086.90	9,024.71	5,485	65	5.00
9	Odisha	6,980.72	7,891.34	5,695	39	4.37
10	Gujarat	8,066.52	7,781.94	6,035	29	4.31

The growth recorded by West Bengal, Rajasthan and Bihar was quite significant. Participation of new entities like Bandhan Bank Ltd and AU Small Finance Bank Ltd. have contributed to the growth in lending in West Bengal, Bihar and Rajasthan.

DISTRICT-WISE PERFORMANCE

From FY 2016-17, the portal also captured the district-wise performance of PMMY. Almost all the agencies reported the district-wise performance. A few agencies which could not provide district-wise break-up were grouped together as 'others' under the respective states, the share of which was not very significant. The top 10 districts under PMMY performance is as under:

DISTRICT-WISE PERFORMANCE

Sr. No.	District	Amount Sanctioned 2016-17 (₹ in crore)	% Share out of total Amount Sanctioned
1	Bengaluru urban	2364.27	1.31%
2	Pune	1872.94	1.04%
3	New Delhi	1713.37	0.95%
4	Belgaum	1676.18	0.93%
5	Kolkata	1563.92	0.87%
6	North 24 Parganas	1544.33	0.86%
7	Chennai	1532.96	0.85%
8	Hyderabad	1505.12	0.83%
9	Ahmedabad	1478.22	0.82%
10	Jaipur	1471.30	0.81%

These 10 districts formed 9% share in the total performance during the year. Better performance of these districts were due to they being urban centres with potentials of small business activities and also there being large number of financial outlets to serve them.

REGIONAL ANALYSIS

The states were divided into four regions based on their geography and the distribution of PMMY loan sanctioned during the year is compared and given below:-

REGION-WISE DISTRIBUTION OF PMMY

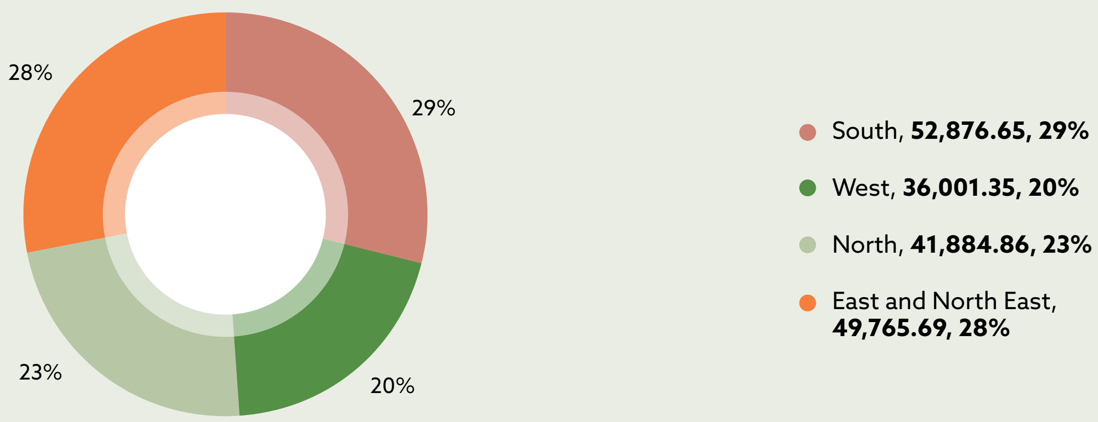
REGION	SHISHU		KISHOR		TARUN		TOTAL	
	No. of accounts	Amount sanctioned	No. of accounts	Amount sanctioned	No. of accounts	Amount sanctioned	No. of accounts	Amount sanctioned
North	58,45,356	13,631.56	6,50,874	14,726.99	1,71,501	13,526.32	66,67,731 (17)	41,884.86 (23)
East and north east	1,39,06,283	33,271.15	4,44,128	9,504.75	87,452	6,989.81	1,44,37,863 (36)	49,765.69 (28)
South	1,01,90,459	23,224.70	10,94,966	18,592.11	1,44,719	11,059.83	1,14,30,144 (29)	52,876.65 (29)
West	65,55,715	14,973.34	4,73,534	10,721.31	1,36,060	10,306.69	71,65,309 (18)	36,001.35 (20)
Total	**3,64,97,813**	**85,100.75**	**26,63,502**	**53,545.14**	**5,39,732**	**41,882.66**	**3,97,01,047**	**1,80,528.54**
Share to total (%)	91.93	47.14	6.71	29.66	1.36	23.20	100.00	100.00

Figures in parenthesis indicate the share in percentage.
For the purpose of dividing the states, the following pattern was prepared.

East & NE: Assam, Arunachal Pradesh, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Odisha, West Bengal, Bihar, Jharkhand, Chhattisgarh
West: Dadra & Nagar Haveli, Daman & Diu, Gujarat, Goa, Madhya Pradesh, Maharashtra
South: Karnataka, Kerala, Puducherry, Tamil Nadu, Telangana, Andhra Pradesh, Andaman & Nicobar, Lakshadweep
North: Chandigarh, Haryana, Himachal Pradesh, Jammu & Kashmir, Delhi, Uttar Pradesh, Uttarakhand, Punjab and Rajasthan

From the analysis, it can be seen that while in terms of number of accounts, East & NE region topped, with almost 1/3rd of the total number of loan accounts sanctioned, but their share in terms of loan amount was only at 28%, which was at par with Southern region. The share of number of accounts and the loan amount was almost the same in case of North and West regions. The Southern region had the sanction of 28% and 29% in terms of loan accounts and loan amount sanctioned during the year.

REGION-WISE SANCTION 2016-17 (₹ IN CRORE)



MUDRA loans are extended in three categories based on the size of the loans. They are Shishu (up to ₹50,000), Kishor (above ₹50,000 and up to ₹5 lakh) and Tarun (Above ₹5 lakh and upto ₹10 lakh). The share of these three categories of PMMY was analysed and is given below in the table:

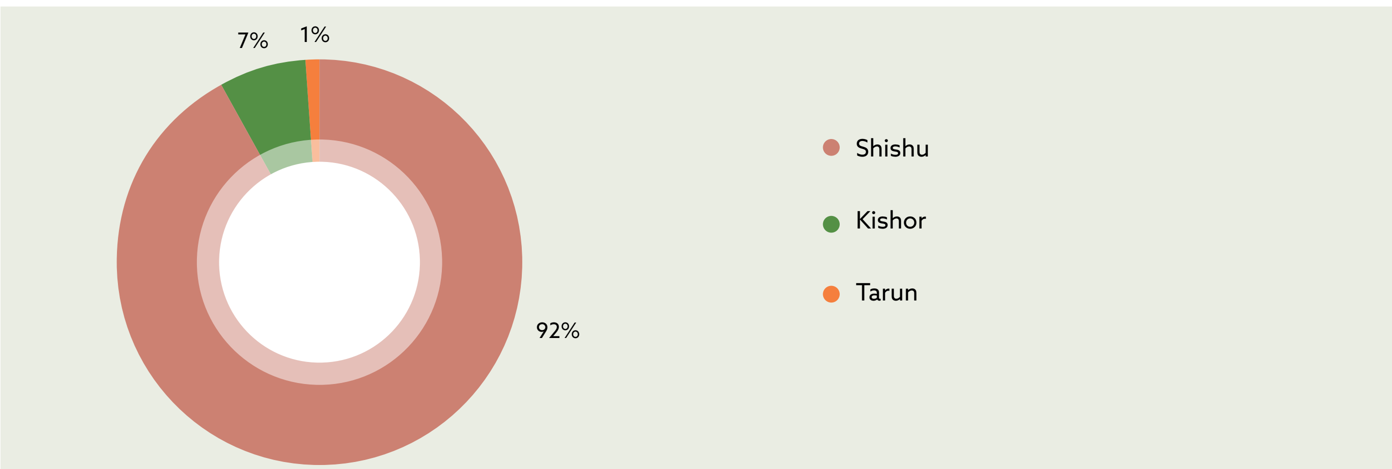
CATEGORY-WISE ANALYSIS OF PMMY SCHEME

(₹ in crore)

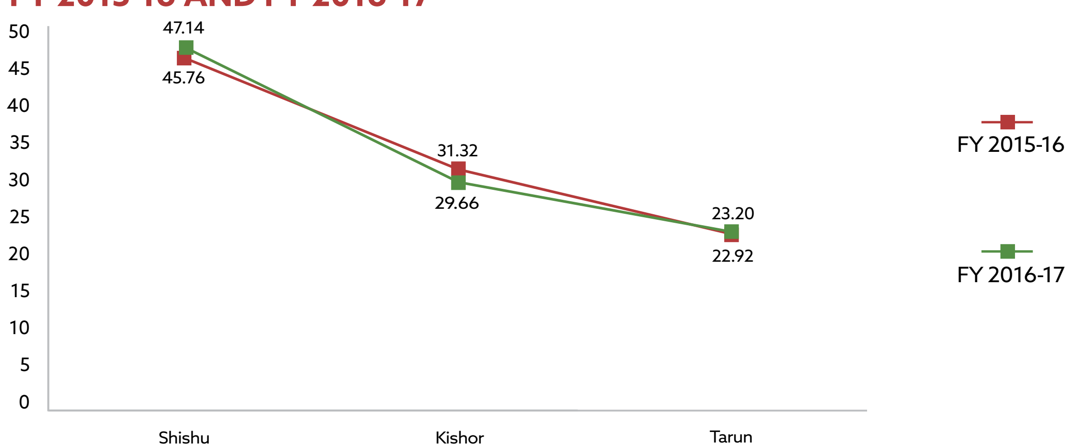
Category	No. of loan accounts for FY 2016-17	Loan sanctioned 2016-17	Loan sanctioned 2015-16	% change	Share 2015-16	Share 2016-17
Shishu	3,64,97,813 (92)	85,100.74	62,894.96	35.31%	45.76%	47.14%
Kishor	26,63,502 (7)	53,545.14	43,052.55	24.37%	31.32%	29.66%
Tarun	5,39,732 (1)	41,882.66	31,501.76	32.95%	22.92%	23.20%
TOTAL	**3,97,01,047 (100)**	**1,80,528.54**	**1,37,449.27**	**31.34%**	**100.00%**	**100.00%**

Among three categories, Shishu loans had the highest share in terms of number of accounts and which was followed by Kishor and Tarun. The share of Kishor loans fell by 1.66% in FY 2016-17 compared to FY 2015-16. In contrast, the share of Shishu and Tarun loans went up marginally in FY 2016-17, as compared to FY 2015-16.

NUMBER OF ACCOUNTS SCHEME-WISE DISTRIBUTION FOR FY 2016-17



COMPARISON OF SHARE PERCENTAGE OF DIFFERENT SCHEMES FOR FY 2015-16 AND FY 2016-17



ASSISTANCE TO LESS PRIVILEGED SECTIONS

The share of sub categories of borrowers like SC, ST, OBC, Women and Minorities under the different schemes of PMMY was analysed and is given below. Further, the share of new loan accounts sanctioned under programme during FY 2016-17 is also given in the following table:

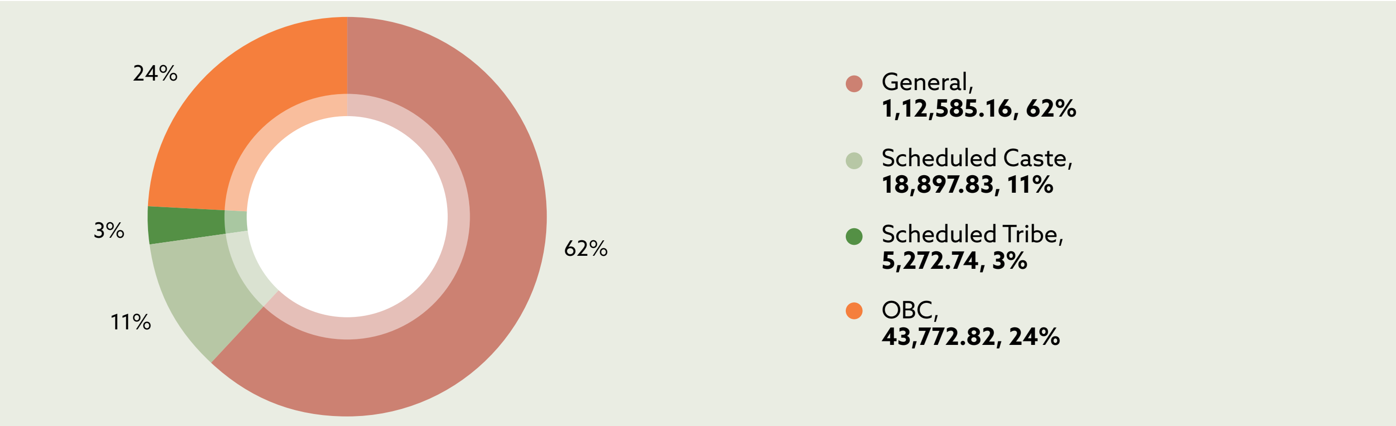
SUB-CATEGORIES OF BORROWERS (FY 2016-17)

(₹ in crore)

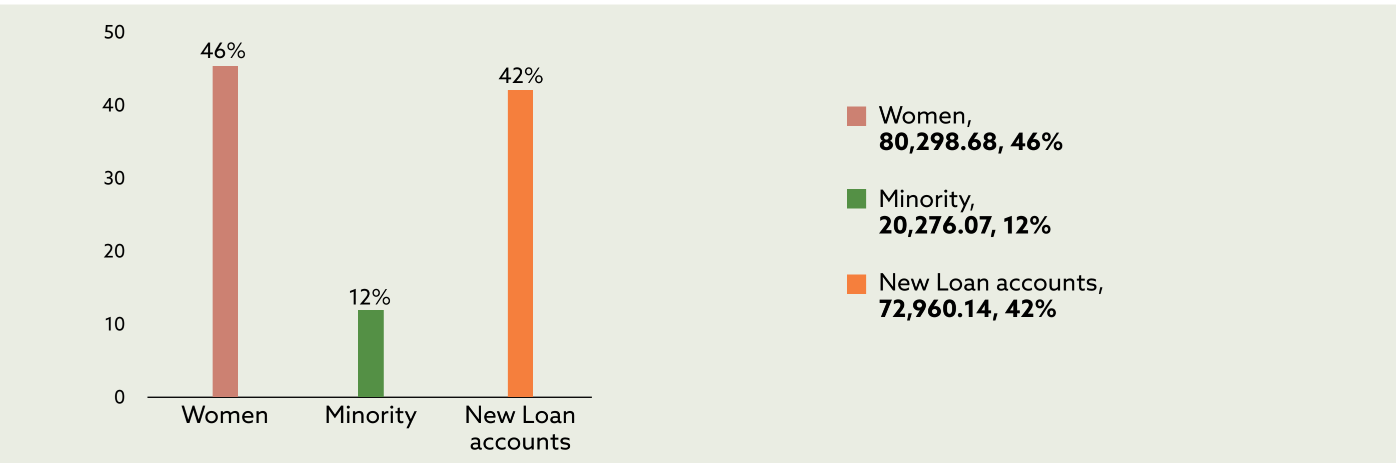
Category	SHISHU		KISHOR		TARUN		TOTAL	
	No. of A/c - in lakh	Amount sanctioned	No. of A/c - in lakh	Amount sanctioned	No. of A/c - in lakh	Amount sanctioned	No. of A/c - in lakh (%)	Amount sanctioned (%)
General	148.35	35,163.69	18.97	40,820.62	4.690	36,600.85	172.01 (43.33)	1,12,585.16 (62.36)
SC	69.86	15,976.20	1.40	2,170.84	0.100	750.79	71.36 (17.97)	18,897.83 (10.47)
ST	17.27	3,831.23	0.60	1,030.01	0.060	411.50	17.92 (4.51)	5,272.74 (2.92)
OBC	129.50	30,129.63	5.66	9,523.67	0.550	4119.52	135.72 (34.19)	43,772.82 (24.25)
Total	**364.98**	**85,100.75**	**26.63**	**53,545.14**	**5.400**	**41,882.66**	**397.01 (100)**	**1,80,528.55 (100.00)**
Of the above:								
Women	284.72	66,997.91	6.25	9,541.63	0.5	3,750.13	291.47 (73.42)	80,289.68 (44.47)
Minority	47.87	11341	3.24	5691	0.44	3244	51.54 (12.98)	20,276.07 (11.23)
New loan accounts	81.1	18,720.64	15.86	31,757.94	2.93	2,2481.56	99.89 (25.16)	72,960.14 (40.41)

Figure in parenthesis indicate the share in percentage

CASTE-WISE DISTRIBUTION OF LOANS FOR FY 2016-17



DISTRIBUTION OF LOANS TO WOMEN MINORITY AND NEW ENTREPRENEURS



The participation of women was very high under PMMY during FY 2016-17 also with 73% of the loan accounts and 44% of loan amount sanctioned being the share of women borrowers. The share of women in the Shishu category is at 78%, in terms of number of accounts under Shishu, and it formed 98% of the loan accounts of women borrowers. This is mainly due to the high share of MFIs in Shishu loans, where women are the major beneficiaries of micro finance loan. The corresponding percentage of MUDRA loan account of women was slightly higher at 79% during FY 2015-16.

The participation of the weaker sections of the society in the PMMY programme was at 57%, in terms of loan accounts, and 38% in terms of loan amount sanctioned. The share of SC, ST and OBC categories were 18%, 5% and 34%, respectively, in terms of the loan accounts sanctioned. Here again, the major portion of their share belongs to Shishu category.

The Minority category of borrowers accounted for 13% and 11% in terms of number of accounts and amount share, respectively in FY 2016-17.

The number of new loan accounts during the FY 2016-17 was at 25% of total loan accounts and 40% in terms of the sanctioned amount. There were nearly 1 crore new loan accounts sanctioned under PMMY during the year, which was lower than 1.25 crore accounts sanctioned during the previous year. Also the share of the new loan accounts showed a reduction in percentage terms from 36% in the previous year to 25% in the reporting year. Similarly, the share of loan amount sanctioned during 2015-16 was at 45% of total sanction, which has also come down to 40% in 2016-17. But the loan share in the new accounts indicate that the new units supported during the year were of larger size, falling under the category of Kishor and Tarun, as the average loan amount was over ₹72,000 per unit, as compared to around ₹50,000 per unit in the previous year.

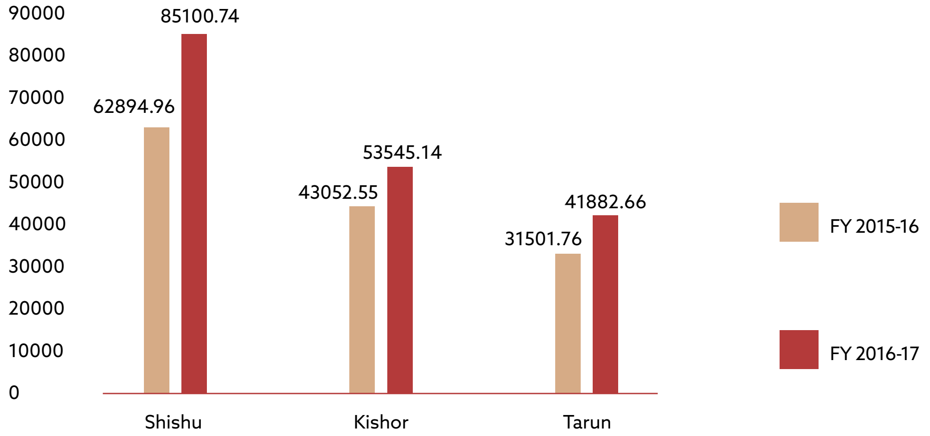
AVERAGE LOAN SIZE

The average size of the loans extended under MUDRA in different categories of loan is analysed and given below:

	Amount sanctioned (₹ in crore)		No. of loan accounts		Average loan size (Amount in ₹)	
Scheme	**2015-16**	**2016-17**	**2015-16**	**2016-17**	**2015-16**	**2016-17**
Shishu	62,894.96	85,100.74	3,24,01,046	3,64,97,813	19,411.40	23,316.67
Kishor	43,052.55	53,545.14	20,69,461	26,63,502	2,08,037.50	2,01,032.85
Tarun	31,501.76	41,882.66	4,10,417	5,39,732	7,67,554.95	7,75,989.94
TOTAL	**1,37,449.27**	**1,80,528.54**	**3,48,80,924**	**3,97,01,047**	**39,405.28**	**45,471.98**

The average loan size under PMMY during FY 2016-17 increased to ₹45,471.98 as against ₹39,405.28 crore in the previous year. Similarly, the average loan size under Shishu category at ₹23,317 has been higher than that of ₹19,411 in the previous year. There is little change in the average loan size under Kishor and Tarun in FY 2016-17 with respect to FY 2015-16.

YEAR WISE COMPARISON OF DIFFERENT SCHEMES UNDER PMMY



MUDRA CARD

MUDRA Card, which is a Rupay debit card, is issued against working capital limits issued under PMMY. During 2015-16, 5.17 lakh cards were issued for an amount of ₹1,477 crore loan amount. However, during 2016-17, only 1.84 lakh fresh cards were issued with an amount of ₹1,565 crore. Since the cards issued during a year are applicable in the next year also, the number of cards reported seems to relate to only new cards issued during the year, which is in addition to the existing cards thereby taking the total number of MUDRA Card in use to over 7 lakh cards.

OVERDRAFT AGAINST PMJDY

During FY 2016-17, Overdrafts were issued against the PMJDY accounts, which is also considered as MUDRA loans. These were numbered to 14.23 lakh accounts with ₹418 crore sanctioned. The average loan works out to nearly ₹3,000 per account. The average amount was significantly higher than the previous year's sanction.

CONCLUSION

Thus Pradhan Mantri Mudra Yojana (PMMY) continues to be a major initiative of the Government providing credit to millions of unfunded micro units in the country. The programme has benefited 7.42 crore loan accounts with a sanction of nearly ₹3.17 lakh crore in the last two years. It has also resulted in benefiting about 2.25 crore new loan accounts/ entrepreneurs, thereby providing employment to a large number of people across the country.

Directors' Report

Dear Members,

Your directors take pleasure in presenting the 2nd Annual Report on the business and operations of **Micro Units Development & Refinance Agency Ltd. (MUDRA)** for the financial year (FY) ended March 31, 2017. The Audited Financial Statements, Auditor's Report and the Report of the Comptroller & Auditor General of India on the Accounts for FY 2017, are also attached.

MUDRA was announced by the Union Finance Minister, Shri Arun Jaitley, while presenting the Union Budget for FY 2015–16, and was incorporated on March 18, 2015 as a Public Limited Company, in terms of Companies Act 2013, being a wholly-owned subsidiary of the Small Industries Development Bank of India (SIDBI). It was subsequently registered as a non-deposit taking non-banking financial institution (NBFI) with the Reserve Bank of India (RBI).

MUDRA was launched by Hon'ble Prime Minister, Shri Narendra Modi on April 8, 2015, as a refinancing agency for last-mile financial institutions like banks, microfinance institutions (MFIs) and non-banking financial companies (NBFCs) that extend credit to micro enterprises, engaged in manufacturing, trading or services and whose credit requirements do not exceed ₹10 lakh. During the year, the scope of MUDRA was extended to cover activities allied to agriculture also.

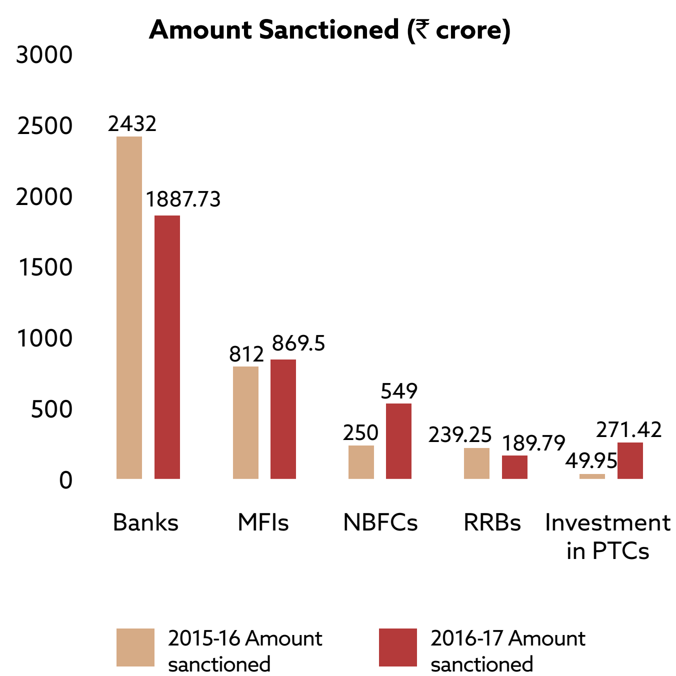
MUDRA, aims at creating income and employment opportunities for a large number of micro entrepreneurs. As per the National Sample Survey Organisation (NSSO) 2013, there are around 5.77 crore micro units, engaging more than 10 crore people. As per the survey more than 95% of these micro units do not have access to the formal credit system. Hence, MUDRA was formed to bridge this gap and facilitate **'funding the unfunded'.**

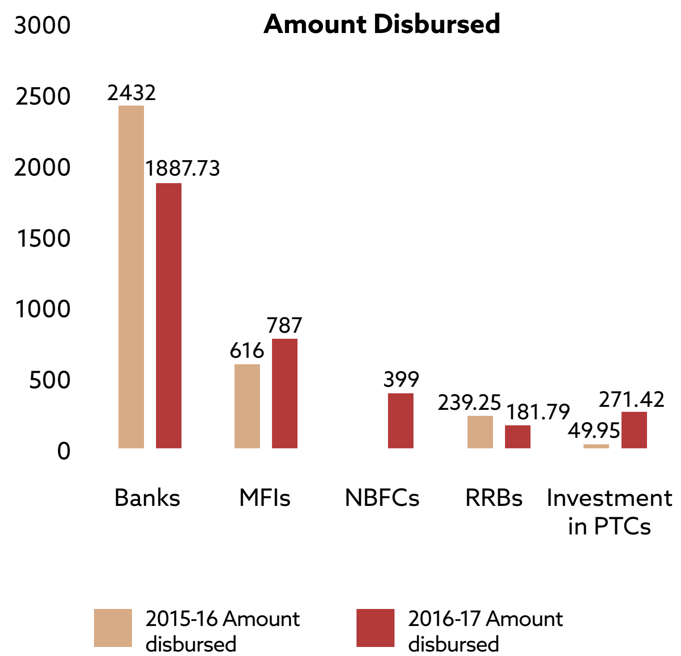
HIGHLIGHTS OF MUDRA ACTIVITIES

MUDRA OPERATIONS - REFINANCE

The second full Financial Year of MUDRA has been satisfactory in terms of refinance operations. MUDRA has so far enrolled 193 Institutions, including 89 banks (27 public sector banks, 18 private sector banks, 31 regional rural banks (RRBs), and 13 state/urban cooperatives banks), 73 MFIs and 31 NBFCs, as 'partners', for refinancing against their lending to micro entrepreneurs. During the year, ₹3,708.94 crore was sanctioned to 17 banks, and 23 NBFCs and MFIs, and ₹3,525.94 crore was disbursed to them.

Sanctions & Disbursements of Refinance





SECURITISATION

Apart from the regular refinance operations, MUDRA also participated in subscription of Pass Through Certificates, issued by special purpose vehicles (SPV), of securitised loan asset of NBFCs and NBFC MFIs, as a means of extending funds for these entities. These PTCs were structured and arranged by an arranger, which has also invested in the subordinate tranche of these transactions. During the year, an amount of ₹271.42 crore was invested in securitisation deals, taking the cumulative investment at ₹321.37 crore.

SECTORAL EVENTS ORGANISED BY MUDRA

MUDRA has organised various events for the development of the Micro enterprise sector during the current Financial Year. Some of them are as under:

1. Conclave on Small MFIs - Addressing challenges in upscaling. The event was co-ordinated by Access-Assist and Poorest States Inclusive Growth Programme (PSIG). It was held in New Delhi on August 26, 2016.

2. Brainstorming Session - Innovative credit products and alternative channels for credit for traditional sectors. It was held at Bankers' Institute for Rural Development (BIRD) on October 15, 2016, for deliberating on the design and development of innovative financial products for MUDRA Clients.

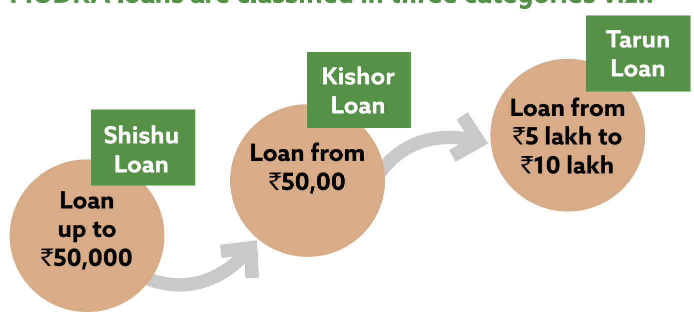
3. Interactive meet with Non-Banking Financial Companies (NBFCs) - The Meeting was chaired by Secretary MSME Shri K K Jalan IAS and attended by Shri S N Tripathi IAS Additional Secretary and Development Commissioner MSME. It was held in Mumbai on April 7, 2017.

MONITORING OF PRADHAN MANTRI MUDRA YOJANA

The Pradhan Mantra Mudra Yojana (PMMY) envisages providing MUDRA loans up to ₹10 lakh, by banks, NBFCs and MFIs for income-generating micro enterprises engaged in manufacturing, trading and service sectors. Department of Financial Services, Govt. of India, vide its letter dated June 23, 2016 advised to include the loans extended for agri-allied activities under PMMY.

The overdraft amount of ₹5,000 sanctioned under Pradhan Mantri Jan Dhan Yojna (PMJDY) has also been classified as a MUDRA loan under PMMY.

MUDRA loans are classified in three categories viz.:



The names signify the stage of growth/development of the micro units and their funding needs.

MUDRA has developed a MUDRA PMMY Portal for capturing data on lending under PMMY by various agencies and submitting its report to GOI with granular information such as the type of loan, type of borrowers and their details in Agency-wise, State-wise and District-wise manner. DFS, GoI and MUDRA reviews the progress regularly. The portal has been fine-tuned to capture District-wise data in FY 2017 and also NPA position under PMMY.

IMPACT MADE BY MUDRA YOJANA DURING 2016–17

The total sanctions and disbursements under PMMY by banks and MFIs, during FY 2016–17 stood at ₹1,80,528.54 crore and ₹1,75,312.13 crore respectively, thereby achieving 100% of the target of ₹1,80,000 crore set by the Government. More than 3.97 crore micro borrowers benefited through PMMY during the year.

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

Table 1: Categories of MUDRA Loans and Borrowers 2016–17

(₹ crore)

Category	No. of accounts (in lakh) FY 2015-16	2015-16		No. of accounts (in lakh) FY 2016-17	2016-17	
		Amount sanctioned	Amount disbursed		Amount sanctioned	Amount disbursed
Shishu	324.01	62,894.96	62,027.69	364.98	85,100.74	83,891.88
Kishor	20.70	43,052.55	41,073.28	26.63	53,545.14	51,063.12
Tarun	4.10	31,501.76	29,853.76	5.40	41,882.66	40,357.13
Total	**348.81**	**1,37,449.27**	**1,32,954.73**	**397.01**	**1,80,528.54**	**1,75,312.13**
Out of the above:						
New entrepreneurs	124.75	61,649.95	58,908.00	99.90	72,960.14	69,973.96
	(35.76%)	(45.25%)		(25.16%)	(40%)	
Women entrepreneurs	276.30	82,183.55	63,190.43	291.47	80,289.68	78,249.78
	(79.21%)	(59.79%)		(73.40%)	(44%)	
Share of SC/ST/OBC	184.02	50,237.52	49,196.33	225.01	67,943.38	66,279.80
	(53%)	(39.41%)		(57%)	(37.22%)	

(Figures in parenthesis indicate their share in the total)

MUDRA Cards

MUDRA Cards scheme was launched in 2015-16 to help hassle-free financing of working capital limit of micro enterprises. MUDRA Cards were issued to more than 1.84 lakh for an amount of ₹1,515.84 crore, during the year 2016–17. This is in addition to 5.17 Mudra Cards issued in 2015-16 thereby taking the cumulative number of MUDRA Cards issued to over 7 lakh borrowers.

The MUDRA Yojana has thus helped the aspirations of many micro 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 OF MUDRA

During the year, MUDRA has recorded a total income of ₹535.08 crore, as against a total expense of ₹362.75 crore, with profit after tax (PAT) at ₹107.84 crore. The highlights of the financial results are presented in Table 2.

Table 2: Financial Result Highlights 2016–17

(₹ crore)

Particulars	2015-16	2016-17
Revenue from operations	50.10	286.08
Other income	313.85	249.00
(A) Total income	**363.95**	**535.08**
Employee benefit expenses	2.39	3.98
Finance costs	243.31	343.65
Depreciation expense	0.01	0.05
Provisions & write-off	9.73	11.67
Other expenses	2.54	3.40
(B) Total expenses	**257.98**	**362.75**
Profit before tax (A-B)	105.97	172.33
(C) Total tax expenses	**40.04**	**64.49**
Profit for the year	**65.93**	**107.84**
Dividend	2.29	13.41
Dividend tax	0.47	2.73
Amount transferred to general reserves	45.00	70.00

(₹ crore)

Particulars	2015-16	2016-17
Amount transferred to statutory reserves	13.19	21.57
Surplus	4.99	21.26
Earnings per share (₹)	--	
Basic	1.39	0.80
Diluted	1.39	0.80

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 ₹21.57 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 ₹70 crore has been transferred to general reserves, as proposed by the Board of Directors in its meeting dated May 9, 2017, in accordance with the 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 ₹0.10 per equity share (at a face value of ₹10 each) on a pro-rata basis, for Financial Year ending March 31, 2017. The proposal is subject to the approval of the shareholders at the ensuing 2nd Annual General Meeting of MUDRA. The dividend shall be paid to those members whose names appear in the Register of Members of MUDRA, as on March 31, 2017.

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 by ₹5,000 crore, comprising of 500 crore equity shares of ₹10 each as on March 31, 2017.

MUDRA's paid-up equity share capital was augmented with infusion of capital by SIDBI in three instances, and it stands at ₹1,675.93 crore, as on March 31, 2017, comprising 167.59 crore equity shares of ₹10 each, fully subscribed by SIDBI.

CAPITAL ADEQUACY

MUDRA's capital adequacy ratio was 56.18 per cent as on March 31, 2017, which is significantly higher than the minimum threshold limit of 15 per cent, as prescribed by RBI for large-size non-deposit taking systematically 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 well recognised. "Business Excellence and Innovative Best Practices Academia Award 2017" was awarded by New Delhi Institute of Management [NIDM] on March 11, 2017. MUDRA was also awarded with "JURY SPECIAL AWARD" from the gracious hands of Shri Suresh Prabhu, Hon'ble Minister for Railways during "MSME Banking Excellence Awards" held on Thursday, April 20, 2017, organised by Chamber of Indian Micro, Small and Medium Enterprises (CIMSME).

PARTICIPATION IN SECTORAL EVENTS

MUDRA has attended various sectoral events during the current Financial Year. Some of them are as under:

1) South Asia Micro-Entrepreneurs Network [SAMN]-Microfinance Institutions Network [MFIN] Conference.
2) CII's 10th Banking TECH Summit 2016.
3) ASSOCHAM National Summit on Microfinance.
4) Sa-Dhan National Conference on Microfinance.
5) 13th Annual Inclusive Finance India Summit 2016 organised by ACCESS-ASSIST.
6) Workshop on Financial inclusion for BRICS nations.

7) Dun & Bradstreet's Financial e-Inclusion Conclave 2016, at Mumbai.

8) Inclusive Finance and a march towards cashless Economy – during 10th Anniversary of Mint.

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, 2017, the Board consists of three Independent directors, three directors from SIDBI (including DMD SIDBI who is Chairman of MUDRA), a MD & CEO, one director nominated by the government, and two non-executive directors.

The details of the Board of Directors of MUDRA and changes in the directorship, during FY 2016–17 are given at Annexure I.

Chairman

Dr. Kshatrapati Shivaji, IAS, Chairman & Managing Director, SIDBI, has relinquished his Office as the Chairman of SIDBI and MUDRA, as on December 07, 2016, on his appointment as Executive Director, Asian Development Bank. Consequently, SIDBI designated Shri Ajay Kumar Kapur, DMD, SIDBI a Director on the Board of MUDRA, as the Non-Executive Chairman from February 23, 2017.

Independent Directors

The following persons were the independent directors of the Board of MUDRA; as on March 31, 2017:

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

However, Dr. Nachiket Mor resigned as the Director of MUDRA with effect from June 1, 2017, on account of personal reasons.

Appointment

Shri Manoj Mittal, DMD, SIDBI was appointed as Nominee director of SIDBI on the Board of MUDRA, with effect from February 22, 2017.

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 (Non-executive Director) and Ms. Ratna Vishwanathan (Independent Director), on the Board of the Company as on date.

Key Managerial Personnel

Shri Jiji Mammen, Chief General Manager, NABARD, on deputation, has been appointed as Managing Director and 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 Jiji Mammen (DIN 06808988), being Managing Director & CEO, longest in the office, and Shri Pradeep Malgaonkar, Nominee Director of the Board (DIN 07184562) will retire by rotation. Shri Jiji Mammen being eligible offers himself for reappointment at the ensuing annual general meeting. The Board recommends his re-appointment.

MEETINGS OF THE BOARD OF DIRECTORS

During the current Financial Year ended March 31, 2017, the Board of MUDRA has met 4 times on various dates, as per Section 173 of the 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 re-constituted with three directors, the majority of them being independent directors. Details of the composition of the Audit Committee is enclosed in Annexure I.

During the current financial year, the Audit Committee met 4 times, in accordance with the Companies Act, 2013. An Audit Charter was 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 3 times in the year under review.

Risk Management Committee

In compliance with the 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), your Board has constituted a Risk Management Committee (RiMC) of the Board on February 27, 2017, to enable it to adopt the best corporate practices and greater transparency in operations.

The RiMC constitutes of Shri Ajay Kumar Kapur, Chairman, Shri Jiji Mammen, MD&CEO, Shri N K Maini, Director and Ms. Ratna Vishwanathan, Independent Director as members.

No meeting of RiMC took place during the year.

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 Financial Year ended on March 31, 2017.

However, your Company does not fall within the CSR norms during the first three Financial Years, 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 the current 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 Annexure I. No meeting of the CSR Committee was held during the current year.

BOARD EVALUATION POLICY

A Board Evaluation Policy has been approved by the Directors during the current Financial Year 2016-17 and based on the same evaluation of the Board, Independent Directors and Non-Independent Directors carried out, for the Financial Year ended March 31, 2017.

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 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 Financial Year ending on March 31, 2017, 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. 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 the course of operational and administrative activities.

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

TECHNOLOGY ABSORPTION

MUDRA is working in a computerised environment. Although it has not developed any core technology platform, some of the existing programmes are being used for its accounts, loan management and MIS purpose. MUDRA is in the process of acquiring dedicated software for meeting its comprehensive needs. MUDRA has put in place a portal for collecting and collating data from all banks/MFIs/NBFCs pertaining to loans being given by them under PMMY. The portal is quite robust and captures variety of data and generates various kinds of reports.

The District-wise data collection module was put in place during the year under review. Further, a new module for capturing NPA position has also been operationalised.

The portal is being used by the Government of India for strategising, follow-up and monitoring the performance under the PMMY scheme.

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

In addition, as part of SIDBI's Udhyamimitra 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 marketplace 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.

INTERNAL AUDITORS AND FINANCIAL CONTROL

In terms of requirement under Section 139 of the Companies Act, 2013, M/s. J Singh & Associates, Chartered Accountants, had been appointed as internal auditors of MUDRA for FY 2016–17.

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

MUDRA has formulated the standard operating procedures (SOPs) and Internal Financial Control for the various schemes and processes with the help of the external Consultant. Such internal financial controls are adequate and were operating effectively.

STATUTORY AUDITORS

MUDRA 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 statutory auditors of MUDRA, to conduct the audit of FY 2016–17.

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.

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 2016–17. The secretarial audit report issued by the secretarial auditors of MUDRA for Financial Year ending March 31, 2017, (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 was undertaken by 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 Financial Year ending March 31, 2017 was duly furnished to their office.

CAG audit team conducted the audit of MUDRA's operations during the period from June 6, 2017 to June 15, 2017. 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 July 4, 2017 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 is being submitted regularly by the Vigilance Officer In charge.

RISK-MANAGEMENT POLICY

Your Board has approved a Risk Management Framework for MUDRA. As part of the framework, it has formed an Enterprise Risk Management Committee (ERMC) at Management level on February 27, 2017. The Committee has been assigned the responsibility to make recommendations in formulating the policies and strategies for management of Credit and Operational Risk, develop/review the risk-management environment for MUDRA and monitor the adequacy of MUDRA's capital against defined risks.

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, 2017.

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 (NBFI), 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.

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 Annexure III to this Report.

RIGHT TO INFORMATION ACT, 2005

During the year under review, MUDRA has received 123 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, 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 judgements and estimates, so as to give a true and fair view of the state of affairs of the Company at the end of FY 2016–17 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 thank them for their continued support.

The Board also expresses its gratitude for the continued confidence and faith reposed on it 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: July 31, 2017
Place: Mumbai

Annexures to the Board's Report

ANNEXE I

Board of Directors as on March 31, 2017

S. No.	Name (Smt./Shri/Ms.)		Date of appointment
1.	Ajay Kumar Kapur	Chairman and Director, MUDRA, SIDBI Nominee	March 18, 2015
2	Pankaj Jain, IAS	Joint Secretary, DFS, GoI, GoI Nominee	January 28, 2016
3	Manoj Mittal	DMD, SIDBI, SIDBI Nominee	February 22, 2017
4.	Pradeep Achyut Malgaonkar	CEO, NCGTC, SIDBI Nominee	May 18, 2015
5.	Jiji Mammen	MD&CEO, MUDRA	April 13, 2015
6.	Jyotsna Sitling, IFS	Joint Secretary, Ministry of Skill Development and Entrepreneur, GoI	June 20, 2015
7.	Navin Kumar Maini	Ex-DMD, SIDBI (Sector Expert)	August 01, 2015
Independent Directors			
8.	Dr. Nachiket Madhusudan Mor	Director, Central Board of RBI	August 01, 2015
9.	Ratna Viswanathan	CEO, MFIN	November 10, 2015
10.	Pillarisetti Satish	Executive Director, Sa-Dhan	November 10, 2015

Cessation during the year 2016-17

S. No.	Name	Designation	Date of appointment	Date of cessation
1.	Dr. Kshatrapati Shivaji, IAS	Chairman and Additional Director	March 25, 2015	December 13, 2016

Board Meetings held during the year

S. No.	Date of meeting	Board strength	No. of directors present
1.	May 10, 2016	10	8
2.	August 24, 2016	10	9
3.	November 4, 2016	10	9
4.	February 27, 2017	10	9

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
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

SECRETARIAL AUDIT REPORT

For the financial year ended March 31, 2017

[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, Maharashtra, India.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Micro Units Development & Refinance Agency Limited (hereinafter called 'the Company'). The Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on my verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, 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, 2017 ('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, 2017 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);

The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):

(a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (Not Applicable to the Company);

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992; (Not Applicable to the Company);

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 (Not Applicable to the Company);

(d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 (Not Applicable to the Company);

(e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities)

Regulations, 2008 (Not Applicable to the Company);

(f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client (Not Applicable 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).

(v) Other laws applicable specifically to the Company, namely:

(a) *Systemically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 read with Master Circular as issued by Reserve Bank of India with respect to Returns to be submitted by NBFCs, as may be applicable.

*(Superceded 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)

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

(a) Secretarial Standards issued by The Institute of Company Secretaries of India

(b) 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 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 Deep Shukla & Associates
Company Secretaries

Deep Shukla
{Proprietor}
FCS: 5652
CP No. 5364

Place: Mumbai
Date: July 31, 2017

ANNEXURE TO THE 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, standard 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 Deep Shukla & Associates
Company Secretaries

Deep Shukla
{Proprietor}
FCS: 5652
CP No. 5364

Place: Mumbai
Date: July 31, 2017

ANNEXE III

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on period ended on March 31, 2017

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	March 18, 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 Centre, 1st Floor, C-11, G-Block Bandra Kurla Complex, Bandra (E), Mumbai - 400 051
6.	Whether listed company	No
7.	Name, Address & Contact details of the Registrar & Transfer Agent, if any	Link Intime India Pvt Ltd C-13 Pannalal Silk Mills Compound LBS Marg, Bhandup West Mumbai - 400 078

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	100

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 - 110 055	N.A.	100%	Sec. 2 (87)(II)

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

IV. SHAREHOLDING PATTERN (EQUITY SHARE CAPITAL BREAK-UP AS PERCENTAGE OF TOTAL EQUITY)

(i) Category-wise Shareholding

Category of shareholders	No. of shares held at the beginning of the year [As on March 18, 2016]				No. of shares held at the end of the year [As on March 31, 2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
1. Indian									
a) Individual/HUF	0	0	0	0	0	0	0	0	0
b) Central Govt.	0	0	0	0	0	0	0	0	0
c) State Govt.(s)	0	0	0	0	0	0	0	0	0
d) Bodies Corp.	0	0	0	0	0	0	0	0	0
e) Banks/FIs	0	749999994	749999994	100.00	1675925920	0	1675925920	100.00	0.00
f) Any other	0	0	0	0	0	0	0	0	0
2. Foreign Holdings									
a) Individual	0	0	0	0	0	0	0	0	0
b) Body Corporate	0	0	0	0	0	0	0	0	0
Total shareholding of Promoter (A)	**0**	**749999994**	**749999994**	**100.00**	**1675925920**	**0**	**1675925920**	**100.00**	**0.00**
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	0	0	0	0	0	0	0	0	0
b) Banks/FIs	0	0	0	0	0	0	0	0	0
c) Central Govt.	0	0	0	0	0	0	0	0	0
d) State Govt.(s)	0	0	0	0	0	0	0	0	0
e) Venture Capital Funds	0	0	0	0	0	0	0	0	0
f) Insurance Companies	0	0	0	0	0	0	0	0	0
g) FIIs	0	0	0	0	0	0	0	0	0
h) Foreign Venture Capital Funds	0	0	0	0	0	0	0	0	0
i) Others (specify)	0	0	0	0	0	0	0	0	0
Sub-total (B)(1):	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Category of shareholders	No. of shares held at the beginning of the year [As on March 18, 2016]				No. of shares held at the end of the year [As on March 31, 2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
2. Non-Institutions									
a) Bodies Corporate									
i) Indian	0	0	0	0	0	0	0	0	0
ii) Overseas	0	0	0	0	0	0	0	0	0
b) Individuals	0	6	6	0.01	0	6	6	0.01	0
i) Individual shareholders holding nominal share capital up to ₹1 lakh	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
c) Others (specify)	0	0	0	0	0	0	0	0	0
Non-resident Indians	0	0	0	0	0	0	0	0	0
Overseas corporate bodies	0	0	0	0	0	0	0	0	0
Foreign nationals	0	0	0	0	0	0	0	0	0
Clearing members	0	0	0	0	0	0	0	0	0
Trusts	0	0	0	0	0	0	0	0	0
Foreign bodies - D R	0	0	0	0	0	0	0	0	0
Sub-total (B)(2):-	**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
C. Shares held by custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0
Grand Total (A+B+C)	**0**	**75,00,00,000**	**75,00,00,000**	**100**	**16759259020**	**6**	**1675925926**	**100**	**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 share-holding during the year
		No. of shares	% of total shares of the company	% of shares pledged/ encum-bered to total shares	No. of shares	% of total shares of the company	% of shares pledged/ encum-bered to total shares	
1.	Small Industries Development Bank of India	749,999,994	100%	0	16759259020	100%	0	0.00
TOTAL		**749,999,994**	**100%**	**0**	**16759259020**	**100%**	**0**	**0.00**

(iii) Change in Promoters' Shareholding

S. 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	749999994	100		
	Increase (Private Placement on 11/08/2016)	925925926		1675925920	99.99
	At the end of the year	1675925920	100		

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

S. 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 Ajay Kumar Kapur	1	0	February 27, 2018	-1	Transfer of share	0	0
2.	Shri Kailash Chander Bhanoo	1	0	March 18, 2015	-		1	0
3.	Shri Rabindra Kumar Das	1	0	August 01, 2015	-		1	0
4.	Shri Debashish Ghosh	1	0	August 01, 2015	-		1	0
5.	Shri Roop Kumar Sharma	1	0	August 01, 2015	-		1	0
6.	Shri Mukesh Kumar Pandey	1	0	August 01, 2015	-		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				
	At the beginning of the year	1	0.00	1	0.00
	Decrease (transfer of share)	1	0.00	0	0.00
	At the end of the year	0	0.00	0	0.00

V. INDEBTEDNESS: Of the Company including interest outstanding/accrued but not due for payment

	Secured loans excluding deposits	Unsecured loans	Deposits	Total indebtedness
Indebtedness at the beginning 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	-	-	₹1,50,84,785	₹1,50,84,785
Total (i+ii+iii)	**-**	**-**	**₹50,01,50,84,785**	**₹50,01,50,84,785**
Change in indebtedness during the financial year				
* Addition	-	-	₹31,25,00,00,000	₹31,25,00,00,000
Reduction	-	-	-	-
Net change	-	-	₹31,25,00,00,000	₹31,25,00,00,000
Indebtedness at the end of the financial year				
i) Principal amount	-	-	₹81,25,00,00,000	₹81,25,00,00,000
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	₹9,06,491,543	₹9,06,491,543
Total (i+ii+iii)	**-**	**-**	**₹82,15,64,91,543**	**₹82,15,64,91,543**

* 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

S. No.	Particulars of remuneration	*Shri Jiji Mammen (MD&CEO)	**Shri Surendra Srivastava (CFO)
1	Gross salary		
	(a) Salary as per provisions contained in Section 17(1) of the Income Tax Act, 1961	₹30,35,301.00	₹22,55,700.00
	(b) Value of perquisites under Section 17(2) of Income Tax Act, 1961	₹6,68,656.00	₹11,58,952.00
	(c) Profits in lieu of salary under Section 17(3) of Income Tax Act, 1961	-	-
2	Stock option	-	-
3	Sweat equity	-	-
4	Commission - as % of profit - others, specify...	-	-
5	Others, please specify	-	-
	Total (A)	**₹37,03,957.00**	**₹34,14,652.00**
	Ceiling as per the Act	-	-

* MD & CEO is on deputation from NABARD to MUDRA

**CFO is on deputation from SIDBI 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	₹60,000	₹1,10,000	₹1,50,000	₹3,20,000
	Commission	-	-	-	-
	Others, please specify	-	-	-	-
	Total (1)	₹60,000	₹1,10,000	₹1,50,000	₹3,20,000
2.	Other Non-Executive Directors	Shri Navin Kumar Maini			
	Fee for attending Board Committee meetings	₹80,000			₹80,000
	Commission	-		-	-
	Others, please specify	-			-
	Total (2)				₹80,000
	Total (B)=(1+2)				
	Total Managerial Remuneration	₹1,40,000	₹1,10,000	₹1,50,000	₹4,00,000
	Overall Ceiling as per the Act	Lower than 3% of the net profit of the Company calculated as per Section 198 of the 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	₹8,40,006	₹8,40,006
	(b) Value of perquisites u/s 17(2) of Income Tax Act, 1961		
	(c) Profits in lieu of salary under Section 17(3) of Income Tax Act, 1961	-	-
2	Stock option	-	-
3	Sweat equity	-	-
4	Commission	-	-
	- as % of profit	-	-
	- others, specify...	-	-
5	Others, please specify	-	-
	Total	**₹8,40,006**	**₹8,40,006**

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: July 26, 2017

Independent Auditors' Report

To the Members of Micro Units Development & Refinance Agency Limited

REPORT ON THE 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 comprise the Balance Sheet as at March 31, 2017, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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 the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under and the order under section 143(11) of the Act.

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 at March 31, 2017, 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 section 143(11) of the Act, we give in "Annexure A" a statement on the matters specified in paragraph 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) On the basis of written representations received from the directors as on March 31, 2017, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017, from being appointed as a director in terms Section 164 (2) of the Act.

   (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.

   (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;

      i) The Company does not have any pending litigations which would impact its financial position;

      ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses; and

      iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

      iv) The company had provided the disclosures for Specified Bank Notes (SBN) as required in Schedule III of the Act. The same are in accordance with books of accounts maintained by the company.

3. As required by the revised directions under Section 143(5) and of the Act, we report that:-

   i) 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.

   ii) There are no cases of waiver/write off of debts/ loans/interest.

   iii) The Company is a Non-Banking Finance Company and has not dealt with any goods during the year. Therefore, there are no inventories lying with third parties. Also, no assets have been received as gift/grant(s) from the Govt. or other authorities.

   iv) There are no cases of waiver of fees/reversal of accounted fees which was due but not received/written off.

RT 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 11, 2017

ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

[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, 2017]

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 a Non-Banking Finance Company 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 u/s 189 of the Companies Act, 2013.

iv. The provisions of Sec. 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 and the provisions of Section 73 to 76 of the Companies Act, 2013 and the rules framed there under. 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 Companies Act, 2013 to the company.

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.

   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 at March 31, 2017, 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. Company has not borrowed from a financial institution nor have they 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 or any fraud on the company by its officers or employees has been noticed or reported during the year nor have we been informed of any such instance by the Management.

xi. The Managerial Remuneration has been paid in accordance with requisite approvals mandated by the provisions of the section 197 read with Schedule V to the Companies Act, 2013.

xii. This company is not a Nidhi Company and hence point (xii) of Companies (Auditor's Report) Order, 2016 is not applicable.

xiii. The transactions with related parties are in compliance with section 177 and 188 of the Companies Act, 2013 and the details have been disclosed suitably.

xiv. As per the information and records provided to us, the requirement of section 42 of the Companies Act, 2013 have been complied with for the private placement of shares and the amount raised have been used for the purposes for which the funds were raised. The company has not made any preferential allotment or fully or partly convertible debentures during the year under review.

xv. The company has not entered into any non-cash transactions with directors or persons connected with him. Accordingly, the provisions of section 192 of Companies Act, 2013 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 6th April, 2015.

RT 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 11, 2017

ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT

[The Annexure referred to in paragraph 2(f) 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, 2017]

[Report on the Internal Financial Controls Over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")]

We have audited the internal financial controls over financial reporting of Micro Units Development & Refinance Agency Limited ("the Company") as of March 31, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL FINANCIAL CONTROLS

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

AUDITOR'S RESPONSIBILITY

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

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

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

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

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

INHERENT LIMITATIONS OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

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

OPINION

In our opinion, to the best of our information and according to the explanations given to us, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

RT 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 11, 2017

AUDITORS' REPORT

To
Board of Directors
Micro Units Development & Refinance Agency Limited
(MUDRA)

Auditors Report pursuant to RBI Directions "Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008."

1. We have audited the attached Balance Sheet of Micro Units Development & Refinance Agency Limited (MUDRA) ('the Company') as at March 31, 2017 and also the Statements of Profit and Loss and the Cash Flow Statement for the year ended as on that date annexed thereto and issued our audit opinion dated May 09, 2017 thereon. These financial statements are the responsibility of the Company's management. Our responsibility was to express an opinion on the financial statements based on our audit. Our audit was concluded in the manner specified in the audit report.

2. As required by the Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2008, issued by the Reserve Bank of India ('RBI') and amended from time to time ('the Directions') and based on_our audit referred to in paragraph 1 above and based on the information and explanations given to us which to the best of our knowledge and belief were necessary for this purpose, we report hereby under on the matters specified in paragraphs 3 and 4 of the Directions in respect of the year ended March 31, 2017.

   (I) Management has represented to us that the company is engaged in the business of Non-Banking Financial Institution (NBFI) as defined in Section 45-IA of the Reserve Bank of India Act, 1934 ("the Act") as amended from time to time, requiring it to hold a Certificate of Registration (CoR) under Section 45-IA of the Act. The company is registered with the RBI as an "NBFI without accepting Public Deposits" vide CoR No.N-14.03313 dated 6th April, 2015.

   (II) Based on the asset and income pattern as on March 31st, 2017 determined by the management in accordance with the Audited Financial Statements and other records of the company for the year ended on that date and with reference to para 15 of the Systematically Important Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions,2015, as amended from time to time ("the Prudential Norms"), the company is eligible to continue to hold such CoR.

   (III) According to the representations made by the management of the Company and based on the criteria set forth by the RBI vide Circular No.DNBS.PD,CC No. 85/03.02.089/2006-07 dated December 6, 2006 for classification of NBFC's, the Company is not an Asset Finance Company as defined in Non- Banking Financial Companies Acceptance of Public Deposits "(Reserve Bank) Directions, 1998 as amended from time to time with reference to the business carried on by it during the financial year ended March 31, 2017.

   (IV) The Board of Directors of MUDRA have passed a resolution in their First Meeting held on April 26, 2017 that the company does not hold any Public Deposit as on the date and will not accept the same in future without the prior approval of Bank in writing.

   (V) The company has not accepted any public deposits during the year ended March 31, 2017.

(VI) The Company has complied with, in all material respects, the prudential norms relating to income recognition, accounting standards, asset classification and provisioning on assets as applicable to it in terms of Systematically Important Non Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2015 as amended from time to time during the year ended March 31, 2017.

(VII) The capital adequacy ratio as disclosed in the return submitted to the RBI in Form NBS-7 for the year ended March 31, 2017 has been correctly arrived at and is in compliance with the minimum CRAR as prescribed by RBI.

We have no responsibility to update this report for events and circumstances• occurring after the date of our audit report mentioned in paragraph 1 above.

This report is issued solely for reporting on the matters specified in paragraph 3 and 4 of the Directions, and is not to be used or distributed for any other purpose.

For **P C Ghadiali and Co LLP**
Firm registration number: 103132W /W-100037
Chartered Accountants

R T Doshi
Senior Partner
Membership no. 013458

Place: Mumbai
Date: May 11, 2017

Balance Sheet
as at March 31, 2017

Amount in ₹

Particulars	Note No.	As at 31 March, 2017	As at 31 March, 2016
A EQUITY AND LIABILITIES			
1 Shareholders' funds			
(a) Share capital	3	16,759,259,260	7,500,000,000
(b) Reserves and surplus	4	2,450,898,175	631,787,844
		19,210,157,435	**8,131,787,844**
2 Non-current liabilities			
(a) Deferred tax liabilities	5	195,379	68,645
(b) Other long-term liabilities	6	81,250,000,000	50,000,000,000
		81,250,195,379	**50,000,068,645**
3 Current liabilities			
(a) Short term provisions	7	213,985,617	124,809,753
(b) Other current liabilities	8	912,993,267	23,701,552
		1,126,978,884	**148,511,305**
TOTAL		**101,587,331,698**	**58,280,367,794**
B ASSETS			
1 Non-current assets			
(a) Fixed assets	9		
i) Tangible Assets		1,228,018	720,634
ii) Intangible assets		305,686	197,167
(b) Long-term loans and advances	11	35,068,828,023	28,140,257,211
		35,070,361,727	**28,141,175,012**
2 Current assets			
(a) Current Investments	10	17,924,398,649	3,533,900,002
(b) Cash and Bank Balances	12	21,453,449,076	20,822,117,256
(c) Short Term Loans & Advances	11	26,069,919,706	4,776,262,867
(d) Other current assets	13	1,069,202,540	1,006,912,657
		66,516,969,971	**30,139,192,782**
Total		**101,587,331,698**	**58,280,367,794**
See accompanying Notes forming part of the Financial Statements	1 to 45		

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

RT Doshi
Senior Partner
M. No.: 013458

Jiji Mammen
Managing Director & CEO
DIN: 06808988

Manoj Mittal
Director
DIN: 02781399

Surendra Srivastava
Chief Financial Officer

Shalini Baghel
Company Secretary

Place: Mumbai
Date: May 11, 2017

Statement of Profit and Loss

for the period April 01, 2016 to March 31, 2017

Amount in ₹

	Particulars	Note No.	For the period ended 31 March, 2017	For the period ended 31 March, 2016
1	Revenue from operations	14	2,860,846,589	501,289,618
2	Other income	15	2,489,973,290	3,138,177,776
3	**Total revenue**		**5,350,819,879**	**3,639,467,394**
4	**Expenses**			
	(a) Employee benefit expenses	16	39,804,207	23,917,020
	(b) Finance cost	17	3,436,505,569	2,433,126,523
	(c) Depreciation and amortization expenses	9	521,733	96,552
	(d) Other expenses	18	33,957,862	25,361,058
	(e) Provisions and Write offs	19	116,734,720	97,250,897
	Total expenses		**3,627,524,092**	**2,579,752,050**
5	**Profit before tax**		**1,723,295,788**	**1,059,715,344**
6	Tax expenses:			
	(1) Current tax expense		(642,500,000)	(400,300,000)
	(2) Prior Period Tax		(2,299,462)	
	(3) Deferred tax		(126,734)	(68,645)
	Net current tax expense		(644,926,196)	(400,368,645)
7	**Profit after tax for the year**		**1,078,369,592**	**659,346,699**
8	Earnings per share (of ₹10/- each):	20		
	(a) Basic		0.80	1.39
	(b) Diluted		0.80	1.39
	See accompanying Notes forming part of the Financial Statements	1 to 45		

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

RT Doshi
Senior Partner
M. No.: 013458

Jiji Mammen
Managing Director & CEO
DIN: 06808988

Manoj Mittal
Director
DIN: 02781399

Surendra Srivastava
Chief Financial Officer

Shalini Baghel
Company Secretary

Place: Mumbai
Date: May 11, 2017

Cash Flow Statement

for the year ended 31st March, 2017

Amount in ₹

Particulars	For the period ended 31 March, 2017	For the period ended 31 March, 2016
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before tax & extraordinary items	1,723,295,788	1,059,715,344
Adjusted for :		
Interest Income from Fixed Deposits & CDs	(1,531,979,855)	(2,853,302,630)
Profit out of Mutual Funds	(905,892,900)	(236,006,062)
Depreciation	521,733	96,552
Provision for Standard Assets, Dividend & DDT	116,734,720	124,809,753
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**(597,320,515)**	**(1,904,687,042)**
Changes in Working Capital :		
Increase in Fixed Deposits with bank (with a maturity of more than 3 months)	(17,374,018,816)	(52,025,344)
Increase in Loans & Advances	(28,222,227,651)	(32,916,520,078)
Increase in Other current assets	9,935,073	(1,004,166,519)
Increase in other long term liability	31,250,000,000	50,000,000,000
Increase in other current liabilities	889,291,715	23,701,552
CASH GENERATED FROM OPERATIONS	(14,044,340,195)	14,146,302,569
Taxes Paid	(717,024,418)	(403,046,138)
NET CASH FROM OPERATING ACTIVITIES	**(14,761,364,612)**	**13,743,256,431**
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed assets	(1,137,635)	(1,014,353)
Increase in Investments	(604,651,450)	-
Interest Income from Fixed Deposits & CDs	1,531,979,855	2,853,302,630
Profit out of Mutual Funds	905,892,900	236,006,062
NET CASH FLOW FROM INVESTING ACTIVITIES	**1,832,083,671**	**3,088,294,339**

Amount in ₹

Particulars	For the period ended 31 March, 2017	For the period ended 31 March, 2016
C. CASH FLOW FROM FINANCING ACTIVITIES		
Issue of Share capital	9,999,999,999	7,500,000,000
Dividend paid	(22,896,824)	(22,896,824)
Dividend Distribution Tax (DDT) paid	(4,662,032)	(4,662,032)
NET CASH FLOW FROM FINANCIAL ACTIVITIES	**9,972,441,143**	**7,472,441,144**
Net increase in Cash and Cash Equivalents	(2,956,839,798)	24,303,991,914
Cash and Cash Equivalents as on 01.04.2016	24,303,991,914	-
Cash and Cash Equivalents as on 31.03.2017	21,347,152,115	24,303,991,914

Note:-

Cash and cash Equivalents at the end of the year consists of Cash in hand, Current Account Balance with banks, Fixed Deposits with maturity of 3 months or less and investment in Liquid Schemes of Mutual Fund:-

Particulars	As at 31.03.2017	As at 31.03.2016
Cash in Hand	2,670	3,165
Current Account Balance with Bank	43,602	313,807
Mutual Funds	17,319,747,199	3,533,900,002
Fixed Deposits with Maturity of 3 months or lesser period	4,027,358,644	20,769,774,940
	21,347,152,115	**24,303,991,914**

For P C Ghadiali and Co LLP
Chartered Accountants
Firm No.: 103132W/ W-100037

For and on behalf of the Board of Directors

RT Doshi
Senior Partner
M. No.: 013458

Jiji Mammen
Managing Director & CEO
DIN: 06808988

Manoj Mittal
Director
DIN: 02781399

Surendra Srivastava
Chief Financial Officer

Shalini Baghel
Company Secretary

Place: Mumbai
Date: May 11, 2017

Significant Accounting Policies

1. 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 Institutions (NBFI) with RBI U/s 45-IA of RBI Act 1934.

The MUDRA provides refinance to Banks (including Regional Rural Banks and Cooperative Banks), Non-Banking Financial Companies(NBFCs) and also Micro Finance Institutions (MFIs) and participates in securitization transactions.

2. SIGNIFICANT ACCOUNTING POLICIES

A Basis of Preparation:

These 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 u/s 133 of the Companies Act, 2013 and the relevant provisions of the Companies Act, 2013. MUDRA is registered as a Non-Banking Financial Institution (NBFI) and has to adhere to the regulatory and disclosure standards as applicable to NBFC-ND-Sis.

B 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 recognized in accordance with the requirements of the respective accounting standard.

C Revenue Recognition:

(i) Income :

a) Interest income is accounted for on accrual basis, except where interest and / or installment of principal repayment due on Non-Performing Assets (NPA)*. 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.

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

For the current financial year an account is classified as NPA if the period of overdue is "four months or more"

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

c) Profit or loss on sale of investment: Profit or loss on sale of investments in any category is taken to profit and loss account as Other Income.

(ii) Expenditure: All expenditure is accounted for on accrual basis.

D Fixed Assets, Depreciation And Amortization:

i) Fixed assets are stated 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 capitalized

ii) Depreciation is provided on Straight Line Method on the basis of useful life under Schedule II to the Companies Act, 2013 are as under:

   a. Office Equipment's -5 years

   b. Computer and hardware – 3 years

   c. Electrical installation -10 years

iii) In respect of Computer Software and Software, the cost is amortized based on accounting standard 26 issued by ICAI are as under:

   d. Computer software -3 years.

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

E Investments:

In terms of extant guidelines of the Reserve Bank of India, the entire investment portfolio is categorized as "Held to Maturity", and "Available for Sale". Investments are valued in accordance with RBI guidelines. The investments under each category are further classified as:

i) Government Securities,

ii) Other approved securities,

iii) Mutual Funds,

iv) Debentures & Bonds,

v) Subsidiaries/ joint ventures and

vi) Others (Commercial Paper, Certificate of Deposits etc.)

a) Held to Maturity:

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

b) Available for Sale :

Investments which do not fall within the above two categories are categorized under Available for Sale. The individual scrip under this category is revalued and net depreciation under any of the classification mentioned above is recognized in the profit & loss account. Net appreciation under any classification is ignored.

F Cash and Bank balances

Cash and Bank balances include Cash in hand, Bank Balances, Bank Deposits with a maturity of less than 12 months.

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

G Taxes on Income

(i) 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.

(ii) 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.

H Provision And Contingencies:

Provisions involving substantial degree of estimation in measurement are recognized 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 recognized nor disclosed in the financial statements. The company does not recognize a contingent liability but discloses its existence in the financial statement.

I Prudential Norms:

The Company continues to be registered as a Non-Banking Financial Institution (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.

Non-performing assets 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.

J 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 Reserve Bank of India applicable to NBFI.

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.

K Securitization

MUDRA purchases credit rated Micro Enterprises Asset pools from Banks / Non-Banking Finance Companies by way of pass- through certificates issued by the Special Purpose Vehicle. Such securitization transactions are classified as Loans and Advances. Such assets shown 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.

Notes forming part of the financial statements

as at and for the year ended 31st March, 2017

NOTE 3 : Share capital

Particulars	As at 31 March, 2017		As at 31 March, 2016	
	Number of shares	Amount in ₹	Number of shares	Amount in ₹
(a) Authorised	**5,000,000,000**	**50,000,000,000**	**1,000,000,000**	**10,000,000,000**
Equity shares of ₹10 each with voting rights	5,000,000,000	50,000,000,000	1,000,000,000	10,000,000,000
(b) Issued	**1,675,925,926**	**16,759,259,260**	**750,000,000**	**7,500,000,000**
Equity shares of ₹10 each with voting rights	1,675,925,926	16,759,259,260	750,000,000	7,500,000,000
(c) Subscribed and fully paid up	**1,675,925,926**	**16,759,259,260**	**750,000,000**	**7,500,000,000**
Equity shares of ₹10 each with voting rights	1,675,925,926	16,759,259,260	750,000,000	7,500,000,000
(d) Subscribed but not fully paid up	**-**	**-**	**-**	**-**
Total Share Capital	**1,675,925,926**	**16,759,259,260**	**750,000,000**	**7,500,000,000**

Notes:

Particulars	Opening Balance	Fresh issue	Bonus	Conver-sion	Buy back	Other changes	Closing Balance
Equity shares with voting rights							
Year ended 31 March, 2017							
- Number of shares	750,000,000	925,925,926	-	-	-	-	1,675,925,926
- Amount (₹)	7,500,000,000	9,259,259,260	-	-	-	-	16,759,259,260
Previous year							
- Number of shares	-	750,000,000	-	-	-	-	750,000,000
- Amount (₹)	-	7,500,000,000	-	-	-	-	7,500,000,000

Notes:

(i) No rights, preferences and restrictions are attached to the shares including restrictions on the distribution of dividends and the repayment of capital.

(ii) Details of shares held by the holding company:

Particulars	Equity shares with voting rights	Equity shares with differential voting rights	Compulsorily convertible preference shares	Optionally convertible preference shares	Redeemable preference shares
	Number of shares				
As at 31 March, 2017	1,675,925,926	0	0	0	0
As at 31 March, 2016	749,999,994	0	0	0	0

(iii) Details of shares held by each shareholder holding more than 5% shares:

Class of shares / Name of shareholder	As at 31 March, 2017		As at 31 March, 2016	
	Number of shares held	Holding in that class of shares	Number of shares held	Holding in that class of shares
Equity shares with voting rights: SIDBI	1,675,925,920	100%	749,999,994	100%

NOTE 4 : Reserves and surplus

Amount in ₹

Particulars	As at 31 March, 2017	As at 31 March, 2016
(A) Statutory Reserve (*)		
Opening balance	131,869,340	-
Add: Amount transferred from surplus of Profit and Loss account	215,673,919	131,869,340
Closing Balance	**347,543,259**	**131,869,340**
(*) Statutory reserve created u/s 45-IC of Reserve Bank of India Act, 1934		
(B) General Reserve		
Opening balance	450,000,000	-
Add: Amount transferred from surplus of Profit and Loss account	700,000,000	450,000,000
Closing Balance	**1,150,000,000**	**450,000,000**
(C) Surplus in the Statement of Profit and Loss		
Opening balance	49,918,504	-
Add: Profit for the year	1,078,369,592	659,346,700
Less: Appropriations:		
i. Transferred to Statutory Reserve	215,673,919.00	131,869,340
ii. Proposed Dividend	-	22,896,824
iii. Transferred General Reserve	700,000,000	450,000,000
iii. Corporate Dividend Tax	-	4,662,032
Closing balance	**212,614,177**	**49,918,504**
(D) Securities Premium A/c		
Opening balance	-	-
Add: Received during the year	740,740,739	-
Closing balance	**740,740,739**	**-**
Total	**2,450,898,175**	**631,787,844**

The Board in its meeting held on May 09, 2017 recommended a dividend of ₹0.10/- per share, aggregating ₹13,41,07,053/-, subject to approval of share holders.

NOTE 5 : Deferred Tax Liability

Amount in ₹

Particulars	As at 31 March, 2017	As at 31 March, 2016
Deferred tax Liability		
Timing difference between tax depreciation and depreciation charged in the books	195,379	68,645
Total	**195,379.00**	**68,645**

NOTE 6 : Other Long-term liabilities

Amount in ₹

Particulars	As at 31 March, 2017	As at 31 March, 2016
(a) Deposits under Priority Sector Shortfall from Banks	81,250,000,000	50,000,000,000
Total	**81,250,000,000**	**50,000,000,000**

NOTE 7 : Short Term Provisions

Amount in ₹

Particulars	As at 31 March, 2017	As at 31 March, 2016
Contingent provisions against standard assets	213,985,617	97,250,897
Proposed Dividend	-	22,896,824
Provision for Corporate Dividend Tax	-	4,662,032
Total	**213,985,617**	**124,809,753**

NOTE 8 : Other current liabilities

Amount in ₹

Particulars	As at 31 March, 2017	As at 31 March, 2016
(a) Interest accrued on Deposits	906,491,543	15,084,785
(b) Earnest Money Deposits	18,000	18,000
(c) Statutory liabilities (TDS)	12,838	116,551
(d) Receipt Pending for Appropriation	-	532,165
(e) Creditors for Expenses	6,470,886	7,950,051
Total	**912,993,267**	**23,701,552**

NOTE 9 : Fixed Assets

Amount in ₹

Description of Assets	Gross Block (Cost)				Accumulated Depreciation				Net Block	
	As on 1- Apr-2016	Additions / Adjustments during the year	Deductions / Adjustments during the year	As on 31-Mar-2017	As on 1- Apr-2016	Additions / Adjustments during the year	Deductions / Adjustments during the year	As on 31-Mar-2017	As at 31-Mar-2017	As at 31-Mar-2016
TANGIBLE ASSETS										
Office Equipments	145,771	-	-	145,771	20,073	27,696	-	47,769	98,002	125,697
Computer - Hardware	594,311	900,750	-	1,495,061	50,022	360,739	-	410,761	1,084,300	544,289
Electrical Installtions and Equipment	51,900	-	-	51,900	1,253	4,931	-	6,184	45,717	50,648
Sub-Total-A	791,982	900,750	-	1,692,732	71,348	393,366		464,714	1,228,018	720,634
INTANGIBLE ASSETS										
Computer - Software	222,371	236,885	-	459,256	25,204	128,367	-	153,571	305,685	197,167
Sub-Total-B	222,371	236,885		459,256	25,204	128,367		153,571	305,685	197,167
TOTAL(A+B)	**1,014,353**	**1,137,635**	**-**	**2,151,988**	**96,552**	**521,733**	**-**	**618,285**	**1,533,703**	**917,801**
Previous Year	NIL	1,014,353	NIL	1,014,353	NIL	96,552	NIL	96,552	917,801	NIL

NOTE 10 : Investments

Amount in ₹

Particulars	As at 31 March, 2017	As at 31 March, 2016
Current		
(a) Certificate of Deposits	604,651,450	-
(b) Mutual Funds (Liquid Schemes) -Unquoted	17,319,747,199	3,533,900,002
Aggregate NAV as on March 31, 2017 ₹17,32,81,14,695/- (PY ₹3,533,900,002/-)		
Total	**17,924,398,649**	**3,533,900,002**

# Classification of Investments as per RBI Guidelines		
i) Held for trading	nil	nil
ii) Held to Maturity	nil	nil
iii) Available for sale	17,924,398,649	35,339,002
Total	**17,924,398,649**	**35,339,002**

NOTE 11 : Long Term / Short Term Loans & Advances

Amount in ₹

Particulars	As at 31 March, 2017	As at 31 March, 2016
Refinance		
Current		
(a) Banks-Secured against bookdebts held in trust, by the financing Banks	18,814,489,901	1,759,399,200
(b) Micro Finance Institutions (MFIs)- Secured against hypothecation of bookdebts of MFIs	5,374,548,400	2,678,622,900
(c) Non-Banking Financial Campany (NBFCs)- Secured against hypothecation of bookdebts of NBFCs	438,000,000	-
(d) Subscription to Pass Through Certificate (PTC)	1,442,881,405	338,240,767
Sub-Total (A)	26,069,919,706	4,776,262,867
Non-Current		
(a) Banks-Secured against bookdebts held in trust, by the financing Banks	25,857,856,955	24,894,651,200
(b) Micro Finance Institutions (MFIs)- Secured against hypothecation of bookdebts of MFIs	5,484,728,700	3,084,292,100
(c) Non-Banking Financial Campany (NBFCs)- Secured against hypothecation of bookdebts of NBFCs	3,552,000,000	-
(d) Subscription to Pass Through Certificate (PTC)	174,242,368	161,313,911
Sub-Total (B)	35,068,828,023	28,140,257,211
Total (A+B)	**61,138,747,729**	**32,916,520,078**

The 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

Amount in ₹

Particulars	As at 31 March, 2017	As at 31 March, 2016
Cash and Cash Equivalents		
(a) Cash on hand	2,670	3,165
(b) Balances with banks		
(i) In current accounts	43,602	313,807
(ii) Fixed Deposits with Maturity of 3 months or lesser period	4,027,358,644	20,769,774,940
Other Bank Balances		
(i) Fixed Deposits with Maturity more than 3 months but not exceeding 12 months	17,426,044,160	52,025,344
Total	**21,453,449,076**	**20,822,117,256**

NOTE 13 : Other Current Assets

Amount in ₹

Particulars	As at 31 March, 2017	As at 31 March, 2016
(a) Balances with Government Authorities		
(i) Advance Tax (Net of Provision for Tax)	74,971,094	2,746,138
(b) Interest Accrued but not due		
(i) Fixed Deposits/CD's	846,254,358	887,358,795
(ii) Refinance to Banks, MFIs & NBFCs	54,875,645	26,494,076
(iii) Pass Through Certificate	6,091,502	273,729
(c) Amount recoverable from Government	59,883,234	59,882,933
(d) Amount recoverable from Others	4,508,968	-
(e) Preliminary expenses not yet written off	22,617,740	30,156,986
Total	**1,069,202,540**	**1,006,912,657**

NOTE 14 : Revenue from operations

Amount in ₹

Particulars	For the period ended 31 March, 2017	For the period ended 31 March, 2016
Interest Income		
(i) On Refinance to Banks	2,117,618,059	288,720,760
(ii) On Refinance to MFIs	596,781,675	212,295,129
(iii) Income on PTC	146,446,855	273,729
Total	**2,860,846,589**	**501,289,618**

NOTE 15 : Other Income

Amount in ₹

Particulars	For the period ended 31 March, 2017	For the period ended 31 March, 2016
(i) Interest on FDRs & CDs	1,531,979,855	2,853,302,630
(ii) Profit on sale of Mutual Funds	905,892,900	236,006,062
(iii) Upfront Fee	52,100,000	48,850,000
(iv) Miscellaneous income	534	19,084
Total	**2,489,973,290**	**3,138,177,776**

NOTE 16 : Employee Benefit Expenses

Amount in ₹

Particulars	For the period ended 31 March, 2017	For the period ended 31 March, 2016
Salary and Wages (Including reimbursement to SIDBI and NABARD)	39,804,207	23,917,020
Total	**39,804,207**	**23,917,020**

NOTE 17 : Finance cost

Amount in ₹

Particulars	For the period ended 31 March, 2017	For the period ended 31 March, 2016
Interest on Deposits under Priority Sector Shortfall Funds (PSS)	3,436,505,569	2,433,126,523
Total	**3,436,505,569**	**2,433,126,523**

NOTE 18 : Other expenses

Amount in ₹

Particulars	For the period ended 31 March, 2017	For the period ended 31 March, 2016
Administrative Expenses	10,097,914	2,856,542
Advertisement expenses	84,933	1,503,098
Books and periodicals	2,900	17,184
Bank Charges	1,207	
Computer Consumables	304,542	95,882
Conveyance	-	10,000
Directors Sitting Fees	400,000	200,000
Honorarium Paid	-	50,000
Legal and professional	328,677	383,666
Miscellaneous expenses	197,527	28,330
Office Rent	8,092,824	7,632,255
Postage & Telegram	14,816	4,882

Amount in ₹

Particulars	For the period ended 31 March, 2017	For the period ended 31 March, 2016
Preliminary Expenses Written off	7,539,246	7,539,246
Printing and stationery	148,683	314,245
Payments to auditors (Refer Note (i) below)	460,000	240,000
Rates and taxes	4,047,630	1,625,549
Registration Fees	-	27,500
Telephone expenses	21,743	21,984
Travelling and conveyance	2,165,631	2,506,550
Website and Webportal expenses	43,375	304,145
Insurance Expenses	6,214	-
Total	**33,957,862**	**25,361,058**

Notes:

Payments to the auditors:		
Statutory auditors	200,000	150,000
Internal Auditors	210,000	90,000
Tax Auditor FY 2015-16	50,000	
Total	**460,000**	**240,000**

NOTE 19 : Provisions and Write offs

Amount in ₹

Particulars	For the period ended 31 March, 2017	For the period ended 31 March, 2016
Provision for standard assets	116,734,720	97,250,897
Total	**116,734,720**	**97,250,897**

NOTE 20 : Earnings per Shares

Amount in ₹

Particulars	For the period ended 31 March, 2017	For the period ended 31 March, 2016
Profit/ Loss after taxation for the year	1,078,369,592	659,346,699
Weighted Average Number of Equity Shares Outstanding during the period	1,341,070,523	473,401,639
Face Value per share	10	10
EPS (Basic)	0.80	1.39
EPS (Diluted)	0.80	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) As most of the employees are on deputation from Small Industries Development Bank of India (SIDBI) / National Bank for Agriculture and Rural Development (NABARD), Provision for Gratuity, Leave Encashment and Arrears of Salary is not made, as the quantum is undeterminable at present stage and will be charged to P&L account when such costs are recovered by the said companies, who have deputed the employees to this company.

(b) 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

As the preliminary processing of MFI/ NBFC loan applications are carried out by SIDBI, a part of the Income from Upfront Fee, at ₹5.21 cr received during the year (previous year 4.88 cr.) towards preparation of Appraisal Note on MFI's / NBFCs might be sharing with them. But, since there is no formal understanding on the same, so far, no provision has been made towards the same in the current financial year.

NOTE 24 : Related Parties Disclosure

A. Holding Company (Small Industries Development Bank of India (SIDBI)

Amount in ₹

Nature of transaction	For the period ended 31 March, 2017	For the period ended 31 March, 2016
Contribution to Equity received	10,000,000,000	7,500,000,000
Investment in Certificate of Deposits	604,651,450	-
Interest income on CDs	35,409,383	-
Reimbursement made of Salary	32,669,872	18,841,410
Rent - Expense	8,092,824	7,632,255
Other Expenses	8,914,607	2,796,386

B. Key Management Personnel

Amount in ₹

Name of KMP	For the period ended 31 March, 2017	For the period ended 31 March, 2016
Jiji Mammen, MD & CEO (Remuneration reimbursed)	3,703,957	2,673,032
Surendra Srivastava, CFO (Remuneration)	3,042,848	-
Shalini Baghel, Company Secretary (Remuneration)	840,006	346,238

NOTE 25 : Details of Specified Bank Notes (SBN) held and transacted during the period 08/11/2016 to 30/12/2016 as provided in the table below:

Compliance and disclosure under Schedule-III of Companies Act 2013 as notified by MCA No.G.S.R. 308 (E) dated March 30, 2017

Particulars	SBN	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	500x3=1500	160	1660
(+) Permitted receipts	0	2442	2442
(-) Permitted payments	0	2192	2192
(-) Amount deposited in Banks	500x3=1500	0	1500
Closing cash in hand as on 30.12.2016	0	410	410

NOTE 26 : Capital to Risk-Assets Ratio (CRAR)

Amount in ₹

Particulars	March 31, 2017	March 31, 2016
CRAR (%)	56.18	83.46
CRAR - Tier I capital (%)	55.56	82.47
CRAR - Tier II capital (%)	0.62	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 July 03, 2015, has approved assigning zero risk weight to all refinance provided to Commercial Banks including RRBs. The above ratios are based on the same.

NOTE 27 : Exposures

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

NOTE 28 : Asset Liability Management

Amount in ₹

Particulars	Upto 14 days	15 to 28 days	Over 29 days to 3 months	Over 3 month to 6 months	Over 6 month to 1 yr	Over 1 yr to 3 yrs	Over 3 yr to 5 yrs	Over 5 yrs	Total
Deposits#	-	-	-	-	-	8,125.00	-	-	8,125.00
Advances$	27.77	19.13	231.81	340.83	1,939.95	3,374.38	153.00	27.00	6,113.87
Investments*	1825.83	305.00	64.35	1,401.38	325.19	16.03	-	-	3,937.78
Borrowings		-	-	-	-	-	-	-	
Foreign Currency Assets		-	-	-	-	-	-	-	-
Foreign Currency Liabilities		-	-	-	-	-	-	-	-

Includes deposits received from banks under Priority Sector Shortfalls Fund

$ Subscription to PTCs has been regrouped and has been included in Advances.

* Investments includes fixed deposits kept with Banks and shown under Cash and Bank Balances under Note 12.

NOTE 29 : Details of Registration with Financial Regulators

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

NOTE 30 : Investments

(₹ in Crore)

S. No.	Particulars	March 31, 2017	March 31, 2016
1	**Value of Investments**		
	Gross Value of Investments		
	In India	1,792.44	353.39
	Outside India	-	-
	Provision for depreciation		
	In India	-	-
	Outside India	-	-
	Net Value of Investments		
	In India	1,792.44	353.39
	Outside India	-	-
2	**Movement of provision held towards depreciation on investments**		
	Opening Balance	-	-
	Add: Provision made during the year	-	-
	Less: Write off / write back of excess provision during the year	-	-
	Closing Balance	-	-

NOTE 31 : Provisions & Contigencies

(₹ in Crore)

S. No.	Particulars	March 31, 2017	March 31, 2016
	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 NPA	-	-
3	Provision for portfolio loan securtized/ assigned	-	-
4	Provision made towards Income tax	64.48	40.03
5	Provision for Standard Assets	11.67	9.73
6	Other Provision and Contingencies (with details)	-	-
7	Provision for Deferred tax charge / (credit)	0.0127	0.0069

NOTE 32 : Derivatives

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

The Company has no unhedged foreign currency exposure during the current and previous year.

The Company has no repo transactions during the current and previous year.

NOTE 33 : Disclosures relating to securitisation

S. No.	Particulars	March 31, 2017	March 31, 2016
1	No of SPVs sponsored by the NBFC for securitisation transactions	-	-
2	Total amount of securitised assets as per books of the SPVs sponsored	-	-
3	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet	-	-
a)	Off-balance sheet exposures		
	First loss		
	Others		
b)	On-balance sheet exposures	-	-
	First loss		
	Others	-	-
4	Amount of exposures to securitisation transactions other than MRR		
a)	Off-balance sheet exposures		
i)	Exposure to own securitizations		
	First loss	-	-
	Others	-	-
ii)	Exposure to third party securitisations		
	First loss	-	-
	Others	-	-
b)	On-balance sheet exposures		
i)	Exposure to own securitizations		
	First loss	-	-
	Others	-	-
ii)	Exposure to third party securitisations		
	First loss	-	-
	Others	-	-

NOTE 34 : Details of financial assets sold to securitisation / reconstruction company for asset reconstruction

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

NOTE 35 : Details of non performing financial assets purchased / sold

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

NOTE 36 : Details of financing of parent Company products

The Company has not financed any products of its Parent Company in the current and previous year, except Investment of ₹60,46,51,450/- in purchase of Certificate of Deposit of SIDBI

NOTE 37 : Unsecured Advances

The Company does not have any unsecured advances in the current and previous year.

NOTE 38 : Details of Single Borrower Limit (SBL) / 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 including Regional Rural Banks(RRB). However, in respect of other exposures, MUDRA complies with single / group Borrower exposure norms as prescribed by RBI and during the year, the company did not exceed Prudential Exposure Limits - Single Borrower Limit (SGL) / Group Borrower Limit (GBL).

NOTE 39 : Draw down from Reserves

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

NOTE 40 : Information on Net Interest Margin

Particulars	March 31, 2017	March 31, 2016
Average interest (a)	7.19%	9.96%
Average effective cost of borrowing (b)	5.43%	5.97%
Net Interest Margin (a-b)	1.76%	3.99%

NOTE 41 : Customer Complaints *

The Company has not received any complaint from its customers such as Banks/NBFCs/MFIs regarding its operations and this statement doesn't contain general enquiries from Individuals on MUDRA Loan Schemes or complaints by Individuals against Banks.

NOTE 42 : Sector wise NPAs /NPI & Movement of NPA/NPI

The Company does not have any NPA/NPI account on its loan assets/Investments for the current and previous year. Hence, sectoral classification of NPA /NPI and its movement are not applicable during the current year and previous yea

NOTE 43 : Ratings assigned by Credit Rating Agencies

No rating is assigned by any Credit Rating Agency for the year ended March 31, 2017

NOTE 44 : Concentration of Advances, Exposures and NPA's

(₹ in Crore)

S. No.	Particulars	As at 31 March 2017	As at 31 March 2016
1	Total Advances and Exposures of twenty largest borrowers	5,193.57	2,918.40
2	Total Exposure of top four NPA accounts	Nil	Nil
3	Percentage of Advances and Exposures of twenty largest borrowers to all Advances of banks and MFIs.	84.95%	90.03%

NOTE 45 :

(₹ in Crore)

S. No.	Particulars	Amount Outstanding		Amount Overdue	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	Liabilities Side :				
1	Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:				
	a) Debentures :				
	i) Secured	-	-	-	-
	ii) Unsecured (other than falling within the meaning of public deposits)	-	-	-	-
	b) Deferred Credits	-	-	-	-
	c) Term Loans	8,125	5,000	-	-
	d) Inter-corporate loans and borrowing	-	-	-	-
	e) Commercial Paper	-	-	-	-
	f) Other Loan	-	-	-	-
	Assets Side :				
2	Break-up of Loans and Advances including bills receivables [other than those included in (4) below] :				
	a) Secured	6,114	3,242	-	-
	b) Unsecured	-	-	-	-
3	Break up of Leased Assets and stock on hire and other assets counting towards AFC activities				
	a) Lease assets including lease rentals under sundry debtors				
	i) Financial lease	-	-	-	-
	ii) Operating lease	-	-	-	-
	b) Stock on hire including hire charges under sundry debtors				
	i) Assets on hire	-	-	-	-
	ii) Repossessed Assets	-	-	-	-
	c) Other loans counting towards AFC activities	-	-	-	-
	i) Loans where assets have been repossessed	-	-	-	-
	ii) Loans other than (a) above	-	-	-	-
4	Break-up of Investments :				
	Current Investments :				
	a) Quoted :				
	i) Shares : A. Equity	-	-	-	-
	B. Preference	-	-	-	-
	ii) Debentures and Bonds	-	-	-	-

(₹ in Crore)

S. No.	Particulars	Amount Outstanding		Amount Overdue	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	iii) Units of mutual funds	-	-	-	-
	iv) Government Securities	-	-	-	-
	v) Others (Fixed Deposits with PSU Banks)	-	-	-	-
	b) Unquoted :				
	i) Shares : A. Equity	-	-	-	-
	B. Preference	-	-	-	-
	ii) Debentures and Bonds	-	-	-	-
	iii) Units of mutual funds	1,732	353	-	-
	iv) Government Securities	-	-	-	-
	v) Others- Certificate of deposit	60	-	-	-
	Long Term investments :				
	a) Quoted :				
	i) Shares : A. Equity	-	-	-	-
	B. Preference	-	-	-	-
	ii) Debentures and Bonds	-	-	-	-
	iii) Units of mutual funds	-	-	-	-
	iv) Government Securities	-	-	-	-
	v) Others-(Please specify)	-	-	-	-
	b) Unquoted :				
	i) Shares : A. Equity	-	-	-	-
	B. Preference	-	-	-	-
	ii) Debentures and Bonds	-	-	-	-
	iii) Units of mutual funds	-	-	-	-
	iv) Government Securities	-	-	-	-
	v) Others	-	-	-	-

5 Borrower group-wise classification of assets financed as in (2) and (3) above :

(₹ in Crore)

	Category	Secured		Unsecured		Total	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
	(Amount net of provisions)						
a)	Related Parties	-		-	-	-	-
	i) Subsidiaries	-		-	-	-	-
	ii) Companies in the same group	-		-	-	-	-
	iii) Other related parties	-	-	-	-	-	-
b)	Other than related parties	6,114	3,242	-	-	6,114	3,242
	Total	**6,114**	**3,242**	**-**	**-**	**6,114**	**3,242**

6 Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

(₹ in Crore)

	Category	Market Value / Break up or fair value or NAV		Book Value (Net of Provisions)	
		March 31, 2017	March 31, 2016	March 31, 2017	March 31, 2016
a)	Related Parties				
	i) Subsidiaries	-	-	-	-
	ii) Companies in the same group	-	-	-	-
	iii) Other related parties	60	-	60	-
b)	Other than related parties	1,733	353	1,733	353
	Total	**1,793**	**353**	**1,793**	**353**

7 Other information

(₹ in Crore)

	Particular	Amount	Amount
		March 31, 2017	March 31, 2016
a)	**Gross Non-Performing Assets**		
	i) Related parties	-	-
	ii) Other than related parties	-	-
b)	**Net Non-Performing Assets**		
	i) Related parties	-	-
	ii) Other than related parties	-	-
c)	**Assets acquired in satisfaction of debt**	-	-

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

RT Doshi
Senior Partner
M. No.: 013458

Jiji Mammen
Managing Director & CEO
DIN: 06808988

Manoj Mittal
Director
DIN: 02781399

Surendra Srivastava
Chief Financial Officer

Shalini Baghel
Company Secretary

Place: Mumbai
Date: May 11, 2017

भारतीय लेखापरीक्षा तथा लेखा विभाग
कार्यालय प्रधान निदेशक वाणिज्यिक लेखापरीक्षा
तथा पदेन सदस्य, लेखापरीक्षा बोर्ड–I, मुंबई

सत्यमेव जयते

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

SR. No. 2320

गोपनीय/शीघ्रडाक

संख्याः जीए/सीए-1/मुद्रा/लेखा/2016-17/ 41

सेवा में,

मुख्य कार्यकारी अधिकारी एवं अपर निदेशक,
माइक्रो यूनिट्स डेवलपमेंट एंड रिफाइनांस एजेंसी लिमिटेड,
एम एस एम ई डेवलपमेंट सैंटर, सी-11,
जी ब्लॉक, बांद्रा कुर्ला कॉम्प्लेक्स, बांद्रा (ई),
मुंबई- 400051

विषयः 31 मार्च 2017 को समाप्त वर्ष हेतु माइक्रो यूनिट्स 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 टिपणियाँ।

महोदय,

31 मार्च 2017 को समाप्त वर्ष हेतु माइक्रो यूनिट्स 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 टिपणियाँ इस पत्र के साथ संलग्न है। टिप्पणियों को मुद्रित वार्षिक प्रतिवेदन के विषयसूची में उचित संकेत सहित सांविधिक लेखापरीक्षक के प्रतिवेदन के आगे रखा जाए।

वार्षिक सामान्य बैठक के समापन के पश्चात्, वित्तीय विवरणों, सांविधिक लेखापरीक्षक का प्रतिवेदन तथा भारत के नियंत्रक एवं महालेखापरीक्षक की टिप्पणियों को अपनाते हुए सामान्य वार्षिक बैठक की कार्यवाही की एक प्रतिलिपि 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।

भवदीय,

(रूप राशि)
प्रधान निदेशक वाणिज्यिक लेखापरीक्षा तथा
पदेन सदस्य लेखापरीक्षा बोर्ड-I, मुंबई

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 2017

The preparation of Financial Statements of Micro Units Development & Refinance Agency Limited for the year ended 31 March 2017 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 11 May 2017.

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 2017. 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
(Roop Rashi)
Principal Director of Commercial Audit and
ex-officio Member, Audit Board-I, Mumbai

Place : Mumbai
Date : 4/7/2017

Notice to Members

Notice is hereby given that 2nd Annual General Meeting of **Micro Units Development & Refinance Agency Limited ("MUDRA")** will be held on August 10, 2017 at 9.30 am 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, 2017, together with the Board's Reports, Auditor's Report and Comments of the Comptroller & Auditor General of India, in term of section 143(6) of the companies Act, 2013.**

   "RESOLVED THAT the Audited Financial Statement of the Company for the second financial year ended on March 31, 2017, together with the Board's 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 INR 0.10 per equity share, aggregating to ₹13.41 crore, on the equity shares, as on March 31, 2017.**

   "RESOLVED THAT, a dividend of ₹0.10 per equity share, for the period from April 01, 2016 to March 31, 2017, on the Company's Share Capital of ₹1675.93 crore, as at March 31, 2017, absorbing thereby of ₹13.41 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, 2017."

3) **To appoint of Director in place of Shri Pradeep Malgaonkar (DIN 07184562), who retires by rotation at this meeting, but has not offered himself for re-appointment.**

4) **To appoint Shri Jiji Mammen (DIN 06808988), who retires by rotation at this meeting and being eligible, offers himself for re-appointment as Director, liable for retirement by rotation.**

   "RESOLVED THAT Shri Jiji Mammen (DIN 06808988), Director 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 Director."

5) **To take note of the appointment of Statutory Auditors of MUDRA and fixing their remuneration for FY 2017-18.**

   "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) or re-enactment(s) thereof for the time being in force), the aggregate remuneration of ₹2.00 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 2017-18 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 to audit fee."

Date: August 4, 2017
Place: Mumbai

By order of the Board of Directors
For **Micro Units Development & Refinance Agency Limited**

Surendra Srivastava
Chief Finance Officer

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.

   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.

4. 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.

5. 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.

ATTENDANCE SLIP

02nd Annual General Meeting

Micro Units Development & Refinance Agency Limited ("MUDRA")

[CIN: U65100MH2015PLC274695]

Registered office: MSME Development Center, 1st Floor, C-11,
G-Block Bandra Kurla Complex, Bandra (E), Mumbai - 400051, Maharashtra, INDIA.
Tele Phone: 022-67221465 Fax No.: N.A | Website: www.mudra.org.in email: ceo@mudra.org.in

Date	Venue	Time
August 10, 2017	8th Floor, MSME Development Centre, C-11, G Block, Bandra Kurla Complex, Bandra (East), Mumbai- 400 051, Maharashtra, INDIA	9:30 am

PLEASE FILL ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF THE MEETING VENUE.

Folio No.*		DP ID No.		Client Id	

Name of the Member Shri Mr./Mrs. .... (Representative of SIDBI)

Signature ....

Name of the Proxyholder Mr./Mrs. .... Signature ....

* Applicable for investors holding shares in electronic form.

I certify that I am the registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at 02nd Annual General Meeting of the Company held on Thursday, August 10, 2017 at 9:30 am at the 8th Floor, MSME Development Centre, C-11, G Block, Bandra Kurla Complex, Bandra (East), Mumbai-400 051, Maharashtra, India.

....
Signature of the Member/ Proxy

Note: Electronic copy of the Notice of the 02nd Annual General Meeting with the Attendance slip and Proxy form is being sent to all the members whose email id is registered with the Company/ Depository Participant unless any meeting has been requested for a hard copy of the same. Shareholders receiving electronic copy and attending the 02nd Annual General Meeting can print copy of this Attendance Slip.

Physical copy of the Notice of the 02nd Annual General Meeting along with the Attendance Slip and Proxy Form is sent in the permitted mode(s) to all members whose email Id is not registered or has requested for hard copy.

02nd Annual General Meeting

Micro Units Development & Refinance Agency Limited ("MUDRA")

[CIN: U65100MH2015PLC274695]

Registered office: MSME Development Center, 1st Floor, C-11,
G-Block Bandra Kurla Complex, Bandra (E), Mumbai - 400051, Maharashtra, INDIA.
Tele Phone: 022-67221465 Fax No.: N.A | Website: www.mudra.org.in email: ceo@mudra.org.in

FORM NO. MGT-11
FORM OF PROXY

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s)	:
Registered Address	:
No. of Shares held	:
Email ID	:
Folio No.	
*DP ID	:
*Client ID	:

* Applicable for investors holding shares in electronic form.

I/We, being a member(s) of .... shares of MUDRA hereby appoint:

1. Name: .... E-mail Id: ....
Address: ....
.... Signature: ....

2. Name: .... E-mail Id: ....
Address: ....
.... Signature: ....

3. Name: .... E-mail Id: ....
Address: ....
.... Signature: ....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 02nd Annual General Meeting of the Company to be held on Thursday, August 10, 2017 at 9:30 am at the 8th Floor, MSME Development Centre, C-11, G Block, Bandra Kurla Complex, Bandra (East), Mumbai- 400 051, Maharashtra, India, and at any adjournment thereof in respect of such resolutions as are indicated below:

** I wish my above Proxy to vote in the manner as indicated in the box below:

Sl. No.	Resolution	Number of Shares held	For	Against
Ordinary Business				
1	To Consider and adopt the Audited Financial Statements of MUDRA for the period ended on March 31, 2017, 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.			
2	To declare final dividend of ₹0.10 paisa per equity share aggregating to ₹13.41 Crore, on the equity shares as on March 31, 2017.			
3	To appoint Shri Jiji Mammen (DIN 06808988), 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			
4	To take note that Shri Pradeep Achyut Malgaonkar (DIN 07184562), is retiring by rotation at this meeting, but has not offered himself for re-appointment.			
5	To take note of the appointment of Statutory Auditors of MUDRA and their remuneration for FY 2017-18.			

** This is optional. Please put a tick mark (✓) in the appropriate column against the resolutions indicated in the box. If a member leaves the "For" or "Against" column blank against any or all of the Resolutions, the proxy will be entitled to vote in the manner he/ she thinks appropriate. If a member wishes to abstain from voting on particular resolution, he/she should write "Abstain" across the boxes against the Resolution.

Signature(s) of the Member(s)

1.______________________________

2.______________________________

3.______________________________

Affix One rupee Revenue Stamp

Signed this _______day of________2017

Notes:

1. The Proxy to be effective should be deposited at the registered office of the company before commencement of the meeting.
2. A proxy need not be a member of the company.
3. In the case of the Joint holders, the vote of the senior who tenders vote, whether in person or by Proxy, shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of the Members.
4. The form of proxy confers authority to demand or join in demanding a poll.
5. The submission by a member of this form of proxy will not preclude such member from attending in person and voting at the meeting.
6. In case a member wishes his/her votes to be used differently, he/she should indicate the number of shares under the columns "For" or "Against' as appropriate.

NOTES

NOTES


MUDRA
3rd
FOUNDATION
DAY

Corporate & Registered Office:
MSME Development Centre, C-11, G-Block, Bandra-Kurla Complex,
Bandra (E), Mumbai-400 051.
www.mudra.org.in | Email: ceo@ mudra.org.in

Concept, Content & Design
WYATTPrism COMMUNICATIONS (info@wyatt.co.in)