



SANGHAMITHRA

**SANGHAMITHRA**

RURAL FINANCIAL SERVICES

ಸಂಘಮಿತ್ರ  
ಸಂಘಮಿತ್ರ

**29<sup>th</sup> Annual Report  
2023-24**

## *Awards and Recognition*



### **Inclusive Finance India Award 2023**

Sanghamithra was recognised as the **“Microfinance Organisation of the Year”** by ACCESS Development Services, in partnership with HSBC India.

The award was given by Dr. Vivek Joshi, Secretary, Government of India, Department of Financial Services, Ministry of Finance, on 12<sup>th</sup> December 2023 during Inclusive Finance India Award 2023 at New Delhi.



Women's Day celebrations at Sanghamithra on 16<sup>th</sup> March, 2024

# Sanghamithra Rural Financial Services



Secured  
Certificate of Registration  
as  
NBFC-ND-MFI from  
Reserve Bank of India  
on 14<sup>th</sup> August, 2023

Secured Certificate  
as  
Microfinance Organisation  
of the Year (Medium)  
from  
Inclusive Finance India  
Awards 2023



## Lenders:

### Commercial Banks

- ❖ State Bank of India, Specialised Agri Coml. Branch, Bengaluru.
- ❖ Indian Bank, Mid Corporate Branch, KG Road, Bengaluru.
- ❖ Canara Bank, Mid Corporate Branch, Bengaluru.
- ❖ Union Bank of India, Domlur Branch, Bengaluru.
- ❖ Bank of Baroda, Indiranagar Branch, Bengaluru.
- ❖ Bank of Maharashtra, Mid Corporate Branch, Bengaluru.
- ❖ Federal Bank Ltd., St. Mark's Road, Bengaluru.
- ❖ ESAF Small Finance BANK Ltd, Hulsoor, Bengaluru
- ❖ Bandhan Bank Ltd., Indiranagar, Bengaluru
- ❖ Karnataka Gramin Bank Ltd., Shamanur Branch, Davanagere

### Financial Institutions

- ❖ SIDBI, Mumbai
- ❖ NABSAMRUDDHI Finance Ltd. Mumbai.
- ❖ NABKISAN Finance Ltd., Mumbai

We are grateful to all the lenders who have been extending timely credit facilities to us at reasonable rates of interest.

---

## Our Auditors:

### M/s. S U M J & Associates

*(Previously known as M/s. S.S. Javali & Associates)*  
Chartered Accountants, Bengaluru

## Table of contents

Particulars	Pg.No.
Board of Directors	4
About Sanghamithra	7
Milestones	8
Business Trends	9
Notice of 29 <sup>th</sup> AGM	10
Directors' Report	15
Financial Results	15
Review of operations	16
Corporate Governance	23
Overview of Report	46
Donors during the previous years	49
Business and loan products	52
Credit Plus activities	64
Human Resources	65
Tales of Success	66
Independent Auditor's Report	74
Balance Sheet	82
Profit & Loss account	83
Significant Accounting Policies	93

# Board of Directors



**Mr. Aloysius Prakash Fernandez**, Founder Chairperson. M. A., L. Ph. and B. Ph. He worked in the World Bank and the Canadian International Development Agency and was the Executive Director of MYRADA for 28 years. Presently, he is the Member Secretary of MYRADA, a premier NGO of India. He was Director of Corporation Bank, member of the Bangalore University Syndicate and of Dr. C. Rangarajan's Committee on Financial Inclusion. He was the first Chairperson of NABARD Financial Services Ltd., (NABFINS). He is popularly known as the father of the SHG movement, which he pioneered in 1985, and took to scale with NABARD. He was awarded with the Padmashree in 2000 and by Honourable Mr. Arun Jaitley, Finance Minister, Government of India, at a celebration to mark the Silver Jubilee of 'SHG-Bank linkage Program' in New Delhi.



**Ms. Vidya Ramachandran, Director.** MA in Social work, M.Phil. in psychiatric social work. She is a former vice-chair of Friends of Women's World Banking and is in the NGO sector for over three decades. She had worked as Program Officer in MYRADA. She is a governing body member in several institutions promoted by MYRADA. She is also working as a consultant.



**Mr. Doraiswami Ashok, Director,** B.Tech - IIT, Madras and MBA - IIM, Bangalore. He is the CEO of Gossamer Consultants, Bangalore (Strategy, Business Process improvement, Leadership development & Training) & a certified CEO / Executive Coach. He is also an Adjunct Faculty at IIM (Bangalore & Udaipur) and handles courses relating to Management Consulting, Service Strategy, Supply Chain management & MIS. He was the Office Managing Partner of PwC Bangalore, after having started the erstwhile Coopers & Lybrand's (C&L) Bangalore office and was a Partner in the Business Consulting Services of IBM Global Services, Bangalore.



**Mr. Arvind G Risbud, I.A.S. (Retd.), Director, BE, MBA** is a retired senior IAS Officer from the Government of Karnataka. He has worked for over 35 years in various capacities in the Government of Karnataka; he was Registrar of Bangalore University. He took premature retirement to take over as Executive Director of MYRADA, a Bengaluru based leading NGO.



**Mr. William D'Souza, Director, B.Com.** As a program Manager of MYRADA and Executive Director of MYKAPS (Mysuru Kaveri Pradeshika Sansthe) covering a period of over 40 years, he has worked in the fields of education, promotion of SHGs and Watershed Management Associations and in various programs related to agriculture, education, skills development and livelihood promotion



**Dr. Venkatesh Tagat, Ph.D. Director,** Post Graduate in Agronomy; Ph.D. in Soil and Water Management from Indian Agricultural Research Institute, New Delhi; DSE from Germany in Land Use Planning for Rural Development and Monitoring Evaluation in Development Projects. He had a stint as CGM, Bengaluru Regional Office. He was also Director on the Board of National Commodity & Derivatives Exchange Ltd., Mumbai and also a member on the Inter-Ministerial Group on Agricultural Marketing, New Delhi. He retired as Chief General Manager, Business Initiatives Department of National Bank for Agriculture and Rural Development (NABARD), Head Office, Mumbai



**Mr. Suresh K. Krishna, Director, MA Sociology and Business Management IIM-B.** He was Managing Director of Grameen Koota (currently CreditAccess Grameen) since its inception till 2015 and Non-Executive Director till July 2017. He is the co-founder & CEO of Yunus Social Business Fund, Bengaluru and co-founder and partner of Yunus Social Business India Initiatives and Grameen Shelters Pvt. Ltd. He is co-founder and Chairperson of BUZZ India and the Managing Trustee of Navya Disha Trust, an NGO working to improve water, sanitation, financial literacy, supplementary education for school children.



**Mr. Rudrappa Doddaholiyappa Gadiyappanavar, Director**, Post Grad. in Agricultural Sciences UAS, Bangaluru and CAIIB. He has 35years experience in State Bank of India in various capacities form Technical Officer to Senior Executive Grade. He was head of the prestigious Bangalore Main Branch of SBI as well as of Hubli. He was on the Board of Krishna Grameena Bank. After retirement he served as CEO of Sangamithra from April 2007 to November 2022.



**Mr. Lakshmaiah Parthasarathy, Director**. Masters in Agri Economics and a Management Graduate from IIM-B. He has over 33 years of work in the development sector, specialising in financial inclusion, micro-banking and rural financial services. He was part of the team involved in establishing BASIX India in 1996, which was the pioneer in microfinance. He has held senior positions within BASIX group, including being the MD & CEO of KBS Local Area Bank, Hyderabad, India and MD & CEO of BASIX Consulting, MD & CEO of Alliance Microfinance in Myanmar. As part of consulting work, he has led consulting assignments in India, Bhutan, Nepal, Lao PDR, Cambodia, Timor Leste, Vietnam, Papua New Guinea as well as in Ethiopia, Kenya, Rwanda and Cameroon in Africa.



**Mr. Sunil Jadli, Chief Executive Officer**. He is a postgraduate in Agriculture Sciences from Acharya N.G. Agriculture University, Hyderabad. Prior to joining Sanghamithra, Sunil worked with Jana Small Finance Bank, Axis Bank & BASIX group of companies (Bharatiya Samruddhi Finance Ltd, Indian Grameen Services, BASIX Krishi Samruddhi Ltd, Bhartiya Samruddhi Investments and Consulting Services Ltd., in various roles and capacities. Sunil worked as a long-term advisor and set up an agricultural finance unit for Nirdhan Utthan Bank Limited, Kathmandu, a project supported by the World Bank. He also served as a technical consultant for the Small Farmers Agribusiness Consortium (SFAC) & Maharashtra Agricultural Competitiveness Project (MACP) projects in Maharashtra supported by Govt of India and World Bank respectively. He received a Junior Research Fellowship from the Indian Council of Agricultural Research (ICAR) in 2001-02. Sunil has over 19 years of national and international experience with a blend of business operations & process re-engineering in Small Finance Banks and Micro Finance Institutions.

## About Sanghamithra

Sanghamithra Rural Financial Services (*hereafter referred to as Sanghamithra or as SRFS*), is a Micro Finance Institution (MFI) and registered as a company under Sec. 25 of Companies Act, 1956 on 15<sup>th</sup> February 1995 (*Now classified under Sec.8 of Companies Act, 2013*). Sanghamithra is a “Not-for-Profit” company and is limited by guarantee. MYRADA is an NGO and was registered as “Mysore Resettlement and Development Agency” under the Mysore Societies Registration Act, 1960 in the year 1968.

Sanghamithra has since secured the “Certificate of Registration” as NBFC-ND-MFI from Reserve Bank of India vide its letter dated 14<sup>th</sup> August, 2023.

Sanghamithra was recognised as the **“Microfinance Organisation of the Year”** under medium category at the event organised by ACCESS Development Services, in partnership with HSBC India. The award was given by Dr. Vivek Joshi, Secretary, Govt. of India, Department of Financial Services, Ministry of Finance on 12<sup>th</sup> December 2023 during Inclusive Finance India Award 2023 at New Delhi.

Sanghamithra is a founder member of Sa-Dhan, a Self-Regulatory Organisation (SRO). Though, Sanghamithra was formed in the year 1995, the lending operations commenced only in February 2000 after obtaining exemption under Sec. 12A and Sec. 80G of Income Tax Act, 1961. The above exemptions have been renewed periodically once in every five years by Income Tax Department. The current exemption under Sec. 12A and Sec. 80G are valid till AY 2026-27.

The Registered Office as well as Corporate Office of Sanghamithra is situated in Bengaluru. Presently, your company is operating in 4091 villages, 184 talukas and 31 districts in 3 States of Karnataka, Maharashtra and Tamil Nadu, through 114 Branches managed by 8 Regional Offices. Majority of the Branches are situated in rural areas; many of these Branches are located in socially and economically backward areas. Our 8 Regional offices are situated in Bengaluru, Mysuru, Davanagere, Kalaburagi, Davangere and Dharwad in Karnataka, Latur in Maharashtra; and Erode and Dharmapuri in Tamil Nadu.

Sanghamithra works predominantly in backward areas with special thrust on women and on social / health related issues. Sanghamithra strongly believes in lending for livelihood activities in collaboration by availing loans from various Banks / financial institutions and donations from national and international agencies. It has been assisting SHG members for undertaking construction of toilets and potable water to improve their health and hygiene since 2009-10 even before Swatch Bharat Mission was launched by Government of India.

## Milestones

---

1995	:	Sanghamithra was incorporated as “Not-for-Profit” company in 1995, probably the first “Not-for-Profit” MFI in the country.
------	---	--

---

2000	:	Commenced SHG Lending Operations
	:	Founder Chairperson of Sanghamithra was awarded with the prestigious “Padmashree” Award

---

2008	:	Microfinance Excellence Award instituted by Royal Bank of Scotland (RBS) and Plan-Net Finance, presented by His Highness, Deputy High Commissioner, Netherlands
------	---	---

---

2011	:	Microfinance India Award under Small and Medium Category by Access Development Services and HSBC India
------	---	--

---

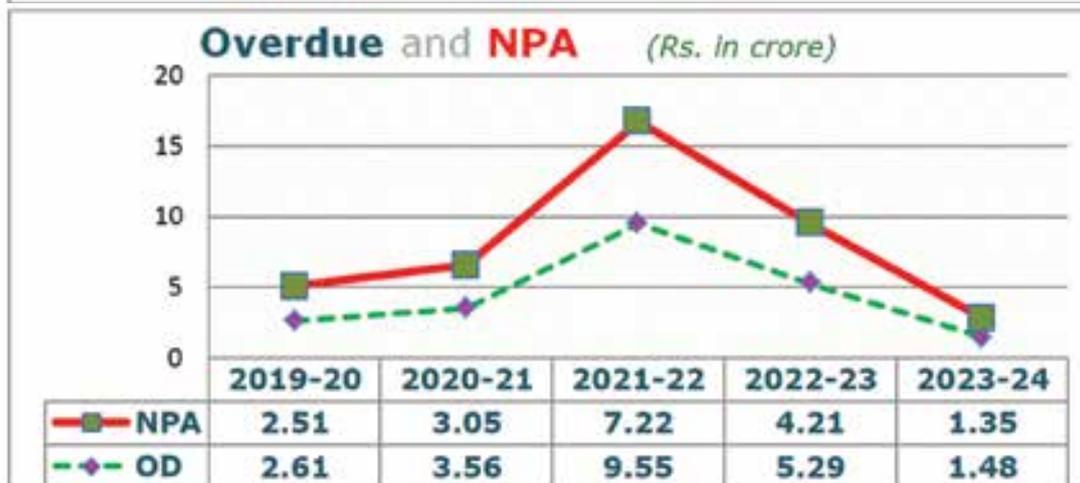
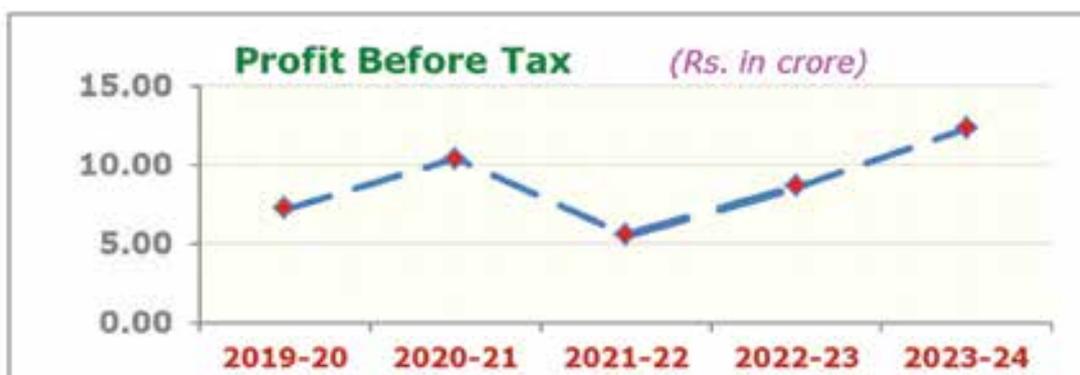
2013	:	India Microfinance Award - Microfinance Organisation of the Year (Medium) issued by Access Development Services and HSBC India
------	---	--

---

2023	:	Secured the award as “Microfinance Organisation of the Year” from Access Development Services in collaboration with HSBC and Ministry of Finance
	:	Secured NBFC-ND-MFI Registration Certificate from Reserve Bank of India
	:	Digital Transformation : Introduced app-based loan recovery and implemented mobile applications and web systems

---

## Business Trends



# Notice of the 29th Annual General Meeting

To

All the Members

Sanghamithra Rural Financial Services

Notice is hereby given that the 29th Annual General Meeting of the company will be held at the Registered Office of the company situated at No.612, 1C, Main Road, Domlur Layout, Bangalore - 560071, Karnataka, India at 11:00 A.M on 27<sup>th</sup> September, 2024 to transact the following business.

## Ordinary Business:

**[1] To consider and adopt the audited standalone financial statements for the financial year ending 31.03.2024, together with the reports of the directors and auditors thereon.**

To consider and if thought fit to pass with or without modification(s) the following resolution as an **“Ordinary Resolution”**.

**“RESOLVED THAT** the Audited Financial Statements of the company for the financial year ending 31.03.2024, together with the reports of the Board and Auditors thereon be and are hereby received, considered, and adopted”.

**“RESOLVED FURTHER THAT** any of the Directors of the company be and are hereby authorised to certify and file e-forms with Registrar of Companies and to do all such acts, deeds, and things as may be required to give effect to this resolution”.

**[2] To appoint statutory auditors and fix their remuneration.**

To consider and if thought fit to pass with or without modification(s) the following resolution as an **“Ordinary Resolution”**.

**“RESOLVED THAT** pursuant to the provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013, (“the Act”) and the applicable Rules under Companies (Audit and Auditors) Rules, 2014, as amended from time to time, K.B. Nambiar & Associates, Chartered Accountants (Firm Registration No. 002313S), Bangalore, be and are hereby appointed as the Statutory Auditors of the Company, who shall hold office from the conclusion of this Annual General Meeting, until the conclusion of AGM of the Company to be held in the year 2029 at a remuneration of Rs. 5.2 lakhs per Financial Year Audit plus applicable GST and reimbursement of the out-of-pocket expenses, if any.”

**“RESOLVED FURTHER THAT** any director and/or CEO of the company be and is hereby authorised to do all such acts and deeds as may be deemed expedient and necessary to give effect to this resolution”.

## Special Business:

[3] To borrow money under Sec. 180(1)(c) of the Companies Act, 2013

To consider and, if thought fit, to pass with or without modifications, the following resolution as Special Resolution.

**“RESOLVED THAT** pursuant to the provisions of Section 180(1)(c) (including any amendment thereto or re-enactment thereof) and other applicable provisions, if any, of the Companies Act, 2013 and other relevant rules, the consent of the members be and is hereby accorded to the company/board for borrowing from time to time as they may deem fit, any sum or sums of money up to Rs.450 crore [Rupees Four Hundred and fifty crore only] (Including the money already borrowed by the company) on such terms and conditions as the Board may deem fit, whether the same may be secured or unsecured and if secured, whether by way of mortgage, charge or hypothecation, pledge or otherwise in any way whatsoever, on, over or in any respect of all, or any of the company’s assets and effects or properties including stock in trade, notwithstanding that the money to be borrowed together with the money already borrowed by the company (apart from the temporary loans obtained from the company’s Bankers in the ordinary course of business) and remaining un-discharged at any given point of time, exceeds the aggregate, for the time being, of the paid-up share capital, free reserves and securities premium, that is to say, reserves not set apart for any specific purpose”.

**“RESOLVED FURTHER THAT** the Board of Directors of the company (hereinafter called “the Board” which term shall be deemed to include any Committee thereof, which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution and with the power to delegate such authority to any person or persons) be and is hereby authorised for borrowing from time to time as it may think fit, any sum or sums of money up to Rs.450 crore [Rupees Four Hundred and fifty crore only] (including the money already borrowed by the company) in Indian Rupees or equivalent thereof in any foreign currency(ies) in aggregate (including the monies already borrowed by the company) and on such terms and conditions as the Board may deem fit, by way of loans or in any other form whatsoever from, or issue of Bonds and/or Debentures or other Securities whether Convertible into Equity / Preference Shares and/or Securities with or without detachable warrants with a right exercisable by the warrant holder(s) to convert or subscribe to Equity/Preference Shares (hereinafter referred to as “Securities”), to Bank(s), Financial or other Institution(s), Mutual Fund(s), Non-Resident Indians (NRIs), Foreign Institutional Investors (FIIs) or any other person(s), body(ies) corporate, etc., whether shareholder of the company or not.”

**“RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board of Directors (which term shall be deemed to include any committee or committees of Directors for the time being exercising the powers conferred by the Board) be and are hereby severally authorised to do all such acts, deeds, matters and things as may in its absolute discretion deemed necessary, proper or desirable and also to delegate all or any of the powers to such Committee of Directors as

it may deem fit and further to do all such acts, deeds and things and to sign all such agreement, documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution”.

---

By Order of the Board of Directors  
For Sanghamithra Rural Financial Services

**Sd.**

(Aloysius Prakash Fernandez)  
Director

DIN: 00027034

No. 5/3, Bushcroft Apartment, 5 Norris Road,  
Near Hockey Stadium Richmond Town  
Bangalore North

Date: 4<sup>th</sup> Sept 2024

Museum Road, Bengaluru – 560025, Karnataka, India

Place: Bengaluru

**Regd. Office:**

No.612, 1C Main Road, Domlur Layout,  
Bangalore, Karnataka, India, 560071

**Notes:**

1. Document relating to any of the items specified in the notice are open for inspection at the registered office of the company on any working day during business hours.
2. Members requested to notify to the company, immediately, of any change in their Postal Address, Email ID and Phone Number.
3. Members are requested to bring the attendance slips along with their copies of the Notice to the meeting.
4. Route map and prominent landmark for easy location of the venue of the Meeting.



# Explanatory Statement

(pursuant to Section 102(1) of the Companies Act, 2013)

The following explanatory statement pursuant to Section 102 of the Companies Act, 2013 (“Act”) sets out all material facts relating to the special business mentioned at item No.3 of the accompanying notice dated 4<sup>th</sup> September, 2024.

## Special Business:

### Item No. 03:

The company from time to time may need to borrow funds for the smooth running of business operation and/or expansion of the company.

As per the provisions of Section 180(1)(c) of the Companies Act, 2013, the Board of Directors of the company can borrow money subject to the condition that the money to be borrowed together with the money already borrowed (apart from the temporary loans obtained from the company’s bankers in the ordinary course of business) shall not exceed the aggregate, for the time being, of the paid-up capital and free reserves, that is to say, reserves not set apart for any specific purpose unless the Shareholders have authorised the borrowing for a higher limit by way of special resolution.

Accordingly, it is proposed to seek approval of the members under Section 180(1)(c) of Companies Act, 2013 to empower and authorise the Board of Directors of the company to borrow money from any Bank(s), Financial Institutions (FIs,) Bodies Corporate or Business Associates or other any person or entity etc., up to Rs.450 crore [Rupees Four hundred and fifty crore only] notwithstanding that the money to be borrowed together with the money already borrowed (apart from the temporary loans obtained from the company’s bankers in the ordinary course of business) exceeds the aggregate, for the time being, of the paid-up capital and free reserves of the company.

None of the Directors, key managerial personnel and relatives of Directors and/or key managerial personnel (as defined in the Companies Act, 2013) are concerned or interested in the proposed resolution.

The Board of Directors commends the resolution as set out at Item No.3 for approval of the members as special resolution.

---

By Order of the Board of Directors

For Sanghamithra Rural Financial Services

**-Sd-**

(Aloysius Prakash Fernandez)

Director

DIN: 00027034

No. 5/3 Bushcroft Apartment 5

Norris Road, Near Hockey Stadium

Richmond Town Bangalore North

Museum Road, Bengaluru – 560025,

Karnataka, India

Date: 4<sup>th</sup> Sept. 2024

Place: Bengaluru

## Attendance Slip

29th ANNUAL GENERAL MEETING dated 27<sup>th</sup> September 2024

Registered Folio No.:

Number of shares held: NA

I/We hereby record my/our presence at the 29<sup>th</sup> Annual General Meeting of the company at No.612, 1C, Main Road, Domlur Layout, Bangalore - 560071, Karnataka, India, on 27<sup>th</sup> September 2024 at 11:00 A.M.

Name of the Member:

Signature:

Notes:

1. Only Member/Proxyholder can attend the Meeting.
2. Please complete the Folio No. and name of the Member, sign this Attendance Slip and hand it over, duly signed, at the entrance of the Meeting Hall.

# Directors' Report 2023-24

Dear Members,

Sanghamithra Rural Financial Services

Your Directors take pleasure in presenting the 29<sup>th</sup> Annual Report together with the audited financial statements of your company for the year ended March 31, 2024.

## 1.0 Financial Results and Operations

(Rs. in Lakhs)

Particulars	Year ended 31.03.2024	Year ended 31.03.2023	Absolute growth	Growth in %
Income from operations	5240.23	3966.28	1273.95	32.12
Other income #	364.02	260.94	103.08	39.50
<b>Total income</b>	<b>5604.25</b>	<b>4227.22</b>	<b>1377.03</b>	<b>32.58</b>
<i># Split of other income is as follows below</i>				
Interest on FDs	111.64	118.95	-7.31	-6.14
Interest on SB accounts	4.46	36.52	-32.06	-87.79
AUCA Recovery	86.70	104.46	-17.76	-17.00
Other Miscellaneous income	161.22	1.01	160.21	15862.37
<b>Total of other income</b>	<b>364.02</b>	<b>260.94</b>	<b>103.08</b>	<b>39.50</b>
<b>Expenditure</b>				
Cost of Borrowing	2296.39	1835.05	461.34	25.14
Salaries & professional fees	962.77	726.23	236.54	32.57
Travelling & Conveyance	145.99	129.44	16.55	12.79
Other Expenses	953.51	658.06	295.45	44.90
Depreciation	16.26	16.86	-0.60	-3.56
<b>Total</b>	<b>4374.92</b>	<b>3365.64</b>	<b>1009.28</b>	<b>29.99</b>
Surplus	1229.33	861.57	367.76	42.68
<b>Net carried to reserve</b>	<b>1229.33</b>	<b>861.57</b>	<b>367.76</b>	<b>42.68</b>

### 1.1 Income from Operations:

The income from loan operations has increased to Rs.5240.23 lakhs for the year ended 31.03.2024 as against Rs.3966.28 lakhs compared to corresponding period during the previous year, thereby registering a positive growth of 32.12%. The growth in revenue is due to growth in the portfolio to Rs.30402.07 lakhs as compared to Rs.25537.30 lakhs as on year ending 31.03.2024. Increase in interest rate to 22% with effect from January 2023 has increased interest income.

### 1.2 Other Income:

The other income has gone up to Rs.364.02 lakhs as on 31.03.2024 as Rs.260.94 lakhs as on year ending 31.03.2023, thus there is a positive growth of 39.50% which is due to AUCA recovery of Rs.85.26 lakhs from written off accounts and introduction of processing fees of 1% on loans disbursed with effect from 1<sup>st</sup> October 2023 which led to income of Rs.153.65 lakhs.

### 1.3 Expenditure:

Expenditure has gone up to Rs.4374.92 lakhs for the year ended 31.03.2024 from Rs.3365.64 lakhs as on 31.03.2023 mainly due to Increase in cost of bank borrowings to Rs.2296.39 lakhs from Rs.1835.05 lakhs, an increase by 25.14% consequent to increase in REPO rate by RBI, increase in salaries and professional fees by 32.57%, increase in cost of travelling by 12.79% is due to travelling expenses for staff training, recovery and booking of new business. Other expenses have gone up by 44.90% due to Incentives of 1% to 2% paid to CMRCs and NGOs on the loan amount disbursed/ repaid and rentals for the office buildings taken on hire.

### 1.4 Surplus:

Surplus of Rs.1229.33 lakhs registered for the year ended 31.03.2024 as against Rs.861.57 lakhs for the corresponding period of previous year, which is an increase of 42.68% in view of Sustained increase in the portfolio, Booking direct business (without partners thus saving 1 to 2% of incentives on disbursement amount), efficient collection mechanism enabled us to reduce NPA level.

## 2.0 Review of operations as on 31.03.2024

(Amount Rs.in Lakhs)

Particulars	Quarter ended 31.03.2024	Quarter ended 31.03.2023	Absolute growth	Growth in %
No. of Branches	114	113	1	0.88
No of Groups	12915	11914	1001	8.40
No. of active Borrowers	95098	90283	4815.00	5.33
Loan amount disbursed	27506.77	26787.65	719.12	2.68

Particulars	Quarter ended 31.03.2024	Quarter ended 31.03.2023	Absolute growth	Growth in %
Collection	27469.07	24601.00	2868.07	11.66
Collection Efficiency/ Recovery Rate (%)	99.75	98.90	0.85	0.86
No. of staff	236	236	0.00	0.00
No of staff --- Loan officers	174	171	3.00	1.75
<b>Financial Parameters</b>				
Outstanding Portfolio	30402.77	25537.30	4865.47	19.05
Surplus	1229.33	861.57	367.76	42.68
Yield (%)	20.37	18.13	2.24	12.35
Average Cost of Funds (%)	11.54	10.29	1.25	12.14
NIM (%)	8.83	7.84	0.99	12.63
<b>Efficiency Parameters</b>				
Operating Cost Ratio	7.28	6.92	0.36	5.20
<b>Asset Quality</b>				
Portfolio at risk >30 days	152.96	604.12	-451.16	-74.68
(PAR % on Portfolio)	0.50	2.37	-1.87	-78.90
Gross NPA (Portfolio at risk >90 days)	135.11	420.68	-285.57	-67.88
Gross NPA (%)	0.44	1.65	-1.21	-73.33
Net NPA	0	0.92	-0.92	-100.00
Net NPA (%)	0	0.36	-0.36	-100.00
Provision held	386.51	330.11	56.40	17.08
<b>Sustainability Ratio:</b>				
Operational Self Sufficiency in percentage [%]	128.10	120.82	7.28	6.02
<b>Productivity Ratios:</b>				
No. of Active loans per credit officer/ Branch	114	113	0.88	0.78
<b>Other Ratios</b>				
CAR %	28.62	29.25	-0.63	-2.15
ROA %	4.78	3.25	1.53	47.07

Particulars	Quarter ended 31.03.2024	Quarter ended 31.03.2023	Absolute growth	Growth in %
RNW %	14.13	9.53	4.60	48.27
Debt-Equity ratio(TOL/TNW)	2.84	2.69	0.15	5.57
Write-Off ratio	0.01	0.01	0.00	0.00

We continued to operate in 3 states namely Karnataka, Tamilnadu and Maharashtra. Your company has shown all round improvement in financial parameters, asset quality, sustainability ratio, productivity ratios and other ratios. Staff productivity has improved as reflected in the growth of portfolio with marginal increase in loan officers. Yield on advances and NIM have gone up due to our interest rate at 22%. Operation cost has gone up in view of higher administration cost, incentives paid to CMRCs / NGOs. CAR has reduced in view of increase in portfolio. ROA and RNW have increased due to increase in portfolio level and yield on advances. The debt equity has gone up slightly in view of increase in borrowings to meet the growth in portfolio despite ploughing back the entire surplus.

The collection efficiency has further improved due to close follow up and monitoring of scheduled demand versus collection, competitive spirit shown by staff, reporting of collection by staff at branch, Regional Office and review by Head Office on weekly basis.

The gross NPA level has shown tremendous improvement during the year by reducing the level to 0.44%, the lowest level recorded by the company due to consistent follow up and recovery.

## 2.01 Dividend

Sanghamithra is a Sec.8 company and is limited by guarantee. Hence payment of dividend is not applicable.

## 2.02 Reserves

The company has transferred the entire surplus after provision for reserve to augment increase in net owned funds.

## 2.03 Any change in the nature of business

During the year under review, there was no change in the nature of business of the company. The interest rate remains unchanged at 22.00% p.a.

## 2.04 Processing Fee

Sanghamithra has commenced levying processing charge at 1% + GST with effect from 01.10.2023.

## 2.05 Penal Interest

Sanghamithra is not collecting penal interest on account of delayed repayment and pre-payment / bulk repayment.

## 2.06 Deposits

Your company is registered under Sec.25 of the Companies Act, 1956 (currently read as Sec.8 of Companies Act, 2013). Sanghamithra being a NBFC-ND-MFI, it is not permitted by RBI for accepting deposits. As such we are not accepting deposits either from the public or from our clients and hence the provisions of Sec.125(2) of the Companies Act, 2013 were not applicable to the company, during the Financial Year 2023-24.

## 2.07 Disbursements

During the year under review, your company disbursed a sum of Rs.27,507 lakhs to 12,915 groups with 51,586 members. Out of this, Rs.9,847 lakhs was disbursed to 22,395 members who are first-time borrowers (first linkage). The balance amount of Rs.17,660 lakhs was lent to 29191 members as repeat loans to existing borrowers. We have disbursed loans aggregating Rs.237254.60 lakhs since inception.

## 2.08 Statutory Compliance

### 2.08.1 Share Capital / Authorised Capital / Paid up capital / Dividend/ Earnings per Share

Sanghamithra is a Sec.8 company and is limited by guarantee. Hence it is not applicable.

## 2.09 Companies Act, 2013

### 2.09.1 Particulars of loans given by the Directors and/or their relatives to the company: During the year the company has not received any loan from its Directors and or their relatives.

### 2.09.2 Particulars of contracts or arrangements with related parties referred to in Sec. 188(1):

There are no transactions with related parties in the ordinary course of the company's business that are required to be disclosed under Sec. 188 of the Companies Act, 2013, hence not applicable.

### 2.09.3 Conservation of energy through technology absorption, foreign exchange earnings and outgo

<i>Issue</i>	<i>Remarks / Compliance</i>
<p>[A] Conservation of energy - Steps taken / impact on conservation of energy, with special reference to the following</p> <p>[i] Steps taken by the company for utilising alternate sources of energy including waste generated</p> <p>[ii] Capital investment on energy conservation equipment</p>	<p>Not applicable. company's operation does not consume significant amount of energy</p> <p>Not applicable. company's operation does not consume significant amount of energy</p>
<p>[B] Technology absorption</p> <p>[i] Efforts, in brief, made towards technology absorption.</p> <p>[ii] Benefits derived as a result of the above efforts, e.g., product improvement, cost reduction, product development, import substitution, etc.</p> <p>[a] In case of imported technology (imported during the last 3 years reckoned from the beginning of the financial year), following information may be furnished:</p> <p>[b] Details of technology imported.</p> <p>[c] Year of import.</p> <p>[d] Whether the technology been fully absorbed</p> <p>[e] If not fully absorbed, areas where absorption has not taken place, and the reasons there-fore.</p> <p>[iii] Expenditure incurred on Research and Development</p>	<p>Not applicable.</p> <p>Not applicable.</p> <p>NIL</p> <p>NIL</p>
<p>[C] Foreign exchange earnings and Outgo:</p> <p>[i] Foreign exchange Earnings</p> <p>[ii] Foreign exchange Outgo</p>	<p>NIL</p> <p>NIL</p>

### 2.10 Annual Return

Pursuant to Sec.134(3) (a) Companies Act, 2013 your company shall place the Annual Return as referred to in Sec.92(3) of the Companies Act, 2013 in the web address of the company <https://sanghamithra.org/index.php/download>

## 2.11 Corporate Social Responsibility (CSR)

During the current FY 2023-24 under review, the CSR Committee met on two occasions, i.e., on 29<sup>th</sup> May, 2023 and 18<sup>th</sup> January, 2024.

As on March 31, 2024, the CSR Committee consists of the following members:

Sl. No.	Name of the Directors	Designation
1.	Mr. Ashok Doraiswami	Chairman of the Committee
2.	Mr. William D'Souza	Member of the Committee
3.	Ms. Vidya Ramachandran	Member of the Committee

Particulars of disclosures as required under Sec. 135(4) and Rule 9 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 is annexed to this report as “**Annexure-A**” vide **Page No.34**

The Corporate Social Responsibility Policy of the company has been annexed as “**Annexure-B**” vide **Page No.38** to this report and has also been placed on the website of the company under the following link: <https://sanghamithra.org>

## 2.12 Auditors

### 2.12.1 Inspection by RBI

Sanghamithra was a MFI till 13.08.2023.

- Sanghamithra has secured “Certificate of Registration” as NBFC-ND-MFI from RBI on 14.08.2023.
- During the period from August 2023 to March 2024, Sanghamithra has not been subjected to RBI Inspection.

### 2.12.2 Statutory Auditor

M/s. S.S. Javali & Associates, Chartered Accountants (Firm Registration No.005363S), Bangalore, (who were appointed as the statutory auditors of the company in the Annual General Meeting held on 06.09.2019 for 5 years), and who's term of office expires at the conclusion of ensuing Annual General Meeting of the company.

The Board of Directors, therefore, recommends the appointment of M/s. K B Nambiar and Associates, Chartered Accountants (Firm Registration No. 002313S), Bangalore as statutory auditors of the company for the approval of shareholders.

The company has received a certificate from the statutory auditors to the effect that their appointment, if made, would be within the limits prescribed and they are eligible to hold office as Auditors of the company and is not disqualified.

### **2.12.3 Secretarial Auditor**

Pursuant to the provisions of Sec.204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the company has appointed Company Secretary Mr. Pramod S. (ICSI Membership No: A36020 and COP 13335) Practicing Company Secretary, Bengaluru, to conduct Secretarial Audit of the company.

Further the company has received the Secretarial Audit report for the FY 2023-24 and annexed to this report as Annexure-C.

### **2.12.4 Internal Audit**

Pursuant to Provisions of Sec.138(2) of the Companies Act, 2013 read with Rule 13 of the Companies (Accounts) Rules, 2014, your company has engaged Mr. Jayakumar M.S., an experienced Banker (retired) on a full-time basis and who has been designated as Internal Auditor. The summary of periodical Branch Audit Reports received from various in-house internal auditors was placed before the Audit Committee in its meetings at quarterly intervals.

### **2.12.5 Concurrent Audit**

Concurrent Audit exercise is taken up by the Internal Audit Department. Summary of findings of concurrent audit are placed before Audit Committee along with Internal Audit Report.

## **2.13 Reporting of Fraud**

Details in respect of frauds are reported by the Auditors under Sub-Sec.(12) of Sec.143 other than those which are reportable to the Central Government.

During the year there were no instances of frauds reported by the auditors under Sub-Sec.(12) of Sec.143 other than those which are reportable to the Central Government.

## **2.14 Vigil Mechanism**

The Audit committee has formulated a vigil mechanism which provides adequate safeguards against victimisation of employees and Directors and has instituted a proper risk management.

We have initiated several measures including termination of staff involved in frauds and filing of FIR with the jurisdictional police stations. We have recovered substantial amounts. Wherever FIRs are lodged or cases filed, we are regularly following up the cases.

## 2.15 Compliance of Secretarial Standards

During the year under review, all necessary requirements as per Secretarial Standards have been complied with.

## 3.0 Corporate Governance

### 3.1 Details of Directors / Key Managerial Personnel (KMP) appointed / resigned / change in designation; during the year:

During the year under review following are the changes in the composition of Board of Directors:

- [i] Mr. Subraya Shankar Bhat resigned from the Directorship of the company with effect from 7<sup>th</sup> August 2023.
- [ii] Mr. Rudrappa Doddaholiyappa Gadiyappanavar was regularised as the Director of the company in the Annual General Meeting held on 22<sup>nd</sup> September, 2023.
- [iii] Mr. B.L. Parthasarathy has been appointed as an additional Director of the company w.e.f. 27<sup>th</sup> June, 2023 and regularised as the Director of the company in the Annual General Meeting held on 22<sup>nd</sup> September, 2023.

**However, the following are the Directors and/or Key Managerial Personnel (KMP) of the company as on 31<sup>st</sup> March, 2024:**

No.	Name	DIN/PAN	Designation
1.	Mr. Aloysius Prakash Fernandez	00027034	Chairperson & Director
2.	Mr. William D'Souza	00029667	Director
3.	Ms. Vidya Ramachandran	00029690	Director
4.	Mr. Risbud Gajanan Arvind	02992447	Director
5.	Mr. Suresh Kodihalli Krishna	01217401	Director
6.	Mr. Doraiswami Ashok	01966970	Director
7.	Mr. Venkatesh Tagat	02728441	Director
8.	Mr. Rudrappa Doddaholiyappa Gadiyappanavar	08624146	Director
9.	Mr. Parthasarathy Lakshmaiah Bengaluru	00408273	Director
10.	Mr. Sunil Jadli	AFMPJ6577Q	CEO

It may be noted that the provisions of Sec. 203 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 with respect to the appointment of Key Managerial Personnel are NOT applicable to this company.

### 3.2 Meetings held

The Board of Directors duly met four (4) times during the FY 2023-24 in respect of which proper notices were given and the proceedings were properly recorded and signed in accordance with the provisions of the Companies Act, 2013 and rules made thereunder as follows:

Name of the Board Members	Total attendance (in %)	Board Meeting attendance record for FY 2023-24			
		2 <sup>nd</sup> Jun. 2023	22 <sup>nd</sup> Sep. 2023	18 <sup>th</sup> Jan. 2024	27 <sup>th</sup> Mar. 2024
Mr. Aloysius Prakash Fernandez	100	✓	✓	✓	✓
Mr. Arvind G Risbud	100	✓	✓	✓	✓
Mr. Suresh K Krishna	75	✓	✓	LOA	✓
Mr. Venkatesh Tagat	75	✓	✓	✓	LOA
Mr. William D' Souza	100	✓	✓	✓	✓
Mr. Doraiswami Ashok	50	LOA	✓	LOA	✓
Ms. Vidya Ramachandran	75	✓	✓	✓	LOA
Mr. SS Bhat	100	✓	NA	NA	NA
Mr. R.D. Gadiyappanavar	75	✓	✓	✓	LOA
Mr. Parthasarathy Lakshmaiah	66	NA	✓	✓	LOA
<i>LOA = Leave of absence -- NA = Not Applicable</i>					

### 3.3 Committees of the Board

Following were the various Committees of the Board and their composition as at the financial year ended 31<sup>st</sup> March, 2024 together with the particulars on number of Committee Meeting(s) held during the year under review:

### 3.3.1 Audit Committee of the Board

The company has formulated an Audit Committee of the Board as required under Sub-Sec.(1) of Sec.177 of the Companies Act, 2013 read with Rule-6 of the Companies (Meetings of Board and its Powers) Rules, 2014.

The primary objective of the committee is to monitor and provide effective supervision of the management's financial reporting process, to ensure accurate and timely disclosures, with the highest levels of transparency, integrity and quality of financial reporting.

The Audit Committee meets once in a quarter prior to the Board Meeting. The sub-committee members share the outcome of the deliberations with the Board and minutes of the meeting are circulated to all the Board Members.

During the FY 2023-24 under review, the Audit Committee met 4 (Four) times on 29<sup>th</sup> May, 2023; 22<sup>nd</sup> September, 2023; 18<sup>th</sup> January, 2024; and 27<sup>th</sup> March, 2024.

As on March 31, 2024 the Audit Committee consists of following members:

No.	Name of the Directors	Designation
1.	Mr. Venkatesh Tagat	Chairman of the Committee
2.	Ms. Vidya Ramachandran	Member of the Committee
3.	Mr. Parthasarathy BL	Member of the Committee

During the year, there were no instances where the Board had not accepted any recommendation of the Audit Committee.

### 3.3.2 Risk Management Committee

Risk Management Committee; has the following members.

1.	Mr. Suresh K. Krishna	Chairman of the Committee
2.	Ms. Vidya Ramachandran	Member of the Committee
3.	Mr. Parthasarathy BL	Member of the Committee

The committee meets once in a quarter prior to the Board Meeting. The Sub-committee members share the outcome of the deliberations with the Board and minutes of the meeting are circulated to all the Board Members. Four quarterly meetings were held during the year under review.

The sub-committee of Risk Management suggested focusing on the following:

- [i] To avoid concentration of risk, the exposure credit limit may be fixed State-wise and district-wise.
- [ii] Constant monitoring of Asset-Liability Management (ALM) is required to ensure that the required level of liquidity is maintained.

### 3.3.3 Corporate Social Responsibility (CSR) Committee

As per Sec. 135 of the Companies Act, 2013, the companies which are having net worth of Rs.500 crore, turnover of Rs.1000 crore or more or net profit of Rs.5 crore or more during any financial year shall be required to constitute a CSR committee effective from 1<sup>st</sup> April, 2014.

#### CSR committee has the following members:

1.	Mr. Doraiswamy Ashok	Chairman of the Committee
2.	Ms. Vidya Ramachandran	Member of the Committee
3.	Mr. William D'Souza	Member of the Committee

The CSR committee in pursuance of Sec. 135 of the Companies Act, 2013 is required to carry out the following activities:

Formulate and recommend to the Board a CSR policy which will indicate the activities to be undertaken by the company and recommend the amount of expenditure to be incurred and monitor the CSR policy of the company from time to time.

Accordingly, the sub-committee identified the broad sectors keeping in view of the objectives of Sanghamithra:

- [i] Eradication of hunger
- [ii] Preventive healthcare
- [iii] Improvement of hygiene and sanitation
- [iv] Provision for potable drinking water
- [v] Promote rural development projects related to Water, Sanitation and Environmental issues
- [vi] Education fees for children of SHG members
- [vii] Assistance to educational institutions and skills development program

### 3.3.4 Human Resources Management Committee

The following are the members of the Committee

1.	Mr. Suresh K. Krishna	Chairman of the Committee
2.	Ms. Doraiswamy Ashok	Member of the Committee
3.	Mr. Vidya Ramachandran	Member of the Committee

The committee met on two occasions and deliberated on service rules and staff training.

**3.4 Re-appointment of an independent director after completion of 5-year term**  
Sanghamithra is a Sec.8 company and is exempted from the class of Companies stipulated in Sub-Sec. 4 of Sec.149 of the Companies Act, 2013 and rules made there under. Consequently, the company is NOT required to re-appoint any independent directors

**3.5 A statement regarding opinion of the Board with regard to integrity, expertise and experience (including the proficiency) of the independent directors appointed during the year**

There were no appointments of independent directors during the FY 2023-24. Therefore, statement regarding opinion of the Board with regard to integrity, expertise and experience (including the proficiency) of the independent directors appointed during the year is not required.

### 3.6 Declaration by Independent Directors

Sanghamithra is a section 8 company, is not required to appoint Independent Directors under Section 149(4) and Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014. Hence this is not applicable to our company.

### 3.7 Evaluation

**A statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual Directors:**

Rule-8(4) of the Companies (Accounts) Rules, 2014 stipulates that every listed company and every other public company having a paid-up share capital of Rs. Twenty five crore or more calculated at the end of the preceding financial year shall include, in the report by its Board of Directors, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual Directors.

The company is a Sec.8 company limited by guarantee and accordingly the aforesaid statement indicating the manner in which formal annual evaluation being made by the Board of its own performance and that of its committees and individual Directors is not required.

### **3.8 Directors' Responsibility Statement**

Pursuant to the requirement under Sec.134(5) of the Companies Act, 2013, with respect to Directors' Responsibility Statement, it is hereby confirmed:

- (a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) The Directors had taken 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 had prepared the annual accounts on a going concern basis;
- (e) The directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively- The company being Sec.8, the said provision is not applicable.
- (f) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

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

We have endeavored to ensure a safe, secure and congenial work environment at Sanghamithra where all employees can deliver their best without any fear or inhibition. In pursuance of this objective, we have evolved a "Sexual Harassment at the workplace prevention, prohibition and redressal) policy" and complied with the Sexual Harassment at the Workplace Act, 2013. We issued detailed guidelines regarding the redressal mechanism and constituted a redressal committee.

The members of the committee are:

- [i] Ms. Vidya Ramachandran
- [ii] Ms. Savitha. Y
- [iii] Ms. Chandra Singh

Since the company has more than 10 employees, the committee as required under Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal Act, 2013 is in place. The company has not received any complaints pertaining to Sexual Harassment at the workplace during the financial year.

### **3.10 Disclosure, as to whether maintenance of cost records as specified by the central government under Sub-Sec. (1) of Sec.148 of the Companies Act, 2013, is required by the company and accordingly such accounts and records are made and maintained**

The company is not required to maintain cost records as specified by the Central Government under Sub-Sec.(1) of Sec.148 of the Companies Act, 2013.

### **3.11 Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made**

(i) by the auditor in his report;	No adverse remarks
(ii) by the company secretary in practice in his secretarial audit report;	<p>The Report of the Secretarial Audit in Form MR-3 for the financial year ended March 31, 2024, is enclosed as <b>Annexure C</b> to this Report.</p> <p>There are no qualifications, reservations, adverse remarks or disclaimers given by the Secretarial Auditor in the Report</p>

### **3.12 Issue of equity shares with differential rights**

Sanghamithra is a Sec.8 company, limited by guarantee. Hence, the situation of issue of shares shall not arise.

### **3.13 Issue of sweat equity shares**

Sanghamithra is Sec. 8 company and is limited by guarantee. Hence the situation of issue of Sweat equity shares shall not arise.

### **3.14 Employees Stock Option Scheme**

Sanghamithra is a Sec.8 company limited by guarantee. Hence it is not applicable.

### **3.15 Transfer of amounts to Investor Education and Protection Fund**

Your company did not have any funds lying unpaid or unclaimed. Therefore, there were no funds which were required to be transferred to Investor Education and Protection Fund (IEPF).

### **3.16 Provision of money by company for purchase of its own shares by employees or by trustees for the benefit of employees**

Sanghamithra is a Sec. 8 company limited by guarantee. Hence the situation of making provision for money for purchase of its own shares shall not arise.

### **3.17 A statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any which in the opinion of the Board may threaten the existence of the company**

The company follows well established and detailed risk assessment and minimisation procedures, which are periodically reviewed by the Board. The company has in place a business risk management framework for identifying risks and opportunities that may have a bearing on the organisation's objectives; assess in terms of likelihood and magnitude of impact and determines a response strategy.

### **3.18 Details of commission / remuneration received by a managing Director whole-time Director of the company from the company's holding or subsidiary company**

The company does not have any holding or subsidiary company during the year. Hence it is not applicable.

### **3.19 Material changes and commitments**

There has been no material changes and commitments affecting the financial position of the company which has occurred between the end of the financial statements of the company to which the financial statements relate and the date of report.

### **3.20 In case of a company covered under Sub-Sec.(1) of Sec.178, company's policy on Directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a Director and other matters provided under Sub-Sec.(3) of Sec.178**

Sanghamithra is a Sec.8 company, hence coming under the privilege of being exempted under the class of Companies stipulated in Sec. 178 of the Companies Act, 2013 read with Rule 6 of the Companies (Meetings of Board and its Powers) Rules, 2014. Consequently, the company is not

required to constitute “Nomination and Remuneration Committee of the Board” and hence is not required to furnish details of company’s policy on Directors’ appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a Director and other matters provided under Sub-Sec.(3) of Sec.178.

### **3.21 Particulars of loans, guarantees or investments under Sec.186 during the financial year**

Details of any loan given to any person or other body corporate;	NIL
Details of any guarantee given or security provided in connection with a loan to any other body corporate or person; and	NIL
Details of acquisition by way of subscription purchase or otherwise, the securities of any other body corporate.	NIL
If prior approval accorded by shareholders by special resolution in general meeting date of the general meeting.	NIL

### **3.22 Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company’s operations in future**

During the year under review there have been no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company’s operations in future.

### **3.23 Particulars of Top Ten Employees in terms of remuneration drawn**

*Pursuant to Rule 5(2) The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014).*

A statement containing names of employees:

- (i) Employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than Rupees One crore; and Two Lakhs.

NIL.

- (ii) Employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than Rupees Eight lakhs and fifty thousand, per month:

NIL.

- (iii) Employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the Managing Director or Whole-time Director or Manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company.

NIL.

### **3.24 The details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year along with their status as at the end of the financial year.**

There was no application made and there are no proceedings pending under the Insolvency and Bankruptcy Code, 2016 (31 of 2016) during the year.

### **3.25 The details of difference between amount of the valuation done at the time of one-time settlement and the valuation done while taking loan from the Banks or Financial Institutions along with the reasons thereof**

Not Applicable.

### **3.26 Compliance on RBI guidelines**

Sanghamithra is a NBFC-ND-MFI registered with RBI in the year 2023. Accordingly, we are adhering to the applicable Master Guidelines laid down by the regulator, RBI.

### **3.27 Voluntary revision of Financial Statements or Board Report**

Pursuant to Sec.131 of the Companies Act, 2013 and the rules made thereunder during the year, the company has not revised its Financial Statements or Board's Report for three preceding financial years.

### **3.28 Details in respect of adequacy of internal financial controls with reference to the Financial Statements**

The company has, in all material respects, developed and maintained an adequate internal financial control system operating effectively throughout FY 2023-24. The said internal financial controls are developed and updated from time to time 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.

### 3.29 Acknowledgements

The guidance / suggestions and support of my colleagues on the Board have given me the strength to lead Sanghamithra and to make it one of the respected models of an alternative Financial Institution.

The lenders like SIDBI, Bank of Maharashtra, Canara Bank, Indian Bank, State Bank of India, Union Bank of India, Bank of Baroda, Bandhan Bank, Federal Bank, NABKISAN Finance Ltd., NABSAMRUDDHI Finance Limited, Karnataka Grameen Bank, EASF Small Finance Bank also the donors Canadian International Development Agency, Hope International Development Agency, CARE India, Sir Dorabji Tata Trust and Ms. Rohini Nilekani, Micro Credit for Mothers, Netherlands, M/s. Rotary cantonment, Bengaluru, have evinced concern about the development of the company, by not only giving financial assistance, but also by their timely suggestions and guidance. This has given us strength and courage to take the right decisions.

The role of partner NGOs, Self-Help Promoting Institutions (SHPIs), Community Managed Resource Centres (CMRCs) and people institutions in developing the loan portfolio, in identification of Self-Help Affinity Groups (SAGs) and assessment of credit needs and in follow up and recovery etc., is commendable and appreciated.

I place on record and acknowledge with gratitude the valuable services of the Directors.

I am placing before you the audited financial Statement of the company thanks to the timely auditing of the books of accounts by our Statutory Auditors, M/s. S U M J & Associates (Previously known as SS Javali & Associates) Bengaluru. During the year they have rendered assistance in consolidating the Balance Sheet of the company. I sincerely thank them.

The company has proved that our microfinance model is viable and poor people are bankable. In this respect the support and guidance extended by MYRADA and its several projects is noteworthy.

My sincere thanks to all the above institutions and personalities for their generous support and continued assistance.

Last but not the least, I record my great appreciation for the splendid performances of the committed and dedicated staff of Sanghamithra led by Mr. Sunil Jadli, Chief Executive Officer.

---

By Order of the Board

For Sanghamithra Rural Financial Services

Sd.

Aloysius Prakash Fernandez  
Founder Chairperson and Director  
DIN: 00027034

Place: Bengaluru

Date: 4<sup>th</sup> September 2024

**Annual report on CSR activities for the financial year  
ended March 31, 2024****01. Brief outline on CSR Policy of the Company:**

The CSR activities of the Company are guided by CSR policy, which includes activities mention in Schedule VII of the Companies Act, 2013 with great focus on activates towards promotion of education, eradicating hunger and preventive health care and making available safe drinking water. The Company has developed and spent money on suitable projects or programs in order to implement and execute its CSR policy.

**02. The Composition of CSR Committee:**

<b>Sl. No.</b>	<b>Name of Director</b>	<b>Designation / Nature of Directorship</b>	<b>Number of meetings of CSR Committee held during the year</b>	<b>Number of meetings of CSR Committee attended during the year</b>
1.	Mr. Ashok Doraiswamy	Chairman	2	2
2	Mr. William D'Souza	Member	2	2
3	Ms. Vidya Ramachandran	Member	2	2

**03. Provide the web-link(s) where Composition of CSR Committee, CSR Policy and CSR Projects approved by the board are disclosed on the website of the company: <https://sanghamithra.org>****04. Provide the executive summary along with web-link(s) of Impact Assessment of CSR Projects carried out in pursuance of sub-rule (3) of rule 8, if applicable: Not Applicable****(a) Average net profit of the company as per sub-section (5) of Sec.135:**

Rs. 5,65,82,594/-

**05. (b) Two percent of average net profit of the company as per sub-section (5) of section 135: Rs. 11,31,652\*/-****(c) Surplus arising out of the CSR Projects or programmes or activities of the previous financial years: Nil**

(d) Amount required to be set-off for the financial year, if any: Nil

(e) Total CSR obligation for the financial year [(b)+(c)-(d)]: Rs. 11,31,652/-

06. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project): Rs. 27,03,331\*/-

(b) Amount spent in Administrative Overheads: Nil

(c) Amount spent on Impact Assessment, if applicable: Nil

(d) Total amount spent for the Financial Year [(a)+(b)+(c)]: Rs. 27,03,331\*/-

(e) CSR amount spent or unspent for the Financial Year:

Total Amount Spent for the Financial Year.	Amount Unspent (in Rs.)				
	Total Amount transferred to Unspent CSR Account as per sub-section (6) of section 135.		Amount transferred to any fund specified under Schedule VII as per second proviso to sub-section (5) of section 135.		
	Amount. (in Rs.)	Date of transfer.	Name of the Fund	Amount. (Amount. in Rs.)	Date of transfer.
Rs. 27,03,331*/-	Nil	Nil	Nil	Nil	Nil

\* The total CSR amount spent during the FY was Rs. 27,03,331/- (including current year liability Rs. 11,31,652/- for the FY 2023-24 and Rs. 15,71,679/- related to previous year ongoing projects.

(f) Excess amount for set-off, if any:

Sl. No.	Particular	Amount (in Rs.)
(1)	(2)	(3)
(i)	Two percent of average net profit of the company as per sub-section (5) of section 135	Rs. 11,31,652/-
(ii)	Total CSR Obligation for the financial year	Rs. 11,31,652/-
(iii)	Total amount spent for the Financial Year	Rs. 27,03,331/-
(iv)	Excess amount spent for the Financial Year [(ii)-(i)]	NIL
(v)	Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any	Nil
(vi)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	Nil

**07. Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:**

1	2	3	4	5	6		7	8
SI. No.	Preceding Financial Year(s)	Amount transferred to Unspent CSR Account under sub-section (6) of section 135 (in Rs.)	Balance Amount in Unspent CSR Account under sub-section (6) of section 135 (in Rs.)	Amount Spent in the Financial Year (in Rs.)	Amount transferred to a Fund as specified under Schedule VII as per second proviso to sub-section (5) of section 135, if any		Amount remaining to be spent in succeeding Financial Years (in Rs.)	Deficiency, if any
					Amount (in Rs)	Date of Transfer		
1	2020-21	44,49,514	2,06,601	9,94,803	-	-	2,06,601	
2	2021-22	Nil	Nil	1,44,984	-	-	Nil	
3	2022-23	Nil	Nil	25,26,251	-	-	Nil	

**08. Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year:**

Yes  No

If Yes, enter the number of Capital assets created/ acquired

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

SI. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pin code of the property or asset(s)	Date of creation	Amount of CSR amount spent	Details of entity/ Authority/ beneficiary of the registered owner		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name	Registered address

(All the fields should be captured as appearing in the revenue record, flat no, house no, Municipal Office/Municipal Corporation/ Gram panchayat are to be specified and also the area of the immovable property as well as boundaries)

**09: Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per sub- section (5) of Sec. 135.**

Nil.

By order of the Board  
FOR SANGHAMITHRA RURAL FINANCIAL SERVICES

**Aloysius Prakash Fernandez**  
Director  
DIN: 00027034

**Ashok Doraiswami**  
Chairman, CSR Committee  
DIN: 01966970

**Date: 12.07.2024**

Place: Bengaluru

## Corporate Social Responsibility (CSR) Policy

### Introduction

The Companies Act 2013 (hereinafter referred to as ‘the Act’), has introduced the idea of CSR to the forefront and through its “Comply-or-Explain” mandate. It mandates qualifying Companies to constitute Corporate Social Responsibility Committee to effectively monitor CSR activities of the company. Further the Companies (Corporate Social Responsibility Policy) Rules, 2021 as amended from time to time (hereinafter referred to as “CSR Rules”) lays down the framework and modalities of carrying out CSR activities which are specified in Schedule VII of the Act.

### Objective & Scope.

The main objective of the CSR Policy is to lay down guidelines for SANGHAMITHRA (SRFS) (hereinafter referred to as ‘the company’) to make CSR as one of the areas to adhere to a strategy that focuses on making a positive contribution to society through high impact, sustainable programs.

This Policy covers current as well as proposed CSR activities to be undertaken by the company and examining their alignment with Schedule VII of the Act as amended from time to time. It covers the CSR activities which are being carried out in India only and includes strategy that defines plans for future CSR activities.

The company will review the projects from time to time and make additions/deletions/clarifications to the above sectors.

The focus of CSR activities will be in the areas in which the company operates. However, the company may also undertake projects where societal needs are high or in special situations (such as in the case of natural disasters etc.)

### The CSR Annual Action Plan shall include the following

- List of CSR projects that are approved to be undertaken which are specified in Schedule VII of the Act.
- The process for execution of such projects
- The verification process for utilisation of funds and implementation schedules for the projects.
- Monitoring and reporting mechanism for the projects and details of need and impact assessment, if any, for the projects undertaken by the company.

## **Disqualifying activities for CSR**

The CSR Rules prohibit the CSR projects and programs that are implemented by the company for the benefit of the employees of the company and their families. The CSR activities implemented outside India also fall outside the purview of the Rules and hence CSR expenditure on such activities will not be considered for inclusion in the CSR Report. Any amount directly or indirectly contributed towards any political party under Sec. 182 of the Act shall not be considered as CSR Spend. Activities that are undertaken by the company in pursuance of its normal course of business will not be considered as CSR activities.

## **Publication of CSR Policy & Programs.**

The company shall publish its Annual Report on CSR Activities in its Directors Report in the manner prescribed under the Companies Act, 2013 and the CSR Rules, particulars specified in Annexure I or Annexure II, as applicable. The company shall also place its CSR report on its website and shall mention such web link in its Directors Report.

## **Policy Review & Future Amendment**

This policy has been formulated and recommended by the CSR Committee and adopted by the Board of Directors at its meeting held on 07.12.2018. The Board may, upon recommendation of the CSR Committee, amend or modify this CSR Policy as and when necessary.

## FORM NO. MR-3

### SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31.03.2024

**[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]**

To,

The Members,  
Sanghamithra Rural Financial Services  
No. 612 M 1C Main Road, Domlur Layout, Bangalore,  
Karnataka, India, 560071.

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

Based on my verification of 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 31.03.2024, complied with the statutory provisions listed hereunder and also that the company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the company for the financial year ended on 31.03.2024, 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 during the Audit Period)
- [iii] The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder; (Not Applicable to the company during the Audit Period)

- [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 during the Audit Period)
- [v] The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - [a] The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; (Not Applicable to the company during the Audit Period)
  - [b] The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; (Not Applicable to the company during the Audit Period)
  - [c] Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; (Not Applicable to the company during the Audit Period)
  - [d] The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; (Not Applicable to the company during the Audit Period)
  - [e] Regulations, 2018; (Not Applicable to the company during the Audit Period)
  - [f] The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021; (Not Applicable to the company during the Audit Period)
  - [g] The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; (Not Applicable to the company during the Audit Period)
  - [h] 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 during the Audit Period)
  - [i] The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; (Not Applicable to the company during the Audit Period)
  - [j] The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018; (Not Applicable to the company during the Audit Period)
  - [k] The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018; (Not Applicable to the company during the Audit Period)

[i] The Securities and Exchange Board of India (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2021; (Not Applicable to the company during the Audit Period)

[vi] The management has identified and confirmed the following laws as specifically applicable to the company:

(a) RBI Act, 1934.

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

Secretarial Standards issued by The Institute of Company Secretaries of India. (Since the company is registered under Section 8 (Section 25 of erstwhile Act) of Companies act 2013, the Secretarial Standards issued by The Institute of Company Secretaries of India is not applicable)

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 compliance by the company of applicable financial laws such as direct and indirect tax laws and maintenance of financial records and books of accounts have not been reviewed in this audit since the same have been subject to review by the statutory financial auditors, tax auditors, and other designated professionals.

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 consent to shorter notice have been taken where ever required 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.

All decisions at Board Meetings, Committee Meetings are carried out with the requisite majority as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be and views of dissenting members 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 the company has no events / actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above.

Sd/

---

Company Secretary in Practice

Name: Pramod S.

Membership Number: A36020

COP: 13335

UDIN: A036020F000628579

Peer Review Certificate no. 1491/2021

Place: Bengaluru

Date: 27.06.2024

*Note: This report is to be read with "Annexure D" which forms an integral part of this report.*

## Annexure D

To,

The Members,  
Sanghamithra Rural Financial Services  
No. 612 M 1C Main Road, Domlur Layout, Bangalore,  
Karnataka, India, 560071.

My Secretarial Audit Report of even date, for the Financial Year 2023-24 is to be read along with this letter.

### Management's Responsibility

- [1] It is the responsibility of the management of the company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

### Auditor's Responsibility

- [1] My responsibility is to express an opinion on these secretarial records, standards and procedures followed by the company with respect to secretarial compliance based on my audit.
- [2] I believe that audit evidence and information obtained from the company's management is adequate and appropriate for me to provide a basis for my opinion.
- [3] I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices I have followed provide a reasonable basis for my opinion.
- [4] Wherever required, I have obtained the management's representation about the compliance of laws, rules and regulations and happening of events etc.
- [5] Disclaimer
- [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.

[7] I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.

Sd/

---

Company Secretary in Practice

Name: Pramod S.

Membership Number: A36020

COP: 13335

UDIN: A036020F000628579

Peer Review Certificate no. 1491/2021

Place: Bengaluru

Date: 27.06.2024

# Overview of Report

## 4.1 Our status of Regulatory compliances as applicable to Non-Banking Finance Companies (NBFCs)

Sanghamithra is a Regulated Entity (RE) under Reserve Bank of India; and a Member of Sa-Dhan – a Self-Regulatory Organisation.

## 4.2 Reserve Bank of India

RBI is continuously aligning its regulatory frame work to facilitate financial inclusion. RBI vide its guidelines dated 14<sup>th</sup> March, 2022, has released “Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022”. Sanghamithra has been adhering to the above guidelines.

The salient features of the master direction of RBI are as under:

- RBI has removed the interest rate ceiling on loans offered by NBFC-MFIs while making a few other changes to put all microfinance lenders including Banks, SFBs, NBFCs and “Not-for-Profit” companies on a uniform regulatory platform.
- RBI also raised the annual household income to Rs.3.00 lakhs for a collateral free loan. With this change, unsecured loans by several other NBFCs will also be considered as micro loans. The revised norms were effective from 01.04.2022.
- With a view to protect the borrowers from falling into a debt trap, the regulator has capped the monthly loan repayment; it should not exceed half of the monthly household income. This rule is applied uniformly to all categories of borrowers. It will help to reduce the stress on the borrower, lower the delinquency and reduce credit costs for the industry.
- The RBI has also reduced minimum requirement of microfinance loans in the total loan assets from 85% to 75%.
- RBI has also removed certain exemptions applied to “Not-for-Profit” entities and directed those whose portfolio has crossed Rs.100 crore to register as NBFC-MFIs with RBI as to become a Regulated Entity (RE).
- Cost of loans from Banks will be much lower. MFIs can justify higher interest rates as micro loans are unsecured. Some are of the opinion that over the years, new products, process and digitalisation will evolve and interest rates will come down.

- Apart from formal financial institutions there are informal lenders who are also giving short term credit outside the formal system. The RBI has advised that care has to be taken by all lenders to avoid multiple lending which will result in over indebtedness of borrowers. To avoid this situation, Sa-Dhan has taken initiatives to come out with a Code for Responsible Lending which brings all lenders under the same umbrella with a minimum common code.

The above-mentioned norms from the RBI have ensured a level playing field for Banks and MFIs, mainstreaming micro loans and intensifying competition.

### **4.3 Sa-Dhan – a Self-Regulatory Organisation (SROs) of all MFIs; and Industry Code of Conduct brought out jointly by Sa-Dhan and MFIN (another SRO exclusively for NBFC-MFIs)**

The apex level SROs, viz., Sa-Dhan and MFIN has brought out a revised industry level code of conduct in consultation with various stake holders in October, 2022. The code of conduct is strictly followed by Sanghamithra. Our endeavour is to follow good industry practices in all areas under governance, grievances redressal, integrity and ethical behaviour.

We have a well laid out clients' grievances redressal system in place. All oral complaints received over telephone are recorded and resolved satisfactorily. Our approach has always been customer centric and customer friendly.

Sanghamithra is a member of Sa-Dhan since its inception as one of the founding members.

Sanghamithra is also a member of the Association of Karnataka Microfinance Institutions (AKMI).

Sa-Dhan – an SRO has developed publicity material which contains key elements of the code of conduct, recommendations of SRO and client protection principles in a handy format. The above publicity material has been widely circulated.

We have also displayed the above Guidelines of Sa-Dhan (SRO) and its Code of Conduct in all our offices in the local / vernacular languages; our staff members invite clients' attention to these guidelines to ensure that services are provided in a responsible manner.

### **4.4 Code for Responsible Lending in Micro-credit (CRL)**

Over the last two decades, the micro-credit sector has successfully mainstreamed itself as a key delivery channel to provide credit to low-income households. Currently, a wide range of micro credit providers such as NBFC-MFIs, Banks, SFBs, NBFCs and Not-for-Profit / Sec. 8 companies which are MFIs, operate under different regulatory frameworks.

Despite comprehensive guidelines from RBI from time to time, micro credit sector is served by different entities with no uniform regulation. Essentially, protecting the interests of low-income-clients was a challenge. There were serious concerns about aggressive lending, leading to mounting indebtedness. To obviate this issue, Sa-Dhan (SRO), MFIN (SRO) and Finance Industry Development Council (FIDC) jointly drafted a uniform code, namely “Code for Responsible Lending (CRL)”.

Sanghamithra as a member of Sa-Dhan has adopted the CRL. We have aligned our policies and processes with the norms of the CRL. As a signatory to CRL, Sanghamithra monitors the adherence of key aspects of CRL being implemented at the field level.

We are adhering to the above CRL guidelines. We are also sharing this information with all the staff members during our training programs and monthly review meetings, so that our field staff become familiar with CRL and have been urging them to ensure effective implementation of CRL on a continuous basis.

#### **4.5 Credit Bureau**

As per RBI guidelines, your company is a member of all the four Credit Information Companies (CICs) which are all approved by RBI. We have applied to CIBIL for membership (Membership since received in May 2024). We undertake verification of individual borrower’s credit history before any loan is sanctioned to prevent multiple borrowings as per existing guidelines issued by RBI. This process has enabled us to eliminate members/ groups taking multiple loans from MFIs. One of the main reasons for rejection of large number of loan applications is due to multiple borrowings which are brought up by the CICs.

#### **4.6 New Initiatives to improve operational efficiencies**

Sanghamithra has since initiated software driven Loan Operating System(LOS). Consequent upon increase in the loan portfolio of Sanghamithra year-on-year, we have initiated I.T. enabled App based loan processing and collection process on a pilot basis; which is used by our operating staff at the door-steps of our clients. The pilot has been successful and is expected to be fully operational by 2<sup>nd</sup> quarter of FY 2024-25.

#### 4.7 State-wise loan outstanding as on 31<sup>st</sup> March, 2024

State	No. of Accounts	Outstanding Amount (Rs. in Lakhs )	Concentration
Karnataka	57807	24088.12	79.23%
Tamil Nadu	10900	5109.77	16.81%
Maharashtra	3686	1204.88	3.96%
<b>TOTAL</b>	<b>72393</b>	<b>30402.77</b>	<b>100.00%</b>

The company has significantly expanded its operations across 3 States and continues its efforts to increase its outreach to service the needy and disadvantageous sections of the society.

#### 5.0 DONORS DURING THE PREVIOUS YEARS

##### 5.1 Canadian International Development Agency (CIDA)

CIDA provided grants of one million Canadian Dollars in 2000-01, which was equivalent to Rs.320 lakh approximately. Out of this, Rs.300 lakh has been capitalised for core activities.

##### 5.2 Ms. Rohini Nilekani

Ms. Rohini Nilekani gifted 2000 Infosys Equity Shares of Rs.5/- face value each; we realised a sum of Rs.94.57 lakh in the year 2001 by selling these shares in the open market. Another Rs.1.00 crore was given by means of cheque in the year 2004-05 for on-lending to SHGs. Further, she gave a grant of Rs.7 lakh for purchase of Hand-Held Billing Machines in the year 2007. She has given grant assistance of Rs.1.00 crore to start lending operations in Madhya Pradesh which enabled us to lend to SHGs at reduced rate of interest at 16% p.a. In all, she has supported Sanghamithra by way of grant to the tune of Rs.301.57 lakh till the year 2013-14.

##### 5.3 Sir Dorabji Tata Trust (SDTT)

SDTT granted a sum of Rs.87.50 lakh (spread over three financial years), commencing from August 2004. Out of this a sum Rs.60 lakh has been utilised towards on lending to SAGs and Rs.27.50 lakh for Capacity Building of SAGs / staff of Sanghamithra. During the period 2006-07, SDTT

released an amount of Rs.10.50 lakh towards Capacity Building, Impact Study, Research and Publications. The amount has been fully used during 2007-08.

#### **5.4 Hope International Development Agency (HIDA)**

HIDA donated Canadian Dollars 1,28,000 equivalent to Rs.49.77 lakh up to the financial year 2007-08 for Gulbarga (Kalaburagi) Programme. A review of the functioning of Gulbarga (Kalaburagi) Programme was conducted by the Donors during their visit to Gulbarga (Kalaburagi) on 18th November 2008. The team also visited our Bangalore Office on 20th November 2008. They were pleased to release an additional grant of Canadian Dollars 40,000/- equivalent to Rs.16.68 lakh during the year 2008-09. Thus, our Gulbarga (Kalaburagi) Programme has received a total grant of Rs.66.45 lakh which has been utilised for on-lending to SHGs to the extent of Rs.46.50 lakh and balance amount of Rs.19.95 lakh and for meeting administrative infrastructure expenses in the ratio of 70:30.

#### **5.5 Care India Project**

Care India Project funded a project “Learning on Wheels” and Kiosk banking during the year 2003-04 for Rs.25.35 lakh.

#### **5.6 Micro Credit for Mothers (MfM), Netherlands**

Microcredit for Mothers, Netherlands helps women in Asia to set up their own business through small loan. The women thus get a chance to enlarge their economic autonomy and independence and improve the quality of their lives as well as that of their families. With these objectives Micro Credit for Mothers has been extending funds and to consider the entire fund as “grant”. Micro Credit for Mothers, Netherlands has sanctioned a new grant amount of 25,000 Euros to expand the project to adjacent tribal community lives in BR Hills of Mysore region through incorporating entrepreneurship capacity building component. Under this fund SRFS released to 11 SHGs and supported to 107 tribal women during the FY. Cumulatively, we have extended to 23 Tribal groups during the year under review with a disbursement of Rs.0.37 crore; the present outstanding is Rs.0.40 crore.

#### **5.7 Cordaid**

We had received Euro 10,000 by way of grant towards improving the quality of lending. The grant received of Rs.6.41 lakh was fully utilised towards re-assessment of the groups and also meeting expenses relating to development of software.

## 5.8 Water.org

Water.org is an US based non-profit organisation supported your company with grant assistance of Rs.419 lakh from the year 2011-12 till 2020-21 for 10 years for providing credit to SHG members for construction of toilet, potable water connectivity, etc. With this financial support, Sanghamithra was able to extend loans to 58000 families. Since 2021-22, Water.org has considered Sanghamithra as a “Graduated Partner” and continued to share innovations across the globe. Jointly with other partners, Water.Org recognised Sanghamithra, as resource institution to share its experience on introducing innovations and proposing to extend new phase of partnership for initiating climate resilience WASH products in the upcoming years. Through this partnership, Sanghamithra will be recognised as beginners in introducing innovations across nation.

## 5.9 National Bureau of Economic Research Inc (USA) – Harvard project.

The National Bureau of Economic Research is collaborating with researchers from the Harvard Business School and implementing partners from Sanghamithra Rural Financial Services to carry out a micro-credit research project. The project aims to test, refine, and standardize new variations of microfinance loans into a personalized credit product that can help businesses grow sustainably. The project team will identify and survey high-potential microentrepreneurs to understand their interest in personalised credit, investment plans and ambitions. This information will be used to design and offer loans with personalised terms. The goal is to create an evidence-based, personalized microfinance product has that can be scaled by microfinance institutions to reach more microentrepreneurs globally.

The research project was initiated on 17<sup>th</sup> December 2021 and focuses on implementing an innovative loan product for entrepreneurs in Erode, Tamil Nadu. The features of this product include:

- 1) higher loan limit aligned with project cost.
  - 2) guiding borrowers in creating business plans and refining their loan applications to lower the risk for both the borrower and Sanghamithra.
- and
- 3) no pre-fixed repayment schedule for the loan amount; giving flexibility to the borrower.

In addition to the research project, Sanghamithra Rural Financial Services has initiated a parallel pilot project to provide short-term loans (2-4 weeks) to help establish businesses. Both the research and pilot projects are ongoing and have expanded to new geographical areas.

## 6.0 Business

### 6.1 Loans extended to Self-Help Groups (SHGs)

Our core lending has evolved in partnership with SHGs since inception.

We have a portfolio outstanding of Rs.304.03 crore as on 31.03.2024. The share of portfolio, State-wise was [i] Karnataka = Rs.24088.12 lakhs (79.23%); [ii] Tamil Nadu = Rs. 510977 lakhs (16.81%); and [iii] Maharashtra = Rs.1204.88 lakhs (3.96%).

### 6.2 Loans Extended under Harvard pilot Project at Erode

Sanghamithra has commenced extending development loans as “graduation loan” as a separate product. This product is called as the TVK Loan (Thozhil Valarchikana Kadan) – a business development loan to individual entrepreneurs at Erode under the pilot project of Harvard University (USA).

#### Product features of Harvard Pilot Projects - Erode

Name of the product	TVK loan, Erode	Tatkal-Market loan, Erode
Target Customers	Direct to Individuals	Direct to Individuals
Loan Size (Rs)	Up to Maximum Rs. 3,00,000	Rs.10,000 to Rs.50,000
Interest Rate	20%	Below Market rate
Loan Duration	12 to 36 months with moratorium of 45 – 90 days	2 to 8 weeks
Repayment periodicity	Customer is given the following options based on their cash flow. Weekly/ fortnightly/ monthly/ bi-monthly/quarterly	Weekly or bullet.
Repayment amount	Customer is given options of either monthly interest or Monthly principal with interest or Quarterly Principal with Interest	A. Weekly interest and last month total principal with interest. B. Weekly EWI: Equal weekly instalments (Principal and Interest). C. Daily EDI: Equal daily instalments (Principal & interest)

### 6.3 TIREN Individual plus larger loans with financial support for training from CSR:

Sanghamithra also started a pilot vertical in Kolar district for extending larger loans called TIREN individual loans. Customers selected for the above loans are only from those families where one member who has taken loan from Sanghamithra; this member must have a good repayment track record; the TIREN client must be interested to upscale / move to larger enterprises.

After seeing the demand and evaluating progress in Kolar, we expanded in Mysuru and Hosur area. These loans are being extended for non-farm activities both for starting new activities and upgrading the existing activities.

Sanghamithra has been providing post loan services like skill upgradation training, market linkage and technical supports together with larger size loans, wherever needed. We have been bearing the 50% of the training cost.

#### 6.3.1 Product Features of the TIREN Loan:

Target Customer	Direct to Individuals
Type of Loan	Utilised for business development activities, like purchasing capital assets, equipment, tools, machinery, vehicles, working capital, livestock etc.
Loan Amount	Maximum Rs.3,00,000
Loan Tenure Range	12 months-36 months (Maximum)
Loan Repayment Frequency	The applicant can choose a repayment frequency suitable with their cash flow cycle like Weekly, monthly, bi-monthly or quarterly.
Loan repayment mode	Digital mode
Rate of Interest	22% P.A on reducing Balance
Loan Processing Fee	1% on loan sanction amount + 18% GST on LPF
Moratorium Period	Up to 60 days
Training	Support for skill training from CSR

### 6.4 Financing 'Soliga' Tribals of Male Mahadeshwara Hills (MM Hills, Karnataka)

With an objective that every women have been the driving force behind the success of livelihood of each family and believing that microcredits are a first step towards stimulating economic activity. Sanghamithra has been extending loans to tribals who are members of SHGs at MM Hills and BR

Hills reserve forest area hamlets. These loans are being extended at interest rate of 9.00% from grant assistance from Micro Credit for Mothers (MfM), Netherlands. The loan outstanding is Rs.0.40 crore extended to 23 SHGs comprising 208 families as on 31.03.2024.

The team from MfM made mid-term evaluation of the ongoing project and after considering the significant impact, MfM has approved a new grant 25,000 Euros (Rs.0.22 crore) which was released in two tranches (12,500 Euros each). This grant of 25,000 Euros is meant for providing loans for tribal women who are members of SHGs and also for building entrepreneurship skills. This project is executed with the support of Jenugudu CMRC, M.M. Hills and also Kalpavruksha CMRC, Oderapalya of B R Hills reserve forest.

## 6.5 WASH Programme FY 2023-24

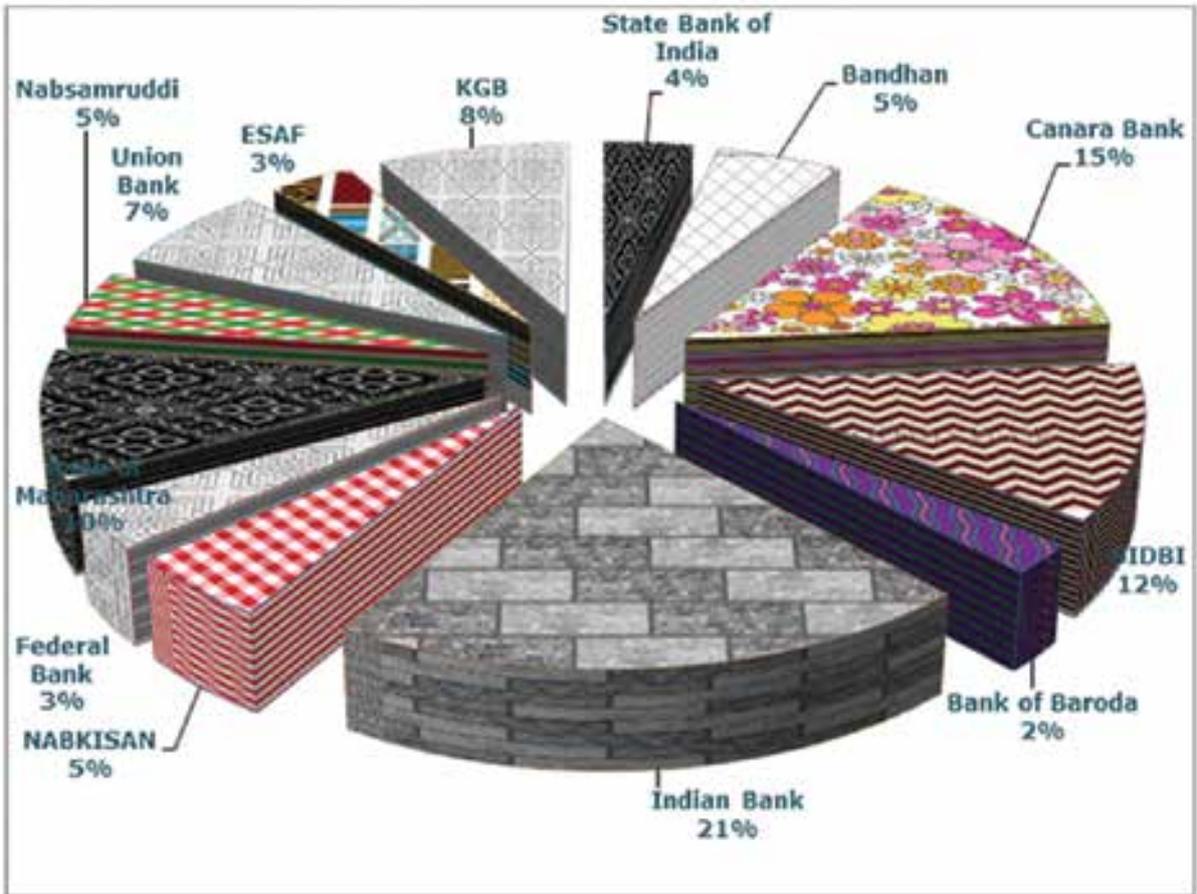
During the current FY 2023-24, we provided loans for toilet construction, renovation of existing toilets, water connectivity, water filters, water storage tanks etc., as in the past. Since large number of customers are seeking retrofitting of the previously built structures, we have made it as a combo product for water & sanitation during FY 2023-24 totally 10695 customers availed WASH loans aggregating over Rs.1791.02 lakhs. Regular monitoring and reviews were held in each region to ensure that physical and financial targets were achieved.

The overall observation of periodic visits by our field staff is that the clients have utilised the loan amount towards WASH related activities.

## 6.6 Summary of Bank Borrowings as on 31.03.2024 (Amount Rs.in Lakhs)

Name of the Bank	Nature of facility	31 <sup>st</sup> March 2024			31 <sup>st</sup> March 2023		
		Limit	O/s. Amt	ROI	Limit	O/s. Amt)	ROI
Bank of Maharashtra	CGSMFI	3000	459	9.30	3000	1551	9.30
	TL	2000	1958	10.95	0	0	0
Bank of Baroda	CC	500	500	10.60	500	498	10.60
	CGSMFI	600	81	9.35	600	283	9.35

Name of the Bank	Nature of facility	31 <sup>st</sup> March 2024			31 <sup>st</sup> March 2023		
		Limit	O/s. Amt	ROI	Limit	O/s. Amt)	ROI
Canara Bank	OD	3500	3456	11.00	3500	3487	11.00
	CGSMFI	1000	167	9.35	1000	500	9.35
	D. Loan	0	0	0	95	95	7.00
Federal Bank	TL	500	131	10.50	0	0	0
	TL02	1000	256	10.50	1000	1000	10.50
	OD	100	487	10.50	0	0	0
Indian Bank	OD	3500	3451	10.40	3500	3490	10.40
	TL	0	0		1000	33	10.30
	TL	1250	842	10.20	1250	1261	10.2
	TL	1250	841	10.20	1250	1261	10.20
NAB SAMRUDDHI Finance Ltd	TL	1000	433	11.20	1000	821	11.20
	TL	500	353	12.00	500	500	12.00
	TL	500	353	12.00	500	500	12.00
NABKISAN Finance Ltd	TL	1000	500	12.00	0	0	0
	TL	500	708	12.00	0	0	0
State Bank of India	OD	0	0		2000	163	10.80
	TL	0	0		2500	88	9.90
	CGSMFI	2500	923	9.00	2500	1853	9.00
SIDBI	TL	2500	2500	11.25	0	0	0
	TL	1000	418	12.75	1000	817	12.75
Union Bank of India	TL	1200	1162	11.50	0	0	0
	TL	2000	518	10.50	2000	522	10.00
	CGSMFI	0	0		2000	1342	10.00
Bandhan Bank Ltd	OD	500	500	12.00	0	0	0
	TL	1000	813	12.00	0	0	0
ESAF Small Finance Bank	TL	1000	870	13.00	0	0	0
Karnataka Gramin Bank Ltd	TL	2000	2000	11.50	0	0	0



- We are glad to mention that we could mobilise loans amounting to Rs.12300 Lakhs during the financial year 2023-24; during the previous year, we were able to mobilise Rs.4500 Lakhs from 3 lenders and we had un-availed limit of about of Rs.8000 Lakhs.
- This year we have associated with 4 new lenders; viz., NABKISAN Finance Ltd, Karnataka Gramin Bank Ltd, Bandhan Bank Ltd. and ESAF Small Finance Bank who together have extended loans aggregating Rs.6000 Lakhs, which constitute 48.78% of Rs.12300 Lakhs raised. With this our total lenders under Multiple Banking Arrangement have gone up from 9 to 13.
- Our liquidity was comfortable. We have also received sanction of BC limits of Rs.3500 Lakhs SIDBI and IDBI which were utilised during the next financial year.

## 6.7 New limits sanctioned during the year for on-lending

We are glad to have mobilised of Rs.12300 lakhs from lenders as detailed under:

Sl. No.	Name of the Lender	Limits sanctioned (Rs.in Lakh)	Remarks
1	Bank of Maharashtra	2000	New Term Loan
2	Union Bank of India	1200	New Term Loan
3	Karnataka Gramin Bank Ltd	2000	First sanction of Term Loan
4	Bandhan Bank Ltd	1500	Sanction of TL Rs.1000 lakhs, CC Rs.500 lakhs
5	ESAF Small Finance Bank Ltd	1000	First sanction of Term Loan
6	NABKISAN Finance Ltd	1500	First sanction of Term Loan
7	SIDBI	2500	New Term Loan
8	Federal Bank	600	New Term Loan of Rs.500 lakhs and CC of Rs.100 lakhs
	<b>Total</b>	<b>12300</b>	

## 6.8 BC Limits sanctioned

Details are as under:

Sl. No.	Name of the Lender	Limits sanctioned (Rs.in crore)	Loan amount to individuals	Tenure	Interest rate Sharing	Processing fees	Remarks
1	SIDBI under PRAYAAS	25.00	Rs.50,000 to Rs.2 lakhs	Up to 36 months	18% out of which 8% is for SRFS	1% SRFs can retain	FLDG up to 5% of the amount utilised
2	IDBI	10.00	Up to Rs.1 lakh	Up to 36 months	21% out of which 9% is for SRFS	Nil	FLDG 5% Sanctioned in FY 2022-23. Again, renewed in FY 2023-24

- IDBI and SIDBI limits will be made use of during the current year.

## 6.9 RISK MANAGEMENT

The major risks associated with microfinance are (a) Credit Risk; (b) Liquidity Risk; (c) Interest Rate Risk; (d) Operational Risk; and (e) External Risks such as Political Risk and Natural Calamities etc.

We have managed our liquidity effectively during 2023-24; at no point of time, we were constrained for funds.

### 6.9.1 Credit Risk Management

Credit risk is the risk that the company will incur a loss because its customers fail to discharge their contractual obligations. The company has a comprehensive framework for monitoring credit quality of its retail and other loans primarily based on days past due monitoring at period end. Repayment by individual customers and portfolio is tracked regularly and required steps for recovery are taken through follow up and legal recourse.

### 6.9.2 Liquidity Risk: Asset – Liability Management (ALM)

We have categorised our bank borrowings according to repayment and collection of receivables based on the terms of sanction. We have day-to-day monitoring of ALM to ensure that there is no mismatch between cash flows and our obligations to repay. Short-term loans are used for short-term on lending. Thanks to our bankers, Sanghamithra has enjoyed comfortable liquidity throughout the fiscal year.

### 6.9.3 Interest Rate Risk – Net Interest Margin (NIM)

Interest rate charged to borrowers is the lowest in the MFI sector. Sanghamithra keeps a spread of 7.50% to meet the finance cost, establishment cost, overheads, incentives to CMRCs / SHGs; surplus if any is retained as reserves for further borrowings and on lending. Sanghamithra's yield on advances is at 18.13%.

### 6.9.4 Operational Risk Management

#### Cash Management (Recoveries/Collection)

Digital Cash Receipts are generated in Hand Held Printers using android based cell phones. Cash collections/recovery is remitted to Sanghamithra designated Bank accounts on the same day itself. About 75% of the collection happens through SBI Collect and 25% comes through other banks where SBI Branches are not present. Thus, we are able to manage cash efficiently and have minimised risk of keeping cash overnight by the field staff.

## 6.9.5 External Risk such as Political Risk

Political Risk - In all the group meetings of borrowers; and at the time of appraisal/ assessment, officials make it clear to the prospective borrowers that the loans extended for their livelihood activities are out of borrowed funds. Hence loans provided by Sanghamithra are not governed by loan waiver and must be repaid.

## 6.10 Prudential Norms of RBI

Sanghamithra follows the prudential norms for Income Recognition and Asset Classification (IRAC) and provisioning as prescribed by the Reserve Bank of India as applicable to NBFC-ND-MFI.

### 6.10.1 Asset Classification and Provisioning

#### [a] Asset classification norms:

- [i] Standard asset means the asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business.
- [ii] Non-performing asset means an asset for which interest / principal payment has remained overdue for a period 90 days or more.

#### [b] Provision required for FY 2023-24 is Rs.1.90 crore

In terms of RBI Master Direction RBI / DoR / 2023-24 /106:DoR. FIN.REC. No.45/03.10119/2023-24 dated 19.10.2023 (updated as on Nov. 10, 2023) para 116.2.2 - Provisioning Norms are furnished below:

- i) For NPA related to microfinance loans of NBFC-MFIs, provision norms shall be:

The aggregate loan provision to be maintained by NBFC-MFIs at any point of time shall not be less than the higher of

(a) 1% of the outstanding portfolio **or**

(b) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more

- ii) Standard assets provisioning of microfinance loans of NBFC-MFIs shall be in accordance with instructions contained in Para 16 and 88 of the directions.

NBFC-BL shall make provision for standard assets at 0.25% of the outstanding which shall not be reckoned for arriving at net NPAs.

## 6.10.2 Our overdue and NPA position as on 31.3.2024 is furnished below

### Portfolio at risk >30 days:

Portfolio at risk >30 days has come down to Rs.142.60 lakhs as on 31.03.2024 from Rs.447.24 lakhs as on 31.03.2023. The total overdue loans have come down to Rs148.57 lakhs as on 31.302024 from Rs. 529.54 lakhs as on 31.3.2023 as per details furnished in the below table:

*Rs. In lakhs*

Age in days	31-03-2024			31-03-2023			%age of decrease in respect of amount
	No. of Loans	Default amount (OD)	NPA O/S	No. of Loans	Default amount (OD)	NPA O/S	
1-30 days	809	6.42		1574	82.30	0.00	-92
31-60 days	451	10.91		483	67.86	0.00	-84
61-90 days	204	6.94		240	33.41	0.00	-79
<b>TOTAL</b>	<b>1464</b>	<b>24.27</b>		<b>2297</b>	<b>183.57</b>	<b>0.00</b>	
Above 91 days	2260	124.20	135.11	1361	345.97	420.68	-68
<b>GRAND TOTAL</b>	<b>3724</b>	<b>148.47</b>	<b>135.11</b>	<b>3658</b>	<b>529.54</b>	<b>420.68</b>	<b>-72</b>

### Provision working:

#### (a) Overdue and NPA:

*Rs. in lakhs*

Criteria	31.3.2024	Provision requirement
<b>i) 1% of the outstanding portfolio or</b>	<b>30402.77</b>	<b>304.03</b>
ii)50% of aggregate loan instalments overdue for more than 90 days and less than 180 days <b>and</b>	21.22	10.61
iii)100% of aggregate loan instalments overdue for more than 180 days	113.89	113.89
<b>Subtotal (ii+iii)</b>		<b>124.50</b>
<b>Total provision required (i) or (ii+iii) whichever is higher</b>		<b>304.03</b>

## (b) Standard Assets:

Standard assets at 0.25% of the outstanding of Rs. 30402.77	76.01
<b>Grand total (a+b)</b>	<b>380.04</b>

## Provision position

*Rs. in lakhs*

Opening Balance Provision available 01.04.2023	330.11
Less write off after netting off Harvard write off	133.25
Net provision available	196.86
<b>Additional provision required is Rs.183.18 lakhs (Rs.380.04 lakhs – Rs.196.86 lakhs).</b>	
<b>Actual provision made</b>	<b>190.00</b>
Closing balance 31.03.2024	<b>386.86</b>

## 6.11 Credit Risk Management

Credit risk is the risk that the company will incur a loss because its customers fail to discharge their contractual obligations. The company has a comprehensive framework for monitoring credit quality of its retail and other loans primarily based on days past due monitoring at period end. Repayment by individual customers and portfolio is tracked regularly and required steps for recovery are taken through follow ups and legal recourse.

## 6.12 Policy for write off of Loan Assets

The gross amount of a financial asset is written off when there is no realistic prospect of further recovery. This is generally the case when the company determines after several efforts to settle overdue loans, that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amount

However, financial assets that are written off could still be subject to enforcement activities under the company's recovery procedures, taking legal advice where appropriate. Any recoveries made are recognised in the statement profit or loss.

## 6.13 Bad debts write off

The Board has approved write off of Rs.1.40 crore in respect of 1714 accounts in the Board Meeting held on 27.03.2024 as the chances of recovery from such groups was considered bleak,

even after every effort was made. Accordingly, an amount of Rs.1.40 crore was written off (Rs. 2.56 crore less Rs. 1.40 crore receivable from NBER) and parked in the Advances under Collection Account (AUCA) for further follow-up and recovery.

During the year under review, we have recovered Rs.0.87 crore under AUCA from written off accounts.

#### 6.14 Write-off

	Total Outstanding	Amount Written off	Written off %
SHG and JLG	302.04	1.34	0.44%
Tiren & Tadkal Harvard Loans, Erode	1.99	0.03	1.50%
<b>Total</b>	<b>304.03</b>	<b>1.37</b>	<b>0.45%</b>

#### 6.15 Credit Rating

As per Basel-II norms, companies intending to avail loans above Rs.500 lakhs from banking institutions are required to get credit rating done by rating agencies approved by the Reserve Bank of India. Accordingly, Credit Rating for long term fund was entrusted to M/s. INFOMERICS Valuation and Ratings (P) Ltd. We are happy to inform you that your company has been upgraded to BBB+ (Outlook: Stable) on 17.01.2024 from the earlier rating of BBB from M/s. Acuite Ratings and Research to BBB.

Now, that we are lending directly to individuals and loan amounts are being credited to SHG members savings bank account, the risk of capture of loan amount by others is avoided and the tracking system has improved.

#### 6.16 Comprehensive Grading

MFI Grading and Code of Conduct Assessment (COCA), was entrusted to INFOMERICS Analytics and Research Pvt Ltd. which has done comprehensive grading and COCA. Your company has been upgraded to MF1 grade (Highest capacity of the MFI to manage its operations in a sustainable manner) on 18.10.2023 from the earlier grading of "M2" from SMERA. MFI Capacity Assessment. Grading has been carried out in Capital Adequacy, Governance, Management Quality and Risk Management Systems.

## **6.17 Code of Conduct Assessment (COCA)**

Assessment on Code of Conduct has been done on the indicators pertaining to Transparency, Client Protection, Governance, Recruitment, Client Education, Feedback & Grievance Redressal and Data Sharing. Some of these indicators have been categorised as higher order indicators consisting of indicators on Integrity and Ethical Behaviour and Sensitive Indicators. In COCA the C1 Grading (highest capacity of the MFI to manage its operations in a sustainable manner and its adherence to the Industry Code of Conduct) has been retained.

## **6.18 Recovery through Permanent Lok Adalat (PLA)**

All NPA / Written off accounts are being followed up by the field staff who have been given targets for recovery. One of the important strategies followed is filing of cases in PLA in the jurisdictional courts. This has given good results; in the past we were able to recover a significant amount.

## **6.19 Financial Literacy and client protection**

This has assumed significant importance in the light of reported exploitation of illiterate and unaware clients by a few unscrupulous MFIs. It is imperative for us to provide financial literacy to our clients who are predominantly semi-illiterate. Therefore, we have been organising regular literacy programs with regard to importance of savings, repayment of loans, planning and budgeting; we also conduct training and exposure sessions in health and hygiene related issues besides their rights and responsibilities.

## **6.20 Social Performance Management (SPM) and the Sustainable Development Goals (SDG)**

Social performance is the effective translation of an institution's social goals into practice in line with accepted values and norms. There is growing evidence that social performance enhances overall performance. Even in a financial sector, it is well established that the customer needs to be at the center of all strategic and operational decisions.

Sanghamithra, has been registered under Sec. 8 (earlier Sec. 25) of the Companies Act, 2013 as a "Not-for-Profit" company, it endeavors to achieve its goals by balancing financial and social performance. We have tried to integrate social performance into microfinance strategy and management systems. In fact, we operate in remote and most backward, earthquake hit area like Latur and Osmanabad in Maharashtra, and in under developed / underbanked areas of Kalyana

Karnataka Region in the State of Karnataka, wherein a large percentage of people are vulnerable and many live below the poverty line; we also work with Tribals in MM Hills and in HD Kote and in other areas.

The Sustainable Development Goals (SDGs) are adopted as core objectives of our company. Out of 17 SDGs of United Nation General Assembly, we are focusing on Goal No.8 which is “promoting decent work and economic growth for all”. Accordingly, we are extending loans to poor and vulnerable people for undertaking income generating activities to reduce their hunger and to provide sanitation, potable drinking water, conservation of rainwater, alternate energy sources like solar lighting, etc.

## **6.21 The client protection measures and focus on social performance have been given greater thrust by your company in the following manner**

Avoiding over lending and multiple lending.

- Providing financial literacy to enable the clients to take informed decisions.
- Establishing a feedback and grievances redressal mechanism
- Avoiding unhealthy competition through sharing of information among MFIs working in the same area. AKMI has created this forum ensuring monthly district level meetings.
- Respecting appropriate loan recovery practices and fostering empathetic staff behavior towards clients.
- Providing loans at an affordable rate of interest.
- Developing products and services that meet client needs.
- Reaching out to the unreached.
- Treating clients fairly and respecting privacy of clients.
- Following transparent pricing of products.

Your company has focused on choosing Directors who are committed to the social mission of the institution.

## **7.0 Credit Plus activities**

### **7.1 Life insurance for SHG members:**

We are arranging Life insurance cover for all the borrowers.

We cover the client to the extent of loan amount for the tenure of the loan starting from the disbursement date.

Thus, in the event of unfortunate death of the borrower, the loan risk is fully covered from day one of the disbursement date.

## **7.2 Hospitalisation cash benefit cover for SHG members**

This scheme provides income for SHG members during unforeseen circumstances like hospitalisation; it is called “Daily Hospital Cash Benefit (HOSPICASH)”

*Features of the Hospicash product are as follows*

- Rs.1,000 per day of hospitalisation; maximum up to 30 days in a year.
- Rs.2,000 per day in case of Intensive Care Unit (ICU) hospitalisation
- Accidental death benefit of Rs.1,00,000

## **7.3 Human Resources**

During the year 2023-24 the attrition level of the employees was around 24%. There is slight decrease in attrition rate over the previous year which was at 25.64% The attrition level is high in respect of field staff particularly Credit Officers level. During the year we recruited 65 Credit Officers.

### **7.3.1 Staff Training**

We recognise the value of training and endeavor to impart training every year to all the members of the staff more particularly to the field staff who are the backbone of your company. The training and development initiatives are designed to improve the job performance of an individual employee or a group of employees. It is our endeavor that every member of the staff should undergo at least two trainings conducted either by internal or external agencies in a year. Now a separate wing of training and development has been formed. Regular training programs are being conducted. These programs typically involve advancing employee’s knowledge and skill sets and instilling greater motivation to enhance job performance.

### **7.3.2 Training & Capacity Building Training Programme for SHGs**

Apart from organising the training programme for staff we have conducted programs for book writers for SHG members whose groups are linked with us. The capacity building training programs conducted with the help of sponsoring CMRCs/NGOs for SHG members have brought a significant improvement in administrative skills to manage the SHG.

### **7.3.3 Awards and Recognition**

Sanghamithra has improved its performance over the years. This is due to the active involvement and commitment of employees at various levels. The practice of recognising the employees at an annual event was introduced to raise the morale of the employees for the good work done, to improve the image of the organisation and to create a healthy competition among the staff.

### **7.3.4 Recognising the contribution of women staff**

As part of recognition of contribution of women in the growth of the company, we celebrated women's day event on 16<sup>th</sup> March 2024 at Corporate Office and also across all Regional Offices. During the celebration all the women staff members were given a memento as a token of appreciation of their service in Sanghamithra.

## Tales of Success

<b>Tales of Success - 1</b>	<b>Activity: Beauty Parlour</b>
<i>Empowering Dreams: A Journey from Employee to Entrepreneur in the non-farm sector</i>	

Ms. Renuka, a mother of two from Mudavadi village, once worked in a beauty parlour earning just Rs.10,000 per month. Life was a struggle, balancing her family's needs with limited income. But three years ago, everything changed. With training partly funded by Sanghamithra and a Tiny Enterprise Loan of Rs.3.00 lakhs from Sanghamithra, she started her own beauty parlour.



The transformation was remarkable. Her monthly income quadrupled providing her, the means to invest in her children's education at a reputable English-medium school. Beyond financial upliftment, this venture brought a sense of pride and independence to Ms. Renuka's life.

The loan extended to Ms. Renuka continues to be a standard asset without any loan default.

<b>Tales of Success - 2</b>	<b>Activity: Stallfed Goat Rearing</b>
<i>Farm based value addition + innovation in Goat Rearing</i>	



Smt. Shobha Manjunatha, a committed member of the Sri Venugopaldaswamy SHG in Ankathatti, Kolar District, embarked on her financial journey over 12 years ago with the help of a microfinance loan from Sanghamithra; she purchased a CB cow to supplement her family income. After successfully repaying that loan, she secured a higher loan in 2019 to make essential repairs and improvements to her home.

Driven by the need to further enhance their income, Smt. Shobha and her husband, Mr. Manjunatha, approached Sanghamithra for larger loan. Given their strong credit history, Sanghamithra extended a micro loan to Mr. Manjunatha was extended with a larger loan of Rs.2.00 lakhs in 2022, enabling the family to venture into stall-fed goat rearing in which Mr. Manjunatha had been trained by the Veterinary Department. He has agreed to train others. This strategic move has shown remarkable results, with Mr. Manjunatha focusing on a particular breed known for its superior milking capacity and high-quality meat.

This breed's high market value has led to a steady increase in their income. The venture has become a thriving family enterprise, with Smt. Shobha playing a key role in supporting her husband's efforts.

This story highlights the transformative impact of microfinance; enabling families like Smt. Shobha and her husband Mr. Manjunatha to explore new avenues in the non-farm sector.

The loan extended to Smt. Shobha continues to be a standard asset without any loan default.

<b>Tales of Success - 3</b>	<b>Activity: Building Material Hirer</b>
<i>Hired Masons to Self-employed entrepreneur: --- Building a Brighter Future with Microfinance</i>	

In Sugaturu village, Bhagyalakshmi and Muniraju have turned their humble beginnings as small-scale masons into a thriving business, thanks to the timely loan of Rs.2.00 lakhs from Sanghamithra. With determination and access to credit, they expanded their building centering business threefold, transitioning from laborers to independent entrepreneurs. They have invested in materials, labour, and even transport vehicles, scaling their operations four times over and tripling their income.



This growth has not only transformed their livelihood but also enabled them to invest in their daughter's future. A dedicated student, she recently passed her class 12<sup>th</sup> exams with distinction and is now aspiring to become a doctor. This inspiring journey underscores how microfinance can empower families to break barriers, create opportunities, and invest in future generations.

The loan extended to Smt. Bhagyalakshmi continues to be a standard asset without any loan default.

<b>Tales of Success - 4</b>	<b>Activity: Retail Dealer - Garments</b>
<i>Transforming Lives and Communities:</i> --- <i>Sultana's Journey through Microfinance</i>	

Ms. Sultana, a widow from Tippunagar, Bangarapet, faced significant challenges when she lost her husband seven years ago. Determined to build a better future for her three children, she started a small garment business, a tiny enterprise. With the support of a Sanghamithra's TIREN loan of Rs.2.00 lakhs, she expanded her operations, growing her income to Rs.60,000 per month. Her eldest daughter is now completing her graduation, while the younger children are pursuing their education.

The ripple effects of her success are profound. The economic impact of microfinance in her case is significant, while the social impact is equally impressive ensuring education, especially for girl children, promoting self-employment, fostering skill development at the village level. Additionally, all the households supported through microfinance in her community now have proper sanitation and toilets.

The loan extended to Ms. Sultana continues to be a standard asset without any loan default.

<b>Tales of Success - 5</b>	<b>Activity: Cloth Business</b>
<i>From Tailor to Entrepreneur:</i> --- <i>The Journey of Smt. Varalakshmi</i>	

Smt. Varalakshmi, a dedicated member of the Sri Pragathi Women Self Help Group in Masthi, Malur Taluk, has been trained in tailoring. She aspired to expand her skills into a full-fledged clothes business. Her journey took a significant leap in 2018 when she availed a microfinance loan of Rs.50,000 from Sanghamithra. After promptly repaying her loan, she continued to secure higher loans of Rs.1.00 lakh in 2020; and sought a loan Rs.2.00 lakhs in 2022 to invest in and expand her business.



With each loan, Smt. Varalakshmi's business flourished. Today, she is a proud owner of a thriving micro-enterprise that offers tailoring, embroidery, and cloth sales. Her income has multiplied 3-4 times compared to a few years ago, reflecting her hard work and smart financial management.

This success story is a testament to how microfinance, combined with persistence and vision, can transform livelihoods, empowering women to rise as entrepreneurs in their communities.

The loan extended to Smt. Varalakshmi continues to be a standard asset without any loan default.

<b>Tales of Success - 6</b>	<b>Activity: Rain Water Harvest</b>
<i>Turning Raindrops into Lifesavers:</i> <i>--- Smt. Bychamma's Rainwater Harvesting Success</i>	

In the drought-prone Hosmatnalli village of Kolar District, water scarcity is a daily challenge. Smt. Bychamma, a member of the Sri Bareshwari SHG for 15 years, and her husband, who cultivates ragi on their two acres of dry land, struggled with unreliable and contaminated water supplies. The village's public water system, dependent on tube wells, was insufficient and often tainted due to the chemical contamination of the groundwater.



Seeking a solution, Smt. Bychamma attended a Harvesting Roof Rain Water (HRRW) awareness event and was inspired to take action. With the support of SRFs, she received a Rs.25,000 WASH loan to install a Roof Rain Water Harvesting unit in 2023. The system, complete with a self-cleaning filter and storage tank, enabled her to harvest and store 6,000 litres of rainwater. Bychamma now uses the filtered rainwater for drinking and cooking, while the excess water is stored in a sump for other household needs.

This initiative has not only improved her family's water security but also inspired five other families in the village to adopt RRWH units. Smt. Bychamma's forward-thinking approach is a model for sustainable living in water-scarce regions, demonstrating how microfinance and simple technologies can bring about lasting change.

The loan extended to Smt. Bychamma continues to be a standard asset without any loan default.

*Empowering a Forest Community with Solar Energy:**--- Smt. Shivamma's Flour Mill Success*

Smt. Shivamma, a resident of Tholsikere village in the heart of the Malai Mahadeshwara Hills tiger reserve, Karnataka, is a shining example of determination and innovation. Living in a remote area with no electricity, Shivamma and her family have long relied on subsistence farming and daily wage labour. However, with wild animals frequently damaging their crops and a lack of basic infrastructure, meeting their daily needs was a constant struggle.



For the families in Tholsikere, ragi millet is a staple food. Yet, the nearest flour mill was 7 kilometres away, requiring villagers to walk through dense forests—a dangerous journey, especially with the ever-present threat of elephant attacks. Recognising this challenge, Shivamma took action. With the help of SRFS's partner CMRC, she received a solar-powered flour mill unit three years ago. Though the initial setup worked well, the unit eventually required repairs, and Shivamma couldn't afford the replacement of essential parts.

In 2023, Sanghamithra extended a loan under the NABSAMRUDDHI scheme, providing Shivamma with Rs.50,000 to replace the solar panels, batteries, and grinding wheel. With her flour mill back in operation, the entire village now benefits from having easy access to freshly ground ragi flour without the hazardous forest trek. Shivamma devotes 2-3 hours a day to the mill, earning Rs.300 daily alongside her agricultural activities.

Shivamma's initiative not only meets a critical need in her community but also generates additional income for her family. Her husband assists with maintenance, ensuring the mill continues to run smoothly. With future plans to purchase a sieving machine, Shivamma dreams of providing the best education for her children. Her success story highlights how renewable energy and microfinance can transform even the most remote communities.

The loan extended to Smt. Shivamma continues to be a standard asset without any loan default.

*Building Resilience through Enterprise:**Smt. Suma's Vegetable Shop Success*

Smt. Suma, a determined entrepreneur from Nadanahalli village in Mysore district, Karnataka, has shown how resourcefulness and community support can change lives. As a member of the Gnanavi Mahila Sangha since 2015, Suma has steadily saved over Rs.50,000 and frequently availed internal loans for her family's needs. Living with her husband, two children, and mother-in-law, Suma faces unique challenges, including caring for her younger son, who has special needs due to a brain tumor.



With a vision to secure a better future for her family, Smt. Suma availed a Rs.1,00,000 loan from Sanghamithra under the NABSAMRUDDHI scheme and opened a fruit and vegetable shop in SVP Nagar, Mysore. Her business quickly gained momentum. Her elder son, a mechanical engineering student, helps by sourcing fresh produce from the wholesale market early in the morning, while her husband purchases directly from local farmers. This family collaboration has helped the business flourish, providing them with a stable monthly income.

Looking ahead, Smt. Suma plans to expand by offering home delivery services using online marketing and WhatsApp groups to reach her regular customers. Her story highlights how microfinance, coupled with family support, can empower women to overcome challenges and thrive as entrepreneurs.

The loan extended to Smt. Suma continues to be a standard asset without any loan default.

### Tales of Success - Notable Findings

- (1) **Debunking the myth of credit unworthiness:** Contrary to assumptions, people at the bottom of the pyramid are creditworthy. The winning formula lies in combining digital processes with strong human connections and relationship-building at the grassroots level.
- (2) **Untapped potential in tiny businesses:** There is massive potential in supplementing family income through small businesses like agriculture-based ventures, vegetable and fruit

shops, small restaurants, grocery stores, garments, tailoring, and beauty parlours. With the right support, family incomes can leap from Rs.20,000 to Rs.50,000+ per month.

- (3) **High profit margins in tiny enterprises:** Tiny businesses often achieve net profit margins of 30% to 50%, making financial leverage highly beneficial. However, it is essential to avoid overburdening households with excessive loans.
- (4) **The value of human touch in digital finance:** Success in microfinance is not solely about digital efficiency. A human touch—fostering close relationships, offering skill-building opportunities, and showing flexibility in loan repayment during crises—significantly reduces delinquency and enhances overall impact.

Sultana's story exemplifies how microfinance is not just about providing loans—it's about empowering rural women economically, empowering communities, and building a stronger rural community.

# **SANGHAMITHRA RURAL FINANCIAL SERVICES**

(A Not-For-profit company incorporated under Section 25 of The Indian Companies act 1956 i.e., Section 8 of The Companies Act 2013 – A Company limited by guarantee)

## **ANNUAL ACCOUNTS 2023-24**

**Registered & Corporate Office:**  
No 612, 1<sup>st</sup> C Main Road, Domlur Layout, Bengaluru-560 071  
Karnataka

## INDEPENDENT AUDITORS' REPORT

To  
**The Members of**

**SANGHAMITHRA RURAL FINANCIAL SERVICES**

**Report on the audit of the financial statements**

### **Opinion**

We have audited the standalone financial statements of **Sanghamithra Rural Financial Services** ("the Company"), which comprise the balance sheet as at March 31, 2024, and the Statement of Profit and Loss and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ('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, 2024, its profit and cash flows for the year ended on that date.

### **Basis for opinion**

We conducted our audit in accordance with the standards on auditing specified under section 143 (10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the code of ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Reporting of key audit matters as per SA 701, Key Audit Matters are not applicable to the Company as it is an unlisted company and also the auditor is not required by any law or regulation to communicate key audit matters in the auditor's report.

### **Information other than the financial statements and auditors' report thereon**

The Company's board of directors is responsible for the preparation of the other information. The other information comprises the information included in the Board's Report including Annexures to Board's Report, Business Responsibility Report but does not include the financial statements and our auditor's report thereon.



Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

Based on the work we have performed, that there is a no material misstatement of this other information.

#### **Management's responsibility for the financial statements**

The Company's board of directors are responsible for the matters stated in section 134 (5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

The board of directors are also responsible for overseeing the Company's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on other legal and regulatory requirements**

1. The Company is a Section 8 Company therefore reporting under the Companies (Auditor's Report) Order, 2020 issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act is not applicable to the Company for the financial year ending as on March 31, 2024.
2. As required by Section 143(3) of the Act, we report that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit:
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
  - (c) The balance sheet, the statement of profit and loss, and the 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 the written representations received from the directors as on March 31, 2024 taken on record by the board of directors, none of the directors is disqualified as on March 31, 2024 from being appointed as a director in terms of Section 164 (2) of the Act;



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

(g) With respect to the other matters to be included in the Auditor's Report in accordance with 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;

a. The Company has disclosed the impact of on its financial position in the Notes forming part of Balance Sheet. Refer point XI of Notes forming part of Balance Sheet;

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

c. There were no amount which were required to be transferred to the Investor Education and Protection Fund by the Company

3. Based on our examination, which included test checks, the Company has used accounting software "eFimo" developed by Jayam Software Solutions for recording (LOS and LMS) the disbursements, collections and interest income relating to loan which has a feature of recording audit trail (edit log) facility and the same was enabled and operated throughout the year for all relevant transactions recorded in the software. Further, during the course of our audit we did not come across any instance of audit trail feature being tampered with.

The Company has used accounting software "Tally" for maintaining its books of account except for the type of transactions reported above, which has a feature of recording audit trail (edit log) facility wherein the accounting software did not have the audit trail feature enabled throughout the year.

**For S U M J AND ASSOCIATES**  
Chartered Accountants

*Uttam Chand*

**Uttam Chand Laxmichand**  
Partner

M No. 221751

Firm Reg. No. 005363S

UDIN: 24221751BKCKNM5656



Date: 12/07/2024

Place: Bengaluru

## Annexure - A to the Auditors' Report

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

We have audited the internal financial controls over financial reporting of **SANGHAMITHRA RURAL FINANCIAL SERVICES** ("the company"), as of 31 March 2024 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 ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to 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.

#### **Auditors' Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the 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, 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 31 March 2024, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For S U M J AND ASSOCIATES**  
Chartered Accountants

*Uttam Chand*

**Uttam Chand Laxmichand**  
Partner

M No. 221751

Firm Reg. No. 005363S

UDIN: 24221751BKCKNM5656

Date: 12/07/2024

Place: Bengaluru



**SANGHAMITHRA RURAL FINANCIAL SERVICES**  
**INCORPORATED UNDER SECTION 25 OF THE COMPANIES' ACT, 1956**  
**COMPANY LIMITED BY GUARANTEE**

(Rs. in Lakhs)

**CASH FLOW STATEMENT**

Particulars	Current Reporting Period 31-03-2024		Previous Reporting Period 31-03-2023	
	Rs	Rs	Rs	Rs
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>				
PROFIT BEFORE INCOME TAX		1229.33		861.57
<b>ADJUSTMENT</b>				
ADD: DEPRECIATION	16.26		16.86	
ADD: PROVISION FOR DOUBTFULLDEBTS AND INCOME TAX	190.00		-150.00	
LESS: NET PROFIT OR LOSS ON SALE OF FIXED ASSETS	-3.60		-0.06	
LESS: INTEREST ON FIXED DEPOSIT	-111.64	91.02	-118.95	-252.14
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>		<b>1320.35</b>		<b>609.43</b>
<b>MOVEMENT IN WORKING CAPITAL</b>				
INCREASE/DECREASE IN CURRENT ASSETS	-268.56		-46.12	
INCREASE/DECREASE IN CURRENT LIABILITIES	375.53	106.97	45.95	-0.17
<b>NET CASH GENERATED FROM OPERATIONS</b>		<b>1427.32</b>		<b>609.26</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>				
PURCHASE OF FIXED ASSETS	-29.68		-3.38	
SALE OF FIXED ASSETS	3.60		0.06	
INTEREST ON FIXED DEPOSIT	111.64		118.95	
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>		<b>85.56</b>		<b>115.62</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>				
REPAYMENT AND BORROWINGS FROM BANKS AND FINANCIAL INSTITUTIONS	4614.28		-1901.62	
GRANTS RECEIVED AND SPENT	1.76		-11.39	
Portfolio Collection	22639.21		20711.34	
Less: Portfolio Disbursement	-27725.54		-26788.70	
		<b>-470.29</b>		<b>-7990.35</b>
<b>NET INCREASE OR DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1042.59</b>		<b>-7265.47</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>2325.81</b>		<b>9591.28</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>		<b>3368.40</b>		<b>2325.81</b>

**Notes:**

**1. Cash and Cash Equivalents**

Cash and cash equivalents consists of cash on hand and balances with scheduled bank. Cash and

As at

As at

cash equivalents included in the cash flow statement comprise the following balance sheet amount

31.03.2024

31.03.2023

(Rs.)

(Rs.)

Cash on hand

0.31

0.38

Cash on hand and Balances with scheduled banks

221.98

112.00

- Fixed Deposits

3146.10

2213.43

Cash and cash equivalent as restated

3368.40

2325.81

2. The above cash flow statement has been prepared by using the indirect method as per Accounting Standar-3 "Cash Flow Statement" issued by the Companies (Accounting Standard) Rules, 2006.

For and On behalf of the Board

*Aloysius P Fernandez*  
 (Aloysius P Fernandez)  
 Founder Chairperson  
 DIN:0027034



(Sunil Jais)  
 Chief Executive Officer



As per our report of even date  
 For S U M J & Associates  
 Chartered Accountants  
 F R No. 0053635

*Uttam Chand*  
 Uttam Chand Laxmichand  
 Partner  
 Membership No.: 221751

UDIN: 24221751BKCKNM5656

Date: 12/07/2024  
 Place: Bengaluru



**SANGHAMITHRA RURAL FINANCIAL SERVICES**  
**INCORPORATED UNDER SECTION 25 OF THE COMPANIES' ACT, 1956**  
**COMPANY LIMITED BY GUARANTEE**

(Rs. in Lakhs)

**BALANCE SHEET AS AT 31ST MARCH 2024**

SI No.	Particulars	Note No.	Figures as at the end of	
			Current Reporting Period 31-03-2024	Reporting Period 31-03-2023
<b>I.</b>	<b>EQUITY AND LIABILITIES</b>			
<b>1</b>	<b>Shareholders' Funds</b>			
	(a) Share Capital	1	-	-
	(b) Reserves and Surplus	2	8699.78	7468.69
<b>2</b>	<b>Share application money pending allotment</b>		-	-
<b>3</b>	<b>Non-Current Liabilities</b>			
	(a) Long-Term Borrowings	3	7863.00	6013.34
	(b) Other Long-Term Liabilities		-	-
	(c) Long-Term Provisions	4	386.51	330.11
<b>4</b>	<b>Current Liabilities</b>			
	(a) Short-Term Borrowings	5	16816.76	14052.14
	(b) Other Current Liabilities	6	219.99	45.20
	(c) Short-Term Provisions	7	273.89	129.56
	<b>Total</b>		<b>34259.94</b>	<b>28039.03</b>
<b>II.</b>	<b>ASSETS</b>			
<b>1</b>	<b>Non-Current Assets</b>			
	(a) Property Plant and Equipment and Intangible Assets			
	(i) Property, Plant and Equipment	8	52.26	36.85
	(ii) Intangible Assets	8	0.86	4.22
	(iii) Capital Work-In-Progress		-	-
	(iv) Intangible Assets under development		-	-
	(b) Non-current investments		-	-
	(c) Deferred tax assets (net)		-	-
	(d) Long-term loans and advances		-	-
	(e) Other non-current assets	9	10182.09	8524.80
<b>2</b>	<b>Current Assets</b>			
	(a) Current investments		-	-
	(b) Inventories		-	-
	(c) Short-Term Loans & Advances	10	20265.28	17024.87
	(d) Cash and Cash Equivalents	11	3368.40	2325.81
	(e) Other Current Assets	12	393.06	122.49
	<b>Total</b>		<b>34259.94</b>	<b>28039.03</b>

Notes 1 to 12 forming part of Balance Sheet  
For and On behalf of the Board

As per our report of even date  
For S U M J & Associates  
Chartered Accountants  
F R No. 0053635

  
(Aloysius P. Fernandez)  
Founder Chairperson  
DIN:00027034



  
(Sunil Adli)  
Chief Executive Officer



  
Uttam Chand Laxmichand  
Partner  
Membership No.: 221751  
UDIN: 24221751BKKKNM9656

Date: 12/07/2024  
Place: Bengaluru



**SANGHAMITHRA RURAL FINANCIAL SERVICES**  
**INCORPORATED UNDER SECTION 25 OF THE COMPANIES' ACT, 1956**  
**COMPANY LIMITED BY GUARANTEE**

(Rs. in Lakhs)

**INCOME AND EXPENDITURE STATEMENT FOR THE PERIOD ENDED 31ST MARCH 2024**

Sl.No.	Particulars	Note No	Figures as at the end of	
			Current Reporting Period 31-03-2024	Reporting Period 31-03-2023
I	Revenue from Operations	13	5240.23	3966.28
II	Other Income	14	364.02	260.94
III	<b>TOTAL INCOME (I + II)</b>		<b>5604.25</b>	<b>4227.22</b>
IV	<b>EXPENSES</b>			
	Cost of materials consumed		-	-
	Purchases of Stock-in-Trade		-	-
	Changes in Inventories of Finished Goods,WIP and Stock-in-Trade		-	-
	Employee Benefits Expenses	15	962.77	726.23
	Finance Costs	16	2296.39	1835.05
	Depreciation and Amortisation Expenses	8	16.26	16.86
	Other Expenses	17	1099.49	787.51
	<b>TOTAL EXPENSES</b>		<b>4374.92</b>	<b>3365.65</b>
V	<b>Profit before Exceptional and Extraordinary Items and Tax (III-IV)</b>		<b>1229.33</b>	<b>861.57</b>
VI	<b>Profit before Extraordinary Items and Tax</b>		<b>1229.33</b>	<b>861.57</b>
VII	Exceptional / Extraordinary Items		-	-
VIII	<b>Profit Before Tax</b>		<b>1229.33</b>	<b>861.57</b>
IX	<b>Tax Expense</b>			
	Current Tax		-	-
	Deferred Tax		-	-
X	<b>Profit/(Loss) for the period from Continuing Operations(IX-X)</b>		<b>1229.33</b>	<b>861.57</b>
XI	Profit/(Loss) from Discontinuing Operations		-	-
XII	Tax Expense of Discontinuing Operations		-	-
XIII	<b>Profit/(Loss) from Discontinuing Operations (after tax)(XII-XIII)</b>		<b>-</b>	<b>-</b>
XIV	<b>Profit/(Loss) for the Period(XI+XIV)</b>		<b>1229.33</b>	<b>861.57</b>
XV	<b>Earnings per Equity Share</b>			
	-Basic		-	-
	-Diluted		-	-

Notes 13 to 17 are forming part of Income and Expenditure statement

For and On behalf of the Board

As per our report of even date  
 For S U M J & Associates  
 Chartered Accountants  
 F R No. 0053635

  
 (Aloysius P. Fernandez)  
 Founder Chairperson  
 DIN:00027034



  
 (Sunil Jadli)  
 Chief Executive Officer



  
 Uttam Chand Laxmichand  
 Partner  
 Membership No.: 221751  
 UDIN:24221751BKCKNM 56R



Date: 12/07/2024  
 Place: Bengaluru

**SANGHAMITHRA RURAL FINANCIAL SERVICES**

(Rs. in Lakhs)

Note forming part of Balance Sheet

Note No.	Particulars	Figures as at the end of	
		Current Reporting Period 31-03-2024	Reporting Period 31-03-2023
1	Share Capital		
2	Reserves & Surplus		
	(a). Capital Reserve		
	Opening Balance	7433.18	6721.61
	<b>Total(a)</b>	<b>7433.18</b>	<b>6721.61</b>
	(b). Surplus		
	Excess of Income Over Expenditure for the year	1229.33	861.57
	Less: Provisions & Appropriations		
	Provision for Loan Losses	-	150.00
	<b>Total (b)</b>	<b>1229.33</b>	<b>711.57</b>
	<b>Total 2= Total(a)+Total(b)</b>	<b>8662.51</b>	<b>7433.18</b>
	(b). Other Reserves		
	A. Donor's Funds		
	(1). Revolving Fund-SIDBI		
	Opening balance	11.97	11.85
	Add: Recovered during the year	0.26	0.12
		12.23	11.97
	Less: Utilised during the year	-	-
	<b>Total(2)</b>	<b>12.23</b>	<b>11.97</b>
	<b>Total A= (1)+(2)</b>	<b>12.23</b>	<b>11.97</b>
	B. Water Org Grants		
	Opening balance	2.51	2.51
	Add: Received during the year	-	-
	Less: Utilised during the year	-	-
	<b>Total</b>	<b>2.51</b>	<b>2.51</b>
	C. WATER.ORG (FAAS)		
	Opening balance	0.30	0.30
	Add: Received during the year	-	-
	Less: Utilised during the year	-	-
	<b>Total</b>	<b>0.30</b>	<b>0.30</b>
	D. NATIONAL BUREAU OF ECONOMIC RESEARCH (NBER)		
	Opening balance	20.73	22.86
	Add: Received during the year	-	-
	Less: Utilised during the year	20.73	2.13
	<b>Total</b>	<b>-</b>	<b>20.73</b>



E. MICRO CREDIT FOR MOTHERS			
Opening balance		-	-
Add: Received during the year		22.35	-
Less: Utilised during the year		0.12	-
<b>Total</b>		<b>22.23</b>	<b>-</b>
<b>Total(b)=Total A+Total B,C,D,E)</b>		<b>37.27</b>	<b>35.51</b>
<b>Grand Total-2</b>		<b>8699.78</b>	<b>7468.69</b>
<b>3</b>	<b>Long-Term Borrowings</b>		
	(01) BOB (VB TL2 )	-	82.99
	(02) Canara Bank TL 01	-	166.67
	(03) Bank of Maharashtra TL 04	-	459.41
	(04) UBI TL 09	-	542.19
	(05) SIDBI-Long Term Special Liquidity Support	18.53	417.73
	(06) SBI - ST MARKS ROAD TERM LOAN	-	915.42
	(07) NABSAMRUDDHI FINANCE LTD	-	473.94
	(08) Indian Bank (MCB K G Road) TL-04	424.20	844.16
	(09) Indian Bank (MCB K G Road) TL-05	424.56	844.16
	(10) Federal Bank TL 02	-	666.67
	(11) NABSAMRUDDHI FINANCE LTD (GL)	187.12	300.00
	(12) NABSAMRUDDHI FINANCE LTD (WASH)	187.12	300.00
	(13). Federal Bank TL 03	65.47	-
	(14) ESAP SMALL FINANCE BANK	308.64	-
	(15) NABKISAN FINANCE LIMITED	708.05	-
	(16) BANK OF MAHARASTHRA TL 05	1230.61	-
	(17) BANDHAN BANK TL-03	375.00	-
	(18) UBI - TL10	725.46	-
	(19) SIDBI Micro Credit Scheme	1935.49	-
	(20) Karnataka Gramin Bank-TL 01	1272.74	-
	<b>Total-A</b>	<b>7863.00</b>	<b>6013.34</b>
<b>Particulars of Long Term Borrowings (Secured against Book Debts)</b>			
Name of Lender/Type of loan	Rate of Interest	Monthly Installment - Rs in Lakhs	No of Installments
Union Bank of India	11.40%	36.36	33
State Bank of India	9.00%	78.13	32
Bank of Baroda	9.80%	16.67	36
Indian Bank	10.20%	34.72	36
Indian Bank	10.20%	34.72	36
Bank of Mararashtra	9.30%	91.00	33
Bank of Mararashtra	10.95%	60.61	33
Canara Bank	9.65%	83.33	36
SIDBI	13.00%	33.27	30
SIDBI	11.25%	80.65	31



	Federal Bank	10.50%	44.97	36
	Federal Bank	10.50%	20.14	36
	NABSAMRUDDHI FINANCE LTD	11.00%	33.91	36
	NABSAMRUDDHI FINANCE LTD	12.00%	12.88	36
	NABSAMRUDDHI FINANCE LTD	12.00%	12.88	36
	NABKISAN	12.00%	41.67	36
	ESAF Small Finance Bank	13.00%	43.45	24
	Bandhan Bank	12.00%	125.00	24
	Karnataka Gramin Bank	11.50%	60.61	33
<b>4</b>	<b>Long -Term provisions</b>			
	<b>Others</b>			
	Provision for doubtful loans as on 01-04-2023		330.11	309.28
	Add: NPA Provision for the period ended 31-03-2024		190.00	150.00
	<b>Total</b>		<b>520.11</b>	<b>459.28</b>
	Less: NPA Written off for the period Ended 31-03-2024		133.60	129.17
	<b>Total</b>		<b>386.51</b>	<b>330.11</b>



5	Short - Term Borrowings (Secured against Book Debts)		
(01).	Canara Bank JL Puram-10656(OD)	3455.99	3487.38
(02).	State Bank of India Agri Commercial Branch St.Marks Road	-	162.96
(03).	State Bank of India St Marks Road TL 01	-	88.06
(04).	Bank of Baroda (VB CC)	500.00	498.34
(05).	Indian Bank RT Nagar-OD	3451.19	3489.53
(06).	Union Bank of India Domlur-TL-7	-	-0.49
(07).	Union Bank of India Domlur-TL-8	-	522.09
(08).	Indian Bank RT Nagar TL-3	-	33.35
(09).	BOB (VB TL2 )	81.39	200.00
(10).	Canara Bank TL 01	166.67	333.33
(11).	Bank of Maharashtra TL 04	458.83	1092.00
(12).	Union Bank of India TL-09	517.98	800.00
(13).	SIDBI-Long Term Special Liquidity Support	399.20	399.20
(14).	SBI - ST MARKS ROAD TERM LOAN	922.92	937.50
(15).	NABSAMRUDDHI FINAANCE LTD	433.20	347.23
(16)	Indian Bank (MCB K G Road) TL-04	416.67	416.67
(17)	Indian Bank (MCB K G Road) TL-05	416.67	416.67
(18).	Federal Bank TL 02	487.40	333.33
(19)	NABSAMRUDDHI FINANCE LTD (GL)	165.83	200.00
(20)	NABSAMRUDDHI FINANCE LTD (WASH)	165.83	200.00
(21)	CANARA BANK DEMAND LOAN	-	95.00
(22).	Federal Bank TL 03	256.21	-
(23).	Federal Bank CC Acct New	65.25	-
(24)	ESAP SMALL FINANCE BANK	561.74	-
(25)	NABKISAN FINANCE LIMITED	500.00	-
(26)	BANK OF MAHARASTHRA TL 05	727.27	-
(27)	BANDHAN BANK TL-03	500.00	-
(28)	UBI - TL10	436.36	-
(29)	BANDHAN BANK CC	438.39	-
(30)	SIDBI Micro Credit Scheme	564.52	-
(31)	Karnataka Gramin Bank-TL 01	727.27	-
	<b>TOTAL</b>	<b>16816.76</b>	<b>14052.14</b>



<b>6</b>	<b>Other Current Liabilities</b>		
	<b>Other Payables</b>		
	GST Payable	6.31	-
	Micro Insurance premium payable	21.09	19.47
	Software Service charges payable	-	1.33
	SHG/CMRC/NGO Incentive Payable	138.76	-
	Sundry Creditors	5.52	5.06
	Interest on Borrowings Payable	22.79	-
	Asset Insurance Payable	-	0.02
	Hospicash Insurance Payable	-0.33	11.71
	Professional Tax Payable	0.13	0.29
	Provident Fund Payable	3.61	3.83
	Provision for office Rent	3.27	-
	Provision for Staff TADA	7.73	-
	TDS Payable	11.10	3.49
	<b>Total</b>	<b>219.99</b>	<b>45.20</b>
<b>7</b>	<b>Short - Term provisions</b>		
	<b>(a). Provision for employee benefit</b>		
	Salary Payable	59.98	0.29
	Earned Leave Encashment Payable	15.00	-
	Incentive/KRA Payable	70.00	-
	Gratuity Payable	-	0.35
	<b>Total(a)</b>	<b>144.98</b>	<b>0.64</b>
	<b>(b). Others</b>		
	Provision for Income-tax (AY 14-15)	25.00	25.00
	Income Tax Payable	3.92	3.92
	Provision for Income -tax (AY 16-17)	100.00	100.00
	<b>Total(b)</b>	<b>128.92</b>	<b>128.92</b>
	<b>Total 8=Total (a)+Total (b)</b>	<b>273.89</b>	<b>129.56</b>



**SANGHAMITHRA RURAL FINANCIAL SERVICES**  
**INCORPORATED UNDER SECTION 25 OF THE COMPANIES ACT, 1956**  
**COMPANY LIMITED BY GUARANTEE**

**FIXED ASSETS AS ON 31st March 2024**

(Rs. in Lakhs)

Particulars	Gross Carrying Value					Depreciation (Refer Note)			Net Carrying Value		
	As at beginning of the reporting period	Additions	Acquisitions through business combinations separately	Disposal	As at end of reporting	Up to last year	For the period	Withdrawn	Total	As at end of the reporting period	As at beginning of the reporting period
	01-04-2023				31-03-2024	01-04-2023			31-03-2024	31-03-2024	01-04-2023
B. Property, Plant and Equipment											
Furniture & Fixtures	40.31	1.09			41.40	28.87	1.92		30.74	10.66	11.49
Office Equipments	40.81	9.66			50.47	35.84	2.97		38.81	11.66	4.97
Vehicles	19.28	12.12		1.38	30.02	12.33	2.80	0.02	15.13	14.89	6.93
Computer	44.32	5.09			49.41	38.62	3.11		41.73	7.68	5.70
Electrical Installation	0.09	0.00			0.09	0.09			0.09	0.00	0.00
UPS & Batteries	10.16	1.72			11.88	7.85	0.70		8.55	3.33	2.31
Plant & Machinery	13.01	0.00			13.01	7.59	1.35		8.98	4.04	5.43
Sub Total	167.98	29.68	0.00	1.38	196.29	131.13	12.90	0.00	144.03	52.26	36.85
Intangible Assets											
Software	33.94	0.00	0.00	0.00	33.94	29.72	3.37		33.08	0.86	4.22
Sub Total	33.94	0.00	0.00	0.00	33.94	29.72	3.37	0.00	33.08	0.86	4.22
Others											
Donor's fund -Care India											
Goals	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Multimedia - Projector	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Camera	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Laptop - Computer	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Vehicles	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Donor's fund -IDBI	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Computers	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Furniture & Fixtures	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
Office Equipment	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00	0.00	0.00
<b>Total</b>	<b>201.92</b>	<b>29.68</b>	<b>0.00</b>	<b>1.38</b>	<b>230.28</b>	<b>160.85</b>	<b>16.26</b>	<b>0.00</b>	<b>177.12</b>	<b>53.11</b>	<b>41.07</b>



**SANGHAMITHRA RURAL FINANCIAL SERVICES**

(Rs. in Lakhs)

**Note forming part of Balance Sheet**

Note No.	Particulars	Figures as at the end of	
		Reporting Period 31-03-2024	Reporting Period 31-03-2023
<b>9</b>	<b>Other non - current assets</b>		
	<b>(a) Long Term Loans and Advances</b>		
	<b>Unsecured, considered good</b>		
	1) Financial assistance to Self Help Groups	10045.14	8378.40
	2) Joint Liability Groups (JLG)	26.16	91.90
	3) Term Loan- Tiren- Kolar	27.76	11.10
	4) Term Loan - TVK - Erode	37.01	27.70
	5) Farmer Producer Organisation ( FPO)	1.43	3.33
	<b>Total(a)</b>	<b>10137.49</b>	<b>8512.43</b>
	<b>(b) Others</b>		
	Advance to suppliers	4.33	2.60
	Staff Travel Advances	0.70	1.88
	Staff Personal Loans & Advances	39.57	7.88
	<b>Total(b)</b>	<b>44.60</b>	<b>12.36</b>
	<b>Total=Total(a)+Total(b)</b>	<b>10182.09</b>	<b>8524.80</b>
<b>10</b>	<b>Current Investments</b>		
	<b>Short Term Loans and Advances</b>		
	<b>Unsecured ,considered good</b>		
	1) Financial assistance to Self Help Groups	20080.58	16756.80
	2) Joint Liability Groups (JLG)	52.33	183.81
	3) Term Loan- Tiren- Kolar	55.51	22.19
	4) Term Loan - TVK - Erode	74.01	55.40
	5) Farmer Producer Organisation ( FPO)	2.85	6.67
	<b>Total</b>	<b>20265.28</b>	<b>17024.87</b>
<b>11</b>	<b>Cash &amp; Bank Balances</b>		
<b>I</b>	<b>Cash &amp; Cash equivalents</b>		
	(a) Balance with banks	221.98	112.00
	(b) Cheques, drafts on hand	-	-
	(c) Cash on hand	0.31	0.38
	(d) Others (specify)	-	-
	Bank deposits with less than 12 months maturity	1496.27	1052.71
<b>II</b>	Earmarked balances with banks	-	-
<b>III</b>	Balances with banks-held as margin money or security deposit against borrowings, guarantee/other commitments	-	-
<b>IV</b>	Repatriation restrictions	-	-
<b>V</b>	Bank deposits with more than 12 months maturity	1649.83	1160.72
	<b>Total</b>	<b>3368.40</b>	<b>2325.81</b>
<b>12</b>	<b>Other current assets</b>		
	Stamp papers on hand	0.60	0.97
	Deposits for Premises & Facilities	16.99	17.01
	Advance IT Paid- AY 2018-19	120.22	13.48
	Advance IT Paid- AY 2016-17	100.00	-
	Tax Deducted at Source	69.92	54.95
	Prepaid Insurance Account	43.00	32.47
	Accrued Interest on Loans & Advances	37.59	-
	LIC Gratuity Account	-	3.61
	Receivable from NBER	2.74	-
	<b>Total</b>	<b>391.06</b>	<b>122.49</b>



## SANGHAMITHRA RURAL FINANCIAL SERVICES

(Rs. in Lakhs)

## NOTE FORMING PART OF INCOME AND EXPENDITURE ACCOUNT

Note No.	Particulars	Figures as at the end of	
		Current Reporting Period 31-03-2024	Reporting Period 31-03-2023
<b>13</b>	<b>Revenue from Operations</b>		
	Interest on SHG Loans	5208.24	3956.38
	Interest on Tiren Loans	10.62	2.66
	Interest on TVK and Tatkal Loans	21.37	7.24
	<b>TOTAL-A</b>	<b>5240.23</b>	<b>3966.28</b>
<b>14</b>	<b>Other income</b>		
	Interest on Savings Banks	4.46	36.52
	Profit on sale of Fixed Asset	3.60	0.06
	Miscellaneous Receipts	0.18	0.07
	Interest on Fixed Deposits	111.64	118.95
	Interest on Staff Vehicle Loan	0.01	0.02
	Interest on Personal Loan	3.77	6.84
	Collection from AUCA Account	86.70	104.46
	Loan Processing Fee	153.65	-
	<b>TOTAL-B</b>	<b>364.02</b>	<b>260.94</b>
<b>15</b>	<b>Employee Benefits Expenses</b>		
	Salaries and Wages	812.66	626.01
	Incentive for Staff	2.79	7.55
	Staff Medical Reimbursement & Mediclaim Premium	43.48	16.98
	Gratuity	15.73	12.36
	Staff Welfare	9.46	6.89
	Leave Encashment	25.13	9.54
	Staff Development & Training Expenses	5.97	1.55
	Newspaper Expenses	0.44	0.30
	Contribution to Provident fund and Other Statutory funds	47.09	45.06
	<b>Total</b>	<b>962.77</b>	<b>726.23</b>
<b>16</b>	<b>Finance Costs</b>		
	Bank Charges	196.83	150.46
	Interest Expenses	2093.56	1634.59
	<b>Total</b>	<b>2290.39</b>	<b>1785.05</b>



17	<b>Other Expenses</b>		
	Provision for loan losses	190.00	-
	<b>Repairs &amp; Maintenance</b>		
	Repairs	11.86	13.44
	Vehicles & Equipments	2.28	1.49
	<b>Operational &amp; Administrative Expenses</b>		
	Advertisement Expenses	0.07	0.04
	Audit Expenses	0.04	0.11
	Audit Fees	4.32	3.21
	Board Meeting Expenses	0.50	0.29
	Capacity Building of SHG/CMRC	1.01	1.00
	Consultancy Fees	3.93	1.78
	CSR Activities	27.03	35.31
	Domain Charges	0.16	0.46
	Donations	0.00	0.16
	Electricity Charges	4.15	4.19
	Equifax Expenses	1.53	3.50
	Grading Expenses	4.13	4.13
	Incentive to NGO/CMRC/SHG / Staff	475.64	416.64
	Insurance Expense	0.23	1.43
	Internet Charges	2.09	1.72
	Lease Line Expenses	2.72	2.60
	Legal Fees	1.07	0.22
	Meeting Expenses	5.38	5.35
	Membership Fees	5.93	1.84
	Office Expenses	3.59	4.69
	ROC Filing Fees	-	1.75
	Postage, Telephone & Courier Charges	12.04	14.62
	Printing & Stationery	14.18	15.01
	Professional Fees	56.34	62.09
	Rates & Taxes	1.19	0.99
	Rating Expenses	15.80	5.22
	Rent	54.57	44.81
	Security Charges	8.17	8.82
	Software Maintanance	42.51	-
	Travelling & Conveyance Expenses	145.99	129.44
	Water Charges	1.02	1.14
	<b>Total</b>	<b>1099.49</b>	<b>787.51</b>



## SANGHAMITHRA RURAL FINANCIAL SERVICES

(A Not-For-profit company incorporated under section 25 of The Indian Companies act 1956 –  
A Company limited by guarantee)

### 18 SIGNIFICANT ACCOUNTING POLICIES & NOTES FORMING PART OF ACCOUNTS AS AT 31ST MARCH, 2024.

#### 1. CORPORATE INFORMATION:

Sanghamithra Rural Financial Services (SRFS) is a company registered under section 25 of the Companies Act, 1956 (corresponding section 8 of the Companies Act, 2013). The Company is also registered under section 12A of the Act vide certificate issued by the Commissioner of Income Tax bearing Registration No.18/A-1/S-742/98-99/CIT-II dated 18.12.1999. The company has also been granted 80G vide order in F.No. DIT(E)/BLR/80G/200/ AACES0038H/ITO(E)-3/Vol.2010-11 dated 16.08.2010. These registrations and approvals were renewed by orders dated 24.09.2021 for the A. Ys 2022-23 to 2026-27. During the year SRFS has received a RBI certification as NBFC-ND-MFI dated 14.8.2023.

#### 2. SIGNIFICANT ACCOUNTING POLICIES:

##### I. Basis of Accounting and preparation of Financial Statements

The financial statements have been prepared in conformity with generally accepted accounting principles to comply in all material aspects with Accounting Standards ('AS') issued by Institute of Chartered Accountants of India and referred to section 129 & 133 of the Companies Act, 2013, read with General Circular 8/2014 dated April 01, 2014 issued by the Ministry of Corporate Affairs. The accounting policies have been uniformly applied by the company and are consistent with those used in the previous year.

##### II. Use of Estimates:

The preparation of the financial statements in conformity with the generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses for the year and disclosure of contingent liabilities as of the date of Balance Sheet. The estimates and assumptions used in the accompanying financial statements are based upon the management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual amounts could differ from these estimates.

##### III. Property, Plant and Equipment (Tangible Fixed Asset):

Tangible Assets are stated at cost net of recoverable taxes, trade discounts and rebates less accumulated depreciation and impairment loss, if any. The cost of an item of Tangible asset comprises its purchase price, including all duties & taxes and any directly attributable cost of bringing the asset to its working condition for its intended use.

Subsequent expenditures related to an item of Tangible Asset are added to its book value only if they increase the future benefits from the existing asset beyond its previously assessed standard of performance. - Assets which are not ready for their intended use are disclosed under Capital Work-in Progress and all the cost relating to such assets are shown under work-in-progress.



Gains or losses arising from derecognition of Property, plant and equipment's are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognized in the statement of profit and loss when the asset is derecognized.

#### **IV. Property, Plant and Equipment (Intangible Fixed Asset):**

Intangible assets are carried at cost less accumulated amortization and impairment losses, if any. The cost of an intangible asset comprises its purchase price, including any import duties and other taxes (other than those subsequently recoverable from the taxing authorities) and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Subsequent expenditure on an intangible asset after its purchase / completion is recognized as an expense when incurred, unless it is probable that such expenditure will enable the asset to generate future economic benefits in excess of its originally assessed standards of performance and such expenditure can be measured and attributed to the asset reliably, in which case such expenditure is added to the cost of the asset.

#### **V. Depreciation and Amortization:**

Depreciation and amortization is provided on Straight Line Value Method based on the life assigned to each asset in accordance with Schedule II of the Companies Act, 2013 for all assets. On additions during the year, depreciation has been charged on pro rata basis from the date of acquisition.

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

Cash flows are reported using the indirect method, whereby profit / (loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information.

#### **VII. Employee Benefits:**

##### **1) Short Term Employees Benefits:**

All employee benefits falling due wholly within 12 months of rendering the services are classified as short-term employee benefits. The benefits like salaries, wages, short term compensated absences, etc. and the expected cost of bonus, ex-gratia and performance incentives, are charged to statement of Profit and Loss for the year in which employee renders the related service.

##### **2) Post-employment benefits and other long term employee benefits:**

###### **2.1 Defined Contribution Plan**

These are plans in which the company pays pre-defined amounts to separate funds and does not have any legal or informal obligation to pay additional sums. These comprise of contribution to the employees' Provident fund and the like. The company's payment to the defined contribution plans are charged as an expense to the statement of profit and loss for the year when the employees renders the related service that the payment covers.

###### **2.2 Defined Benefit Plan**

**2.2.1 Gratuity:** Company provides for Retirement Benefits in the form of Gratuity. Company has taken Group Gratuity Policy of LIC of India and Premium paid is recognized as expenses when it is incurred and the Company has ascertained the liability towards the retirement benefits such as the Gratuity, on actuarial basis, as required under Accounting Standard 15. Actuarial gains and losses are recognized in the Statement of Profit and Loss in the period in which they occur. Past service cost is recognized immediately to the extent that the benefits are already vested and otherwise is amortized on a straight-line basis over the average period until the benefits become vested.



### 2.2.2 Provident Fund:

Provident fund is accrued on monthly basis in accordance with the terms of contract with the employees and is deposited with the Statutory Provident Fund. The Company's contribution is charged to profit and loss account.

### VIII. Revenue Recognition:

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured and no significant uncertainty exists regarding realization of the consideration. Revenue from interest is recognised on accrual basis.

A) Interest: The rate of interest for lending to SHGs was different for different products and also different geographical areas, especially in respect of general-purpose loans. In order to bring about uniformity in the interest rate structure, the rationalization of interest rates task was taken up; Board approved the same as mentioned below in respect of General-Purpose Loans which constitutes around 89.58% of total portfolio.

- Loans up to Rs.3 lakhs (CGSMFI Scheme) -19% p.a.
- Loans above Rs.3 Lakh (CGSMFI Scheme) – 19.85% p.a.
- Tribal Loans – 9% p.a.
- All other type of Loans – 22%

### IX. Current and Non-current:

#### Assets

An asset is classified as current when it satisfies any of the following criteria:

- a. it is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b. it is held primarily for the purpose of being traded;
- c. it is expected to be realized within 12 months after the reporting date; or
- d. it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

Current assets include the current portion of non-current financial assets. All other assets are classified as non-current.

#### Liabilities

A liability is classified as current when it satisfies any of the following criteria:

- a. it is expected to be settled in the Company's normal operating cycle;
- b. it is held primarily for the purpose of being traded;
- c. it is due to be settled within 12 months after the reporting date; or
- d. the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result



in its settlement by the issue of equity instruments do not affect its classification.

Current liabilities include current portion of non-current financial liabilities. All other liabilities are classified as non-current.

#### **X. Provisions, contingent assets and contingent liabilities:**

Provisioning made against Financial Assistance portfolio: The company have adopted provisioning & income recognition norms as per RBI Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale based Regulation) Directions, 2023 dated October 19, 2023. The Company has made provisions for the amount of Rs. 1,90,00,000/- against NPA for the current year and written of Rs. 1,36,34,320/-.

The Honourable Income Tax Appellate Tribunal, Bangalore passed an Order dated 03<sup>rd</sup> January, 2024 under section 254 of the Income Tax Act, 1961 thereby confirming the Order of the Honourable Commissioner of Income Tax (Appeals) resulting in an Income tax demand on assessed income of Rs 7,08,37,639/-.

However, the entity has filed an Appeal under section 260A of the Act before the honourable High Court, Karnataka against the Order of the ITAT.

#### **XI. Accounting for Leases:**

**a. Operating leases:** Assets taken on lease basis, where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals on assets taken on operating lease are recognised as an expense in the statement of profit and loss on a straight line basis over the period of the lease.

**b. Finance leases:** Leases in which the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such lease is capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is created for an equivalent amount. The outstanding liability is included in other long-term borrowings and other current liabilities as appropriate.

Each lease payment is apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is charged to the statement of profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

#### **XII. Other points**

1. To account for capital fund when funds are received from the donors with specific instructions to form such a fund.
2. The company registered under section 25 of the companies Act.1956 (now Section 8 of the companies act 2013). Share capital is not applicable to the company.
3. The Company has converted its status to Non-Banking Financial Company during the year according to the RBI guidelines.



4. Claim against the company not acknowledged as Debt Rs. Nil (Previous Year Nil)

5. The company has proper Internal Control procedures by way of Corporate Office audit & Verification Audit commensurate with the increased lending activities. However, the Company has formed an Internal audit committee within the organization and it has conducted the internal audit for the year.

#### 6. Income Tax Assessment year 2014-15

Demand made by Income Tax Department to pay Rs 1,17,46,660/-, as company failed to submit Form 10(declaration that accumulated surplus will be utilised in next five years). The Honourable DIT(Exemptions), Bengaluru, refused to condone the delay in filing form 10 for accumulations under sec.11(4) during the scrutiny assessment of 2014-15 even though CBDT had empowered the Commissioner to condone belated filing form 10. The company have filed a rectification petition before the Honourable DIT(Exemptions), Bengaluru, requesting him to condone the delay for filing form 10 pertaining to accumulation of income under sec.11(4), the Assessment Year 2014-15 in accordance with CBDT instruction. Rs 25,00,000 provision has been made in the books of accounts. The Hon. DIT ('E) has turned down our appeal but we have filed an appeal in the tribunal on 6<sup>th</sup> September 2022.

The company has gone on appeal before the Hon. Income Tax Appellate Tribunal (ITAT), Bangalore. The Tribunal pronounced order on 17.10.2022. As per the order the Tribunal has remanded the issue back to the Learned Assessing Officer(Ld.AO) for denovo Assessment and ordered to pass a fresh assessment considering all the evidences and by granting proper opportunity of being heard to assess in accordance with law. The assessing officer on 31.3.2024 reaffirmed the tax assessment due. On 30.3.2024, the company has requested the CIT to allow our appeal.

The Company is hopeful of getting favourable order for condonation the delay.

#### 7. Income Tax Assessment Year 2016-17

Income Tax returns filed for the financial year 2015-16 came up for scrutiny. The assessing officer was of the opinion that the activities of the assessee cannot be considered as charitable within the meaning of Section 2(15) of the IT Act. Accordingly, the benefits of the provisions of Section 11&12 cannot be availed by the assessee. Thus, he has passed an order to pay income tax of Rs.3,75,10,137/- against surplus of Rs.8,53,80,050/-.

On receipt of demand notice, Company filed an appeal to the Commissioner of Income tax (appeals) Bengaluru, within the time stipulated, praying that appeal may be allowed and appropriate relief be granted in the interest of justice and equity. In response to the company's appeal vide their letter dated 31.01.2019, the Assistant Commissioner(exemption) agreed that stay of collection of demand shall be granted subject to payment of 20% (Rs.75,02,027/-) of disputed demand (Rs 3,72,78,190/-). Accordingly, Company remitted Rs.75,02,027/- on 29.03.2019. Now, the company has filed a stay petition under 220(b) of the Income Tax Act to the Commissioner of Income Tax (Appeals) through M/s. Shankar & Associates, Bengaluru. The case is yet to come up for hearing. We have made a provision of Rs.1 Crore to meet the eventuality.



The Honourable Income Tax Appellate Tribunal, Bangalore passed an Order dated 03rd January, 2024 under section 254 of the Income Tax Act, 1961 thereby confirming the Order of the Honourable Commissioner of Income Tax (Appeals) resulting in an Income tax demand on assessed income of Rs 8,53,80,049/-. However, the company has filed an Appeal under section 260A of the Act before the honourable High Court, Karnataka against the Order of the ITAT. During the current year the company has paid a sum of Rs.1,00,00,000. The company is hopeful of decision in its favour.

#### 8. Income Tax Assessment Year 2018-19

Income Tax returns filed for the financial year 2017-18 came up for scrutiny. The assessing officer was of the opinion that the activities of the assessee cannot be considered as charitable within the meaning of Section 2(15) of the IT Act. Accordingly, the benefits of the provisions of Section 11&12 cannot be availed by the assessee. Thus, he has passed an order to pay income tax of Rs. 3,40,77,640/- against surplus of Rs.7,08,37,639/-.

On receipt of demand notice, appeal against the Order U/s 143(3) for asst. year was filed and pending before CIT (Appeals). The appeal is currently being heard and our tax advocates A Shankar's office are getting prepared for the elaborate submissions along with personal hearing through video conferencing. The issue is rejection of our claim for exemption U/s 12AA as in the opinion of Assessing officer Sanghamithra is not charitable institution. This is being heard under faceless appeal scheme of the department.

On 4<sup>th</sup> February 2023 the company has received an order from the Income Tax department for stay of collection of demand of Rs 67,41,394 for the AY 2018-19. The tax amount is to be paid in 10 instalments vide REF: DIN & Letter No: ITBA/COM/F/17/2022-23/1049425287(1).F.No. Stay/ACIT (E)/C-1/2022-23.letter no. and accordingly the company has paid two instalments of Rs 13,48,280 during the year 2022-23.

The Honourable Income Tax Appellate Tribunal, Bangalore passed an Order dated 03rd January, 2024 under section 254 of the Income Tax Act, 1961 thereby confirming the Order of the Honourable Commissioner of Income Tax (Appeals) resulting in an Income tax demand on assessed income of Rs 7,08,37,639/-. However, the company has filed an Appeal under section 260A of the Act before the honourable High Court, Karnataka against the Order of the ITAT. During the current year the company has paid a sum of Rs.106,74,140. In all the company has paid Rs. 1,20,22,420.

The company is hopeful of decision in its favour.

9. The company during the financial year has adopted the CSR provisions as per sec.135 of the companies' act 2013.

Sl. No	Particulars	Amount in Rs
1	Amount required to be spent during the year	11,31,652
2	Amount of expenditure incurred*	27,03,331
3	Shortfall at the end of the year	Nil
4	Total of previous years shortfall	2,06,600
5	Reason for shortfall	Nil
6	Nature of CSR activities	Assistance to social empowerment, assistance to educational institutions, hygiene and sanitisation, safe drinking



		water programmes.
7	Details of related party transaction	NIL
8	Where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movement in the provision during the year should be shown separately	NO SUCH INSTANCES

\* Out of Rs. 27.03 Lakhs expenditure incurred in the current year, Rs. 15.71 Lakhs is relating to expenditure incurred for previous year shortfall.

#### 10. Previous Year Comparatives:

Previous year figures have been regrouped and rearranged wherever necessary for better comparison with the current year figures. The company has compiled the above accounts based on the Schedule III applicable for the accounting period 2023-2024. The disclosure requirements are made in the notes to accounts or by way of additional statements. The other disclosures as required by the Companies Act are made in the notes to accounts.

11. Related Party Disclosure in accordance with accounting standard – 18 issued by The Institute of Chartered Accountants of India.

#### Related Parties

Name	Relationship
Aloysius P. Fernandez	Chairperson and Director
Ashok Doraiswami	Director
Venkatesh Tagat	Director
Risbud Gajanan Arvind	Director
Suresh Krishna Kodihalli	Director
William D Souza	Director
Vidya Ramachandran	Director
Parthasarathy Lakshmaiah Bangalore	Director
Rudrappa Doddaholiyappa Gadiyappanavar	Director

Transaction with related parties - NIL

Key Managerial Persons in accordance with accounting standard – 18 issued by The Institute of Chartered Accountants of India.

#### Key Managerial Persons

Name	Relationship	Salary
Sunil Jadli	Chief Executive Officer	29,97,228

#### XIV. Notes to Accounts



**1. Realization of current assets, loans and advances:**

In the opinion of the management, the value on realization of current assets, loans and advances in the ordinary course of business, would not be less than the amount at which they are stated in the Balance Sheet.

**2. Details of Auditors remuneration:**

Particulars	31.03.2024	31.03.2023
Audit Fees	2,25,000	2,06,500
Other Compliance charges	75,000	47,200
<b>Total</b>	<b>3,00,000</b>	<b>2,53,700</b>

**3. Trade Receivables, Trade Payables and Other liabilities, Loans and Advances:**

Trade Receivables, Trade Payables and Other liabilities, Loans and Advances forming part of financial statements regarding said balances disclosed in the financial statements are subject to party confirmation and reconciliation as at the end of the financial year.

**4. Claims against the Company:**

Claims against companies not acknowledged as debts is Rs. Nil

**5. Additional Information:**

	Current Year	Previous Year
Value of Imports on CIF basis Components		
(A) Purchase for resale	Nil	Nil
(B) Expenditure in Foreign Currency Rs.	Nil	Nil
(C) Value of Imported Raw materials Rs.	Nil	Nil
(D) Amount remitted during the year in - Foreign currency on account of dividend	Nil	Nil
(E) Earnings in foreign exchange, - Export Sales during the year Rs.	Nil	Nil
(F) Number of employees drawing salary- More than Rs. 102 Lakhs P.A or Rs. 8.5 Lakh- P.M, if employed for part of the year	Nil	Nil

Contingent Liabilities not provided for:

(a) In respect of guarantees issued by Banks is NIL

6. Based on the information furnished the company does not owe to any small-scale industrial undertakings any sum, which is outstanding for a period more than 45 days as on 31.03.2024.



As per our Report of even date.  
For S U M J & Associates  
Chartered Accountants

For and on behalf of the board.

*Uttam Chand Laxmichand*  
Uttam Chand Laxmichand  
Partner  
M No. 221751  
F R No. 005363S  
UDIN: 24221751BKCKNM5656



*Aloysius P. Fernandez*  
Aloysius P. Fernandez  
Chairperson & Director  
DIN: 00027034

*Sunil Dadi*  
Sunil Dadi  
Chief Executive Officer  
DIN: 07034282

Date: 12/07/2024  
Place: Bengaluru



SANGHAMITHRA RURAL FINANCIAL SERVICES

Long Term and Short term loans ageing schedule for the Year.

(Rs. in Lakhs)

Particulars	Outstanding for following periods from due dates of payment as on 31.03.2024					Outstanding for following periods from due dates of payment as on 31.03.2023						
	< 6 Months	6 Months-1 year	1-2 years	2-3 Years	More than 3 years	Total	< 6 Months	6 Months-1 year	1-2 years	2-3 Years	More than 3 years	Total
(i) Undisputed trade receivables considered good.	30333.85	29.28	84.25	-	-	30447.37	25103.26	133.11	213.30	-	-	25549.66
(ii) Undisputed trade receivables considered doubtful.	-	-	-	-	-	-	-	-	-	-	-	-
(iii) Disputed trade receivables considered good.	-	-	-	-	-	-	-	-	-	-	-	-
(iv) Disputed trade receivables considered doubtful.	-	-	-	-	-	-	-	-	-	-	-	-



**Additional regulatory information for the year 2023-24**

**3) Title deeds of immovable property not held in the name of the entity**

Particulars	Description of nature of property	Gross carrying value	Title deeds held in the name of	Whether the title deed holder is a promoter/director or relative of promoter/director or Employee of promoter/Director	Property held since which date	Reason for not being held in the name of the entity
(i) Property, Plant & Equipment	NIL	NIL	NIL	NIL	NIL	NIL
(ii) Investment Property	NIL	NIL	NIL	NIL	NIL	NIL
(iii) Property, Plant & Equipment retired from active use and held for disposal	NIL	NIL	NIL	NIL	NIL	NIL
(iv) Others	NIL	NIL	NIL	NIL	NIL	NIL

**3) Revaluation of Property, Plant & Equipment**

The Company has not undertaken any revaluation of its property, plant and equipment in the current year.

**3) Loans or advances in the nature of loans granted to Promoters, Directors, EMPs, and the related parties either severally or jointly with other persons that are:**

**(a) Repayable on demand**

**(i) Without specifying any terms or period of repayment**

Type of borrower	Amount of loan or advance in the nature of loan outstanding	Percentage of total loans and advances in the nature of loans
Promoters	NIL	NIL
Directors	NIL	NIL
EMPs	NIL	NIL
Related parties	NIL	NIL

**4) Capital work in progress (CWP)**

CWP	Amount in CWP for a period of				
	< 1 year	1-2 years	2-3 Years	More than 3 years	Total
(i) Projects in progress	NIL	NIL	NIL	NIL	NIL
(ii) Projects temporarily suspended	NIL	NIL	NIL	NIL	NIL

**5) Intangible assets under development**

Intangible assets under development	Amount in CWP for a period of				
	< 1 year	1-2 years	2-3 Years	More than 3 years	Total
(i) Projects in progress	NIL	NIL	NIL	NIL	NIL
(ii) Projects temporarily suspended	NIL	NIL	NIL	NIL	NIL

**6) Details of Benami property held**

No proceedings is pending or initiated against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 and the rules made there under.

**7) Borrowings from banks or financial institutions on the basis of security of current assets**

The Company has availed overdraft, Cash credit and Term Loan from many banks, financial institutions and NBFC and the same has been secured against the bank debts and fixed deposits of the company and the monthly and quarterly returns filed with the bank is matching with the books of accounts.

**8) Willful Defaulters**

The company has not been declared as a willful defaulter by any bank, financial institutions or other lenders during the year.

**9) Relationship with struck off Companies**

Name of the Struck off company	Nature of transaction with struck off company	Balance outstanding	Relationship with struck off company, if any, to be disclosed
NIL	NIL	NIL	NIL
NIL	NIL	NIL	NIL

**10) Registration of charges in satisfaction with registrar of Companies**

There are no charges or satisfaction yet to be registered with the Registrar of Companies beyond the statutory period.

**11) Consultance with member of layers of Companies**

The company is not a "Subsidiary company" or a "Subsidiary" as defined in section 2(87) of the Companies Act, 2013, then the provisions of this clause shall not apply.

**12) Helios**

Refer Annexure

**13) Consultance with approved scheme of arrangements**

The company has not entered into any scheme of arrangement as specified under section 238 to 243 of the Companies Act, 2013.

**14) Utilization of borrowed funds and share premium**

The Company has not loaned, advanced or invested funds (either out of borrowed funds or share premium or any other source or kind of funds) to any persons or entities.



1.7) Ratios			As at 31/03/2024	As at 31/03/2023	Variance %	Reason if Change is More than 25% as compared to Previous year
Particulars	Numerator	Denominator	Ratio	Ratio		
(i) Current ratio	Current assets	Current liabilities	3.39	3.37	1.40	Not required to be provided since the change is less than 25%.
(ii) Debt-Equity ratio	Total debt	Share holders equity	2.84	2.60	5.59	Not required to be provided since the change is less than 25%.
(iii) Debt service coverage ratio	Earnings available for debt service	Debt service (Repayment of Principal & Interest)	0.11	0.25	-22.12	Not required to be provided since the change is less than 25%.
(iv) Return on equity ratio	Profit after Tax	Share holders equity	0.15	0.12	25.64	The return on equity has improved as compared to the previous reporting period, this may be attributed to the increase in total income.
(v) Inventory turnover ratio	Revenue from operations	Average Inventory : (Opening Inventory + Closing Inventory)/2	0.00	0.00	0.00	Not Applicable - Company does not hold any Inventory
(vi) Trade receivable turnover ratio	Revenue from operations	Average Trade receivables : (Opening Trade receivables + Closing Trade receivables)/2	0.19	0.18	6.23	Not required to be provided since the change is less than 25%.
(vii) Trade payable turnover ratio	Purchases and other expenses	Average Trade payables : (Opening Trade payables + Closing Trade payables)/2	0.10	0.05	37.55	Not required to be provided since the change is less than 25%.
(viii) Net Capital turnover ratio	Revenue from operations	Working Capital	0.64	0.57	13.81	Not required to be provided since the change is less than 25%.
(ix) Net profit ratio	Net profit	Revenue	31.94	20.38	7.63	Not required to be provided since the change is less than 25%.
(x) Return on capital employed	EBITDA	Capital employed	21.26	20.00	6.43	Not required to be provided since the change is less than 25%.
(xi) Return on investment	Profit after Tax	Capital employed	4.04	3.27	13.72	Not required to be provided since the change is less than 25%.



**Additional Regulatory Information for the year 2023-24**

**1) Title deeds of immovable property not held in the name of the entity**

Particulars	Description of nature of property	Gross carrying value	Title deeds held in the name of	Whether the title deed holder is a promoter/director or relative of promoter/director or Employee of promoter/Director	Property held since which date	Reason for not being held in the name of the entity
(i) Property, Plant & Equipment	NIL	NIL	NIL	NIL	NIL	NIL
(ii) Investment Property	NIL	NIL	NIL	NIL	NIL	NIL
(iii) Property, Plant & Equipment retired from active use and held for disposal	NIL	NIL	NIL	NIL	NIL	NIL
(iv) Other	NIL	NIL	NIL	NIL	NIL	NIL

**2) Revaluation of Property, Plant & Equipment**

The Company has not undertaken any revaluation of its property, plant and equipment in the current year.

**3) Loans or advances in the nature of loans granted to Promoters, Directors, KMPs, and the related parties either severally or jointly with other person that are:**

(a) Repayable on demand

(i) Without specifying any terms or period of repayment

Type of Borrower	Amount of loan or advance in the nature of loan outstanding	Percentage of total loans and advances in the nature of loans
Promoters	NIL	NIL
Directors	NIL	NIL
KMPs	NIL	NIL
Related parties	NIL	NIL

**4) Capital work in progress (CWIP)**

CWIP	Amount in CWIP for a period of				
	< 1 year	1-2 years	2-3 Years	More than 3 years	Total
(i) Projects in progress	NIL	NIL	NIL	NIL	NIL
(ii) Projects temporarily suspended	NIL	NIL	NIL	NIL	NIL

**5) Intangible assets under development**

Intangible assets under development	Amount in CWIP for a period of				
	< 1 year	1-2 years	2-3 Years	More than 3 years	Total
(i) Projects in progress	NIL	NIL	NIL	NIL	NIL
(ii) Projects temporarily suspended	NIL	NIL	NIL	NIL	NIL

**6) Details of Benami property held**

No proceedings is pending or initiated against the company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 and the rules made there under.

**7) Borrowings from banks or financial institutions on the basis of security of current assets**

The Company has availed overdraft /Cash credit and Term Loan from many banks, financial institution and NBFC and the same has been secured against the book debts and fixed deposits of the company and the monthly and quarterly returns filed with the bank is matching with the books of acc yts.

**8) Willful Defaulter**

The company has not been declared as a willful defaulter by any bank, financial institutions or other lenders during the year.

**9) Relationship with struck off Companies**

Name of the Struck off company	Nature of transaction with struck off company	Balance outstanding	Relationship with struck off company, if any, to be disclosed
NIL	NIL	NIL	NIL
NIL	NIL	NIL	NIL

**10) Registration of charges or satisfaction with registrar of Companies**

There are no charges or satisfaction yet to be registered with the Registrar of Companies beyond the statutory period.

**11) Compliance with number of layers of Companies**

The company is not a "Subsidiary company" or a "Subsidiary" as defined in section 2(87) of the Companies Act, 2013, thus the provisions of this clause shall not apply.

**12) Ratios**

Refer Annexure

**13) Compliance with approved scheme (s) of arrangements**

The company has not entered into any scheme of arrangement as specified under section 230 to 237 of the Companies Act, 2013.

**14) Utilisation of borrowed funds and share premium**

The Company has not loaned, advanced or invested funds (either out of borrowed funds or share premium or any other sources or kind of funds) to any persons or entities.



### Additional Regulatory Information- Profit and loss items for the year 2023-24

#### 15) Undisclosed Income

During the year there were no assessments or scrutiny conducted under the provisions of Income Tax Act, 1961 on the company.

#### 16) Corporate Social Responsibility

The provisions of section 135 of the Companies Act, 2013 is applicable to the Company.

(Rs. in Lakhs)

Sl. No	Particulars	Amount
1	Amount required to be spent during the year	11.32
2	Amount of expenditure incurred*	27.03
3	Shortfall at the end of the year	-
4	Total of previous years shortfall	2.07
5	Reason for shortfall	Nil
6	Nature of CSR activities	Assistance to social empowerment, assistance to educational institutions, hygiene and sanitation, safe drinking water programmes.
7	Details of related party transaction	NIL
8	Where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movement in the provision during the year should be shown separately	NO SUCH INSTANCES

\*Out of Rs. 27.03 Lakhs expenditure incurred in the current year, Rs. 15.71 Lakhs is relating to expenditure incurred for previous year shortfall.

#### 17) Crypto currency or virtual currency

The Company has neither traded in nor invested in any Crypto or virtual currency during the financial year.



## PHOTO GALLERY



Review Meeting  
of  
Regional Managers  
and  
Chief Managers  
on 30<sup>th</sup> June 2023



Meeting with Professors of  
Harvard University



Sri Venkatesh Tagat, Director graced the workshop on  
MSME loans at CIDOR centre, Arepalayam

Senior staff of Sanghamithra at  
ODP Mysuru  
during  
MSME loans training





Working Group Committee for Training and Development



Review Meeting of Working Group Committee on Training & Development



Exposure Visit to Tiruchirapalli sponsored by NABSAMRUDDHI



Visit to Waste Management Unit at Musiri (Tamil Nadu) Town



Training on IT Applications



Sri Suresh Krishna, Director visited members of SHG at Malur on 17th Feb 2024



Visit to Eco-San Community Compost Toilet Unit-Salaiyur



Chairperson visit to Harvard project - Erode



Chairperson visit to Kalanjali FPO Gobichettipalyam



Chairperson visit to MYRADA KVK campus



Interaction with tribal women customer by Ms. Jolinde, Mfm-Netherlands



Interaction with tribal women customers by Ms. Jolinde, MfM-Netherlands



## VISION

“Sanghamithra envisions an institutional structure that supports a sustainable and vibrant financial ecosystem in which the SHGs and people’s institutions of the poor gain confidence and skills to access credit at competitive terms and to overcome the hurdles to equal opportunities and sustained growth.”

## MISSION

“To work in partnership with people’s institutions in rural areas like Self Help Affinity Groups, Farmers Collectives and Soukhya groups of Sex workers and Devadasis, organised and trained by NGOs and other institutions, which have demonstrated a degree of maturity with respect to regularity in meetings, savings, internal lending and recovery, democratic leadership and a transparent decision-making process in order to create a financial ecosystem that supports inclusive and sustainable growth.”

---

### **Sanghamithra Rural Financial Services**

*Registered and Corporate Office*

No.612, 1<sup>st</sup> C Main Road, Domlur Layout

Bengaluru 560071, Karnataka, India

contact: 080-41254017; 25354708; 25350301

email: [info@sanghamithra.org](mailto:info@sanghamithra.org)

Toll Free No. 1800 4250 508 website: <https://sanghamithra.org>