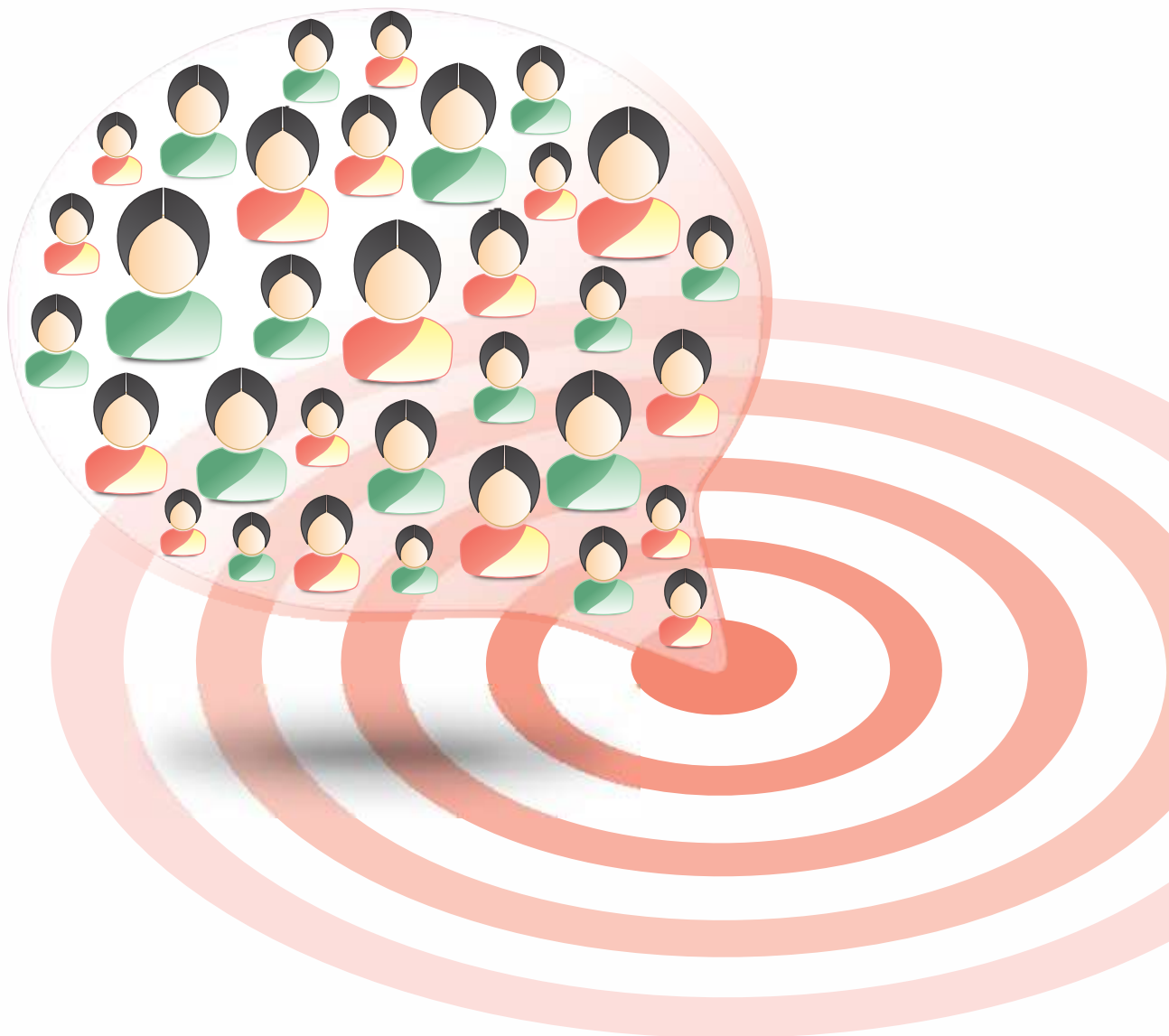


ANNUAL REPORT

2012-2013





Ujjivan Ranks #7 India's Best Companies To Work For 2013

**Ujjivan Ranks # 2
in Financial Services**

**Ujjivan Ranks # 2
in Rewards & Recognition Practice**

**Ujjivan Ranks # 3
in Engaging Frontline Staff**

**Awarded by
The Great Place to Work Institute & Economic Times**



Legal & Regulatory Framework

Ujjivan Financial Services Pvt. Ltd. is registered as a Non Banking Financial Company. The Company has a valid Certificate of Registration dated 31-10-2005 issued by the Reserve Bank of India (RBI) under section 45 1A of the Reserve Bank of India Act, 1934.

However, the RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of the company or for the correctness of any of the statements or representations made or opinions expressed by the company and for repayments of deposits / discharge of liabilities by the company.



Board of Directors

Mr. K. R. Ramamoorthy

Independent Director

Mr. Sunil.V. Patel

Independent Director

Ms. Vandana Viswanathan

Independent Director

Mr. K. Natarajan

Nominee Director
SIDBI

Ms. Mona Kachhwaha

Nominee Director
India Financial Inclusion Fund

Mr. Christopher Miles Brookfield

Nominee Director
Mauritius Unitus & Elevar Equity

Mr. Mohit Bhatnagar

Nominee Director
Sequoia Capital

Mr. Venkatesh Natarajan

Nominee Director
Lok Capital

Mr. Sanjiv Kapur

Nominee Director
WCP Holdings III

Ms. Christina Juhasz

Nominee Director
Women's World Banking Isis Fund

Mr. Samit Ghosh

Chief Executive Officer and Managing Director

Auditors

Deloitte Haskins & Sells (Statutory)
V. Nagarajan & Co. (Internal)

Legal Counsels

Universal Legal







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Letter from Managing Director

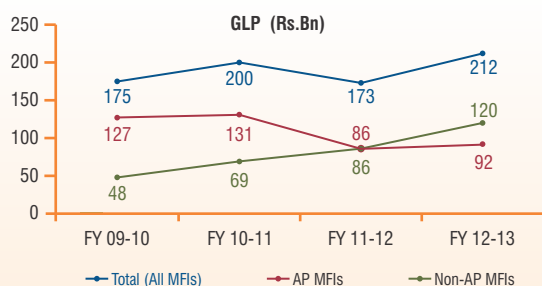
The Industry Environment

Thirty-two months have passed since the 2010 industry crisis enveloped Andhra Pradesh. How is the industry faring today? How may we define the climate of the MFI sector at present?

- The three key parameters to consider are: Gross Portfolio Growth, Customer Base and Profitability. The following charts demonstrate this data:
 - In 2012-13 the Gross Portfolio rebounded to Rs.212 Billion surpassing 2010-11's peak of Rs.200 Billion. This was achieved after a major dip in 2011-12
 - The customer base for the same period grew from 23 million to 24 million
 - Looking at the select number of MFIs whose financials are available, profitability improved significantly for those not based in Andhra Pradesh in 2012-13

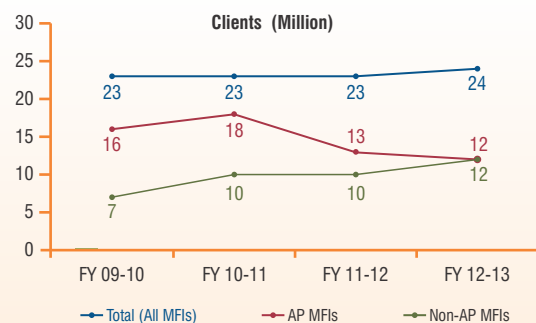
The numbers testify to a revival of the industry outside Andhra. The disconcerting news is that studies indicate that in the state of Andhra Pradesh customers have no choice but to return to money lenders due to Government legislation that virtually bans MFIs from operating there.

Gross Loan Portfolio



- Non-AP MFIs witnessed 39% growth in FY 12-13 against only 25% in FY 11-12
- The AP MFIs saw growth mainly in their non-AP portfolio in FY 12-13

Customers



- Non-AP MFIs: 22% increase in client base over FY 11-12
- AP MFIs: 4% decrease in client base over FY 11-12
- Large MFIs (GLP > Rs.5 Bn) account for 82% of the total client base

Profit Before Taxes of Key Non-Andhra Based MFIs

PBT (Rs.Million)	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Bandhan	1,139	1,780	2,889	
SKS	2,677	1,709	-13,237	-2,971
Ujjivan	119	177	22	492
Equitas	348	456	278	407
Janalakshmi	-23	-22	12	236
Grameen	19	38	-17	94*
ESAF	15	19	62	90*

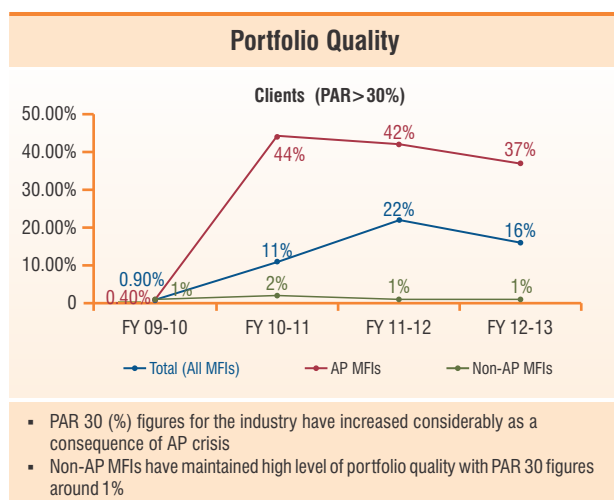
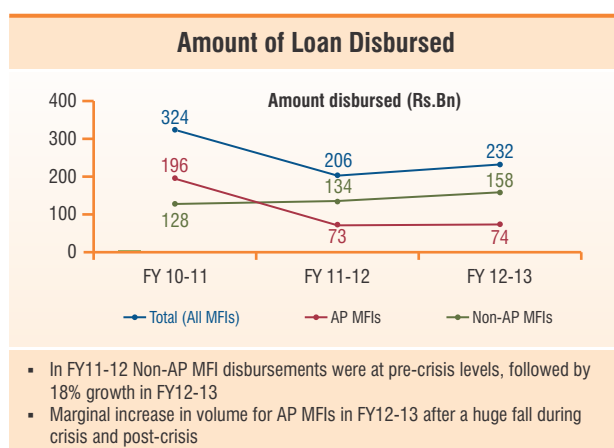
- All major players have registered growth in their profits over FY 2011-12
- *Indicates estimated numbers
- Historical data sourced from Mix Market

- The environment has emerged more stable as over-exuberant lending practices of the years culminating in 2010-11 have given way to a more disciplined approach. This is guided by the Reserve Bank of India (RBI) rules that limit the number of MFIs lending to a particular customer to two and restrict the total exposure per customer to Rs.50,000. The lower level and gradual increase of loan disbursements shown below indicate a more disciplined



approach by the MFIs. Along with this, the table on Portfolio Quality indicates an excellent state of portfolio outside Andhra with portfolio at risk at only 1%. There has been an impressive implementation by NBFC-MFIs, led by Micro Finance Institutions Network (MFIN), of credit bureau integration. Within just two years, the MFIs have provided the credit bureaus with 70 million loan records. The credit bureau data is updated monthly and utilized as a tool for approving all loans made by NBFC-MFIs. We welcome this current industry snapshot, featuring a more graduated growth in loan disbursements outside Andhra and improvements in portfolio quality.

- The industry is going through a period of consolidation - not in terms of MFI mergers and acquisitions, but through



consolidation at customer level. The ceilings imposed by RBI through margin and interest rate caps are forcing MFIs to become more efficient. In order to remain viable, each must bring in economies of scale. This is marginalizing the smaller MFIs, which are not able to raise adequate levels of debt or capital. The market is now being dominated by medium and large MFIs along with a number of banks which have recently entered the microfinance arena.

- There is debate among experts over whether the single product line business that is the industry's bread and butter - group-based installment loans - has reached a saturation point. Government's planned ten-state roll-out of the National Rural Livelihood Scheme (highly subsidized Self Help Group loans funded by the World Bank) is likely to adversely impact the sector. Such initiatives are populist palliatives which are politically motivated. Over the last 60 years they have actually had very limited impact on poverty alleviation. They are, unfortunately, likely to create tensions between the State-run programs and the Microfinance industry.
- The future of the Microfinance industry lies in its resolve and capability to reinvent itself and become a full-service financial provider for the poor. This most critical step will lead to real financial inclusion of the poor. This will demand the customization of loan products to meet the specific needs of the customer: micro-enterprise loans, housing loans, higher education loans etc.; reliable savings and investment products for the poor; wider range of insurance products, along with safe and economical remittance services; pension and financial literacy programs. The urgent need for reliable savings and investment products has been highlighted by the recent collapse of the 'Ponzi schemes' in East, which have lured and devastated the poor and lower middle class, especially in the rural and semi-urban areas.
- Why did the crisis happen and what can we learn from it? The unorganized money lending is a hugely lucrative business; the government-sponsored programs have political dividends. The unorganized deposit-taking business is also massive and produces extraordinary profits. Powerful businessmen, politicians, bureaucrats,

celebrities and media organizations are involved in these businesses. As one followed what transpired during the collapse of the Saradha Group of Companies in West Bengal, this fact became immediately apparent. The tentacles of these types of businesses reach right across India at a much larger scale than what is visible. If the Microfinance industry is to seriously take on such competitors, we must first become recognized providers of financial services and, hence, receive appropriate regulatory protection. We have come a long way with our recognition as NBFC-MFIs by the RBI. Secondly, we need to ensure that the MFI legislation, currently stalled, is passed by the Parliament. Finally, we cannot operate naively or in the throes of self-centered greed. We must fight the competition with maturity and unity. In our sails, we need the wind of support from our vast customer base.

Highlights of Financial & Business Performance

We are breathing the fresh air of a new day, post-industry crisis. We have worked hard since the advent of new regulations to operate more efficiently. We have enhanced our relationships with customers by being the only MFI to launch a Customer Care division, reflecting our dedication to protecting our most important stakeholders. We have risen to re-invent ourselves as a provider of the full range of financial services necessary to enable the attainment of true financial inclusion of the poor. While we could barely break-even last year, in 2012-13 we are the second most profitable company among the NBFC - MFIs; fifth in terms of loan book and we serve the

sixth largest customer base. With presence in 20 states, Ujjivan has the widest geographical reach of any MFI in India.

- Financial year 2012-13 has been a major turnaround year for Ujjivan, closing with a loan book of Rs.11260 Million (63% growth over previous year) and a profit before taxes of Rs.491.5 Million compared to an almost break-even situation in 2011-12 (an aftermath of the Industry crisis).
- Significantly, Ujjivan, since 2010, has undertaken numerous business process re-engineering programs, branch consolidations, technology upgrades and product rationalizations. We have improved field staff efficiency and maximized economies of scale. The result is a reduction in Operating Expense Ratio from over 17% in 2010-11 to 10.6% in March 2013, signifying that Ujjivan remains a viable business in the regime of interest and margin caps.
- Ujjivan now serves over 1 million active borrowers spread over 20 states (Ujjivan has never had operations in Andhra Pradesh) through a network of 301 branches (reduced from 350 prior to the crisis).
- All through the crisis Ujjivan maintained a healthy portfolio quality through prudent risk management techniques. The cumulative repayment rate has moved up to 99.73% as of March 31st, 2013.
- Ujjivan has enjoyed healthy liquidity through the support of banks and financial institutions in the last three years. We have diversified source of funding from term loans from banks and financial institutions to Non-Convertible Debentures. Without resorting to any asset sale or securitization, Ujjivan increased funds raised by 134% during this period to Rs.7160 Million.
- Even during the crisis period Ujjivan was able to raise capital twice through private placements of Rs.1279 Million in January 2012 and Rs.473 Million in September 2012. The capital raise was not only subscribed by existing investors but inducted new investors like IFC, FMO and Wolfenshön. During this period Ujjivan facilitated the exit of two of the earliest investors: Bellwether (July 2012) and Michael & Susan Dell Foundation (September 2012).

Key Parameters	FY 12-13	FY 11-12
Borrowers	1,006,052	819,400
OSP (Rs.Million)	11,260.0	6,912.0
PBT (Rs.Million)	491.5	21.9
Net worth (Rs.Million)	3,143.3	2,369.6
Debt Raised during the year (Rs.Million)	7160.0	4670.0
Return on Equity	12.0%	1.0%
Return on Assets	3.0%	0.2%
Cumulative Repayment Rate	99.73%	98.32%
Operating Expense Ratio	10.6%	13.5%
No. of employees	3,656	3,449



We are pleased to note that even during such a difficult period the investments in Ujjivan were able to generate a healthy IRR of 20-24% per annum.

- Since before the crisis, our focus has been on customer service & protection. We are proud to be among the world's first MFIs to meet the SMART Campaign's global standards of customer protection.
- Our most precious resource at Ujjivan is our employees. We are pleased to be ranked second among all financial institutions and seventh overall in India in the Great Place to Work competition. We use this to benchmark ourselves for our people practices and employee satisfaction.

Conclusion

At the behest of the previous Finance Minister, applications are being sought by the RBI for fresh banking licenses in the endeavour to promote financial inclusion. If regular commercial banks could be the vehicle used to achieve this goal, the problem would have been resolved long ago. Being a banker for over thirty years, I can assure you that they neither have the inclination nor the capacity to provide financial services to the poor. The Governor of RBI has stated in the latest Credit Policy announcements that a study will be conducted to determine the ideal organization to serve the poor. Perhaps the choice will be the 'small banks' recommended by the Raghuram Rajan Committee a few years ago, or limited license banks which successfully provide financial services to the poor in regions around the world, including our neighbouring SAARC countries. Let us hope we

get the answer soon. The obliteration of the savings of millions of poor in the eastern states during the collapse of 'Ponzi schemes' only underlines the urgency for a solution. This problem is not just in East but is all pervasive. Meanwhile, we will soldier on through the myriad regulations to provide these services through various legal entities.

The light at the end of the tunnel has appeared to us at Ujjivan through an independent impact assessment survey, conducted with customers across 9 states over a period of three years. In February 2013 we returned to the nearly 1500 customers from the original 2010 sample of 3200 who are still active Ujjivan borrowers. 87% defined their current state of well-being as "Positive" vs. 60% three years ago. 96% percent of this group reported that they believe that their lives will continue to improve in the next three years. There has been remarkable progress in income growth, especially among our self-employed/small business owners. Monthly incomes for this group rose by 85%. Looking at other quality of life indicators, 63% now have bank accounts and 57% hold Aadhar cards. Validating women's tendency to invest in the family's future welfare, 40% have now enrolled their children in private schools compared to 28% three years ago.

We could not be more delighted to be a part of our customers' journeys as they improve the quality of their lives.

Samit Ghosh
May 28, 2013.





Our Company, Our Customers

Our Company

Ujjivan Financial Services Private Limited was launched in 2005. In the endeavour to attain full financial inclusion for India's poor we chose to complement the existing microfinance institutions (MFIs) by serving the Urban and Semi-Urban populations. We have succeeded in being the only MFI to serve this group at national scale. With our head office in Bangalore, national reach is facilitated by regional offices located in New Delhi, Kolkata and Pune. We have 301 local branches in 20 states, including 47 under-banked districts across India.

Our Mission

Provide financial services to the economically active poor to help alleviate poverty

Branding Message

"Build a Better Life"

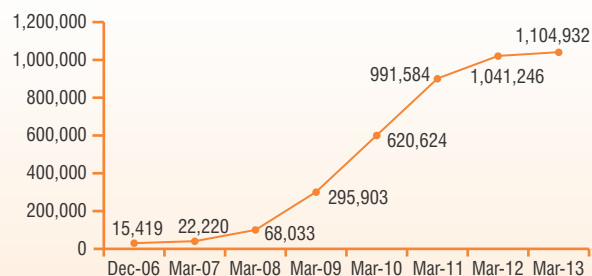
Goals:

- Provide full range of financial services required by the customers to "Build a Better Life"
- Build an institution which is best in class in all aspects: customer service and protection, innovation, efficiency, workplace engagement, leadership, governance and reputation
- Operate a viable business to satisfy investors with positive returns
- Attract and retain quality talent and provide professionally rewarding career paths
- Holistically approach poverty reduction in partnership with Parinaam Foundation through social welfare programs in education, health care, vocational training, community development, shelter and disaster relief, to enable customers to lead a better life.

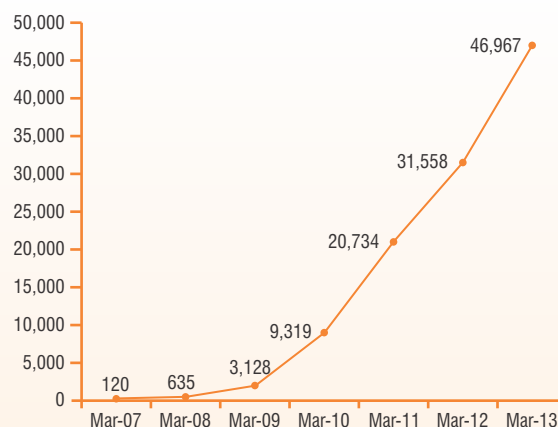
Ujjivan provides a range of financial products and services to cover our customers' needs. Our business model combines the unique Grameen Bank methodology of selecting and servicing customers in the field with modern retail banking technology and processes in the back office.

After a phase of consolidation we have returned to a pace of momentum that few companies achieve. As on 31st March 2013 we have 3,656 employees and a customer outreach of over 1.1 million. Cumulative disbursement has reached Rs. 46,967 million.

Customer Growth (in Millions)



Disbursement Growth* (in Millions)

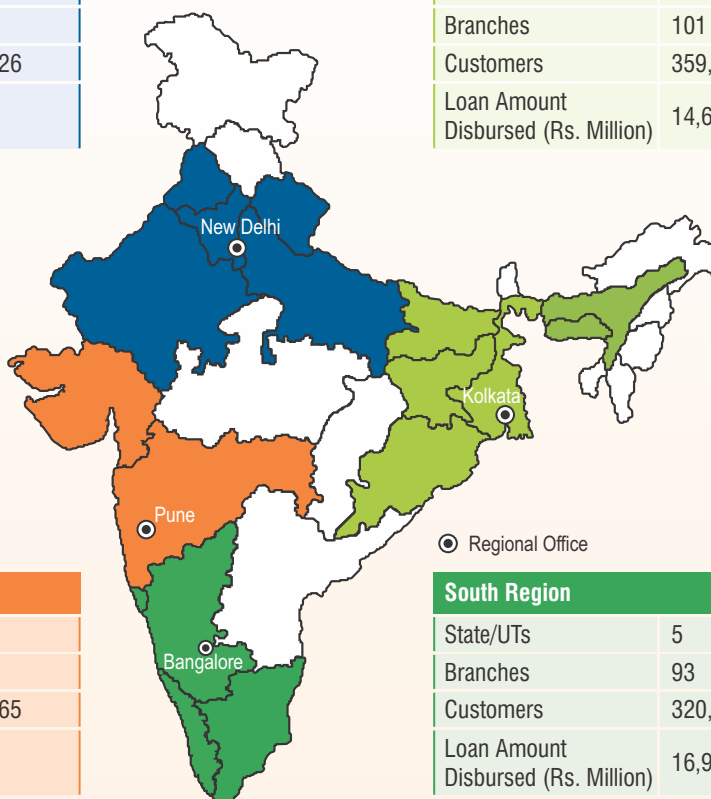


* Inception to date

Geographical Outreach

North Region	
States/UTs	7
Branches	63
Customers	254,326
Loan Amount Disbursed (Rs. Million)	9,713

East Region	
State/UTs	6
Branches	101
Customers	359,392
Loan Amount Disbursed (Rs. Million)	14,607



West Region	
State/UTs	2
Branches	44
Customers	170,665
Loan Amount Disbursed (Rs. Million)	5,692

South Region	
State/UTs	5
Branches	93
Customers	320,549
Loan Amount Disbursed (Rs. Million)	16,956

States	20
Branches	301
Customers	1,104,932
Loan Amount Disbursed (Rs. Million)	Rs.46,967 Million

Ujjivan has operations in urban and semi-urban areas in 47 under-banked districts* of India with no presence in the state of Andhra Pradesh.

**(As per Reserve Bank of India's Master Circular No. DBOD.No. BL.BC. 8/22.01.001/2010-11, dated 1st July, 2010)*

North	East	West	South
Chandigarh	Assam	Maharashtra	Karnataka
New Delhi	Bihar	Gujarat	Kerala
Haryana	Jharkhand		Tamil Nadu
Punjab	Meghalaya		Goa
Rajasthan	Orissa		Puducherry
Uttarakhand	West Bengal		
Uttar Pradesh			





Our Customers

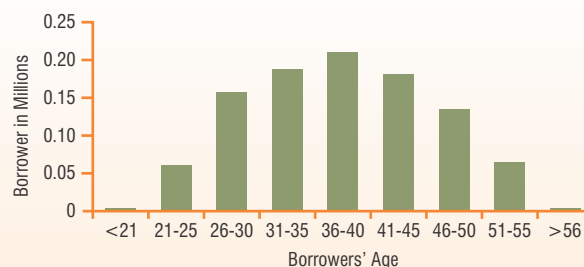
Ujjivan believes its customers are its most important stakeholders. Our promise to them to “walk the talk” vs. merely “talk the talk” is demonstrated daily at both the Head Office and in the field. We are proud to say that we are the only MFI that has created a Customer Service & Protection Division. This has enhanced our customer relations. Customers are encouraged to speak-up and have a designated Customer Service Representative to engage with. Access is also provided via a Toll-Free Help Line. At Ujjivan, we listen to the customers we serve. Their input contributes to the evolution of our business model, from service styles to new product launches.

Ujjivan’s customers are industrious, hard-working women from India’s urban and semi-urban areas. They hold a variety of occupations. 82% are self-employed, owning small shops and tailoring businesses while the remainder are employed as housemaids or piece rate workers in garment factories.

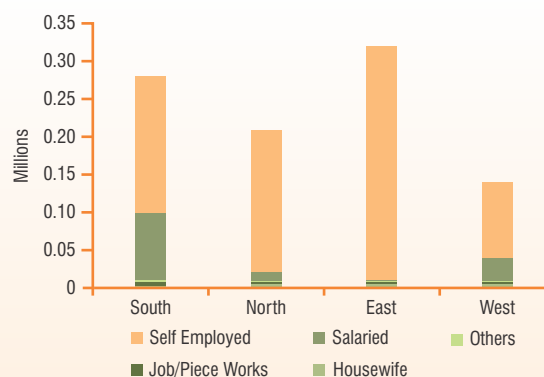
Some top occupations of Ujjivan Customers

- Shopkeepers
- Grocery vendors
- Tailors
- Flowers/vegetables vendors
- Manufacturers
- Agarbatti (incense) rolling workers
- Beedi (mini tobacco) workers
- Factory workers
- Housemaids
- Petty traders
- Saree business

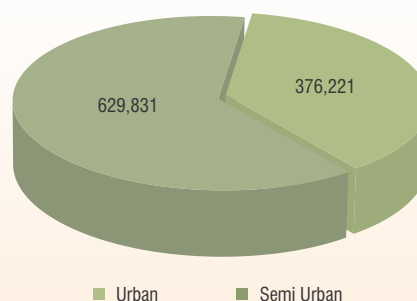
Age-Wise Borrower Spread



Occupation-Wise Regional Spread



Client Outreach





Building a Better Life

Shanti

Salem, Tamil Nadu

Her Dream

To foster a reliable set of skills to secure her family's future

Her Traits

Dedicated, Ambitious, Talented

Her Story

Married off to a laborer at a very early age, Shanti soon became a mother to two daughters and a son. She lacked proper schooling and had no formal or informal training in any craft. Regardless, Shanti was determined to find a way to educate her children so they could live better lives.

Loan Story

Shanti decided to learn the local art of silver anklet-making and came to Ujjivan for a loan. The money enabled her to pay for training and the purchase of raw materials like gas cylinders. Shanti was now in business as a professional jeweller!

Today

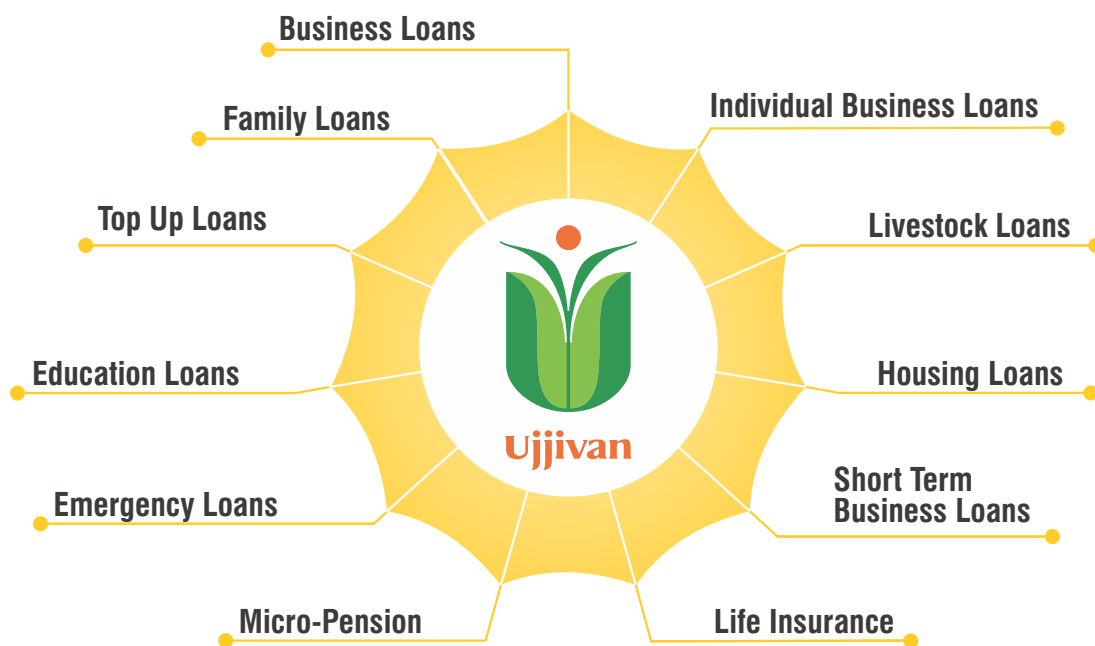
Shanti produces beautiful, meticulously-crafted silver anklets in Salem, a locality famous for these accessories. She is a returning Ujjivan customer. Shanti makes a good living as a craftsman. She now provides security and financial stability for the household to supplement her husband's inconsistent income.





Our Products & Services

Ujjivan is dedicated to understanding the unique needs of the Urban and Semi-Urban Poor in order to serve them with the most relevant and effective products. Our engagement with customers guides us in the design and evolution of our product and services portfolio. Our customised offerings meet a wide range of customers' needs. While maintaining a core product line, we strive to innovate in a timely manner according to customer insights. As we build and expand our portfolio we stay focussed on our goal of enabling families to build assets, generate income, prepare for inconsistent cash flow, educate their children and achieve self-reliance. Each product and service offered by Ujjivan is one that we truly believe can help each customer "Build a Better Life".



Basic Loans	
Business Loan	Family Loan
For diverse business needs such as working capital, capital investment, equipment expenditure, and closure of high-cost debt previously incurred for business purposes	For a range of family needs including medical care, home repairs, social/religious obligations and the closure of high-cost debt previously incurred for family needs
Loan Amount: Rs.6,000 – Rs.50,000	
Interest Rate: 25% p.a. declining balance for fresh loan and 24% p.a. declining for repeat	
Loan Tenure: 12 months/ 24 months	
Processing fees: 1.12% of loan amount (inclusive of service tax)	
Loans above Rs.15,000 are assigned a 24-month tenure. Customers have the choice of two repayment options based on their credit history, capacity and cash flow.	

Business Top-up Loan

Sometimes, customers need additional money during the year to tide them over during sudden spikes in capital needs. This loan provides them additional financing over and above their initial loan and will be considered based on a satisfactory credit history.

- Loan Amount: Rs.3,000 – Rs.6,000
- Interest Rate: 24% p.a. declining balance
- Tenure: 9 months/ 36 weeks
- Processing Fee: 1.12% of loan amount (inclusive of service tax)

Value-Added Loans

Emergency Loan

Disbursed within 24 hours of request, this loan helps customers meet unforeseeable emergency requirements.

- Loan Amount: Rs.2,000
- Interest Rate: 24% p.a. declining balance
- Tenure: 6 months/ 24 weeks
- Processing fee: None

Education Loan

This is designed to finance the education expenses (admissions fees, text books, uniforms, etc.) for children studying between Kindergarten and Class 12.

- Loan Amount: Rs.5,000 – Rs.15,000
- Interest Rate: 24% p.a. declining balance
- Tenure: 12 months/ 48 weeks
- Processing fee: 1.12% of the loan amount (inclusive of service tax)

Individual Loans

Individual Business Loan (IBL)*

This popular individual loan provides men and women business owners access to finances for working capital and asset improvements on their businesses.

- Loan Amount: Rs.51,000 - Rs.150,000
- Interest Rate: 28% p.a. declining balance
- Tenure: 6 – 24 months
- Processing Fee: 2.24% of loan amount (inclusive of service tax)

Housing Loan*

This product provides women with access to home improvement financing.

- Loan Amount: Rs. 51,000 – Rs.1,00,000
- Interest Rate: 24% p.a. declining
- Tenure: 12– 24 months
- Security Deposit: 10% of loan amount
- Processing Fee: 2.24% of loan amount (inclusive of service tax)

Livestock Loan

This loan facilitates business expansion / income enhancement by providing livestock breeders access to capital for additional cow or buffalo purchases.

- Loan Amount: Rs.15,000 - Rs.35,000
- Interest Rate: 24% p.a. declining balance
- Tenure: 24 months
- Processing Fee: 1.12% of loan amount (inclusive of service tax)



Bazaar Loan*

The Bazaar Loan is offered to clients operating in the bazaar arena for the purpose of expanding business.

- Loan Amount: Rs.10,000 – Rs.50,000
- Interest Rate: 30% p.a. declining balance
- Tenure: 24-48 weeks
- Processing Fee: 2.24% of loan amount (inclusive of service tax)

Portfolio Mix		
Product Basket	FY12-13	FY11-12
Business Loans	73.5%	72.1%
Education Loans	0.3%	0.3%
Family Loans (Includes Emergency Loans)	22.1%	22.4%
HUL Pure-it Loans	0.0%	0.6%
Housing & Home Improvement Loans	0.8%	1.0%
Individual Business Loans (Includes Bazaar Loans & Short Term Business Loans)	2.1%	2.0%
Livestock Loans	1.2%	1.6%
Total	100.0%	100.0%

**These loans are not funded under Banks' 'Priority Sector Lending' and are exceptions under the 15% non-priority sector portfolio permitted for MFIs by the Reserve Bank of India.*

Proactive Approach on Reduction in Interest Rates

Since the beginning of the industry crisis in October 2010, Ujjivan has undertaken a number of measures to improve efficiency of operations and reduce costs. With our nationwide presence (Ujjivan is the only MFI operating in 20 states) in more than 300 branches, we are able to take advantage of economies of scale. This has resulted in higher levels of profitability for the organization.

In accordance with the new directions from the Reserve Bank of India, benefits are being shared with our customers in the

form of reduced interest rates. Effective December 15th 2012, Ujjivan's interest rates have been reduced from 26% to 25% for all new group loans. For repeat loans to existing customers, including individual loans to finance cattle purchases, rates have been dropped from 26% to 24%. Repeat loans constitute a majority of Ujjivan's loan portfolio.

Life Insurance

Initially we introduced Life Insurance for our customers and subsequently also offered it for their spouses. In the unfortunate event of natural or accidental death of a customer or spouse, the insurance amount helps the survivor cover the outstanding loan as well as receive the benefits of a life cover.

We have partnered with Bajaj Allianz Life Insurance to offer a Group Term Life (GTL) Insurance policy, with different insurance schemes based on loan type and repayment mode.

In 2012-13, we insured over 1.7 million customers and spouses, and settled over 7,900 death claims. Ujjivan recovered loans of Rs.51.0 million and helped disburse Rs.144.0 million in claim amounts to nominees and family members.

New Initiatives for FY 2012-13

Micro-Pensions

Financial insecurity is a fundamental concern for those approaching their senior years. Ujjivan's customers often articulate their worries about the future. They fear being incapable of safely accumulating, growing, and protecting their wealth to avoid the tremendous economic strain of old age. The introduction of Micro-Pension products offers a safety net for future days when physical labour becomes difficult, earnings reduce drastically and access to credit from financial institutions dries up.

While credible products, such as Government-sponsored schemes, do exist to address the pension needs of the Poor, structured information dissemination and training is lacking. Recognizing this information gap amidst active market demand led us to seek potential solutions in the form of savings through pension contributions. Launching Micro-Pension products is a strategic step forward toward the

ultimate vision of Full Financial Inclusion for society's economically disadvantaged populations. Encouraging a disciplined behaviour of regular investing and savings in the productive years will go a long way in easing the financial strain that comes with old age.

Ujjivan has entered into a strategic and symbiotic partnership with IIMPS (Invest India Micro-Pensions Services), a company that provides specialized Micro-Pension services to under-privileged customers. Ujjivan believes that leveraging IIMPS' expertise in offering specific product solutions for future planning will be embraced by our market. This latest expansion of our portfolio will foster a sense of financial security and independence for our customers upon entering their senior years. 107 customers enrolled in the Micro-Pension pilot. The new product was officially launched in Pune on 8th April 2013, in the presence of 300 customers and guests.

Ujjivan creates awareness and promotes Micro-Pension accounts/services through a detailed customer engagement process. We offer a prepaid card solution in collaboration with IIMPS and VISA, to facilitate disciplined and timely investments into Micro-Pension accounts for those customers who have yet to open a bank account. The corpus of the customer account will grow over time and benefit from market investments managed by the leading Pensions fund managers. The two products offered under the program include the Government sponsored NPS-LITE (National Pensions Scheme - Lite) and UTI-RBPF, managed by the Unit Trust of India. The Micro-Pensions program received excellent response from target customers and shall be extended nationally in FY13-14.

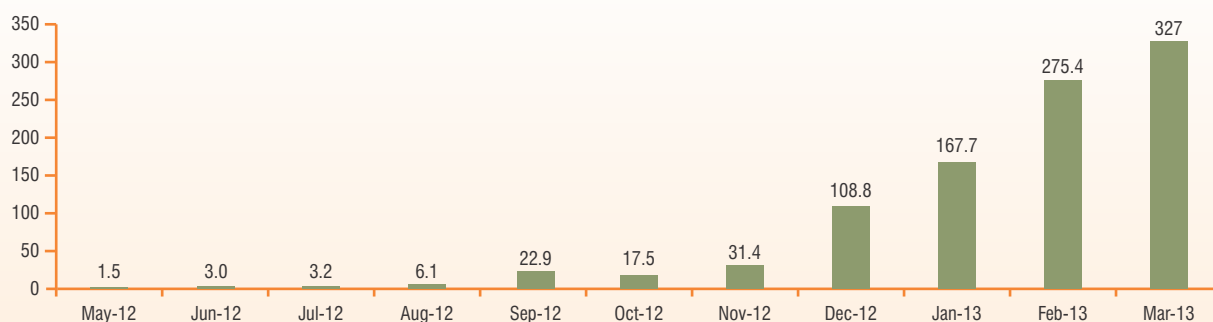
Cashless Disbursement

In an effort to encourage customers to adopt a disciplined savings routine while introducing them to the conveniences of bank transactions, Ujjivan has initiated "Cashless Disbursements". Loans can now be credited directly into customers' bank accounts. Following a successful pilot in the East in September 2012, Cashless Disbursements have increased in popularity nationally. At the close of FY 12-13, 25% of our monthly disbursements were being facilitated through direct account transfers.

In addition to adding convenience to the transaction process, Cashless Disbursements eliminate the potential risks of cash handling. The loan amount is credited after deducting loan processing charges; hence the customer need not carry actual cash to or from the branch during loan disbursement. This initiative has also helped the Ujjivan team establish rapport with a range of bank officials. A year after launching our individual database, bank contact relationships have matured and are facilitating much faster information sharing and error resolution. As the percent of transactions represented by direct transfers to bank accounts increases, all stakeholders seem to agree that this initiative is a "win-win."

The new Cashless Disbursement method proves to be a valuable vehicle for promoting savings and opening of bank savings accounts. We have leveraged our current field process to communicate the importance of having a bank account and the advantages of subscribing to other banking services like ATMs and SMS alerts. As an incentive, customers opting for Cashless Disbursement are approved for an additional Rs.2000 for their current loan. Each customer is

Cashless Disbursements Journey of Ujjivan (Rs. in Millions)



also encouraged to link her bank account to her Aadhaar* number taking advantage of the recent direct benefit transfer. Aligned with Ujjivan's core goal of financial inclusion, this initiative is structured to educate the customers on banking systems while primarily focusing on the fundamental need to save.

***Aadhaar:** In the past year, the government of India, under the planning commission, initiated a unique ID program for the entire population. The premise was to transfer subsidies/pensions/ daily wages from the government schemes to the low income population. The UID is also referred to as Aadhaar which means support or foundation. <http://uidai.gov.in/>

Housing and Home Improvement Loans

Ujjivan piloted its Home Improvement product in the first half of FY 2012-13 with operational and capacity building assistance from International Finance Corporation (IFC). We reviewed the past program and assessed its impact to design the new implementation strategy, appraisal methodology and plan.

Primary objectives

- Gauge demand for housing finance (for both residences and businesses)
- Determine current practices, constraints and common aspirations among customers
- Define the attitudes of Ujjivan customers and the general public at this socio-economic level toward housing finance
- Develop products and variants incorporating regional variations, resource allocation and capacity building of existing/new personnel
- Assess implementation, scalability and potential for wider, pan-Ujjivan programs

Research agency, IMRB International was pulled in to conduct this in-depth assessment. The program was piloted in 3 locations of North (Del/ NCR, UP, Rajasthan) and re-launched in South. We are exploring product lines, inclusion of tech-enabled services and technical construction assistance to

mitigate the challenges faced in the pilot phase. We closed the year with a borrower base of 1,894 and a loan book of Rs. 75 Million.

Financial Literacy Program – Diksha

The Diksha Program, developed and executed by Parinaam Foundation, Ujjivan's NGO partner, already provides financial literacy education gratis to 64,500 enrolled Ujjivan customers. Both the Citi Foundation and the Michael & Susan Dell Foundation are funders of Diksha.

The 5 Primary Objectives of the Diksha Financial Literacy Program are as follows:

- Participants gain a clear understanding of the difference between “wants” and “needs”
- Women enrolled will learn to manage their cash flow while tracking their income and expenditures with the help of tools (like the financial diary and calculator provided by the program)
- Beneficiaries should be taught how to borrow judiciously and within their capacity, in order to succeed in repaying their loans
- The routine of saving money on a monthly basis should become a habit. Participants should be clear on options available that facilitate secure savings. They should be encouraged to use their accounts regularly
- The educated Ujjivan customer should realize that with careful planning and saving they need not borrow again to meet routine expenditures; they should only require future loans to finance capital expenditures

Only those customers who complete all five modules are certified as “graduated” from the Financial Literacy Program. The program has garnered excellent response from the customers in terms of design, concepts and trainer delivery. For Diksha, Parinaam has also received external recognition from the RBI which has adopted much of the content for its own Financial Literacy Program for Banks. Ujjivan is committed to continue the Diksha program, until its entire customer base of one million+ members is financially literate.



Building a Better Life

Janki

Mumbai, Maharashtra

Her Dream

To provide her children with the type of quality education she was forced to abandon

Her Traits

Entrepreneurial, Confident, Resilient

Her Story

The death of Janki's father when she was just ten years old was the catalyst behind her early withdrawal from school. She had no choice but to work in order to support her family. After marrying at age 14 she and her husband moved to Mumbai. Like most migrants they were in search of work opportunities in the city. Janki was persistent and never gave-up. She survived many nights sleeping on the streets. After impressing a small fabrics company with the quality of her stitching, she longed to purchase her own sewing machine. If she could simply find the capital, she would be able to start a business and finally produce an income.

Loan Story

Janki found her calling in toy manufacturing. She had the talent to stitch unique products with the skills of traditional Rajasthani workmanship she had carried with her to Mumbai. Her husband could assist by selling the toys on the crowded city streets. A loan from Ujjivan enabled the couple to purchase a sewing machine and a one-room house in a Wadala slum. For years now Janki, a returning Ujjivan customer, has been expanding her business of traditional toy production.

Today

Economies of scale allow Janki's business to flourish. This year she reports a 30% increase in her monthly income. Foreign competitors have entered the market and pushed down price points on toys. Janki has thoughtfully adjusted by marketing her products as traditional handicrafts to upscale markets. She splits her profits between investments in her business and investments in her children's higher education. She is thrilled to give her children the gift of education.





Information Technology

“The Backbone” of Ujjivan’s Business & Service Models

Ujjivan surpassed the 1-million-borrowers mark in March 2013. This reflects not only the achievement of scale, but powerful customer retention. The success of each new initiative and product portfolio expansion depends on the presence of robust Information Technology infrastructure plus consistent innovation. The Ujjivan IT department is a leader in the MFI (microfinance institution) sector, facilitating high-quality service and engagement with our customers. The Ujjivan IT team collaborates with IT teams from other MFIs in India and overseas, i.e. Bangladesh, Indonesia and Africa, to share their experiences and best practices.

Ujjivan has invested in a professional IT team. Among our staff of 34 technology specialists, the majority carry with them 15-25 years of experience. Our department includes executives from IT Security, experts in Network, Database and MIS, Software specialists and accomplished Project Managers. The IT division is dedicated to servicing the internal customers in processing and communication while maintaining infrastructure that ensures high quality support and uptime. As a result, Ujjivan succeeds in delivering financial services to its customers efficiently, while also constantly improving the convenience of transactions via new technology.

An Advanced Foundation Infrastructure/Systems

To meet our current and future technology needs, we rely on our state-of-the-art Data Center with SAN architecture for data storage and redundancy. It supports applications across the organization and is housed at the Head Office in Bangalore, with a remote location back-up center. Our Data Center is comprised of top-end IBM Blade Center Servers, IBM P6 and P7 Series Servers with AIX Os and high end Databases including DB2, Oracle and SQL Server.

At Ujjivan's branches, we are using the Linux Operating System. This sophisticated technology is stable and commands minimum support. Therefore, the result is significant cost savings.

Our Core Banking Solution (CBS) is structured around the most important component of our business – the customer. It is a platform where communication technology and information technology are merged to suit core requirements in providing financial services.

Bankers Realm.Net (BR.Net)

This is a modern Core Banking Solution (CBS) designed for MFIs. The CBS is an independent system platform which can work on PCs with Windows and Ubuntu Operating System. The CBS is highly secure and capable of handling large transactions while working with low internet bandwidth. The loan modules are fully integrated with financial accounting and have a strong built-in MIS. In addition, they support mobile transactions at the field level. BR.Net is based on open delivery concept allowing a more secure interface to third party delivery channels such as ATM, SWIFT and Internet Banking. All 301 Ujjivan branches are online following successful collaboration between IT and Operations.

Benefits of Core Banking Solution (CBS)

- Timely online updates of cash transactions
- Daily closure of branch business
- Reduced turnaround time
- Reduction in operational errors
- Ability for branch-level checks on customer credit history
- Improvements in netting off transactions
- Availability of MIS at branches

Infrastructure limitations with regard to internet connectivity and power supply were critical factors in facilitating access to branches. Fiber optic and wireless internet connectivity was set up at branches with power stand-by through high capacity inverters and generators.

Workflow Management and Document Management Systems

Ujjivan is experiencing great momentum in growth, resulting in

the need to capture more data and undertake new processes to meet regulatory requirements. We are using IBM FileNet, the most robust software for DMS, Content Management, Workflow and Process Management. This technology helps in eliminating movement of customer documents between departments for loan processing. With implementation of Workflow Management the scanned images will move among departments based on a set of logical rules. It can lead to improved turnaround time. It also facilitates measure of productivity per staff. The branch can view online status of the application using the system.

Implementation of the Workflow and Document Management System for Loan Processing has already been completed in the South Region (National roll-out is projected to be completed by October 2013):

Implementation of the Document Management System of scanning, storage and retrieval has already been completed in the following functional areas:

- **HR:** Employee related documents: from joining docket to final settlement
- **Administration:** Rental agreements, payment receipts, licenses and other agreement documents
- **Audit:** Branch audit documents, internal and external Audit Reports
- **Finance:** Purchase Orders, company license documents, bank statements, etc.
- **Operations:** Customer KYC Documents, loan applications and other loan processing related documents

New IT Policies Based on COBIT Framework

COBIT is an IT governance framework and supporting toolset that allows management to bridge the gap between control requirements, technical issues and business risks. It enables good practices for IT control, emphasizing regulatory compliance, and increasing the value attained from IT. The new policies were developed and implemented.

Human Resource Information System

With a large staff base employee information management is critical for MFIs. Ujjivan has a bio-metric system for tracking attendance of its employees. The HRIS helps maintain personnel records, payroll management and leave/absence scheduling, thus reducing manual documentation work for employees and the HR team.

Fixed Asset Management System

With more than 300 branches and 4 Regional Offices across India, maintaining fixed asset details is a huge task. FAMS saves time in collating, storing and managing complex data and in generating customized reports.

Customer Relationship Manager (CRM) Tool For Customer Care & Help Desk

This tool is comprehensive in nature and covers both external and internal customer complaints / queries under 4 different categories with Automated Escalation based on defined TAT and provides Automated Dashboards.

Advantages of Customer Relationship Tool

- **Customer:** Covers customer enquiries received by both Customer Care Representatives (CCRs) at branches and Toll-Free Help Line
- **Business:** Covers branch queries on Operations and Credit related issues
- **Administration Facilities:** Covers branch and Regional Head Office/Head Office requests
- **IT Facilities:** Covers branch and Regional Head Office/Head Office requests

Management Information Services

We have a dedicated team of Management Information Specialists who work on developing Management Information System business requirements for both internal and external



stakeholders. In collaboration with Women's World Banking, the team has initiated the use of analytics for decision making.

Communications Network

Inter-Office

- Secure VPN (Virtual Private Network) Access to branches and remote users with failover link facilitates uninterrupted access to CBS and emails
- Professional Video Conferencing at all 4 regional offices reduces travel costs and time, while also minimizing executives' absence from the office

Customer Relations / Service

- Toll-Free numbers provided for Customer Care & Help Desks in each Region support and enhance Ujjivan's relations with its customers

Local Branch Circulars

- Branch location and team details, plus latest policies and manuals are frequently updated and distributed throughout local communities

Intranet

- Ujjivan employees are provided with an internal platform for communication and information via the intranet portal, Uconnect.

Social Media

- Ujjivan engages in global social media via www.ujjivan.com, Facebook, Twitter, LinkedIn and YouTube

Future Innovations

Mobile Transactions at Field

Currently at 26%, mobile phone penetration in India is projected to increase to 72% in 2016 (as per Gartner Report). Ujjivan, led by its IT team, is harnessing this platform in the endeavour to benefit all stakeholders. All transactions completed via mobile devices will be posted in real-time. This dynamic will prove to be of tremendous value in the supervising and monitoring of collection and disbursal processes both at field and in the back office.

Hand-Held Devices

As an MFI, Ujjivan performs diverse field level activities daily, including the filing of customer loan applications, the posting of transactions and so on. We are in the process of implementing the use of Hand-Held Devices / Touch Screen Tablets for data collection and processing of individual loan applications.

By investing in a seasoned team of passionate IT specialists and state of the art infrastructure, Ujjivan has elevated both its position within the Microfinance sector and its impact on the communities it serves. Ujjivan continues to adopt cutting edge technology applications which increase scalability, efficient control and cost benefits. This, in turn, results in consistent service of the highest quality to all of our stakeholders – our customers, our employees and our investors.



Building a Better Life

Shankari

Kolkata, West Bengal

Her Dream

To build a sophisticated, fully-staffed commercial workshop

Her Traits

Visionary, Dedicated, Collaborative

Her Story

Shankari is from Kolkata, the “land of festivals”. She married at a young age and soon realized that her husband’s salary would not sustain the family she desired. Her solution was to re-launch the family business of manufacturing ornaments and costumes for the region’s famous festivals. She lacked capital, but was confident that the business model she envisioned could not fail.

Loan Story

5 years ago, in 2008, Shankari applied for a business loan at Ujjivan. With only 2 meters of cloth she designed her very first costume. She then dedicated herself daily to one mission - increasing the scale of her production. She bought more fabric and recruited her husband to help sell costumes in the market. Gradually but steadily, with each new loan, her business grew.

Today

After five years and several loans, Shankari has nurtured her business and now offers a complete product line. She has invested in four sewing machines and is now a familiar face at the Bara Bazaar, India's largest wholesale market. With ten employees and plans to export to Assam, Shankari is realizing her dream. Renovations have started on her house to build the sophisticated, professional work studio she requires to continue growing her production and sales.





Service Quality - Customer Retention, Care & Protection

Customer Retention, Care & Protection

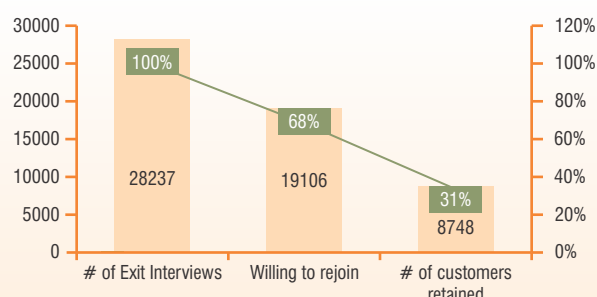
For the last few years, we have pioneered in the industry to put in place a comprehensive Service Quality Program. This program is driven not just to meet regulatory requirements or international customer protection standards but from a pragmatic business need to improve customer retention rates. The year 2012-13 was a year of quantum leap and achievements with several high impact initiatives such as implementation of revised and comprehensive fair practices code and code of conduct. Key focus was ensured on reinforcing our customer grievance redressal procedures and sensitizing staff and customers about the same thereby promoting better customer and community connect by our staff and customer retention.

Customer Retention

High customer dropout rates are serious threat to financial inclusion goal of MFIs, Ujjivan emphasizes on long term relationship with customers as the same is imperative to have meaningful impact while helping them alleviate poverty through financial services. After our experience from pilot phase (first 18 months of Ujjivan), we have employed number of initiatives to constantly assess customer feedback to improve our efficiencies in products, services and delivery mechanism.

- **Exit Interviews for dormant and dropout customers** have been conducted through Customer Care Representatives

Exit Interviews conducted by CCRs during FY 2013-14 and Retention Percentage



Note: 10,358 customers of total 19,106 who expressed their willingness to rejoin were not retained due to their multiple borrowing, bad credit history, migration and other reasons

(CCRs) who are appointed at all matured branches. The objectives of the interviews were to understand why customers are dropping out and retain those who are creditworthy after resolving their concerns or service defects if any. This will enable us to have a relook at our products, processes and quality of services.

- **Customer Retention Campaign:** This program was executed with promotional activities such as distribution of customer brochures in local language, branch displays and rewards and recognition program for branches. We have got a very good response from customers and successful conversion of many dropout and dormant customers. The total customers retained through campaign were 50,000+ with a loan portfolio of Rs.860 Million.
- **Historical Customer Retention Trends:** With the experience from pilot phase of our field operations, we have strengthened the quality of customer selection and induction through adequate field processes, independent credit approval systems, customer feedback and grievance redressal mechanism supported by Service Quality function. Ujjivan was therefore able to improve the customer retention rate from 78% in March 2008 to 86% in March 2009. Later retention rate dipped by 21% over a period of next 3 years, especially half of this accounted during post AP crisis period due to selective credit and tight controls on multiple borrowing. Ujjivan was able to reclaim customer retention rate from 65% to 72% during FY 2012-13 with the help of number of efficiency projects and focussed customer retention programs.

Comprehensive Code of Conduct

Ujjivan revised its Code of Conduct (CoC) to make it more comprehensive and easy to interpret in the right spirit by its employees and customers. The revised code integrates guidelines from Reserve Bank of India's Fair Practice Code, Smart Campaign's global standards for client protection principles, and MFIN and Sa-Dhan's joint Code of Conduct. The revised CoC along with customer grievance redressal procedure has been translated into 9 local languages and displayed prominently at all our branches and on our website for the general public and stake holders.

We have also made requisite changes in our various documents such loan cards / agreements, pricing charts, compulsory group training brochures etc to incorporate transparency standards and disseminated the same to customers in local languages. Major disclosures made in these documents include our commitment to transparency and fair lending practices of not collecting security deposits, late payment charges, prepayment charges, not sharing and disclosing client data, non-discrimination policy, ethical staff behaviour and collection practices - debt-rescheduling policy in case of genuine hardships.

Strengthened Customer Grievance Redressal Procedure

Ujjivan strengthened its customer complaint management process by providing customers a reliable and easily accessible interface for a timely and fair resolution of complaints

- **Customer Care Representatives (CCR)** - We have 237 CCR's working in 80% of our branches as the first point of contact for the customer for query resolution.
- **Toll-free Customer Helpline** has been set up to serve as a Second level escalation point for customer grievances. The Help Desks ensure that all queries are tracked, resolved and if required, escalated on a timely basis. Each Region has a dedicated Help Desk and services both internal and external customers.
- **Grievance Redressal Officer:** Each Regional Office has a Grievance Redressal Officer (GRO) for 3rd level escalation; GRO monitors customer grievances at the regional level and is responsible for timely resolution of all complaints. A report on status of customer grievances is periodically reviewed at various levels of Management and the Board for decision making and minimizing complaint incidences

To ensure that the revised CoC and Grievance Redressal Procedures are understood by all customers and staff, we undertook several initiatives during FY 2012-13:

Staff Education on CoC & Grievance Redressal Procedure

- All our mid- level supervisors of field staff have undergone the "Train the Trainer" program on customer protection workshop
- All our field staff were trained by these supervisors on the revised CoC & Grievance Redressal Procedure and on their role in effective implementation of Client Protection Principles (CPPs) through sharing best practices and role plays on real life situations
- All frontline staff were made to sign a declaration on "Ethical Behavior with Customers" and "Non-Disclosure of Customer Information" after they had undergone training on customer protection
- The Customer Protection Workshop module has been made an integral part of Basic Level Training , and undergo training on "Soft Skills and Customer Service" focusing on appropriate behaviour with customers, professionalism and handling difficult situations / customers without compromising on CPPs

Customer Education on CoC, Grievance Redressal Procedure & Financial Awareness

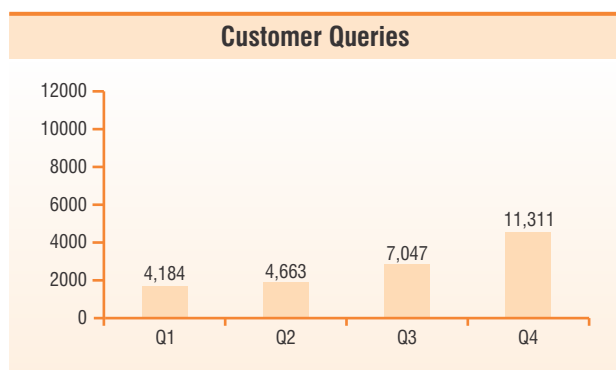
Though we have the best practices in place for CoC, it is a very challenging task to sensitize all our customers about these facilities as their literacy and awareness levels are generally low. To bridge this gap we have launched a number of initiatives:

- Posters on CoC & GRP have been prominently displayed at all branch premises in vernacular language and on website
- Helpline numbers have been displayed and other disclosures as per Transparency standards of RBI and Smart Campaign's Client Protection Principles made on our loan card/loan agreements



- A section on GRP has been integrated into the Compulsory Group Training (CGT) for new customers and helpline numbers with escalation matrix have been prominently displayed in the CGT brochures
- Flip Cards (915,000) covering details of complaint escalation matrix and safety instructions against multiple borrowing, ghost lending, commission agents and cash payments etc have been distributed to all customers during center meetings.
- Plastic Pouches (for keeping loan cards securely) with printed instructions covering complaint escalation matrix and customer instructions (Do's & Don'ts) have been distributed to all customers during disbursements. Over a million pouches are estimated to be distributed by September 2013.
- **Sankalp**, a short film available in 10 Indian languages consists of two videos based on real life customer case studies, highlighting the problems and dangers of two of the most prevalent malpractices i.e. over borrowing and ghost (sub) lending with an introduction to concept of credit bureau has been screened to over 600,000 customers and 20 million general public through various channels during 2010-12. Thereafter we have made screening of Sankalp is mandatory during Customer Group Training for inducting any new customer.

Our efforts at customer education during the first three quarters of FY 2012-13 have paid off with a steadily increasing number of customers approaching our grievance redressal channels for their queries



Customer Connect Program

Ujjivan has launched the Customer Connect Program to bring all employees closer to the vision and social mission of the organization and encourage better connect with our customers. Under this program each employee of Ujjivan, whether frontline workers or back-end support has to mandatorily attend at least a minimum number of center meetings and interact with customers to seek their feedback on our products, process and services. The observations and customer feedbacks are captured in center meeting checklist and uploaded on Ujjivan's social web platform Uconnect. This program helps supervisors and leadership teams to better understand customer needs to help formulate the most appropriate products and processes, and proactively identify service defects and customer grievances. During this year Ujjivan's supervisory members have visited as many as 58,000+ center meetings.

Service Quality Awards – Celebrating outstanding customer service delivered by our staff

We often hear stories of outstanding service provided by our employees well beyond the call of duty. This service mindset forms the core of Ujjivan's mission. To recognize all such employees and celebrate their exceptional act of service, we have instituted Service Champion Award program from June 2010. This is given to an employee who has provided exceptional service to a customer or her family. So far 42 such champions have received this award including 18 for FY 2012-13. The award consists of a merit certificate, a letter from the Managing Director and a cash gift. The award winners are further given recognition in our monthly newsletters, employee's annual diary and through individual emails from the National Leadership Team. Few examples of exceptional services are, helping a baby of our customer getting open heart surgery at free of cost, helping a family in getting back their missing buffalo by using our branch network, helping thousands of our customers and general public during massive flood hit in Eastern region, a widow who has 3 kids with meager earning gets free monthly ration from a Trust for life time etc.

Assessments & Recognitions

- Global Accreditation of our Client Protection Program: Ujjivan is one among first few MFIs to meet global standards of customer protection. Assessment and Certification was completed by leading rating agency M-CRIL on behalf of Smart Campaign. Smart Campaign certified that Ujjivan meets standards of care in implementing all of the Client Protection Principles through its operations, product offerings and treatment of clients.

The Smart Campaign is a global campaign committed to embedding client protection practices into the institutional culture and operations of the microfinance industry. It embodies a set of core principles for the treatment of microfinance clients - the minimum standards that clients should expect to receive when doing business with a microfinance institution. The principles at the heart of Smart Microfinance are:

- Appropriate product design and delivery
- Prevention of over-indebtedness
- Transparency
- Responsible pricing
- Fair and respectful treatment of clients

- Privacy of client data
- Mechanisms for complaint resolution
- Responsible Business Indexing Survey by MFIN: Micro Finance Institutions Network, a self-regulatory body for Indian MFIs, has conducted a self-assessment survey on Responsible Business Index for its member MFIs. Ujjivan achieved a cumulative RB Score of 94.50 (out of 100), higher than the average RB Score of 89 for the Industry, based on the inputs of 41 leading MFIs.

Ujjivan's report card

- 95.24% in disclosure to clients
- 92.42% in client engagement
- 93.75% in Institutional processes
- 100% in transparency and
- 100% in previous record on violations
- Ujjivan's Customer Service initiatives were featured in a special publication on "Micro Finance Customer Service Highlights" by Deutsche Bank through its distribution <http://www.mixmarket.org/sites/default/files/microfinance-partner-mixmarket.org-Full-report-of-this-publication-can-be-found-through-the-following-web-link.pdf>





Building a Better Life

Rangamma

Ramanagara, Karnataka

Her Dream

To support her family while keeping traditional arts alive

Her Traits

Artistic, Cheerful, Enterprising

Her Story

Rangamma, a mother of four, was diagnosed with cancer shortly after her eldest daughter married. Although she recovered, her financial troubles worsened due to the cost of treatment and the exorbitantly high interest rates charged by moneylenders. Under this financial strain, her husband became an alcoholic. Rangamma desperately needed to find an alternative to borrowing from moneylenders, as they were trapping her and her family in the cycle of poverty.

Loan Story

In 2007, Rangamma, an experienced basket weaver, walked through the doors of Ujjivan. She wished to carry on her family's traditional craft by opening a proper professional business. Her first Ujjivan loan got her started by enabling her to purchase raw materials like bamboo. She next availed a housing loan to construct a shed to protect her baskets and materials from the heat and rain. Each new loan gave Rangamma the ability to expand her product line. She soon diversified into weaving baskets, mats and fans.

Today

On her 6th cycle loan from Ujjivan, Rangamma is an inspiration to her neighbors. "She is so successful and happy" they say. Business is booming and she now employs 15 piece-rate workers. Her husband is sober and works by her side. Profits have allowed her to open a 2nd business, a provision store. Rangamma says she is delighted to be able to support her family while simultaneously keeping the traditional art of weaving alive. For Rangamma, once threatened with cancer, life is good.







Business Efficiency Program

Our drive towards greater efficiency continued with unabated vigour in FY 2012-13. Ujjivan launched several initiatives during the year, including a number of business process re-engineering programs, technology infusions, product rationalizations, standardization benchmarks of efficiency, etc. to amplify the impact of its Business Efficiency Program. The fundamental objective of our Efficiency Program was to reduce the loan turnaround time by improving our back-end processes, systems and support functions. Through such elevated activity, Ujjivan succeeded in attaining better operating efficiency. The projects launched in FY2011-12 fructified the productivity of our branches and field staff, while reducing expenses.

Key Efficiency Programs Undertaken in FY 2012-13

Reduced Loan Turnaround Time (TAT)

Ujjivan has significantly improved its loan turnaround time, decreasing it from 17.79 days in July 2012 to 7.94 days as of March 2013. With a key focus on enhancing efficiency, the loan TAT components underwent a granular analysis through monitoring of timelines for each and every activity, from customer application date to disbursement date. This resulted in process improvements at both branch and back office levels. The positive impact on our customers is evident, as we have delivered to them the timely service they have asked for.

Significant contributors to reduction in TAT include the successful implementation of Pre-Approved Loans with respect to repeat loans, and the adoption of Cashless Disbursements. Ujjivan initiated the practice of facilitating direct credit to customer bank accounts in July 2012. The practice reduced cash handling at the branches, as well as in transit handling. Both staff and customers have a greater sense of safety and security as the risk of theft and fraud has significantly diminished. Cashless disbursements were rolled-out for the higher cycle customers of group lending and made mandatory for all individual lending. Beginning modestly with a pilot in East, this new offering was extended across all regions in September and closed with Rs. 940 Million by year-end. Customers were introduced to the concept, function and

benefits of Cashless Disbursements through the Diksha Financial Literacy Program, developed and executed by our partner, Parinaam Foundation. This 5-module course educates and trains customers on effective management of income, expenditures, debt and savings. Diksha fosters a savings discipline in customers and offers hand-on assistance in opening bank accounts. We believe this critical step of customer engagement and education will go a long way toward the greater goal of full financial inclusion. We aspire to facilitate savings and Cashless Disbursement for at least 40% of our customer base in the coming year. Cashless Disbursements have enabled cost savings by reducing third-party cash management services in 40 branches.

Pre-Approved Loans

With the integration of the pre-approval dynamics into the process of repeat loan disbursements, TAT for these loans is now nearly “zero”. When the field staff initiates discussions with customers they cover not just current, but projected future needs as well. By doing so, the formal processes of verification and approvals related to the customer’s next loan are set in motion- even before the closure of the current loan. Gaps and delays therefore are minimized and enable timely, quality service with minimal TAT. The project was launched in July 2012 and by year-end 63% of our repeat loans were Pre-Approved Loans. The reduced TAT (from nearly 18 days in March 2012 to 7.94 days in March 2013) is a testament to the success of this project.

Elimination of Manual Registers

Automation of Cash Reports and other Registers helped remove the laborious practice of manual register maintenance, saving 12 - 15% in productive man hours per day.

New Loan Card with Photograph

Roll-out of new system-generated loan cards which house customer photographs (captured and stored on the live CBS) has reduced costs with a total saving of Rs.0.75 Million in this FY. The practice also simplified the disbursement process via easier identification of customers at centre meetings.

Even Form Flow

An efficient Cash Management initiative involving the phasing-out of disbursements across weeks has led to better synchronization with collections. Now repayment proceeds can be channeled immediately for disbursements (“netting off”), minimizing cash deposit charges and cash handling risk. By year end, 32% of our collections had been netted off with disbursements facilitating a total savings of Rs.12.4 Million in bank charges and cash management charges. Bank charges were reduced by 75% and Cash Management charges were reduced by 31% over last year.

Driving Efficiency at the Branch level

Launch of “Best and Most-Improved Branch Award”

This award, formulated by the Operations department, identifies and rewards the best and most-improved branch each month at the regional level. Criteria for Best Branch include lowest TAT for loan processing, least errors in posting and even flow of forms throughout all weeks of the month. For the Most-Improved Branch, a points system is used to rank branches on overall performance. The branch progressing from bottom to top with highest jump in ranking (compared to previous month) will be selected as the winner.

Standardization of Efficiency Benchmarks across Branches and Field Staff

All mature branches are encouraged to handle >4K borrowers and >Rs.40 Million OSP and field staff greater than 700 borrowers for optimum efficiency, economies of scale and better productivity. Currently 26% of our branches meet both standards. Our key focus for next year will be to ensure that 80% of our branches attain these standards.

Efficiency Program for Back office functions

A Quarterly Score Card system was launched in September 2012 to track the efficiency of back office processes across the regions. The evaluation parameters are displayed in the table below:

Evaluation Criteria	Weight
Control: Execution of EOD Operations, Branch Visits, Centre Visits, Audit Ratings	30
Efficiency: Span of Control, TAT, Error in Cash Tally, Cost Per Loan and Cost Per Borrower	30
Expenses: Netting-Off of Collection Proceeds	10
Projects: Cashless Disbursement, DMS	20
People Management: Attrition & Staff Meetings	10
Total	100

Update of Projects launched in FY 2011-12

The roll-out of bringing all Ujjivan branches online and into the Core Banking System has been completed and has led to substantial reduction of expenses. Simultaneously, the cash tally slip updating process has reduced TAT to zero. The Repayment Window Extension has been implemented across all our branches. 44% of our borrowers as of March 2013 have shifted to new windows, with 29% of the borrowers in the 3rd window, 15% in the 1st window and the balance in the standard window. We hope to achieve an even distribution across all windows by FY2013-14 for greater efficiency and better cash management. 13 branches were merged as part of our consolidation strategy for better economic viability, improvement in productivity, portfolio quality and growth prospects.

Impact of our Business Efficiency Initiatives

Our persistence in improving our efficiency significantly enhanced our key efficiency metrics. The dip in our OER by 288 bps, the dramatic reduction in TAT and improved branch and field staff productivity metrics are standing testimonies to the efficacy of our initiatives.

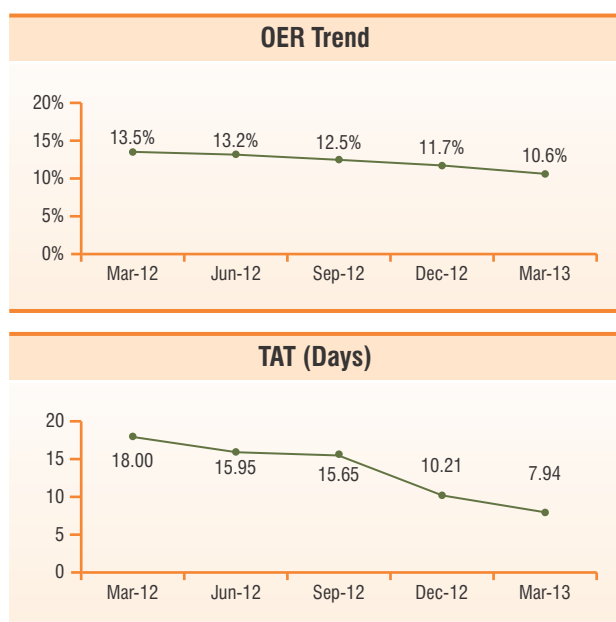


Key Productivity Metrics	Mar-12	Jun-12	Sep-12	Dec-12	Mar-13
Borrowers/CRS	438	461	471	506	542
OSP/Branch (Rs in Million)	23.1	23.8	27.4	31.5	37.4
Borrower/Branch	2,740	2,891	2,968	3,169	3,342
% of Pre-approved Loans	-	-	-	39.31%	62.65%
Cash-less Disbursements (% of Disbursements)	-	-	2%	7%	17%
Netting Off % of Collections	-	18%	28%	38%	57%

Focus Areas for FY 2013-14

Our Business Efficiency Program is expected to gain more momentum in the coming year with the implementation of the Document Management System across all branches. Our key focus areas for next year are automated loan processing, roll-out of pre-printed customer profiles and loan application

forms, online tracking of individual business loans (to reduce TAT to 10 days), Cashless Disbursement utilization to reach 40% of customers and improved productivity of our mature branches and field staff.





Smart Campaign Certifies Ujjivan on Client Protection

Smart Campaign certifies that Ujjivan meets adequate standards of care in implementing all of the Client Protection Principles through their operations, product offerings and treatment of clients.

Commendation: "As a Client Protection Certified institution, you are demonstrating your commitment to keeping clients at the heart of your work and contributing to a more responsible and stable microfinance sector."

The Smart Campaign is a global campaign committed to embedding client protection practices into the institutional culture and operations of the microfinance industry.

It embodies a set of core principles for the treatment of microfinance clients - the minimum standards that clients should expect to receive when doing business with a microfinance institution. The principles at the heart of Smart Microfinance are:

- Appropriate product design and delivery
- Prevention of over-indebtedness
- Transparency
- Responsible pricing
- Fair and respectful treatment of clients
- Privacy of client data
- Mechanisms for complaint resolution

The Smart Campaign is a global effort, guided by the experience and expertise of microfinance leaders from around the world who are committed to strengthening their businesses and supporting their clients. Microfinance

institutions, networks, associations, investors, donors, and individuals have endorsed the Campaign.

The Campaign Steering Committee comprises respected leaders in the microfinance industry from a diversity of regions and institutions including the Consultative Group to Assist the Poor (CGAP) at The World Bank, Deutsche Bank Social Investment Group, the World Savings Bank Institute, WWB Colombia, KfW (Germany), Ujjivan (India), CARD Bank (Philippines), the Microfinance Centre (Eastern Europe & Former Soviet Union), and Fonkoze (Haiti).

The Smart Campaign is housed at Accion's Center for Financial Inclusion.





Awards and Recognition

Ujjivan is proud to share the following list of honours and awards received.

Included are some words of support from industry figures and the media.

“Ujjivan’s underlying systems and processes set it apart, and help them provide consistent quality of operations. Another factor is the quality of second-level leadership”.

Sucharita Mukherjee, CEO of IFMR Capital, [Forbes India](#), April 2012

"As a Client Protection Certified institution, Ujjivan is demonstrating its commitment to keeping clients at the heart of their work and contributing to a more responsible and stable microfinance sector."

The Smart Campaign

“Samit Ghosh of Ujjivan is a beacon of hope for microfinance companies.”

[Forbes India](#), April 2012

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- **Unitus Accelerator Award 2007**
First-ever recipient Ujjivan recognized for its role in accelerating the microfinance industry with its innovative approach & for the positive impact it has on customers’ lives
 - **Microfinance Process Excellence Award (MPEA) 2008 for South Region** Sponsored by ABN-AMRO & RBS in partnership with PlaNet Finance India
 - **Unitus Inspiring Leader Award 2009: Samit Ghosh**
Ujjivan Managing Director & CEO is first-ever recipient
 - **#1 Best Company to Work For 2009**
(Microfinance Industry) Presented by the Great Place to Work Institute /India & Economic Times
 - **Gold Award for Social Performance 2009 & 2010**
Sponsored by CGAP, Michael & Susan Dell Foundation, Ford Foundation, Social Performance Task Force & Presented by MIX (Microfinance Information Exchange)
 - **Srijan MFI Transparency Award 2010**
(Established MFIs) Sponsored by Intellectap
 - **5 Diamond Ranking for Transparency & Quality of Information 2010**
Determined by MIX Market
 - **Microfinance India Organization of the Year 2011**
(Large Organizations) India’s most prestigious MFI award
 - **#1 Best Company to Work For 2011**
(Microfinance Industry) Presented by the Great Place to Work Institute/India & Economic Times
 - **Platinum Award for Social Performance 2011**
Sponsored by CGAP, Michael & Susan Dell Foundation, Ford Foundation, Social Performance Task Force & Presented by MIX
 - **#2 Best Company to Work For 2012** (Financial Services)
#16 Best Company to Work For 2012 (Among Large Organizations)
#3 Best Company in Leadership Development 2012
Presented by the Great Place to Work Institute/India & Economic Times
 - **Client Protection Certified 2013**
Presented by The Smart Campaign
 - **The Winning Edge in Risk Management Award 2013: Sudha Suresh, Ujjivan CFO**
Presented by The CFO Institute & CFO India Magazine
 - **#7 Best Company to Work For 2013** (All Companies)
#2 Best Company to Work For 2013 (Financial Services)
#3 Best Company For Engaging Frontline Staff 2013
#2 Best Company for Rewards & Recognition 2013
Presented by the Great Place to Work Institute /India, Edrenred & Economic Times



Management Team



Samit Ghosh, Chief Executive Officer and Managing Director

Samit has been in international banking for over thirty years. At Citibank, he co-pioneered consumer banking in India in 1985. He led the launch of retail banking for Standard Chartered in the Middle East and South Asia and for HDFC Bank in India. His last assignment was as Chief Executive (India) of Bank Muscat. He founded Ujjivan in 2005 as a pioneering microfinance firm for the urban poor. He is an alumnus of Jadavpur University and Wharton School.



Sudha Suresh, Chief Financial Officer

She is a Chartered Accountant with a rich corporate career spanning over two decades. Her expertise and contributions include areas of fiscal management, strategic planning, capital and debt syndication, MIS and compliances in private and public limited companies. She is amongst the CFO 100 Roll of Honour for 2013 awarded by CFO India. She is also a qualified Cost Accountant and Company Secretary.



Carol Furtado, Chief Operating Officer – South

Carol has been with Ujjivan since inception. She is a Finance professional with over 15 years of experience, having worked in ANZ Grindlays and Bank Muscat, where she specialized in modern retail banking operations. In 2009, she won the Financial Women's Association (FWA) of New York Leadership Award. Carol is an MBA from Mount Carmel Institute of Management, Bangalore.



Jolly Zachariah, Chief Operating Officer – West

He has over 22 years of International Banking experience with Citibank. Jolly led and managed consumer banking and credit card businesses in India and overseas. His last assignment was with Citigroup's CitiCards as Senior Vice President and Director, Agent and Affinity Banking, in New York. He is responsible for establishing Ujjivan as the leading microfinance service provider in urban Maharashtra and Gujarat.



Rajat Singh, Chief Operating Officer – North

Rajat joined Ujjivan in 2007 as a financial analyst. His first assignment was to build and expand the organizational finance function. Rajat was instrumental in developing and implementing organizational budgeting processes and basic business analytics structures. In June 2010 he was appointed Chief of Staff for the Eastern region, overseeing the regional business and was soon promoted as COO (East) in October 2011. Recently, in April 2013, Rajat became COO of north. Rajat has a B.Tech degree in Agricultural and Food Engineering from IIT, Kharagpur.



Martin Pampilly, Chief Operating Officer – East

He has over 13 years of retail banking experience with ANZ Grindlays, Bank Muscat and Centurion Bank. Martin was a core member in setting up the centralized back office and Customer Services unit for Centurion Bank. He joined Ujjivan in 2009 as Regional Operations Manager (South), and also managed the successful testing, training and implementation of the Core Banking Project. Martin attended the strategic leadership program at Harvard in April 2013. Additionally, in May 2013, he became COO of east. Martin is a Computer Science graduate from St. Joseph's College, Bangalore.



**Sneh Thakur, Head of Credit**

Sneh joined Ujjivan in April 2008 in the first batch of Management trainees. She was a corporate financial analyst and handled corporate finance and investor relationships for over two years. During this time she stewarded two rounds of equity fund raising. In 2011, Sneha was appointed as the Regional Credit Manager (South) overseeing the transition phase of Credit Bureau verifications and compliance to regulatory changes. Recently, in April 2013, she was appointed Head of Credit. Sneha has an MBA in Finance from SDM, Mysore.

**Alagarwamy AP, Head of Audit**

He is a Banking and Financial Services professional with over 19 years of experience in sales, credit, risk and audit. Alagar was with ICICI Bank for over 8 years in Retail Assets and Rural Business Groups handling various roles in Sales, Credit and Risk functions. His last assignment was as Assistant Vice President - Risk with Fullerton India Credit Company. He was part of the core team which launched their Rural Business and also handled Audit. Alagarwamy is a Management Graduate from Osmania University, Hyderabad.

**Vittal Rangan, Head of Human Resource**

He has over 17 years of HR experience largely with Financial Services. Vittal has worked with Birla Sun Life Insurance, Cholamandalam DBS Finance, HDFC Standard Life and Asian Paints, where he played leadership roles heading Sales HR and Corporate verticals. His areas of interest include organization development, institution building and leadership. Vittal is an alumnus of SRCC, Delhi and Symbiosis, Pune.

**Deepak Ayare, Chief Technology Officer**

Deepak is an IT professional with 23 years of experience in different aspects of Technology. He worked in the Gulf and in East Africa for 14 years. His core strengths lie in implementing ERP and developing business systems for organizations in different verticals, IT Vision and cost saving with Open Source Technology. He Graduated from Bombay University. Additionally, Deepak has good knowledge about Animal Husbandry and related business at a rural level.

**Premkumar G, Head of Vigilance and Corporate Administration**

He has over 14 years of experience in administration positions with One World Hospital and Paul D'Souza & Associates, a leading Law firm. Prem was Head of Administration for 4 years, prior to his current role. He has recently moved as Head of Vigilance. Prem holds a Commerce degree and is a member of the Indian Society of Ergonomics (ISE).



Management Discussion and Analysis

Financial Year 2012-13 was a year of powerful growth all round at Ujjivan, highlighted by the successful management of a post-crisis turnaround, increasing operating efficiencies and a comfortable funding position. Key areas of focus included new initiative pilots, such as Housing, Micro-Pensions, IL, support systems innovations and efficiency measures that dramatically improved our loan turnaround time (TAT). We initiated business consolidation and experienced significant growth with the resumption of expansion activities in North and West. Our dedication to our customers and communities came alive through continued social development activities. Additionally, we gratefully welcomed the inclusion of IFC as a valuable new investor in our company.

FY 2012-13 was marked with the crossing of many milestones, reflecting Ujjivan's evolution and impressive growth:

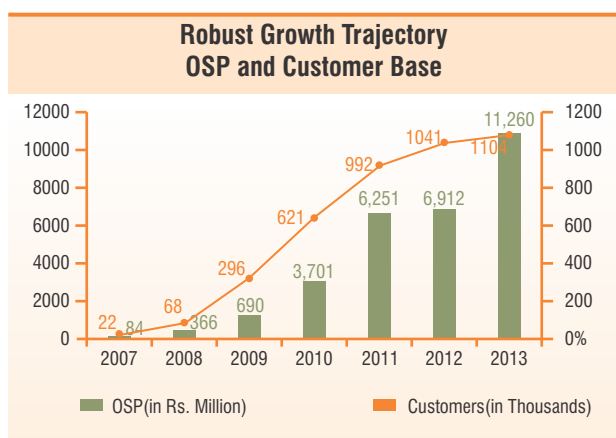
- **Client Outreach:** We are proud to report that our borrower base surpassed the 1 Million mark, registering a 23% growth over last year.
- **Business Ramp-Up:** Our loan book surpassed Rs.10 Million, reflecting an impressive 63% increase over FY2011-12.
- **Operating Efficiency:** We achieved an Operating Expense Ratio (OER) of 10.6% compared to 13.5% in FY2011-12. This is a testament to our comprehensive drive on efficiency – several business process re-engineering programs, consolidation of branches, up gradation technology innovations, product rationalization, improved efficiency of field staff, and economies of scale.
- **Enhanced Customer Service Quality:** We responded to customer demand with a great value add – a reduction in Turnaround time (TAT) for group loans: 12 days, down from 18 days. This was achieved through increased focus on pre-approved loans, remote printing and authorized signatories in branches, lower error rates, and DMS. Enhanced information dissemination and education, along with training to facilitate customer engagement was highly effective. In addition, Cashless Disbursements, along with elimination of redundant processes, also played a critical role in improving the quality of our Customer Service.
- **Financial Literacy Program Launch:** Diksha, the module-based financial literacy program developed by Parinaam Foundation, teaches our customers how to manage cash flow and track their income and expenditures. The classes also encourage a savings discipline. The Diksha team has fostered relations with public and private sector banks and actively assists participants in opening savings accounts. We believe that this small step will go a long way in promoting responsible credit behaviour in our clients. Thus far the Diksha initiative has reached 64,500 customers. We aspire to facilitate savings and Cashless Disbursements for at least 40% of our customer base in the coming year.
- **Global Accreditation of Our Quality Service Model:** Ujjivan was among the first MFIs to meet the Smart Campaign's Global Standards of Customer Protection and Responsible Lending. We executed appreciable initiatives of staff training and customer education regarding client protection principles and industry code of conduct. The Smart Campaign recognized Ujjivan for implementing all of the Client Protection Principles across operations, product offerings and its treatment of clients.
- **Awards and Accolades:** Our Inspired and motivated staff continue to bring us glory – Ujjivan was ranked the Financial Services industry's 2nd Best Place to Work, 7th Best among all companies across India and 2nd Best in Rewards and Recognition practices (awarded by the Great Place to Work Institute). This year also saw us winning the CFO Award for FY11-12 for excellence in Risk Management by CFO Institute and CFO India Magazine.
- **Social Development Program:** Our SDP initiatives have forayed into new avenues of community projects that impact local infrastructure while generating customer engagement and appreciation.
- **Profitability:** Ujjivan's bottom line received a significant boost in FY2012-13, with pre-tax profits of Rs.491.5 Million. This is wonderful news, as it follows the post-crisis year which closed at barely breaking-even.

Our landmark achievements are important signposts in our long march toward full financial inclusion for India's poor.



Operational Performance

Coming out of the 4th quarter of FY11-12, Ujjivan sustained momentum to continue on a robust business trajectory. Month-to-month business flow was consistent and led to record-high volumes in the 3rd and 4th quarters. Ujjivan disbursed Rs.15,409 Millions, a 42% growth over the previous year, enabled by high acquisitions, increased proportion of pre-approved loans and higher ticket sizes across all regions.



Customer Retention

Retaining quality clients was a major priority this year. A national campaign to both convert idle customers and reinstate dropouts was executed. We created an internal competition to motivate field staff and awarded those branches reporting the most conversions. We were very encouraged to see an overall 31% conversion rate resulting from this 5-month push.

New Branches

After a 2-year pause Ujjivan resumed geographical expansion. We stretched our footprint in Punjab by opening 7 new branches. In both Kerala and the Ahmednagar area of Maharashtra the doors of 2 new branches were opened.

Branch and Staff Productivity

Great emphasis was placed on branch and staff productivity by standardizing vintage-based efficiency parameters. The result was better accountability and clarity in both performance benchmarks as well as efficiency.

Product Rationalization

Formulation of correct loan product solution/loan amount for the RIGHT customer - Group Loans for new/early inductions, RGL for mature vintaged customers and Individual Loans for entrepreneurs with scalable enterprise, elimination of small ticket products, customization of loan products, roll-out of DMS compatible forms were completed for better efficiencies. Efforts are underway to re-launch Individual lending business with improvised product programs and aligned credit policies for boosting profitability from additional income streams.

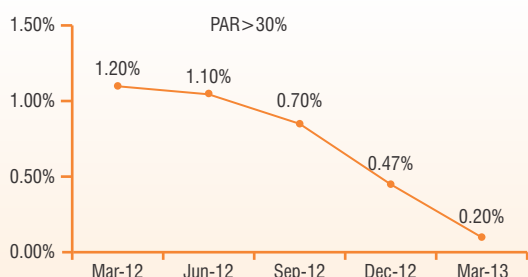
New Initiatives

Ujjivan re-launched the Home Improvement product in Q2 of FY12-13 with operational & capacity building assistance from International Finance Corporation (IFC). After thoroughly assessing the impact of the original product, a revised, enhanced plan for new implementation strategy and appraisal methodology was designed. Through a pilot program in West, Ujjivan successfully introduced a Micro-Pension offering in partnership with Invest India Micro-Pension Services (IIMPS). 107 enrolments resulted after the pilot launched in Pune with a free awareness/educational session on the benefits of the new Micro-Pension scheme.

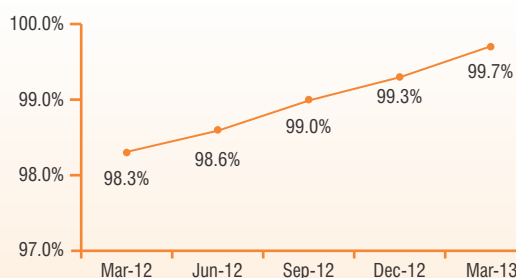
Credit Performance

Ujjivan undertook a major portfolio clean-up exercise this year, writing-off outstanding dues worth Rs.72 Million (post-crisis remnants). Our Portfolio at Risk (PAR) stood at a 5-year low of 0.25%, while our default rate hit an all-time low of 0.1% of total disbursements. Our repayment rate reached a record high of 99.73% in March 2013. Building towards the mandatory 1% provisioning required by the RBI regulation we increased the provisioning on standard assets from 0.25% to 0.65%.

Improving Portfolio Quality



Repayment Rate Trend



Interest Rate Cuts

In order to pass on benefits of Ujjivan's increased profitability to our customers, we reduced interest rates on fresh group loans by 1%, to 25%, and on repeat loans by 2%, to 24%, in Dec 2012.

As on 31st March 2013, our total customer base stood at 1,104,932, 6% larger versus last fiscal year. Disbursement during the year amounted to Rs 15,409 Million and cumulative disbursements stood at Rs.46,967 Million. The loan book grew by 63% to Rs.11,260 Million in March 2013 from Rs.6,912 Million in March 2012.

Regional Highlights

Particulars	South	North	East	West	Ujjivan
Disbursement (Rs. Million)	4,723	3,932	4,434	2,320	15,409
Outstanding Portfolio (Rs. Million)	3,496	2,976	3,150	1,638	11,260
Customers	320,549	254,326	359,392	170,665	1,104,932
Borrowers	289,205	236,429	328,433	151,985	1,006,052
PAR > 30	0.15%	0.19%	0.28%	0.18%	0.20%

North

Since establishing operations in North in 2007, Ujjivan's business has grown aggressively each year, solidifying its position as the leading MFI in the majority of its states of operation.

FY 2012-13 was clearly a period of significant growth for the region. The region's disbursements grew by 58%, OSP by 80% and the borrower base by 30% over last fiscal while the highest standards in the portfolio quality (PAR > 30 at 0.19%) were maintained. The region made a significant leap in terms of business efficiency, with most of its mature branches handling well over Rs.40 Million of OSP and 4,000 borrowers (minimum standards). It reduced its OER by 305 bps to 9.07%, the lowest among Ujjivan's Regional Offices. Profitability increased with mature branches being profitable on the net margin basis throughout the year. The region fulfilled its commitment towards community development by organizing 55 unique Social Development Programs across all its mature branches.

In FY 2013-14, the region aims to increase its portfolio to Rs 4,000+ million and inch closer to the 0.3 million-borrower mark. The Region plans to expand its footprint by opening branches in both existing states of operation, as well as in new states such as MP. Improving customer retention through better customer service and providing a more diversified range of products (housing loan, Micro-Pensions, expansion of Individual Lending) will be the key areas of focus areas going forward.

South

Ujjivan's oldest and most mature region had a very successful FY12-13 with solid growth momentum. It maintained its lead by contributing the largest percent to the organization's top line and bottom line. Disbursement grew by 28%, portfolio by 47%



and borrower base by 17%. This was facilitated through an increase in customer acquisitions and ticket sizes, supplemented by higher repeat conversions and dramatic reduction of turnaround time. Structured efficiency measures undertaken across functions, systems and process upgrades along with economies of scale enabled a 353 bps improvement in OER. 87% of South branches were profitable in March 2013, compared to only 66% as of March 2012.

The regions portfolio quality held up well with a healthy repayment rate of 99.8% (98.3% last year) and an all-time low default risk. The region stayed true to its social mission by conducting 90 Social Development Programs across all mature branches. In collaboration with customers, branches ventured into innovative projects such as rain water harvesting in the drought hit areas and model anganwadis. We also built a community resource centre to provide long-term benefits to the local population.

In FY 2013-14, the region aims to position itself among the top 2 MFIs in its states of operation. The South branches will also concentrate on customer retention and acquisition, regional expansion, and further reduction of turn-around-time (TAT). New initiatives, like Housing Finance and Micro-Pensions will be promoted and efforts to increase the Individual Lending size to 15% of total portfolio will be initiated.

East

With a network of 101 branches spread across 6 states and 39 districts and a staff of 1193 serving 359,000 customers, East represents Ujjivan's biggest regional presence in terms of operations.

FY 2012-13 was a year of powerful turnaround for the region after a challenging FY2011-12. The goal was to achieve sustainability via steady growth in business volumes, lower OER and improved efficiencies. During the year the total portfolio increased by 60%, borrower per CRS increased by 40% and OER reduced by 397 bps. 85% of East branches became profitable this year, up from 22% last FY. Robust business volumes, process and systems improvement and proactive cost management was supplemented by improved credit quality to enable the mighty turnaround. On the social front, mature branches executed 101 diverse Social

Development Program initiatives, focused on basic infrastructure, health and education.

Upon entering FY 2013-14, East will utilize the tools of Cashless Disbursements, Pre-Approved Loans and Product Diversification to ensure customer retention. In addition, the Ujjivan East team will increase branches and clusters to optimum size while exploring new areas for potential expansion. The major thrust this new year will be in the areas of Capacity Building and control of expenses.

West

FY 2012-13 saw Ujjivan's youngest region (2008 opening) march consistently ahead on its upward business trajectory, crossing the 150,000 borrower mark and hitting an OSP of Rs. 1,500 Million.

The region's portfolio grew by 38% while borrower base increased by 23% over the last fiscal. Following a 2-year hiatus, 2 new branches opened and exhibited rapid, but stable growth in a highly competitive environment. Successful consolidation and strong controls measures supported steady and stable growth throughout the region. Ujjivan West, with its high quality portfolio and a cumulative repayment rate of 99.7% is the preferred MFI in every area it operates.

Extending its product portfolio beyond plain vanilla loan services, the region piloted Micro-Pension products, receiving excellent response from customers. The region mature branches amplified their impact on a larger population by actively organizing 42 Social Development Program activities.

FY 2013-14 will be a year of evolution and growth as the West region stands ready to meet all possible challenges. The mantras for next year will be Customer and Employee Retention, geographical expansion, scaling-up of Micro-Pensions program, Housing Loans pilot, Business Efficiency with enhanced focus on Service Quality and Customer Protection.

Financial Performance

A healthy contribution to the bottom line was ensured by solid increases in monthly business volume throughout

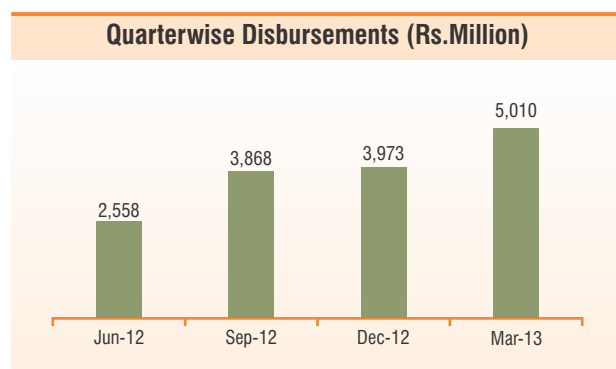
FY 2012-13. This was complemented by improvisation and reorganization of our back-end processes, systems and controls which kept costs in check and enhanced efficiency.

Ujjivan closed a significantly successful year with a pre-tax profit of Rs.491.5 Million and post-tax profits of Rs.338.5 Million, ensuring a promising return to all our stakeholders – investors, customers and employees. After considering cumulative profit of Rs.445.92 Million and transfer to Statutory Reserve, Ujjivan's profit stands at Rs.378.22 Million as at 31st March 2013.

The Business Efficiency Program continued this year with full vigour. Areas of focus included even-form flow, synchronization of disbursements and collections, Cashless Disbursements and Pre-Approved Loans, among other measures to reduce loan turnaround time.

The Operational Expense Ratio (OER) sustained its positive trajectory, dipping to 10.6% in March 2013 from 13.5% one year ago- a standing testimony of our improving efficiencies and economies of scale.

Solid Business Flow during the year



Resource Mobilization

Ujjivan's prudent fund management delivered a very comfortable funding position at all times during the year and ensured continuity of a significantly positive ALM. Ujjivan raised Rs 7,160 Million (53% increase over last year) from banks and financial institutions without resorting to any asset sale or securitization. Total borrowings as on March 31, 2013 stood at Rs 9,974.6 Million (previous year: Rs 6,172.4 Million).

During the year the Company diversified its funding sources further by raising Rs 550.0 Million of term loans through guarantee structure for the first time. Asian Development Bank and IFMR were the guarantors for the transaction. The borrowings rose in line with growth in business volumes and increased the leverage. The Debt to Equity ratio rose to 3.17 on March 31, 2013 compared to 2.60 on March 31, 2012, pursuant to a successful equity infusion in the last quarter.

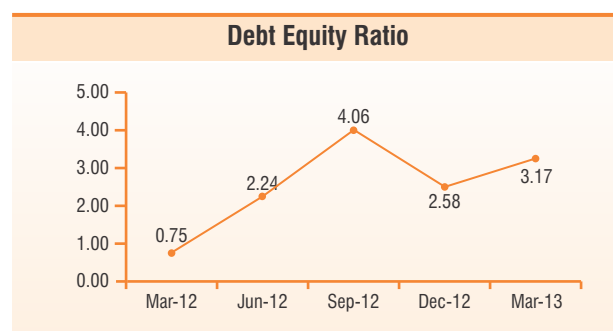
The Company's rating for borrowings stood at "BBB+" by CARE and "LBBB-" by ICRA.

Ujjivan will continue to take suitable steps for raising long-term resources to secure timely funding for its growing business and to optimize its loan maturity profile. The comfortable funds position of Rs.1,730 Million as of year-end, coupled with undrawn limits and proposals in pipeline, are great enablers for significant business momentum in the ensuing financial year.

Equity Infusion

Ujjivan raised Rs.450 Million (USD 9 million) equity capital from IFC, a member of the World Bank Group while Foreign Institutional Investor FMO (Netherlands Development Finance Company) invested an additional Rs.22.8 Million (USD 0.45 million) to its current funding of Rs.326 Million (USD 6.52 million). With this second tranche in September 2012, the total equity infusion of its 5th round of equity infusion amounts to Rs.1,751.8 Million (the first tranche of Rs 1,279 Million closed in January 2012), one of the highest received by an MFI in India this year.

The Capital Adequacy Ratio (CAR) is 27.27% as of 31st March 2013 against Reserve Bank of India's CAR requirement of 15%.



Credit Rating

CRISIL has assigned the Company's mfr2 grading in October 2012. CARE has assigned a 'CARE BBB+' rating to Ujjivan during the same time for its bank loan facilities of Rs 5,000 Million.

Regulatory Compliance

The Company is a systemically important non-deposit taking NBFC and has complied with all applicable regulations of the Reserve Bank of India. As per Non-Banking Finance Companies RBI Directions 1998, the Directors hereby report that the Company did not accept any public deposits during the year and did not have public deposits outstanding at the end of the year. The company is in compliance with the RBI notifications (dated 3rd May 2011 and subsequent amendments dated 2nd Dec 2011 and 3rd August 2012) for Bank Loans to the MFIs and is qualified for the NBFC-MFI status. Ujjivan has filed its application for NBFC-MFI status with the RBI and the same is currently with the Central Office. Further, the RBI notification of 31st May 2013 permits all NBFCs to operate within a margin cap of 12 % for the FY 2012-13 and FY 2013-14 . Ujjivan is well within the above regulatory norm.

Risk Management

Credit Risk

For FY 2012-13, our credit management initiatives were directed towards portfolio clean-up, collections, prudent credit assessment and robust branch-wise policies. Timely initiatives ensured a healthy and a stable portfolio with an all-time low default risk.

Knowing that lower TAT is positively correlated to lower credit risk, we aligned our salient credit initiatives this year to our efficiency objective to lower loan TAT. As customers value speed of service, lower TAT attracts the best quality customers and mitigates risk of default. Ujjivan launched the 3-step customer filtering process at the field, GRT and credit approval stages to weed-out customers not qualified for MFI loans. This reduced rejections at the credit bureau, improving loan processing time and cutting costs. The Automation of Credit

Bureau reviews also contributed to lower loan disbursement TAT as it shrank the credit approval window. We added the services of a 2nd credit bureau, Equifax, which strengthened association tie-ups and reduced single-bureau dependency. Ujjivan now utilizes two robust data bases to analyse borrower trade lines and to make more informed loan decisions.

Our credit risk was further contained by the roll-out of the following new processes and guidelines:

Pre-Approved Loans and graduation of clients to Revised Group Lending, removal of financial guarantee in higher cycles, branch-wise credit policies aligned to occupation, income levels, credit history, and external risk (including political & socio economic factors). Further, the portfolio clean-up exercise helped us shed the baggage of past non-collectibles while we reinforced collection management practices. Overdue tracking mechanisms ensured a solid portfolio quality with minimal default risk of 0.1% of total loans disbursed during this year and a healthy repayment rate of 99.73% (vs. last year's 98.32%).

As a result of relevant process and policy modifications, we witnessed minimal incremental defaults and closed with an all-time low credit cost. However, we have increased the provision on standard assets to meet RBI norms of 1% provision on the total portfolio.

Way forward, our focus is to implement DMS (credit underwriting through the online interface) to improve efficiencies and to also re-engineer individual lending credit policies by adopting good practices from NBFCs, especially for open market clients.

Operational Risk

High staff turnover, fraud and theft vulnerability, cash handling security and allied risks will continue as focus areas of Risk Management this year. Ujjivan's Vigilance function has a proactive role. It not only addresses issues ex post facto, but also works as a preventative mechanism. Experienced specialists have joined the Vigilance team, each cluster of our operations has a dedicated panel of reputed lawyers, and retired senior police officers are serving as consultants in high-risk areas to ensure alignment to business.

Both fraud and cash-in-transit are constant risks for most NBFC-MFIs. Ujjivan, therefore, has prepared well to address this dynamic. Every key loss caused to the organization, either in financial or reputational terms is effectively handled and dealt with appropriately under thoughtful, existing disciplinary procedures. Follow-up with periodic check of portfolio based on audit reports and trends analysis is gradually becoming an integral part of preventive Vigilance.

Prudent day-to-day cash management continues to be a priority, along with the monitoring of idle funds and management of timely investments. Disbursements are synchronized with collections in order to optimize the window for immediate redirect of repayment proceeds. This strategy minimizes the risks of cash handling, while facilitating cost savings, as the need for third-party cash management services is removed. The successful national roll-out of Cashless Disbursements has produced similarly valuable dual benefits. As a result of our encouragement and assistance in opening bank accounts, customers gain security and safety, as well as the opportunity to execute new savings behaviour.

Sector Risk

The creation of a separate category – “NBFC-MFIs” – within the financial services sector along with the drafting of new RBI Regulations has brought in lot of regulatory clarity. Furthermore, there is a continuous dialogue with regulators regarding key issues ably facilitated by MFIN (Micro Finance Institutions Network) and other industry associations.

The Microfinance Bill which has yet to be formally enacted aims to broaden the scope of services provided by the MFIs. The intention is to go beyond microcredit by adding savings products, remittances, pensions, insurance and more to their product portfolios. And, wide powers are to be given to RBI for regulating the sector.

Consolidation of the industry is in progress. MFIs will consider inorganic expansion to strengthen their portfolios. The small floundering players will make attractive buyout targets for the larger players. Cautious and controlled growth built on responsible lending is the current mantra, as aggressive expansion plans of the pre-crisis regime have been dismissed.

The key to survival in what is now a hugely competitive and regulated environment will include the restructure of traditional operation models along with investment in technology to improve operating efficiencies while streamlining costs. Fundamental operational changes being implemented by MFIs include conversions to Cashless Disbursements, to minimize loan processing time, utilization of mobile technology for real-time reports of customer transaction activity, and the use of biometric scanners to verify collections. With disclosure of pricing and lending norms now mandatory, transparency has been enhanced in the sector.

Ujjivan's priorities are to achieve greater efficiencies in processes and systems and minimize both operating costs and loan processing time. This, in turn, will deliver more tangible benefits to our stakeholders, retain more customers and employees, and also enhance customer & community engagement. Additionally, we have begun exploring additional income streams by launching the micro-pension services and re-launching the individual lending business.

Audit and Internal Controls

Ujjivan has well-defined Internal Audit and Control systems in place. Our Internal Audit plan is approved by the Board Audit Committee at the beginning of each financial year and is reviewed quarterly.

The Internal Audit department is responsible for monitoring and evaluating the internal controls of the organization and also its adherence to various statutory & regulatory compliances. These audits are carried out at the Branches, Regional offices as well as at the Head Office. While the branch and field audits are carried out by the in-house Internal Audit team, the audits at Regional Offices and Head Office are carried out by an independent Audit firm appointed by the Board. Ujjivan follows internationally practiced Microsave's Loan Portfolio Audit Process (LPAT) and branches are evaluated on risk-based approach.

Branch & Field Audits: Ujjivan's strong in-house Regional Audit teams, headed by Regional Audit Managers, carry out the branch and field audits according to a pre-defined plan which includes frequency parameters. Each branch is subjected to a minimum of 3 complete audits annually, while



the substandard branches are audited 4 times a year. These are comprehensive audits covering both field and back office processes, including extensive independent customer visits. Each audit lasts 12 to 14 days. Based on the audit observations and scores, the branches are assigned grades of A, B, C or D. The internal audit team also carries out business area cross-checks, surveys of branch work areas, negative area cross-checks fraud investigations and special audits.

Functional Audits: The Internal Audit firm of the company carries out comprehensive quarterly audits covering the entire gamut of functions including HR, Operations, Credit, Administration, Finance and Accounts at all the Regional Offices and at Head Office. The firm is also responsible for auditing Ujjivan's adherence to all regulatory and statutory guidelines that have been prescribed for NBFC-MFIs.

A strong compliance monitoring mechanism ensures that all critical issues are tracked until closure within specified timelines. All critical audit findings are presented at the National Leadership Team meetings and monthly inter-departmental meetings. These are also presented to the Board Audit Committee which meets quarterly. The Board Audit Committee is also presented with monthly updates summarizing audit trends and critical issues.

Service Quality

Ujjivan excels in all aspects of service quality including Customer Care and Protection. This is achieved through the implementation of Client Protection best practices, comprehensive code of conduct and Fair Practice Code training, strengthening of the Customer grievance redressal procedures, educating customers on financial literacy and discipline. The team has also been involved in various process improvement projects under the Business Efficiency Program, detailed coverage of which has been made in a separate section of this annual report

Information Technology

Ujjivan has ensured continuous focus on innovation in order to optimize the benefits of our strong IT infrastructure. With all branches now web-enabled, online real-time transaction

processing has dramatically reduced turnaround time for data entry, processing and recording of transactions and customer record checks. Increased productivity and reduction in TAT has resulted.

The key focus this year has been the implementation of the Document Management System (DMS), which has been successfully implemented in 47 branches in South. The results have been very promising – loans processed on DMS had the lowest TAT. We plan to roll out DMS across all our branches in the coming year.

Human Resources Development

One of the key strengths that helped Ujjivan emerge from the MFI crisis unscathed is its ability to take staff and customers on its stride. This year, we approached the margin cap regime through building better efficiencies in our staffs who handle the existing line of business - group lending; bringing the right people on board including those in new business initiatives like Individual lending and housing and by focusing on overall capacity building of the Human Resources at Ujjivan to meet the changed business scenario.

Building better efficiencies:

Having addressed most measures on austerity & cost control last year, the Leadership Team had focused-discussions to identify the top item that impacted branch efficiency. Branches with high staff stability were identified to be 67% more efficient than the others. Various employee engagement initiatives were initiated with respect to recognition, rewards alignment and key talent retention to improve efficiency.

Ensuring Right Hiring:

What keeps our employee engagement scores & motivations levels one of the highest (at 95% compared to India's Best at 88% in the Great Places To Work Report 2012) is the work we do and the impact we can see on the lives of the working poor. Ujjivan therefore, strongly believes that bringing the right people in is the primary key to creating this culture. Instead of just hiring people based on referrals from existing employees, we asked our customers to refer potential candidates to us. Over 63% of the field staff hired during the year were through

employee and customer referral programs. These employees were comfortable working in tough environment such as urban slums.

Capacity Building:

During the year, Ujjivan initiated focused actions build Management Talent & Leadership Pipeline at various levels.

- The Campus Engagement Program was launched with our regular B-School campuses. This year we had an all-time high response of over 70 students wanting to join Ujjivan at each Management School Campus. The attraction to Ujjivan was on the Leadership Development approach of our Management Associate Program, Ujjivan's focus in building a strong institution, Overall quality of Leadership and being rated the Best MFI and a Best Employer. We closed the year with hiring 13 Management Associates.

The MDP is an extensive orientation program spread over 4 weeks with a mix of classroom sessions covering details on organization, values, products, process and field visits. This year we have also invited 6+ guest lectures from sector / Industry body viz. Credit Bureau, Aadhar, MFIL to provide a larger perspective.

- Key Talent Management Program was launched to identify Top 100 talent at Ujjivan who have the potential to handle higher roles. A Mentorship program with the Leadership Team members was put in place to engage with these key resources in addition to the Open house session with CEO and Business Leaders.
- Training and Developmental needs were identified for the Direct Reportee of the National Leadership Team members. The participants were covered through various learning interventions involving External Training Programs on Project Management, Supervisory Skills, Compliance and In-house programs on Advance MS Excel, Financial Analysis. The Programs also included Cross functional/regional Exposures.
- As a part of the Continuing Education Initiative, 100 participants are being sponsored for a Certificate in Microfinance Program offered by Indian Institute of Banking and Finance, Mumbai.

- Leadership Team members also visited Grameen Bank & BRAC Bangladesh, for specific exposure to the Individual Lending business.

Overall, being a good employer is the way of doing business at Ujjivan. Our employees see relevance in most of our HR practices and repeatedly recognize us among the Best Places To Work. In 'India's Best Companies to Work for 2013' Award organized by the Great Place to Work Institute & The Economic Times, Ujjivan climbed from # 21 in previous year to # 7, breaking into the Top Ten benchmark.

Other Best Practices for which we received honours: Rewards and Recognition (No.2 Best Organization in 2013); Leadership Development (No: 3 Best Organization in 2012);

Community & Customer Programs

Our microfinance plus programs- Social and Community Development projects-continued with great vigour. They included health camps, sports days for customers' children, and financial literacy and vocational training courses, executed in partnership with Parinaam Foundation.

In the third year of our sustainable Social Development Program, we spent Rs.7.06 million in for 288 projects at 290 branches benefiting over 87,000 children and over 50,000 families.

The SDP (Social Development Program) has seen an increase in community participation and more innovative projects. This year we have forayed into new avenue such as Rain Water Harvesting in water deficient areas and a community resource centre for imparting skills training for customers on tailoring, computer classes. The centre also houses a library for children.

Our primary focus this year has been driving Diksha – the module-based program developed by Parinaam which teaches customers how to manage their income, debt and savings. We have reached more than 64000 customers with Diksha. Ujjivan believes firmly marching forward until we provide financial literacy training for all who make up our 1 million+ customer base.





Ujjivan Pays Homage to Late Shri Achhelal Prasad, Senior CRS, Lalganj Branch, Bihar

Achchhelal was the example for all that Ujjivan values stands for. On Oct 19, 2012, Achchhelal was shot and the collection amount was snatched from him. He lost his life before he could get required medical attention.

Achchhelal hailed from the village Sughari of Siwan district in Bihar. He came from a very poor family. He was the third child of his parents and has three other brothers. Since he lost his father very early in life, he had to teach others to enable continuing his education. In spite of all the hardships, he achieved the academic distinction of having the highest level of education in his village - he completed his Masters of Arts in History.



He joined Ujjivan as an office boy at Hajipur Branch. Achchhelal's hard work was noticed by all and he got inducted as a CRS (field staff) in Ujjivan on September 6, 2010 and transferred to Lalganj branch where he worked for two years. He was the 'Best CRS' of the branch twice in a year. Being a diligent employee, he got promoted to a Senior CRS in September, 2012. He was a very polite and gentle, liked by all he came in touch with.

He was 32 years at the time of his demise and is survived by his wife Sumanti Devi and three small daughters, who are three, six and eight years of age. Like any employee, Achchhelal wanted to give good education to his children and take care of his family. With this incident Ujjivan and the Industry lost one of their diligent employees who worked selflessly for the customers.

Ujjivan Response:

Strongly condoning the incidence, Ujjivan took up the issue seriously at various levels of District Administration, Media and Police. Senior Officers attention were drawn to the concern of rising crime in the Vaishali District of State of Bihar. The support of these officials significantly helped the Industry in addressing similar concerns post this incident.

Ujjivan took immediate steps to address employees concerns and family care :

- Employees came together and raised one day's salary on a voluntary basis towards financially supporting Achchhelal Prasad's family. The contribution was match funded by Ujjivan.
- A trust was formed to invest the Fund to provide a regular income for Achchhelal's family. This is in addition to the statutory benefits such as Provident Fund, Gratuity, ESI and Accidental Insurance;
- Parinaam Foundation supported the CBSE education of his children through their Academic Adoption Program;
- HR and the Leadership Team members made weekly visits and worked closely with branch staff addressing employee concerns and to provide morale support to handle the situation;
- During the period of cash collection, Police Support were provided to the staff at Lalganj;
- Considering Employees larger concerns that came up during interactions on the dependent benefits that their family would require in case of any untoward incidence, Ujjivan took a Life Term cover from Birla Sun Life Insurance of Rs.3,00,000 for staff and Rs.5,00,000 for officers and managers. The Benefits were communicated through HR and the Supervisors in vernacular language to all employees across locations.



Building a Better Life

Sarika

Pune, Maharashtra

Her Dream

To provide her children with a quality education so they never have to depend on anyone else

Her Traits

Strong, Independent, Responsible

Her Story

Married at 15 years old to an abusive drug addict, Sarika had to grow-up quickly. Her children's welfare and the household finances were on her shoulders. She struggled for years while making meager earnings as a tailor. This strong young woman yearned to be her own boss at work, as she was in her personal life.

Loan Story

When her friends introduced her to Ujjivan, Sarika took her power back. With her first loan she immediately purchased her own sewing machine and began to compete as an independent tailor. Soon, she bought two more machines and began teaching sewing classes. Profits from both ventures, plus another loan from Ujjivan, enabled Sarika to open a kachchi/accessories shop as well.

Today

Sarika is very proud to own her own shop and tailoring business and to also be an instructor. Her husband no longer drinks and is able to maintain a steady job as a plumber. Her kids attend a reputed school. This gives Sarika hope that they will have the kinds of opportunities she never had. Her family is financially stable, but she of course continues to dream about an even bigger future.

Her Words

"If there is no struggle, there is no progress."





Corporate Governance Report

Principles of Good Corporate Governance such as ethical approach, balanced objectives, inclusive decision-making process, Strategic Management, equal concern for all stakeholders, accountability and transparency are the foundations of Ujjivan's business ethos. The Company does not view Corporate Governance principles as a set of binding obligations, but believes in using it as a framework to be followed in spirit.

Ujjivan is committed to fair practices and is transparent in all its activities and processes with its various stakeholders.

Board of Management

Board of Directors

- **Mr.K.R.Ramamoorthy**, Independent Director - Former Chairman and Managing Director/CEO of Corporation Bank and ING-Vysya Bank
- **Mr.Sunil Patel**, Independent Director - Chartered Accountant and Management Consultant
- **Ms.Vandana Viswanathan**, Independent Director - HR Consultant
- **Ms.Mona Kachhwaha**, Shareholder Director from IFIF-Director, Investments at Caspian Advisors Private Limited
- **Ms.Christina Juhasz**, Shareholder Director from WWB ISIS Fund - Chief Investment Officer at WWB ISIS FUND
- **Mr. Christopher Miles Brookfield**, Shareholder Director from Elevar Equity & Mauritius Unitus - Managing Director, Elevar Equity
- **Mr. Mohit Bhatnagar**, Shareholder Director from Sequoia Capital - Managing Director, Sequoia Capital
- **Mr. Venkatesh Natarajan**, Shareholder Director from Lok Capital - Managing Director, Lok Capital LLC
- **Mr. Sanjiv Kapur**, Shareholder Director from WCP Holdings III - Managing Director at Wolfensohn Fund Management

- **Mr. K.Natarajan**, Nominee Director from SIDBI
- **Mr.Samit Ghosh**, CEO & Managing Director Ujjivan

Meetings held

During Financial Year 2012-13 the Board met four times and the meetings of the Board of Directors were held on 15th May 2012, 8th August 2012, 5th December 2012 and on 22nd March 2013.

Brief Terms of reference include

Evaluation on the Company's strategy, setting goals, policies for critical operations of the Company, ensuring adequacy and effectiveness of internal control, Risk Management review and making appropriate strategies for implementation of appropriate policies to ensure risk mitigation, regular review of all macro policies and strategies, compliances and achievements in line with the regulations and business plans.

Changes in Board composition

Mr.K.Natarajan is appointed as a Nominee director from SIDBI in place of Mr. S.N.Gowan w.e.f. 3rd July 2012.

Ms.Mona Kachhwaha and Ms.Christina Juhasz are appointed on the Board of the company w.e.f 8th August 2012 and 5th December 2012 (As Additional Directors) respectively . The Board welcomes the new Directors inducted during the year under review.

Mr.S.N.Gowan, SIDBI Nominee Director and Mr. Viswanatha Prasad, Shareholder Director, resigned from the Board of Directors of the Company w.e.f 3rd July 2012 and 8th August 2012 respectively. The Board places on record its appreciation for the contribution of the outgoing Directors during their tenure.

Internal Guidelines on Corporate Governance

The Board ensures good corporate governance in terms of sound business policies and practices, adherence to compliances, and protection of the interests of all

stakeholders. During the year, the Board reviewed the existing procedures and policies on Corporate Governance and made certain additions to further strengthen the governance practices. Revised Governance Code approved by the board in line with the regulatory framework and corporate best practices has come in to effect from January 01, 2013 and an extract of the same is published on the company's website.

Fair Practice Code and Client Protection measures

Ujjivan has adopted the Fair Practices Code advocated by the Reserve Bank of India as well as the Fair Practices Code and Client Protection principles formulated jointly by the Microfinance Institutions Network (MFIN) Sa-Dhan and AKMI. The same is posted on the website of the company. Ujjivan also endorses Smart Campaign, a global initiative by ACCION on client protection principles and Best Practices.

The Smart Campaign is a global campaign committed to embedding client protection practices into the institutional culture and operations of the microfinance industry. Smart Campaign certified Ujjivan in January 2013 that the Company meets adequate standards of care in implementing all of the Client Protection Principles through their operations, product offerings and treatment of clients.

All the Board Members and senior management personnel have affirmed their compliance with the Fair Practice Code.

Committees of the Board

A) Audit Committee

Committee Composition

- Mr. Sunil Patel
- Mr. K.Natarajan
- Mr. Venkatesh Natarajan

Meetings held

During Financial Year 2012-13 the Committee met four times and the meetings of the Committee were held on 15th May 2012, 8th August 2012, 4th December 2012 and on 21st March 2013.

Terms of Reference

- The Committee is responsible for Reviewing the quarterly, half-yearly and annual financial statements before being presented and recommended to the Board.
- Supervising internal audit activities, including reviewing the annual internal audit plan and the internal audit reports.
- Recommending to the Board the accounting policies and practices of the Company as well as reviewing all accounting issues that have a significant effect on the financials of the Company
- Reviewing the Company's internal controls and their adequacy
- Recommending to the Board the appointment or the removal, the remuneration and other contractual terms of the external statutory auditors.
- Assessing the objectivity of the external auditors including the consideration of any other non-audit work performed by the external auditors.

The Board reviews the functions of the Audit Committee every year and gives its suggestion for its effective and efficient functioning.

B) Risk Management Committee

Committee Composition:

- Ms. Mona Kachhwaha
- Mr. Venkatesh Natarajan
- Ms.Christina Juhasz
- Mr. K.R.Ramamoorthy
- Mr.Samit Ghosh

Meetings held

During Financial Year 2012-13 the Committee met four times and the meetings of the Committee were held on 15th May 2012, 8th August 2012, 4th December 2012 and on 21st March 2013.



Terms of Reference

- Reviewing the Risk Management Strategy and Policy before being approved by the Board and assessing its effectiveness on a continuous basis.
- Reviewing the Credit Risk policy including the risk acceptance criteria, identification of early warning signals, reviewing Loan Loss provisioning and write off policies and the reports by the credit risk committee of executive management.
- Reviewing the Liquidity risk along with reports of the Assets & Liabilities Committee of the Executive Management on a periodic basis.
- Reviewing the Operational Risk events that had occurred during the quarter and the systemic improvements taken/proposed by the Executive Committee of Management dealing with operational risk.

C) ALCO Committee

Committee Composition

- Ms. Mona Kachhwaha
- Mr. Venkatesh Natarajan
- Ms. Christina Juhasz
- Mr. Samit Ghosh

Meetings held

During Financial Year 2012-13 the Committee met four times and the meetings of the Committee were held on 15th May 2012, 8th August 2012, 4th December 2012 and on 21st March 2013.

Terms of Reference

- Reviewing the Liquidity risk along with reports of the Assets & Liabilities Committee of the Executive Management on a periodic basis.
- To monitor the asset liability gap and strategize action to mitigate the risk associated.
- Liquidity & Interest Rate Risk Management

- Funding and Capital planning,
- ALM reporting compliances

D) Nomination Committee

Committee Composition

- Mr. K. R. Ramamoorthy
- Mr. Sunil Patel
- Mr. Christopher Brookfield
- Mr. Samit Ghosh

Meetings held

During Financial Year 2012-13, three meetings of the Nomination committee were held on 2nd July 2012, 8th August 2012, and on 4th December 2012.

Terms of reference

The Committee is responsible for:

- Ensuring process of “due diligence” to determine the suitability of the candidate for appointment/continuing to hold position, as a Director on the Board based upon his/her qualification, expertise, track record, integrity and other fit and proper criteria
- Recommendation to the Board of Directors for appointment of Director(s)

E) Human Resources & Compensation Committee

Committee Composition

- Ms. Vandana Viswanathan
- Mr. Christopher Brookfield
- Mr. Mohit Bhatnagar
- Mr. Samit Ghosh

Meetings held

During Financial Year 2012-13 the Committee met four times and the meetings of the Committee were held on 15th May 2012, 8th August 2012, 4th December 2012 and on 21st March 2013.

Terms of Reference

The Committee's responsibilities include

- Review regularly and approve the Company's programs for executive development and employee development for senior management positions, including performance and skills evaluation, training, talent retention, talent management, wellness, management depth and succession planning.
- Develop, review and approve the principles guiding the Company's executive compensation philosophies.
- Review annually and approve the Company's compensation strategy
- Assure that the bonus plan is administered in a manner consistent with Company's compensation principles and strategies including:
 - ESOP administration
 - Company's policies relating to executive management succession and executive organization development
 - Review of compensation of members of the Board
 - Review the operations of the Trust/s set up by the Company for relief and support of employees and customers.

F) Governance Committee

Committee Composition

- Mr. K.R. Ramamoorthy
- Mr. Sanjiv Kapur
- Mr. Sunil Patel
- Mr. Samit Ghosh
- Mr. Christopher Brookfield

Meetings held

- During Financial Year 2012-13 the Committee met one time and the meeting of the Committee was on 4th December 2012.

Terms of reference

- Directing the preparation of the Company's "Corporate Governance Code", reviewing the Code annually and recommending changes, if any, and supervising its implementation.
- Reviewing the structure of various Committees of the Board, their composition and also composition of the Board to ensure the efficacy of the Board and its Committees.
- Ensuring the directors before induction and existing Directors before reappointment pass the "fit and proper" criteria.
- Consider and recommend to the Board, the remuneration for the Chief Executive and Independent Directors.
- Recommend to the Board the MD's Salary, bonus and other incentives and equity compensation and, in connection with such determination periodically review and approve the goals and objectives assigned to the MD and evaluate the MD's performance in light of such goals and objectives.

G) Business & Social Performance Committee

Committee Composition

- Mr. Venkatesh Natarajan
- Mr. Mohit Bhatnagar
- Mr. Sanjiv Kapur
- Ms. Vandana Viswanathan
- Mr. Samit Ghosh

Meetings held

During Financial Year 2012-13 the Committee met four times and the meetings of the Committee were held on 15th May 2012, 8th August 2012, 5th December 2012 and on 21st March 2013

Terms of Reference

- This Committee's duties and functions shall be primarily to undertake review of the business and social performance



and propose to the National Leadership Team strategic directions subject to the Board approval

- The objective is to oversee social programs undertaken by the Company and monitor economic and social impact on customer.

The Company is well supported by a team of Auditors, Advisory Group, Resource partners, Legal counsel and Banks & Financial Institutions who have partnered in the Company's growth and success

Advisory Group

- Mr. Jaithirth (Jerry) Rao, Ex- Chairman and CEO, Mphasis
- Mr. Vijay Mahajan, Chairman, BASIX
- Mr. Bhaskar Menon, Private Equity professional
- Mr. Vishnu R. Dusad, Founder and Managing Director, Nucleus Software Exports Limited
- Mr. Ravindra Bahl, Managing Director, Chrys Capital

Partnerships

- Grameen Trust
- Unitus
- Women's World Banking (WWB)

Membership of Industry Associations

- Association of Karnataka Microfinance Institutions (AKMI)
- Association of Microfinance Institutions West Bengal (AMFI)
- Microfinance Institutions Network (MFIN)

- Sa-Dhan (Association of Community Development Financial Institutions)

Banks and Financial Institutions

A select few of our funding institutions

- Axis Bank
- Bank of America
- Corporation Bank
- Credit Agricole
- DCB Bank
- Dhanalakshmi Bank
- ING Vysya Bank
- IDBI Bank
- Ratnakar Bank
- Small Industries Development Bank of India (SIDBI)
- Standard Chartered Bank
- State Bank of India
- State Bank of Travancore
- Syndicate Bank

Auditors

- Deloitte Haskins & Sells (statutory)
- V. Nagarajan & Co.

Market Research Agency

- Delphi Research Services (P) Ltd.

Legal Counsel

- Universal Legal



Building a Better Life

Impact Assessment Survey

Delphi Research & Ujjivan Financial Services

How do we, as an MFI, impact the lives of our customers?

To answer this question Ujjivan commissioned Delphi Research Services to survey our customers. Interviews were executed in 2010. In 2013 borrowers still active were questioned again. Delphi plans to publish the entire report in late 2013. Here's a glance at the progress returning customers of Ujjivan are making:



Well-Being

In 2013, 87% of customers stated that their life was “Good” to “Very Good”. Just 60% had reported the same in 2010.

Optimism

In 2013, 96% of customers stated they believed their life was “going to improve” in the next 3 years. Only 85% felt this optimistic in 2010.



Income

Among all returning customers, the average monthly income rose by 47%. Among self-employed customers, monthly incomes rose by 85%.

Surplus

Active Ujjivan customers in 2013 reported a surplus of 21% of monthly income. A deficit of -4% was reported in 2010.

Access to Running Water

In 2013, 71% of returning customers had access to running water, up from 54% in 2010.

Education

Up from 28% in 2010, 40% of customers' children now attend a private school.



Impact Assessment Survey, Delphi Research Services Pvt. Ltd. for Ujjivan Financial Services Pvt. Ltd. Baseline survey, Jan. 2010: 3,272 active Ujjivan customers. Round 2 survey, Jan. 2013: 1,319 of the 1,484 still active borrowers from the Baseline. Conducted across 15 towns and 9 states in India.



Directors' Report

The Members,

Your Directors are pleased to present the Ninth Annual Report of your Company together with the Audited Statement of Accounts and the Auditors' Report of your company for the financial year ended, 31st March, 2013. The summarized financial results for the year ended 31st March, 2013 are as under:

Particulars	FY 2012-13 (Rs.)	FY 2011-12 (Rs.)
Operating Income	2,225,188,809	1,482,431,244
Other Income	114,096,905	80,600,649
Total Income	2,339,285,714	1,563,031,893
Less: Operational Expenses		
Personnel Expenses	657,633,842	601,677,317
Administrative Expenses	289,625,706	271,893,415
Finance Charges	806,244,957	585,869,855
Depreciation	25,216,963	24,035,704
Provision For Doubtful Debts	69,026,691	57,624,664
Profit/(Loss) Before Tax	491,537,555	21,930,938
Profit/(Loss) For The Period	491,537,555	21,930,938
Less: Income tax	161,000,000	15,800,000
Less: Deferred tax	(7,986,760)	(11,017,456)
Profit/(Loss) After Tax	338,524,315	17,148,394

Review of Operations

The operational highlights for the financial year ended 31st March 2013 include:

- 301 branches across 20 states
- Customer base of 11,04,932 and cumulative disbursement of Rs 46,967 Million

- Loan outstanding up from Rs. 6,912 Million the previous financial year to Rs 11,260 Million

Ujjivan has had profitable operations for a consecutive third year and returned a post tax profit of Rs.338.52 Million. It has transferred an amount of Rs.67.70 Million to statutory reserve fund in accordance with the provisions of Section 45- IC of The Reserve Bank of India Act 1934. After considering cumulative profit of Rs.445.92 Million and transfer to Statutory Reserve, Ujjivan's profit stands at Rs.378.22 Million as at 31st March 2013.

Dividend

The Board has recommended a dividend of Rs. 0.25 per Equity share for this year amounting to Rs.19.18 Million (including dividend distribution tax of Rs.2.79Million.)

Credit Rating

CRISIL has assigned the Company's mR2 grading in October 2012. CARE has assigned a 'CARE BBB+' rating to Ujjivan for its bank loan facilities of Rs 5,000 Million and NCD of Rs 1010 Million. ICRA assigned "LBBB-" for NCD 250 Million.

Capital Adequacy

The Capital Adequacy Ratio of the company was 27.27 as of 31st March 2013 as against the minimum capital adequacy requirements of 15% by RBI.

Corporate Governance

Clause 49 of the Standard Listing Agreement and the Corporate Governance report under this clause are not applicable to the company. However, a corporate governance report is attached and forms part of the Directors report.

Management Discussion and Analysis

The Management Discussion and Analysis Report, highlighting the important aspects of the business, forms part of this report.

RBI Guidelines

The Company being a systematically important non deposit taking NBFC has complied with all applicable regulations of the Reserve Bank of India. As per Non-Banking Finance Companies RBI Directions, 1998, the Directors hereby report that the Company did not accept any public deposits during the year and did not having public deposits outstanding at the end of the year. The RBI classification of Ujjivan as NBFC-MFI is under process.

Code of Conduct, Transparency & Client Protection

The Company has fully implemented the Reserve Bank of India's Fair Practice Code and also adopted Sa-dhan's Microfinance Institutions Network's (MFIN), AKMI Codes of Conduct.

Ujjivan is proud to be the sole representative from Indian microfinance institutions, on the international steering committee for 'Smart Campaign'. It is a campaign initiated by Accion International and CGAP (World Bank) for Client Protection in Microfinance.

Corporate Social Responsibility

Ujjivan has a holistic approach to poverty alleviation, partnering with Parinaam Foundation, a not for profit organization (Section 25 Company), for programs in health care, financial literacy, education and vocational training for Ujjivan's customers and their family members.

Ujjivan also conducts self-sustained Social Development Programs along with staff, customers and the communities where we work. The program follows a decentralised and participatory approach with the view to empowering the customers and the branch team to jointly decide and undertake needed community development projects to benefit

the families especially children. In 2012-13, 288 programs were carried out in 290 branches, with more than 87,000 beneficiaries in institutions including state government-run anganwadis. A total of over Rs.7.06 Million was spent on this program. We plan to cover more branches in the near future.

Conservation of Energy, Technology Absorption

Since the Company does not own any manufacturing facility, the particulars relating to conservation of energy and technology absorption as stipulated in the above Rules are not applicable.

Exchange Earnings and Outgo

The Foreign Exchange Inflow for the Company during the year was Nil (previous year- NIL).

The Foreign Exchange outflow during the year towards revenue expenses is Nil (Previous year Nil).

Directors

Mr.S.N.Gowan (SIDBI Nominee) resigned during July 2012 , Mr.Viswanatha Prasad resigned during August 2012 and Ms.Geeta Goel resigned during September 2012 further Mr.K.Natarajan (SIDBI Nominee) appointed during July 2012, Ms.Mona Kachhwaha appointed during August 2012 and Ms.Christina Juhasz appointed during December 2012 on the Board of your company. The Board of Directors place on record its appreciation for the services of the outgoing Directors and welcome the new Directors inducted during the year under review.

The Board of Directors of the Company consists of the following Directors as on 31st March 2013. The number of board meetings eligible to be attended, and actually attended by the Board of Directors are also indicated hereunder:



	Name of the Director	No. of meetings held during their tenure	No. of meetings attended
1	Ramamoorthy Rajagopalan Kuttalam	4	4
2	Samit Ghosh	4	4
3	Sunil Vinayak Patel	4	4
4	Viswanatha Prasad Subbaraman*	2	2
5	S.N.Gowan*	1	1
6	Geeta Goel*	2	1
7	Christopher Miles Brookfield	4	2
8	Venkatesh Natarajan	4	3
9	Mohit Anand Bhatnagar	4	3
10	Sanjiv Kapur	4	2
11	Mona Kachhwaha	3	2
12	Vandana Viswanathan	4	4
13	K.Natarajan	3	3
14	Christina Juhasz	2	1

*Mr. S.N. Gowan resigned w.e.f 3rd July 2012

*Mr. Viswanatha Prasad resigned w.e.f 8th August 2012

*Ms. Geeta Goel resigned w.e.f 7th September 2012

Personnel

None of the employees fall under the category specified under Sec.217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees Rules) 1975, as amended from time to time.

Directors' Responsibility Statement

Pursuant to Section 217(2AA) of the Companies Act, 1956, the Board of Directors of the Company confirms that-

1. In preparation of the Annual Accounts, the applicable accounting standards have been followed.
2. 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 or loss of the company for that period.
3. 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.
4. The Directors had prepared the Annual Accounts on a going concern basis.

Related Party Disclosures

A. Details of Related Parties are given below

- 1) Holding Companies: Nil
- 2) Subsidiary Companies: Nil
- 3) Key Management Personnel:
Mr.Samit Ghosh, Managing Director
- 4) Common Control: Nil

B. Summary of Transactions with Related Parties during the year is as below:

1. Mr. Samit Ghosh	(Amount in Rupees)	
Particulars	Key Management Personnel	
	March 31, 2013	March 31, 2012
Remuneration:		
Mr. Samit Ghosh	44,57,895	37,85,721
Outstanding Balance		
Due From	-	-
Due to	2,02,692	-

2. Parinaam Foundation

Particulars	March 31, 2013	March 31, 2012
Amount received towards Reimbursement of expenses and others service	48,50,847	3,60,000

Employee Stock Option Scheme

The Company has established Employee Stock Option Plan (ESOP) for compensation to its employees, being ESOP 2006, ESOP 2007, ESOP 2008 and ESOP 2010. The Company had granted options under the ESOP 2010 plan during July 2010 based on an exercise price of Rs.400/- each fully paid after a vesting period of 4 years after the grant date.

Particulars	Number	
	March 31, 2013	March 31, 2012
Options granted, beginning of period	3,081,470	2,968,710
Granted during the period	1,646,010	378,112
Exercised during the period	0	0
Forfeited/Expired during the period	292,455	265,352
Options granted, as of March 31, 2013	4,435,025	3,081,470
Option exercisable at the year end	1,106,664	1,060,805
Weighted average of remaining contractual life (years) at the year end	2.97	2.05

For the options granted under ESOP 2010 plan the difference between the intrinsic value of the under lying shares in the year of grant and the options exercise price is charged to the profit and loss account. Accordingly, the compensation charge thereon in the current year is Rs.Nil (P.Y Nil).

Auditors

M/s Deloitte Haskins and Sells, Chartered Accountants, Bangalore will retire at the conclusion of the forthcoming Annual General Meeting and are eligible for re-appointment. Members are requested to consider their re-appointment on remuneration to be decided by the Board.

The observations of the auditors in their report are self-explanatory and therefore, in the opinion of the Directors, do not call for further comments.

Acknowledgements

The Board of Directors wishes to gratefully acknowledge the assistance and guidance received from the RBI, Investors, Auditors, Lawyers, Accountants, Suppliers, Partner NGOs, Institutions & Foundations, Police & Government Departments, Advisors and all our well wishers. The Board also wishes to place on record their warm appreciation for the creative and dedicated efforts of staff at all levels.

For and on behalf of the Board

Date: May 17, 2013
Place: Bangalore


Samit Ghosh
Managing Director


Sunil Patel
Independent Director





Independent Auditors' Report

To The Members of Ujjivan Financial Services Private Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED** ("the Company"), which comprise the Balance Sheet as at March 31, 2013, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

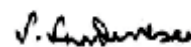
- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- (b) in the case of the Statement of Profit and Loss, of the profit of the Company for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

- 1. As required by the Companies (Auditor's Report) Order, 2003("the Order") issued by the Central Government in terms of Section 227(4A) of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
- 2. As required by Section 227(3) of the Act, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement comply with the Accounting Standards referred to in Section 211(3C) of the Act.
- (e) On the basis of the written representations received from the directors as on March 31, 2013 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013 from being appointed as a director in terms of Section 274(1) (g) of the Act.

for Deloitte Haskins & Sells
Chartered Accountants
(Registration No.008072S)



S.Sundaresan
Partner
(M. No. 25776)



BANGALORE
May 17, 2013



Annexure to The Auditors' Report

(Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

1. Having regard to the nature of the Company's business/activities/result during the year clauses ii, iii (b) to (d), (f) & (g), v, vi, viii, xii, xiii, xiv, and xx of CARO are not applicable to the company.
2. In respect of its fixed assets,
 - a. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
 - b. Fixed assets were physically verified during the year by the management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - c. The fixed assets disposed off during the year, in our opinion, do not constitute a substantial part of the fixed assets of the Company and such disposal has, in our opinion, not affected the going concern of the Company.
3. According to the information and explanations given to us, the Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of fixed assets and sale of services and we have not observed any failure to correct major weakness in such internal controls. There was no purchase of inventory and sale of goods during the year.

5. In our opinion, the Company has an internal audit system commensurate with the size and the nature of its business.
6. According to the information and explanations given to us in respect of statutory dues:
 - a. According to the information and explanations given to us, the Company has been generally regular in depositing undisputed statutory dues including Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs Duty, Excise Duty, Cess and other material statutory dues with the appropriate authorities during the year except for certain delays in remittance of Provident Fund and Employee State Insurance.
 - b. There were no undisputed amounts payable in respect of Income-tax, Wealth Tax, Custom Duty, Excise Duty, Cess and other material statutory dues in arrears as at March 31, 2013 for a period of more than six months from the date they became payable.
 - c. Details of dues of Income-Tax, Sales Tax, Wealth Tax, Service Tax, Custom Duty, Excise Duty and Cess which have not been deposited as on March 31, 2013 on account of disputes are given below:

Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs.)
Finance Act, 1994	Service Tax	Additional Commissioner	2006-'10	562,000


7. The Company does not have accumulated losses at the end of the financial year and has not incurred cash loss during the financial year and the immediately preceding financial year.
8. In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.

9. In our opinion and according to the information and explanations given to us, the Company has not given any guarantee during the year for loans taken by others from banks and financial institutions.
10. In our opinion and according to the information and explanations given to us, the term loans have been applied for the purposes for which they were obtained, other than temporary deployment pending application.
11. According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, funds raised on short term basis have not been used during the year for long term investment.
12. The Company has not made any preferential allotment of equity shares to parties and companies covered in the register maintained under section 301 of the Companies Act, 1956.
13. According to the information and explanations given to us, during the period covered by our audit report, the Company had re-issued 40 debentures of Rs.1 Crore

each during December 2012. The Company has created security in respect of the debentures issued.

14. According to the information and explanations given to us, the management has identified fraud relating to misappropriation of funds by certain employees which is estimated at Rs.4,356,420/- of which Rs.988,954/- has been recovered as on the balance sheet date and no fraud by the Company has been noticed or reported during the year.

for Deloitte Haskins & Sells
Chartered Accountants
(Registration No.008072S)



S.Sundaresan
Partner
(M. No. 25776)



BANGALORE
May 17, 2013



UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

BALANCE SHEET AS AT MARCH 31, 2013

(Amount in Rupees)

Particulars	Note No.	As at March 31, 2013		As at March 31, 2012	
I. EQUITY AND LIABILITIES					
(1) Share Holder's Funds					
(a) Share Capital	3	655,813,630		572,866,260	
(b) Reserves and Surplus	4	2,557,555,695	3,213,369,325	1,854,458,522	2,427,324,782
(2) Non-Current Liabilities					
(a) Long-term borrowings	5	3,834,757,100		2,550,409,112	
(b) Long term provisions	6	11,609,123	3,846,366,223	952,084	2,551,361,196
(3) Current Liabilities					
(a) Short-term borrowings	7	40,017,277		-	
(b) Trade payables	8	47,985,072		40,914,875	
(c) Other current liabilities	9	6,310,281,656		3,841,341,907	
(d) Short-term provisions	10	144,397,490	6,542,681,495	114,254,689	3,996,511,471
Total			13,602,417,043		8,975,197,449
II. ASSETS					
(1) Non-current assets					
(a) Fixed assets					
(i) Tangible assets	11A	82,787,085		87,322,956	
(ii) Intangible assets	11B	28,592,170	111,379,255	24,247,543	111,570,499
(b) Non-current investments	12	1,000,000		1,000,000	
(c) Deferred tax assets (net)	26.6	40,189,798		32,203,038	
(d) Long term loans and advances	13	33,225,238		29,622,518	
(e) Other non-current assets	14	1,903,997,415	1,978,412,451	479,283,645	542,109,201
(2) Current assets					
(a) Receivables under financing activity	15	9,473,954,774		6,530,735,848	
(b) Cash and Bank Balances	16	1,786,224,211		1,614,524,881	
(c) Short-term loans and advances	17	61,786,206		22,210,804	
(d) Other current assets	18	190,660,146	11,512,625,337	154,046,216	8,321,517,749
Total			13,602,417,043		8,975,197,449

See accompanying notes forming part of the financial statements

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants


S. Sundaresan
Partner



For and on behalf of the Board of Directors


Samit Ghosh
Managing Director


Suhasini Ashok
Company Secretary




Sunil Patel
Director


Sudha Suresh
Chief Financial Officer



Place: Bangalore
Date: May 17, 2013



UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2013

(Amount in Rupees)

Particulars	Note No.	Year ended March 31, 2013	Year ended March 31, 2012
A. INCOME			
(a) Income from Operations	19	2,225,188,809	1,482,431,244
(b) Other Income	20	114,096,905	80,600,649
Total Income (A)		2,339,285,714	1,563,031,893
B. EXPENDITURE			
(a) Employee benefits expense	21	657,633,842	601,677,317
(b) Administrative and Other Expenses	22	289,625,706	271,893,415
(c) Finance cost	23	806,244,957	585,869,855
(d) Depreciation and amortisation expenses	11	25,216,963	24,035,704
(e) Provision / write off for receivables under financing activity	24	69,026,691	57,624,664
Total Expenditure (B)		1,847,748,159	1,541,100,955
Profit Before Tax (A - B)		491,537,555	21,930,938
Tax expenses			
(a) Current tax expenses		161,000,000	15,800,000
(b) Deferred Tax	26.6	(7,986,760)	(11,017,456)
Profit for the Year		338,524,315	17,148,394
Earnings per Equity Share	26.5		
(a) Basic		5.49	0.44
(b) Diluted		5.12	0.41
See accompanying notes forming part of the financial statements			

In terms of our report attached

For Deloitte Haskins & Sells
Chartered Accountants

S. Sundaresan

S. Sundaresan
Partner



Place: Bangalore
Date: May 17, 2013

For and on behalf of the Board of Directors

Samit Ghosh

Samit Ghosh
Managing Director



Suhasini Ashok

Suhasini Ashok
Company Secretary

Sunil Patel

Sunil Patel
Director

Sudha Suresh

Sudha Suresh
Chief Financial Officer



UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

(Amount in Rupees)

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Net Profit as per Statement of Profit & Loss	491,537,555	21,930,938
Adjustments for		
Depreciation and amortisation expenses	25,216,963	24,035,704
Loss / (Income) from sale of investments	-	97,442
Profit on Sale of investment	(11,396,577)	-
Dividend on Mutual Funds	(11,938,976)	(14,943,793)
Provision for Receivables under Financing Activities	(3,549,889)	35,497,445
Provision for advances	2,113,445	1,721,224
Assets written off	3,675,079	89,220
Fixed assets written off	1,415,821	-
Interest on fixed deposits	(32,182,502)	(23,865,875)
Loss / (Profit) on sale of Fixed Assets	459,363	314,846
Operating Profit before Working capital changes	465,350,282	44,877,151
Changes in working capital		
(Increase) / Decrease in Receivables under Financing Activity	(4,348,404,138)	(660,124,986)
(Increase) / Decrease in Loans and advances	(48,223,883)	(3,375,317)
(Increase) / Decrease in Other Current assets	(17,778,206)	(156,403,659)
(Increase) / Decrease in Trade payables	7,070,197	(1,960,913)
Increase / (Decrease) in Other current liabilities	(8,880,630)	(884,684,335)
Increase / (Decrease) in Short-term provisions	(5,317,400)	38,784,977
(Increase) / Decrease in Long-term provisions	14,206,927	(34,723,832)
Cash flow from operations	(3,941,976,851)	(1,657,610,914)
Tax paid	(144,721,529)	(18,272,134)
Net Cash from operating activities (A)	(4,086,698,380)	(1,675,883,048)
Cash flows from Investing activities		
Purchase of investments	(7,542,572,172)	(6,442,995,000)
Sale of investments	7,565,907,724	6,457,841,351
Purchase of Fixed Assets	(28,518,480)	(32,972,756)
Sale of Fixed Assets	874,824	718,181
Interest on fixed deposits	32,182,502	23,865,875
Net Cash from investing activities (B)	27,874,398	6,457,651
Cash flows from financing activities		
Proceeds from issue of share capital & securities premium (net)	466,701,957	1,247,885,772
Dividend and Dividend Tax Paid	-	(8,098,955)
Borrowings from banks / others	7,160,017,276	4,670,000,000
Repayment of Borrowings from banks / others	(3,357,831,634)	(3,218,870,008)
Net Cash from financing activities (C)	4,268,887,599	2,690,916,809

UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2013

(Amount in Rupees)

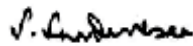
Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Net increase / (decrease) in cash and cash equivalents (A) + (B) + (C)	210,063,617	1,021,491,412
Balance of cash - Opening	1,530,624,881	509,133,469
Balance of cash - Closing	1,740,688,498	1,530,624,881

Notes :

1. The above cash flow statement has been prepared under the "Indirect Method" as set out in Accounting Standard-3 Cash Flow Statements'.
2. Cash & cash equivalents at year end includes Rs.7,928,571/- (P.Y. Rs.267,370,692/-) in term deposits with banks, under lien against loans availed by the Company.
3. Refer note 16 for items included in cash & cash equivalents.

For Deloitte Haskins & Sells
Chartered Accountants

For and on behalf of the Board of Directors



S.Sundaresan
Partner



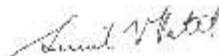
Place: Bangalore
Date: May 17, 2013



Samit Ghosh
Managing Director




Suhasini Ashok
Company Secretary



Sunil Patel
Director



Sudha Suresh
Chief Financial Officer



UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED (UJJIVAN)

Notes to Financial Statements for the year ended March 31, 2013

1 CORPORATE INFORMATION

Ujjivan is a Private limited Company domiciled in India and incorporated under the provisions of the Companies Act, 1956. Ujjivan is a Microfinance institution serving the economically active poor in urban and semi-urban areas. Ujjivan holds a valid certificate of registration dated October 31, 2005 issued by the Reserve Bank of India. The Company has also applied for registration as NBFC-MFI under Non-Banking financial Company Micro finance institutions (NBFC-MFIs) directions. Ujjivan has its headquarters in Bangalore with regional offices in New Delhi, Kolkata and Pune. It has 301 branches in 20 states and Union Territories across India as on March 31, 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of preparation

The Financial statements of the company have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financials statements to comply in all material respects with the accounting standards notified under the Companies (Accounting Standards) Rule, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and considering the directions issued by the Reserve Bank of India (RBI) to the extent applicable to the Company.

2. Use of estimates

The presentation of financial statements in conformity with Indian Generally Accepted Accounting Principles (IGAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the

reporting period. Although such estimates are made on a reasonable and prudent basis taking into account all available information, actual results could differ from those estimates.

3. Cash flow statement

The Cash Flow Statement is prepared in accordance with the indirect method prescribed in Accounting Standard 3.

4. Tangible and Intangible assets

Fixed assets are stated at cost, net of depreciation. The cost of an asset comprises its purchase price (net of capital grants) and any cost directly attributable for bringing the asset to its working condition and location for its intended use.

5. Depreciation and amortisation

Depreciation on Tangible assets is provided on Straight Line Method at the rates and in the manner specified in the Schedule XIV of the Companies Act, 1956. Leasehold improvements are depreciated over the primary lease period, Computer software is amortised over the lower of license period or 6 years.

Depreciation on additions is charged proportionately from the date of acquisition / installation. Individual assets costing less than Rs.5,000/- are depreciated in full, in the year of acquisition.

6. Investments

Investments are classified into current investments and non-current investments. Current investments are carried at lower of cost or fair value. Any reduction in the carrying amount and any reversals of such reductions are charged or credited to the Statement of Profit and Loss. Non-current investments are carried at cost less provision made to recognize any decline, other than temporary, in the value of such investments.

7. Receivables under Financing Activity

Receivables under financing activity include Business Loans, Family Loans, Housing Loans, Education loan, Live

stock Loans, Bazaar Loans, Short term Business Loans, Individual Business Loans, Home Improvement Loan and loans for purchase of mobile phones, solar light and water purifier. Loans are classified into 'Performing and Non-Performing' assets in terms of the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998 and NBFC, MFI directions (as applicable) issued by the Reserve Bank of India as amended from time to time.

8. Revenue Recognition

Revenue from Interest on loans financed by the Company is recognized on accrual basis, considering the directions issued by the Reserve Bank of India from time to time in terms of the Non Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998. Loans are classified into 'Performing and Non-Performing' assets in terms of the said Directions.

Revenues from loan documentation and meeting charges are recognised as income on cash basis.

Revenue from interest income on fixed deposits with banks is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

Interest Income on securitisation is recognized on accrual basis

Dividend income is recognized when the right to receive is established.

9. Grants

Grants received towards acquisition of tangible and intangible assets are adjusted against the cost of the assets. Grants related to revenue are deducted from the related expenses. Grants against employee loans are included in Reserves and Surplus.

10. Employee benefits

a) Short term employee benefits including salaries, social security contributions, short term compensated absences (such as paid annual leave) where the absences are expected to occur within twelve months after the end of the

period in which the employees render the related service, profit sharing and bonuses payable within twelve months after the end of the period in which the employees render the related services and non monetary benefits for current employees are estimated and measured on an undiscounted basis.

b) Defined Contribution Plan

Company's contributions paid / payable during the year to Provident Fund and Pension fund are recognised in the Statement of Profit and Loss.

c) Defined Benefit Plan

Liabilities for gratuity funded in terms of a scheme administered by the Life Insurance Corporation of India, are determined by Actuarial Valuation on Projected Unit Credit Method made at the end of each financial year. Provision for liabilities pending remittance to the fund is carried in the Balance Sheet.

d) Liability for compensated absences is provided based on actuarial valuation carried out at the end of the financial period using Projected Unit Credit Method and is not funded.

Actuarial gains and losses are recognized immediately in the statement of Profit and Loss as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds.

11. Lease

Assets acquired under lease where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Statement of Profit and Loss on accrual basis.

12. Earnings per share

In determining the earnings per share, the Company considers the net profit / (loss) after tax. The number of



shares used in computing basic earnings per share is the weighted average number of shares outstanding during the period. The number of shares used in computing diluted earnings per share comprises the weighted average shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued on the conversion of all dilutive potential equity shares.

13. Borrowing costs

Borrowing costs attributable to qualifying assets (assets which require substantial period of time to get ready for their intended use) are capitalized as part of the cost of such assets. All other borrowing costs are charged to revenue.

14. Taxes

Provision for current year tax is made after taking into consideration benefits/disallowances admissible under the provisions of the Income Tax Act, 1961.

Current tax is determined as the amount of tax payable in respect of taxable income for the year. Deferred tax is recognized, on timing difference, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods. Deferred tax assets on unabsorbed depreciation and carried forward business losses, are recognized only if there is virtual certainty that they will be realized and are reviewed every year. The tax effect is calculated on the accumulated timing differences

at the end of the period based on enacted or substantially enacted tax rates.

15. Provisions and Contingent Liabilities

A provision is recognized when an enterprise has a present obligation as a result of past event, it is probable that an outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

All material known liabilities are provided for and liabilities which are material and whose future outcome cannot be ascertained with reasonable certainty are treated as contingent and disclosed by way of notes to the accounts.

16. Employee Stock Option Plan

The Company has Employee Stock Option Plans for the benefit of its employees. Options granted in terms of the Stock option plans on or after April 1, 2005 are accounted in accordance with the Guidance Note on Accounting for Employee Share Based Payment Plans issued by the Institute of Chartered Accountants of India (ICAI). The difference between the intrinsic value of the stock option granted on or after April 1, 2005 and exercise price, if any, is expensed as "Employee Compensation" over the period of vesting.

UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

Note 3 - Share Capital	(Amount in Rupees)	
Particulars	As at March 31, 2013	As at March 31, 2012
Authorised		
75,000,000 Equity Shares of Rs.10/- each (PY.75,000,000 Equity Shares of Rs.10/- each)	750,000,000	750,000,000
	750,000,000	750,000,000
Issued		
65,581,363 Equity Shares of Rs.10/- each (PY. 57,286,626 Equity Shares of Rs.10/- each)	655,813,630	572,866,260
	655,813,630	572,866,260
Subscribed & fully Paid up		
65,581,363 Equity Shares of Rs.10/- each (PY. 57,286,626 Equity Shares of Rs.10/- each)	655,813,630	572,866,260
Total	655,813,630	572,866,260
i) Reconciliation of the number of equity shares outstanding at the beginning and at the end of the Year:		
	Number of shares March 31, 2013	Number of shares March 31, 2012
Number of shares outstanding at the beginning of the year	57,286,626	34,842,460
Add: Additional shares issued during the year	8,294,737	22,444,166
Number of shares outstanding at the end of the year	65,581,363	57,286,626
ii) Reconciliation of equity share capital outstanding at the beginning and at the end of the Year:		
	Amount in Rs. March 31, 2013	Amount in Rs. March 31, 2012
Share capital outstanding at the beginning of the year	572,866,260	348,424,600
Add: Share capital issued during the year	82,947,370	224,441,660
Share capital outstanding at the end of the year	655,813,630	572,866,260
iii) Number of shares held by each shareholder holding more than 5% shares in the Company are as follows:		
Class of shares / Name of the shareholder	Number of shares as at March 31, 2013	Number of shares as at March 31, 2012
Equity Shares:		
Sequoia Capital India Investments III	9,529,376	9,529,376
WCP Holdings III	7,017,544	7,017,544
India Financial Inclusion Fund	5,896,182	5,896,182
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V	6,120,000	5,720,000
Elevor Equity Mauritius	5,535,732	5,535,732
Mauritius Unitus Corporation	4,869,476	4,869,476
Bellwether Microfinance Fund	-	4,116,040
Michael and Susan Dell Foundation	-	3,556,810
WWB ISIS Fund Limited Partnership	4,290,610	-
Lok Capital II LLC	5,870,426	-
International Finance Corporation	7,894,737	-
iv) The company has only one class of equity shares with voting rights (one vote per share). The distribution of dividend is in proportion to the number of equity shares held by the shareholders.		



UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

Note 4 - Reserves & Surplus		(Amount in Rupees)	
Particulars	As at March 31, 2013	As at March 31, 2012	
a. Securities Premium Account			
Opening Balance	1,700,233,512	676,789,400	
Add : Premium on shares issued during the year	389,852,639	1,054,875,802	
Less : Utilised during the year for			
Writing off shares issue expenses	6,098,052	30,126,690	
Discount on Debentures	-	1,305,000	
Closing Balance	2,083,988,099	1,700,233,512	
b. Other Reserves - Statutory Reserve *			
Opening Balance	45,526,548	42,096,869	
Add: Additions during the year	67,704,863	3,429,679	
Less: Utilised during the year	-	-	
Closing Balance	113,231,411	45,526,548	
c. Other Reserves - Employee Loan Grant	1,300,000	1,300,000	
d. Surplus in Statement of Profit and Loss			
Opening balance	107,398,462	93,679,747	
Add: Profit for the year	338,524,315	17,148,394	
Less: Dividends proposed to be distributed	16,395,341	-	
Less: Tax on Dividend	2,786,388	-	
Less: Transferred to statutory reserve	67,704,863	3,429,679	
Closing Balance	359,036,185	107,398,462	
Total	2,557,555,695	1,854,458,522	
* Transfer of 20% of the profit after Tax to the statutory reserves in accordance with the provisions of section 45 – IC Reserve Bank of India Act, 1934.			

UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

Note 5 - Long-term Borrowings	(Amount in Rupees)	
Particulars	As at March 31, 2013	As at March 31, 2012
(a) Non Convertible Debentures		
Secured		
29 debentures, 13.12% Secured Redeemable Non Convertible Debentures of Rs.10,000,000/- each redeemable at par at the end of 2 years from the date of allotment January 16, 2012 issued at 0.45% discount on face value (Refer Note (i) and (ii) below)	-	290,000,000
320 debentures, 12.80% Secured Redeemable Non Convertible Debentures of Rs.1,000,000/- each redeemable at par at the end of 2 years from the date of allotment July 29, 2011 (Refer Note (i) below)	-	320,000,000
230 debentures, 12.86% Secured Redeemable Non Convertible Debentures of Rs.1,000,000/- each redeemable at par at the end of 3 years from the date of allotment June 27, 2011 (Refer Note (i) below)	230,000,000	230,000,000
	230,000,000	840,000,000
(b) Term loans		
Secured		
from Banks (Refer Note (iii) below).	3,159,734,040	1,227,375,812
from other parties (Refer Note (iii) below).	445,023,060	483,033,300
	3,604,757,100	1,710,409,112
Total	3,834,757,100	2,550,409,112
i) Debentures are secured by hypothecation of book debts. ii) The Company is eligible to reissue the debentures. As at March 31, 2013, 29 debentures of Rs.10,000,000/- each (As of March 31, 2012, 29 debentures of Rs.10,000,000/- each) are available for reissuance.		



UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

(iii) Nature of Security and terms of repayment for borrowings including current maturities (other than debentures):

Secured

Terms of Repayment and Interest			Amount Outstanding (Rs.) March 31, 2013	
Rate of Interest	Maturity	Instalments	Current	Non Current
Borrowings From Banks				
Repayable in Monthly Instalments				
Base Rate + 1.25%	< 1 Year	12	50,000,000	
	1-2 Years	12		50,000,000
Base Rate + 1.50%	< 1 Year	24	260,869,565	
	1-2 Years	15		163,043,478
Base Rate + 1.55%	< 1 Year	10	62,500,000	
	1-2 Years	12		75,000,000
	2-3 Years	2		12,500,000
Base Rate + 1.75%	< 1 Year	27	214,285,714	
	1-2 Years	36		285,714,286
Base Rate + 2.25%	< 1 Year	29	427,972,527	
	1-2 Years	36		559,523,810
	2-3 Years	17		129,166,667
Base Rate + 2.30%	< 1 Year	11	91,663,000	
	1-2 Years	12		99,996,000
	2-3 Years	1		8,341,000
Base Rate + 2.35%	< 1 Year	11	82,500,000	
Base Rate + 2.50%	< 1 Year	12	100,000,000	
	1-2 Years	8		66,666,667
Base Rate + 3.10%	< 1 Year	24	243,381,682	
	1-2 Years	17		187,343,974
Base Rate + 3.25%	< 1 Year	32	272,116,000	
	1-2 Years	11		77,767,000
Base Rate + 3.50%	< 1 Year	4	22,845,000	
Base Rate + 4.75%	< 1 Year	12	120,000,000	
	1-2 Years	5		50,000,000
Base Rate + 4.00%	< 1 Year	2	14,283,185	
Repayable in Quarterly Instalments				
Base Rate + 0.75%	< 1 Year	4	100,000,000	
	1-2 Years	4		100,000,000
Base Rate + 1.25%	< 1 Year	4	314,285,714	
	1-2 Years	3		235,714,286
Base Rate + 1.60%	< 1 Year	4	57,142,857	
	1-2 Years	3		42,856,872

UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

Terms of Repayment and Interest			Amount Outstanding (Rs.) March 31, 2013	
Rate of Interest	Maturity	Instalments	Current	Non Current
Repayable in Quarterly Instalments				
Base Rate + 1.75%	< 1 Year	7	325,000,000	
	1-2 Years	8		350,000,000
	2-3 Years	1		25,000,000
Base Rate + 1.90%	< 1 Year	4	300,000,000	
Base Rate + 2.00%	< 1 Year	8	233,200,000	
	1-2 Years	4		133,600,000
Base Rate + 2.50%	< 1 Year	9	400,000,000	
	1-2 Years	3		150,000,000
Base Rate + 2.75%	< 1 Year	7	130,000,000	
	1-2 Years	4		40,000,000
	2-3 years	2		20,000,000
Base Rate + 3.00%	< 1 Year	12	185,000,000	
	1-2 Years	12		185,000,000
Base Rate + 3.35%	< 1 Year	16	225,000,000	
	1-2 Years	8		112,500,000
Base Rate + 3.50%	< 1 Year	3	60,000,000	
Repayable in Bullet				
Base Rate + 2.85%	< 1 Year	1	250,000,000	
Total			4,542,045,244	3,159,734,040
Borrowings from Others				
Repayable in Monthly Instalments				
Coupon Rate	< 1 year	58	547,806,160	
	1-2 Years	49		367,271,380
	2-3 Years	22		74,398,120
	3-4 Years	5		3,353,560
Total			547,806,160	445,023,060



UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

Secured				
Terms of Repayment and Interest			Amount Outstanding (Rs.) March 31, 2012	
Rate of Interest	Maturity	Instalments	Current	Non Current
Borrowings From Banks				
Repayable in Monthly Instalments				
Base Rate + 1.25%	< 1 Year	24	450,000,000	
	1-2 Years	20		150,000,000
	2-3 Years	12		50,000,000
Base Rate + 2.25%	< 1 Year	11	183,333,337	
	1-2 Years	1		16,666,663
Base Rate + 2.50%	< 1 Year	8	33,333,332	
Base Rate + 2.60%	< 1 Year	12	90,000,000	
	1-2 Years	11		82,500,000
Base Rate + 3.00%	< 1 Year	10	41,666,658	
Base Rate + 3.25%	< 1 Year	12	85,716,000	
	1-2 Years	12		85,716,000
	2-3 Years	4		28,567,149
Base Rate + 3.50%	< 1 Year	12	68,580,000	
	1-2 Years	4		22,845,000
Base Rate + 4.75%	< 1 Year	4	40,000,000	
Repayable in Quarterly Instalments				
Base Rate + 1.25%	< 1 Year	4	30,000,000	
Base Rate + 1.40%	< 1 Year	8	40,000,000	
Base Rate + 1.50%	< 1 Year	2	12,500,000	
Base Rate + 1.75%	< 1 Year	3	41,500,000	
Base Rate + 1.90%	< 1 Year	4	300,000,000	
	1-2 Years	4		300,000,000
Base Rate + 2.00%	< 1 Year	8	233,200,000	
	1-2 Years	8		233,200,000
	1-2 Years	4		133,600,000
Base Rate + 2.50%	< 1 Year	4	100,000,000	
	1-2 Years	2		50,000,000
Base Rate + 2.75%	< 1 Year	7	240,000,000	
	1-2 Years	2		60,000,000
Base Rate + 3.25%	< 1 Year	16	302,071,434	
Base Rate + 4.00%	< 1 Year	5	117,316,000	
	1-2 Years	2		14,281,000
Base Rate + 4.75%	< 1 Year	2	20,000,000	
Repayable in Bullet				
Base Rate + 2.50%	< 1 Year	1	250,000,000	
Total			2,679,216,761	1,227,375,812

UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

Terms of Repayment and Interest			Amount Outstanding (Rs.) March 31, 2012	
Rate of Interest	Maturity	Instalments	Current	Non Current
Borrowings from Others				
Repayable in Monthly Instalments				
Coupon Rate	< 1 year	56	538,594,478	
	1-2 Years	48		369,200,040
	2-3 Years	27		113,833,260
Repayable in Quarterly Instalments				
Coupon Rate	< 1 year	1	3,571,800	
Total			542,166,278	483,033,300
Unsecured				
Repayable in Monthly Instalments				
Coupon Rate	< 1 year	4	647,986	
Total			647,986	



UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

Note 6 - Long term Provisions		(Amount in Rupees)
Particulars	As at March 31, 2013	As at March 31, 2012
(a) Provision - Others		
(i) Provision for receivables under financing activity	11,609,123	952,084
Provision for standard assets		
Total	11,609,123	952,084

Note 7 - Short term Borrowings		(Amount in Rupees)
Particulars	As at March 31, 2013	As at March 31, 2012
Loan repayable on demand, Secured		
Cash Credit from Banks (refer Note (i) below)	40,017,277	-
Total	40,017,277	-
i) Cash credit from banks are secured by hypothecation of book debts		

Note 8 - Trade Payables		(Amount in Rupees)
Particulars	As at March 31, 2013	As at March 31, 2012
Trade payables (Refer note 25.5)	47,985,072	40,914,875
Total	47,985,072	40,914,875

Note - 9 Other current liabilities		(Amount in Rupees)
Particulars	As at March 31, 2013	As at March 31, 2012
(a) Current maturities of non convertible debentures (Refer Note (i) below)	1,010,000,000	400,000,000
(b) Provision for gratuity (net) (Refer Note 26 (1))	17,622,484	7,468,204
(c) Current maturities of long-term debt (Refer Note (i) below)	5,089,851,404	3,222,031,025
(d) Interest accrued but not due on borrowings	78,332,275	68,254,340
(e) Other payables		
(i) Statutory remittances	21,244,533	10,373,580
(ii) Security deposits from customers	31,897,553	96,775,882
(iii) Securitisation related liabilities	-	22,841,505
(iv) Other payable	61,208,407	13,457,371
(v) Deposit from vendors	125,000	125,000
(vi) Credit balance in current account	-	15,000
Total	6,310,281,656	3,841,341,907

UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

Note (i) : Current maturities of long term debts		(Amount in Rupees)	
Particulars	As at March 31, 2013	As at March 31, 2012	
(a) Non Convertible Debentures *			
Secured			
40 debentures, 10.40% Secured Redeemable Non Convertible Debentures of Rs.10,000,000/- each redeemable at par at the end of 365 days from the date of allotment December 31, 2012.	400,000,000	400,000,000	
320 debentures, 12.80% Secured Redeemable Non Convertible Debentures of Rs.1,000,000/- each redeemable at par at the end of 2 years from the date of allotment July 29, 2011	320,000,000	-	
29 debentures, 13.12% Secured Redeemable Non Convertible Debentures of Rs.10,000,000/- each redeemable at par at the end of 2 years from the date of allotment January 16, 2012 issued at 0.45% discount on face value.(Refer Note (i) below)	290,000,000		
Total	1,010,000,000	400,000,000	
(b) Term loans (Refer Note 5 (iii))			
From banks			
Secured	4,542,045,244	2,679,216,761	
From other parties			
Secured	547,806,160	542,166,278	
Unsecured	-	647,986	
Total	5,089,851,404	3,222,031,025	
*Debentures are secured by hypothecation of book debts.			
I) The Company is eligible to reissue the debentures. As at March 31, 2013, 29 debentures of Rs.10,000,000/- each (As of March 31, 2012, 29 debentures of Rs.10,000,000/- each) are available for reissuance.			

Note - 10 Short term provision		(Amount in Rupees)	
Particulars	As at March 31, 2013	As at March 31, 2012	
(a) Provision for employee benefits			
(i) Compensated absences	27,462,311	19,402,018	
(b) Provision - Others			
(i) Provision for tax (net of advance tax Rs.263,780,927/- (as at March 31, 2012 Rs.119,059,399)	19,930,704	3,652,231	
(ii) Fringe Benefit Tax payable (net of advance FBT)	162,523	162,523	
(iii) Provision for proposed equity dividend	16,395,341	-	
(iv) Provision for Tax on proposed equity dividend	2,786,388	-	
(v) Provision for receivables under financing activity			
Provision for standard assets	68,171,170	27,843,698	
Provision for non performing assets	9,489,053	63,194,219	
Total	144,397,490	114,254,689	



UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED NOTES FORMING PART OF FINANCIAL STATEMENTS

Note 11 - Fixed assets										(Amount in Rupees)	
Fixed Assets	Gross Block			Accumulated Depreciation & amortisation				Net Block			
	Balance as at April 1, 2012	Additions	Disposals	Balance as at March 31, 2013	Balance as at April 1, 2012	Depreciation/ amortisation expense for the year	On disposals	Balance as at March 31, 2013	Balance as at March 31, 2012		
A. Tangible Assets											
Computers	59,700,355*	2,663,543	728,797	61,635,101	22,269,010	9,701,354	568,166	31,402,198	30,232,903	37,431,345	
	(53,692,768)*	(6,197,337)	(189,750)	(59,700,355)	(13,277,298)	(9,028,050)	(36,338)	(22,269,010)	(37,431,345)		
Leasehold improvements	32,061,885	4,104,444	4,148,694	32,017,635	19,131,843	4,526,984	3,285,550	20,373,277	11,644,358	12,930,042	
	(30,215,169)	(3,963,943)	(2,117,227)	(32,061,885)	(15,901,278)	(5,273,304)	(2,042,739)	(19,131,843)	(12,930,042)		
Furniture and Fixtures	24,744,454	5,787,594	1,152,880	29,379,168	13,293,414	2,897,581	713,714	15,477,281	13,901,887	11,451,040	
	(21,139,006)	(4,202,760)	(597,312)	(24,744,454)	(11,283,257)	(2,423,075)	(412,918)	(13,293,414)	(11,451,040)		
Vehicles	2,326,693	493,565*	388,030	2,432,228	864,702	205,018	270,950	798,770	1,633,458	1,461,991	
	(2,580,914)	-	(254,221)	(2,326,693)	(910,935)	(190,201)	(236,434)	(864,702)	(1,461,991)		
Office equipment	30,718,258	4,556,467*	1,961,782	33,312,943	6,669,720	2,060,539	791,795	7,938,464	25,374,479	24,048,538	
	(26,853,670)	(4,711,224)	(846,636)	(30,718,258)	(5,181,184)	(1,732,226)	(243,690)	(6,669,720)	(24,048,538)		
Total (A)	149,551,645	17,605,613	8,380,183	158,777,075	62,228,689	19,391,476	5,630,175	75,989,990	82,787,085	87,322,956	
Previous Year	(134,481,527)	(19,075,264)	(4,005,146)	(149,551,645)	(46,553,952)	(18,646,856)	(2,972,119)	(62,228,689)	(87,322,956)		
B. Intangible Assets											
Computer software	35,377,987	10,170,114	-	45,548,101	11,130,444	5,825,487	-	16,955,931	28,592,170	24,247,543	
	(15,408,961)	(19,969,026)	-	(35,377,987)	(5,741,596)	(5,388,848)	-	(11,130,444)	(24,247,543)		
Total (B)	35,377,987	10,170,114	-	45,548,101	11,130,444	5,825,487	-	16,955,931	28,592,170	24,247,543	
Previous Year	(15,408,961)	(19,969,026)	-	(35,377,987)	(5,741,596)	(5,388,848)	-	(11,130,444)	(24,247,543)		
Total (A) + (B)	184,929,632	27,775,727	8,380,183	204,325,176	73,359,133	25,216,963	5,630,175	92,945,921	111,379,255	111,570,499	
Previous Year	(149,890,488)	(39,044,290)	(4,005,146)	(184,929,632)	(52,295,548)	(24,035,704)	(2,972,119)	(73,359,133)	(111,570,499)		
1. * Net of grants received for purchase of computers Rs.1,550,000/- (PY - Rs. 1,550,000/-), Vehicle Rs.887,720/- (PY - Nil) and Office equipment Rs.74,290/- (PY - Nil)											
2. All the tangible assets/ intangible assets are owned by the Company and are not on lease											
3. Amounts within brackets represent previous year's figures.											

- * Net of grants received for purchase of computers Rs.1,550,000/- (PY - Rs. 1,550,000/-), Vehicle Rs.887,720/- (PY - Nil) and Office equipment Rs.74,290/- (PY - Nil)
- All the tangible assets/ intangible assets are owned by the Company and are not on lease
- Amounts within brackets represent previous year's figures.

UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

Note 12 - Non-current Investments		(Amount in Rupees)
Particulars	As at March 31, 2013	As at March 31, 2012
Trade Investments, at cost (Not quoted)		
Investment in equity instruments		
Alpha Micro Finance Consultants Pvt Ltd, 100,000 Equity shares (P.Y. 100,000) of Rs.10/- each fully paid up	1,000,000	1,000,000
Total	1,000,000	1,000,000
Aggregate amount of unquoted investments	1,000,000	1,000,000

Note 13 - Long term loans and advances (Unsecured, Considered good unless otherwise stated)		(Amount in Rupees)
Particulars	As at March 31, 2013	As at March 31, 2012
(a) Capital advances	742,753	-
(b) Security Deposits	29,315,177	27,573,702
(c) Loans and advances to employees	2,984,701	2,048,816
(d) Prepaid expenses - Unsecured	182,607	-
Total	33,225,238	29,622,518

Note 14 - Other non current assets		(Amount in Rupees)
Particulars	As at March 31, 2013	As at March 31, 2012
(a) Receivable under financing activity (long-term) unsecured (Refer Note 15(i) & Note 25.6)	1,786,018,893	380,833,686
(b) Non current portion of unamortised expenses	19,235,532	15,631,562
(c) Interest accrued on long term deposits	7,827,274	8,068,397
(d) Term deposits (more than 12 months maturity) *	90,915,716	74,750,000
Total	1,903,997,415	479,283,645

*Term deposits with a carrying amount of Rs.90,915,716/- (P.Y. Rs.74,750,000/-) are under lien against loans availed by the Company.

Note - 15 Trade receivables under financing activity		(Amount in Rupees)
Particulars	As at March 31, 2013	As at March 31, 2012
Unsecured		
Outstanding for a period less than six months from the date they are due for payment (Refer Note (i) below & note 25.6)	9,466,815,925	6,484,193,241
	9,466,815,925	6,484,193,241
Unsecured		
Outstanding for a period exceeding six months from the date they are due for payment (Refer Note (i) & note 25.6)	7,138,849	46,542,607
	7,138,849	46,542,607
Total	9,473,954,774	6,530,735,848

i) Assets derecognised on account of securitization of receivables is Nil (P.Y. Rs.122,657,252/-)



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Note - 16 Cash and Bank balances		(Amount in Rupees)
Particulars	As at March 31, 2013	As at March 31, 2012
I. Cash & Cash equivalents		
a) Cash in Hand	2,916,026	4,668,388
b) Cheques, drafts on hand	42,458	-
c) Balances with Banks		
(i) In Current account	479,801,443	473,585,801
(ii) In deposit accounts with original maturity less than 3 months (Refer Note i below)	1,257,928,571	1,052,370,692
	1,740,688,498	1,530,624,881
II. Other bank balances		
(i) In earmarked deposits (Refer Note ii below)	45,535,713	83,900,000
	45,535,713	83,900,000
Total	1,786,224,211	1,614,524,881
Note (i) Term deposits aggregating to Rs.7,928,571/- (P.Y. Rs.267,370,692/-) are under lien against loans availed by the Company and as securitisation is Rs. Nil. (P.Y. Rs.65,270,692/-) (ii) Term deposits aggregating to Rs.45,535,713/- (P.Y. Rs.83,900,000/-) are under lien against loans availed by the Company.		

Note - 17 Short-term loans and advances		(Amount in Rupees)
Particulars	As at March 31, 2013	As at March 31, 2012
(a) Deposits - Unsecured, considered good	133,029	173,904
(b) Loans and advances to employees		
Unsecured, considered good	11,284,525	11,892,023
Unsecured, considered doubtful	2,100,353	1,939,871
	13,384,878	13,831,894
Less: Provision for doubtful loans and advances	2,100,353	1,939,871
	11,284,525	11,892,023
(c) Prepaid expenses - Unsecured, considered good	7,875,159	4,055,563
(d) Other advances*		
Unsecured, considered good	42,493,493	6,089,314
Unsecured, considered doubtful	3,263,840	1,310,877
	45,757,333	7,400,191
Less: Provision for doubtful loans and advances	3,263,840	1,310,877
	42,493,493	6,089,314
Total	61,786,206	22,210,804
* includes insurance claim receivable and advance for expenses.		

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NOTES FORMING PART OF FINANCIAL STATEMENTS

Note - 18 Other Current Assets		(Amount in Rupees)
Particulars	As at March 31, 2013	As at March 31, 2012
(a) Current portion of unamortised expenses	30,779,719	19,848,498
(b) Interest accrued	149,647,840	124,152,507
(c) Accrued income	10,232,587	10,045,211
Total	190,660,146	154,046,216

Note - 19 Income from Operations		(Amount in Rupees)
Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Interest on loans	2,066,345,895	1,338,230,271
Loan processing fee	158,618,257	109,468,441
Other financial services	224,657	34,732,532
Total	2,225,188,809	1,482,431,244

Note - 20 Other Income		(Amount in Rupees)
Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Interest Income (Refer Note below)	32,294,065	23,865,875
Dividend income from current investments in mutual funds	11,938,976	14,943,793
Profit on sale of current investments	11,396,577	-
Fee income, other than financing activity	53,000,183	37,630,707
Miscellaneous income	5,467,104	4,160,274
Total	114,096,905	80,600,649
Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Note: Interest Income Disclosure		
Interest on fixed deposits	32,182,502	23,865,875
Interest on income tax refund	111,563	-
Total	32,294,065	23,865,875

Note - 21 Employee benefits expense		(Amount in Rupees)
Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Salaries and wages (Net)	566,712,057	524,298,777
Contributions to provident and other funds (Refer Note 26.1)	45,856,390	35,392,885
Staff welfare expenses	45,065,395	41,985,655
Total	657,633,842	601,677,317



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Note - 22 Administrative and Other Expenses		(Amount in Rupees)
Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Electricity & water charges	9,904,680	7,354,437
Rent	51,301,453	48,789,356
Repairs & maintenance		
Buildings	1,054,700	2,089,611
Others	8,568,928	5,600,903
Security & house keeping expenses	16,578,667	18,580,116
Office maintenance	5,975,868	6,740,999
Insurance	2,420,549	2,248,102
Rates & taxes	4,966,647	8,390,150
Audit fees (Refer Note (i) below)	2,041,121	1,659,764
Professional charges	31,679,620	25,565,806
Sitting fee	504,720	280,000
Rebate	-	660,823
Postage & Courier	10,489,769	9,942,121
Printing & stationery	15,390,951	16,633,776
Recruitment expenses	705,354	308,489
Telephone charges	19,471,148	20,410,817
Training & conference charges	9,095,381	7,163,463
Travelling and conveyance expenses	74,212,866	72,343,076
Miscellaneous expenses	17,599,576	14,908,874
Advances written off	3,675,079	89,220
Fixed Assets Written off	1,415,821	-
Loss on sale of investments	-	97,442
Loss on sale of fixed assets (net)	459,363	314,846
Provision for other advances	2,113,445	1,721,224
Total	289,625,706	271,893,415
Note		
Particulars	Year ended March 31, 2013	Year ended March 31, 2012
(i) Payments to the auditors comprises* (net of service tax input credit)		
Audit Services	1,200,000	1,200,000
Tax audit	300,000	300,000
Other attest services	400,000	60,000
Reimbursement of expenses	141,121	99,764
Total	2,041,121	1,659,764

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NOTES FORMING PART OF FINANCIAL STATEMENTS

Note - 23 Finance Costs		(Amount in Rupees)	
Particulars	Year ended March 31, 2013	Year ended March 31, 2012	
(a) Interest expense on			
(i) Borrowings	778,588,015	553,943,352	
(ii) Others	39,200	54,172	
(b) Loan processing fees, bank charges and other related costs	27,617,742	31,872,331	
Total	806,244,957	585,869,855	

Note - 24 Bad debts and Provision for receivables				(Amount in Rupees)	
Particulars	Year ended March 31, 2013		Year ended March 31, 2012		
Bad debts written off	72,576,580		22,127,219		
Less: amount released from provision	(66,843,758)	5,732,822	(15,589,267)	6,537,952	
Provision for receivables under financing activities (net)		63,293,869		51,086,712	
Total		69,026,691		57,624,664	

Note 25 Additional information to the financial statements		(Amount in Rupees)	
Particulars	As at March 31, 2013	As at March 31, 2012	
25.1 Contingent liabilities and commitments (to the extent not provided for)			
(i) Contingent liabilities			
(a) Disputed taxes – Service tax	562,000	562,000	

25.2 Disclosure on foreign currency exposure:

Foreign Currency Exposure that have not been hedged by a derivative instrument or otherwise:

Particulars	Year ended March 31, 2013		Year ended March 31, 2012	
	Amount (in Rs.)	Amount (USD)	Amount (in Rs.)	Amount (USD)
(I) Advances Received	15,082,516	277,307	3,441,832	67,289

25.3 Earnings in foreign currency – Rs. Nil (PY. Nil)

25.4 Expenditure in foreign currency – Rs. Nil (PY. Rs. Nil)

25.5 Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006

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



UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

25.6 Asset Classification & Provisioning

The Company follows Prudential Norms of the Reserve Bank of India (RBI) with regard to classification in respect of all loans extended to its customers. Loans where the installment is overdue for a period of six months or more or on which interest amount remained overdue for a period of six months or more is treated as Non performing assets. Provision is made for loan assets as per the Company's policy which is higher than the provision required under the prudential norms.

Classification of Loans and provision made for Standard / sub standard / doubtful / loss assets are as given below:

(Amount in Rupees)		
Classification of Assets	As at March 31, 2013	As at March 31, 2012
Standard assets	11,250,484,616	6,848,375,315
Sub-standard assets	9,459,324	62,214,452
Doubtful assets	29,728	979,767
Total	11,259,973,668	6,911,569,534

(Amount in Rupees)			
Provision for loans	As at March 31, 2013		
	Provision as per RBI norms	Additional Provision as per Company Policy	Total
Standard assets	28,126,213	51,654,081	79,780,294
Sub-standard assets	945,932	8,513,392	9,459,324
Doubtful assets	29,728	-	29,728
Total	29,101,873	60,167,473	89,269,347

(Amount in Rupees)			
Provision for loans	As at March 31, 2012		
	Provision as per RBI norms	Additional Provision as per Company Policy	Total
Standard assets	17,120,997	11,674,785	28,795,782
Sub-standard assets	6,221,445	55,993,007	62,214,452
Doubtful assets	979,767	-	979,767
Total	24,322,209	67,667,792	91,990,001

During the year based on internal study and approved by the Board of Directors, the company has revised its estimates, which has resulted in provision being higher by Rs.45,014,498/- and profit for the year lower by that amount to such extent.

UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rupees)

25.7 Disclosure Pursuant to Reserve Bank of India Notification DNBS.200/CGM (PK)-2008 dated 1st August 2008

Particulars	March 31, 2013	March 31, 2012
(I) Capital to Risk asset ratio		
Tier I Capital	3,143,287,357	2,338,795,202
Tier II Capital	28,126,212	-
Total	3,171,413,569	2,338,795,202
Total Risk Weighted Assets	11,627,631,592	7,216,484,000
Capital Ratios		
Tier I Capital as a percentage of Total Risk Weighted Assets (%)	27.03%	32.41%
Tier II Capital as a percentage of Total Risk Weighted Assets (%)	0.24%	-
Total Capital (%)	27.27%	32.41%

(ii) Exposure to Real Estate Sector, Both Direct & Indirect

The Company does not have any direct or indirect exposure to the Real Estate Sector as at March 31, 2013

(iii) Maturity Pattern of Assets and Liabilities

Maturity pattern of certain items of assets and liabilities as on March 31, 2013

(Amount in Rupees)

Particulars	Liabilities		Assets	
	Borrowings from Banks and others	Market Borrowings	Advances	Investments
Up to one month	303,763,296	-	1,068,648,940	-
Over one month to 2 months	293,981,077	-	1,071,358,636	-
Over 2 months up to 3 months	505,858,518	-	1,054,478,340	-
Over 3 months up to 6 months	1,650,233,610	-	2,750,882,667	-
Over 6 months to 1 year	3,386,032,180	-	3,528,586,191	-
Over 1 year to 3 years	3,831,403,539	-	1,785,850,059	-
Over 3 years to 5 years	3,353,561	-	168,834	-
Over 5 years	-	-	-	1,000,000
Total	9,974,625,781	-	11,259,973,667	1,000,000

Notes:

1. The above borrowing excludes interest accrued but not due.
2. The above information has been considered as per the Asset Liability Management Report compiled by the Management and reviewed by the ALM committee.



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25.8 Additional disclosure

Disclosure of frauds reported during the period vide DNBS PD.CC NO. 256 / 03.10.042 / 2012 -13 dated March 02, 2012

	March 31, 2013							
	Less than Rs.1 lakh		Rs.1 to Rs.5 lakhs		Rs.5 to 25 lakhs		Total	
	No. of Accounts	Value Rs.in lakhs	No. of Accounts	Value Rs.in lakhs	No. of Accounts	Value Rs.in lakhs	No. of Accounts	Value Rs.in lakhs
A) Person involved								
Staff	1,592	4,356,420	-	-	-	-	1,592	4,356,420
Customer	-	-	-	-	-	-	-	-
Staff and customer	-	-	-	-	-	-	-	-
Total	1,592	4,356,420	-	-	-	-	1,592	4,356,420
B) Type of fraud								
Misappropriation and criminal breach of trust	1,592	4,356,420	-	-	-	-	1,592	4,356,420
Fraudulent encashment / Manipulation of books of accounts	-	-	-	-	-	-	-	-
Unauthorised credit facility extended	-	-	-	-	-	-	-	-
Cheating and forgery	-	-	-	-	-	-	-	-
Total	1,592	4,356,420	-	-	-	-	1,592	4,356,420
	March 31, 2012							
	Less than Rs.1 lakh		Rs.1 to Rs.5 lakhs		Rs.5 to 25 lakhs		Total	
	No. of Accounts	Value Rs.in lakhs	No. of Accounts	Value Rs.in lakhs	No. of Accounts	Value Rs.in lakhs	No. of Accounts	Value Rs.in lakhs
A) Person involved								
Staff	3,773	2,850,731	1	139,667	-	-	3,774	2,990,398
Customer	-	-	-	-	-	-	-	-
Staff and customer	-	-	-	-	-	-	-	-
Total	3,773	2,850,731	1	139,667	-	-	3,774	2,990,398
B) Type of fraud								
Misappropriation and criminal breach of trust	3,773	2,850,731	1	139,667	-	-	3,774	2,990,398
Fraudulent encashment / Manipulation of books of accounts	-	-	-	-	-	-	-	-
Unauthorised credit facility extended	-	-	-	-	-	-	-	-
Cheating and forgery	-	-	-	-	-	-	-	-
Total	3,773	2,850,731	1	139,667	-	-	3,774	2,990,398

Note:

The above summary is prepared based on the information available with the Company and relied upon by the auditors.

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25.9 Disclosure as required under DNBS (PD) CC. No. 300 / 03.10.038/2012-13 dated August 3, 2012.

Margin Cap of the Company as on 31 March 2013 is 11.6%. This has been computed as suggested by MFIN in their representation to The Reserve Bank of India dated August 29, 2012 (Subject reference : RBI/2012-13/161 ONBS (PO) CC.No.300/03.10.038/2012-13. dated August 3, 2012).

Note 26 Disclosures under Accounting Standards

26.1 Employee Benefits:

The details of employee benefits are as given below:

I Defined Contribution Plans

During the Year, the Company has recognized the following amounts in the statement of profit and loss

(Amount in Rupees)

Particulars	March 31, 2013	March 31, 2012
Employers' Contribution to Provident & Pension Fund	28,233,906	27,922,093

II Defined Benefit Plan

Contribution to Gratuity Fund:

Details of defined benefit plan of gratuity are given below:

(Amount in Rupees)

Particulars	March 31, 2013	March 31, 2012
Components of employer expense		
Current Service cost	17,860,423	7,602,435
Interest cost	1,600,049	1,026,622
Expected return on plan assets	(1,301,321)	(780,984)
Actuarial Losses/(Gains)	(536,667)	(377,281)
Total expense/(income) recognized in the Statement of Profit & Loss	17,622,484	7,470,792
Actual Contribution and Benefit Payments for the Year ended		
Actual benefit payments	(750,866)	(141,463)
Actual Contributions	7,468,204	5,784,882
Net asset/(liability) recognized in balance sheet as at		
Fair value of plan assets	21,225,930	12,907,844
Present Value of Defined Benefit Obligation	(38,848,414)	(20,376,048)
Excess of plan assets over present value of obligation	-	-
Net (liability) recognized in balance sheet	(17,622,484)	(7,468,204)



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NOTES FORMING PART OF FINANCIAL STATEMENTS

(Amount in Rupees)

Particulars	March 31, 2013	March 31, 2012
Change in Defined Benefit Obligation (DBO) during the year ended		
Present Value of DBO at the beginning of the year	20,376,048	12,148,632
Current service cost	17,860,423	7,602,435
Interest cost	1,600,049	1,026,622
Actuarial (gains)/losses	(237,240)	(260,178)
Benefits paid	(750,866)	(141,463)
Present Value of DBO at the end of the year	38,848,414	20,376,048
Current Liability	4,169,401	1,657,234
Non current liability	34,679,013	18,718,814
Change in Fair Value of Assets during the year ended		
Plan assets at the beginning of the year	12,907,844	6,366,338
Expected return on plan assets	1,301,321	898,087
Actuarial gain/(loss)	299,427	-
Actual Company Contributions	7,468,204	5,784,882
Benefit Paid	(750,866)	(141,463)
Plan assets at the end of the year	21,225,930	12,907,844
Actuarial Assumptions		
Discount Rate	8.00%	8.50%
Expected Return on plan assets	8.00%	8.50%
Rate of increase in compensation	10.00%	8.00%
Attrition rate	21.60%	25.36%
Retirement age	60	58
Investment details of plan assets		
Government Securities	20%	20%
Government Securities or other approved securities	40%	40%
Approved investment	Not exceeding 60%	Not exceeding 60%

The estimates of future salary increases considered in actuarial valuation take account of inflation, seniority, promotion and other relevant factors such as supply and demand factors in the employment market.

Details relating to experience adjustment and expected future cashflow is given below

(Amount in Rupees)

Particulars	March 31, 2013	March 31, 2012
Defined Benefit Obligation at end of the year	38,848,414	20,376,048
Plan Assets at end of the year	21,225,930	12,907,844
Funded Status - Assets/ (Liabilities)	(17,622,484)	(7,468,204)
Experience Gain/(Loss) adjustments on plan liabilities	(340,486)	306,425
Experience Gain/(Loss) adjustments on plan Assets	299,427	-
Actuarial Gain/(Loss) due to change on assumptions	103,246	218,303

In absence of details relating to experience adjustment for the periods prior to march 12 and expected future cash flow the same are not furnished.

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III Other Long term employee benefits – Compensated absences		(Amount in Rupees)
Particulars	March 31, 2013	March 31, 2012
Charge in statement of Profit & Loss	12,390,161	8,370,192
Liability as at the period end	27,462,311	19,402,018

26.2 Segment Reporting

The company's business segment is micro finance services and the principal geographical segment is India. Accordingly no separate disclosure is required to be made under accounting standard 17, Segment Reporting

26.3 Related Party Disclosure

A. List of Related Parties are Given below:

Key Management Personnel

Mr. Samit Ghosh, Managing Director

Enterprises owned by relative of key management person

Parinaam Foundation

B. Transactions with Related Parties during the period

1. Mr. Samit Ghosh		(Amount in Rupees)
Particulars	Key Management Personnel	
	March 31, 2013	March 31, 2012
Remuneration:		
Mr. Samit Ghosh	4,457,895	3,785,721
Outstanding Balance		
Due From	-	-
Due to	202,692	-

2.Parinaam Foundation		(Amount in Rupees)
Particulars	March 31, 2013	March 31, 2012
Amount received towards Reimbursement of expenses and others service	4,850,847	360,000

26.4 Details of leasing arrangements

The Company has taken on operating lease certain facilities and office premises for a period ranging from 11 months to 120 months which are non-cancellable for the period as reflected in the respective agreements. These lease agreements provide for increase in the lease payments by 10% to 15% over the period as mentioned in the agreements. The total minimum lease payments for the current period, in respect of operating leases, included under rent, aggregates to Rs.51,301,453/- (PY. Rs.48,789,356/-)



UJJIVAN FINANCIAL SERVICES PRIVATE LIMITED

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The future lease payments in respect of the above are as follows:		(Amount in Rupees)
Particulars	March 31, 2013	March 31, 2012
Not later than one year	10,710,109	41,691,047
Later than one year but not later than five years	9,019,272	63,672,124
Later than 5 years	-	3,493,076

Particulars	March 31, 2013	March 31, 2012
26.5 Earnings per share		
Net profit / (loss) after tax (Rs.)	338,524,315	17,148,394
Weighted average shares outstanding – Basic (Nos.)	61,718,061	38,567,526
Weighted average shares outstanding – Diluted (Nos.)	66,153,086	41,648,996
Earnings / (loss) per share – Basic (Rs.)	5.49	0.44
Earnings / (loss) per share – Diluted (Rs.)	5.12	0.41

Other ratios are indicated below:		
Particulars	March 31, 2013	March 31, 2012
Debt Service ratio	0.12	0.18
Interest Coverage ratio	1.63	1.2
Debt Equity Ratio	3.21	2.59

26.6 Deferred Tax

In accordance with Accounting Standard - 22 "Accounting for Taxes on Income", the company has recognized Rs.7,986,760/- (PY. Rs.11,017,456/-) as deferred tax credit as detailed below:

(Amount in Rupees)			
Particulars	Deferred Tax (Assets) / Liabilities as on April 1, 2012	Current period (credit) / charge	Deferred Tax (Assets) / Liabilities as on March 31, 2013
Difference between book and tax depreciation	7,415,867	(115,403)	7,300,464
Provision for Employee benefits	(8,718,044)	(6,606,278)	(15,324,322)
Provision for doubtful assets	(30,900,861)	(1,265,079)	(32,165,940)
Net Deferred Tax (Asset) / Liability	(32,203,038)	(7,986,760)	(40,189,798)

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27 Employee Stock Option Plan

The Company has established Employee Stock Option Plan (ESOP) for compensation to its employees, being ESOP 2006, ESOP 2007, ESOP 2008 and ESOP 2010. The Company had granted options under the ESOP 2010 plan during July 2010 based on an exercise price of Rs.400/- each fully paid after a vesting period of 4 years after the grant date.

Option activity under the plans is as given as below:

Particulars	Number of Options	
	March 31, 2013	March 31, 2012
Options granted, beginning of period	3,081,470	2,968,710
Granted during the period	1,646,010	378,112
Exercised during the period	0	0
Forfeited/Expired during the period	292,455	265,352
Options granted, as of March 31, 2013	4,435,025	3,081,470
Option exercisable at the year end	1,106,664	1,060,805
Weighted average of remaining contractual life (years) at the year end	2.97	2.05

For the options granted under ESOP 2010 plan the difference between the intrinsic value of the underlying shares in the year of grant and the options exercise price is charged to the profit and loss account. Accordingly, the compensation charge thereon in the current year is Rs. Nil (PY Nil).

The guidance note issued by the Institute of Chartered Accountants of India requires the disclosure of pro forma net results and Earnings Per Share (EPS) both basic & diluted, had the company adopted the fair value method amortising the stock compensation expense thereon over the vesting period, the reported profit for the year ended March 31, 2013 would have been lower by Rs.6,835,668/- and the basic and diluted EPS would have been revised to Rs.5.37/- and Rs.5.01/- respectively.

The fair value of the stock option is calculated through the use of option pricing models, requiring subjective assumptions which greatly affect the calculated values. The said fair value of the options have been calculated using Black-Scholes option pricing model, considering the expected term of the options to be 4 years, an expected dividend rate of 2% on the underlying equity shares, risk free rate of 8.14% and volatility in the share price of 0% since the company being closely held and its shares not being freely traded. The Company's calculations are based on a single option valuation approach, and forfeitures are recognized as they occur.



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NOTES FORMING PART OF FINANCIAL STATEMENTS

28 Securitisation of receivables under financing activities:

As per RBI guidelines on Securitisation on Standard Assets issued on February 6, 2006, the details of assets de-recognized by way of securitisation are given below:

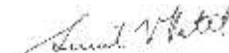
Particulars	March 31, 2013	March 31, 2012
Total number of loan assets securitized during the year	Nil	67,124
Book value of loan assets securitized during the year	Nil	575,321,108
Sale consideration for loan assets securitized during the period	Nil	575,321,108
Total profit/Gain on account of securitization to be amortized over the life of the receivables	Nil	Nil
Quantum of credit enhancement in the form of deposits	Nil	47,900,000
Income on securitization transaction	Nil	35,786,421
Income recognized in the profit and loss account during the year	224,657	34,732,532

29 Previous year figures have been regrouped / reclassified wherever necessary to correspond with the current year classification / disclosure.

For and on behalf of the Board of Directors



Samit Ghosh
Managing Director



Sunil Patel
Director




Suhasini Ashok
Company Secretary



Sudha Suresh
Chief Financial Officer

Place: Bangalore
Date: May 17, 2013

**Schedule to the Balance Sheet of Ujjivan Financial Services Private Limited
- a Non Deposit taking Non Banking Financial Company**

(as required in terms of Paragraph 13 of Non Banking Financial (Non-Deposit Accepting or Holding)
companies Prudential Norms(Reserve Bank) Directions,2007)

(Amount in Rs.Lakhs)

	Particulars	Amount outstanding	Amount Overdue
	Liabilities side		
(1)	Loans and advances availed by the Non Banking finance company inclusive of interest accrued thereon but not paid		
	a) Debentures - Secured	12,400.00	NA
	- Unsecured (other than falling within the meaning of public deposits - refer note 1)	Nil	NA
	b) Deferred Credits	Nil	NA
	c) Term Loans	86,946.09	Nil
	d) Inter corporate Loans and borrowing	Nil	NA
	e) Commercial Paper	Nil	NA
	f) Other loans (specify nature)	400.17	NA
	Assets Side		
(2)	Break up of Loans and advances including Bills Receivables (Other than those included in 4 below:)		
	a) Secured	Nil	
	b) Unsecured	Nil	
	c) Long term loans and advances	332.25	
	d) Receivable from financing activities	112,599.74	
	e) Short term loans and advances	617.86	
	f) Other current assets	1,906.60	
	g) Other non current assets	1,179.79	
(3)	Break up of Leased assets and stock on hire and other assets counting towards AFC activities		
	(I) Lease assets including lease rentals under Sundry Debtors		
	(a) Financial Lease		Nil
	(b) Operating Lease		Nil
	(ii) Stock on assets including hire charges under Sundry Debtors		
	(a) Assets on Hire		Nil
	(b) Repossessed Assets		Nil
	(iii) Other loans counting towards AFC activities		
	(a) Loans where assets have been repossessed		Nil
	(b) Loans other than (a) above		Nil



(Amount in Rs.Lakhs)

	Particulars	Amount outstanding	Amount Overdue
(4)	Break up of Investments		
	Current Investments:	Nil	Nil
	1. Quoted		
	(i) Shares - a) Equity		
	b) Preference		
	(ii) Debentures and bonds		
	(iii) Units of mutual funds		
	(iv) Government Securities		
	(v) Others		
	2. Unquoted		
	(i) Shares - a) Equity		
	b) Preference		
	(ii) Debentures and bonds		
	(iii) Units of mutual funds		
	(iv) Government Securities		
	(v) Others		
	Long term investments	Nil	Nil
	1. Quoted		
	(i) Shares - a) Equity		
	b) Preference		
	(ii) Debentures and bonds		
	(iii) Units of mutual funds		
	(iv) Government Securities		
	(v) Others		
	2. Unquoted		
	(i) Shares - a) Equity		
	b) Preference	10.00	
	(ii) Debentures and bonds		
	(iii) Units of mutual funds		
	(iv) Government Securities		
	(v) Others		

(Amount in Rs.Lakhs)

	Category	Amount Net of Provisions		
		Secured	Unsecured	Total
(5)	Borrower Group wise classification of assets financed as in (2) & (3) above Please see note 2 below			
	1. Related parties**			
	a) Subsidiaries	Nil	Nil	Nil
	b) Companies in the Same Group	Nil	Nil	Nil
	c) Other related parties	Nil	Nil	Nil
	2. Other than related parties	Nil	112,308.72	112,308.72
	Total	Nil	112,308.72	112,308.72

	Category	Market value/Breakup or fair value or NAV	Book Value (Net of Provisions)
(6)	"Investor Group wise classification of all investments (Current and long term) in shares and securities (both quoted and unquoted) please see note 3 below"		
	1. Related parties**	Nil	Nil
	a) Subsidiaries	Nil	Nil
	b) Companies in the Same Group	Nil	Nil
	c) Other related parties	Nil	Nil
	2. Other than related parties	Nil	10.00
	Total	Nil	10.00
	** As per accounting standard of ICAI (Please see note 3)		

	Particulars	Amount
(7)	Other information	
	(i) Gross Non performing Assets	
	a. Related parties	Nil
	b. Other than related parties	94.89
	(ii) Net Non performing Assets	
	a. Related parties	Nil
	b. Other than related parties	85.13
	(iii) Assets acquired in satisfaction of debt	Nil



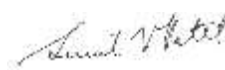
Notes:

1. As defined in paragraph 2(1)(xii) of the Non-Banking Financial Companies Acceptance in public Deposit (Reserve Bank) Directions, 1998.
2. Provisioning norms shall be applicable as prescribed in Non-Banking Financial(non-Deposit Accepting or Holding) companies Prudential Norms(Reserve Bank) directions, 2007.
3. All Accounting Standards and Guidance Notes issued by ICAI are applicable including for valuation of investments and other assets also assets acquired in satisfaction of debt. However, market value in respect of quoted investments and break up/fair value/NAV in respect of unquoted investments should be disclosed irrespective of whether they are classified as long term or current in (4) above.

For and on behalf of the Board of Directors



Samit Ghosh
Managing Director



Sunil Patel
Director



Suhasini Ashok
Company Secretary



Sudha Suresh
Chief Financial Officer

Place: Bangalore
Date: May 17, 2013

**Part IV of Schedule VI of the Companies Act, 1956 (As Amended)
Balance Sheet Abstract and Company's General Business Profile**

I Registration Details

Registration No. : 035329
Balance Sheet Date : 310313

State Code : 08

II Capital Raised during the year (Rs. in thousands)

Public Issue : NIL
Bonus Issue : NIL

Right Issue : NIL
Private Placement : 8294

III Position of Mobilisation and Deployment of Funds(Rs.in thousands)

Total Liabilities : 13602417

Total Assets : 13602417

Source of Funds

Paid-up Capital : 655814
Secured Loan : 9974626

Reserve and Surplus : 2557556
Unsecured Loans : NIL

Application of Funds

Net Fixed Assets : 111379
Net Current Assets : 4969944
Accumulated Losses : NIL

Investments : 1000
Misc Expenditure : NIL

IV Performance of Company

Turnover : 2225188
Profit (Loss) before Tax : 491537
Earnings per Share : 5.49

Total Expenditure : 1847748
Profit (Loss) after Tax : 338524
Dividend Rate : 0.25

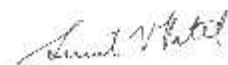
V Generic Name of Three Principal Products/Services of Company (As per Monetary terms)

Item Code No : NIL
Product Description : MICROFINANCE

For and on behalf of the Board of Directors



Samit Ghosh
Managing Director



Sunil Patel
Director





Suhasini Ashok
Company Secretary



Sudha Suresh
Chief Financial Officer

Place: Bangalore
Date: 17th May 2013







Social Performance Report

2012-2013





Make a Difference!

Help Us Convert Stumbling Blocks Into Stepping Stones
On a Pathway to Change

Empower Women via Financial Literacy Training



Parinaam is leading the call to provide financial literacy education to India's poor. Such training is critical for these women to prosper. We've developed the **Diksha Financial Literacy Program** to teach women how to manage their incomes, debt & expenditures. We also coach them on how to save money safely. Of the 64000 enrolled, we have assisted 14000 in opening savings accounts. **Help us get to our target of reaching 1 million women with Diksha. Consider a donation & help Parinaam break their cycle of poverty.**

Help a Child Reach Her/His Academic Potential

Parinaam's **Academic Adoption Program** is a unique opportunity to invest in a child's education & future. Sponsors commit to annual contributions to cover one student's school fees, uniforms & books. Children from families with absolutely no means receive the gift of access to a quality school. **Be part of making a child's dream come true!**



Contribute to a Holistic Initiative to Support the Desperately Poor



India's extremely poor live in isolated slums with no access to infrastructure or jobs. Globally, this population is referred to as "those living on under \$1.25 a day". This destitute group is even excluded from the latest initiatives to expand financial inclusion & eradicate poverty. The mission of Parinaam's **Urban Ultra Poor Program** is to empower the poorest of the poor socially & economically, one family at a time. By expanding this 12-month program, we can provide stability, hope & momentum.

Please help us reach more families so they can take that
first difficult step to escape extreme poverty.



Join Us!

Support Higher Education



Without education, few, if any, can escape an inherited life of poverty. The greatest aspiration of most parents in India is a quality education for their kids. Parinaam's **Higher Education Scholarship Program** has relieved many parents of having to borrow high-interest loans from moneylenders. Their child now has a future, as do they, free from debt. Many of these children who dare to dream are now on their way to becoming engineers & doctors. Parinaam also connects children to vocational training programs as an effective alternative to a university education. Both of these paths deliver hope. **Join us in providing India's youth with links to a better future.**

Intern or Volunteer

For many of the world's charitable donors, the most rewarding experiences are found on the front-line. Parinaam welcomes volunteers. For university students & professionals, we also facilitate internships which provide structure & an educational dynamic found only off-campus. Participate in the office, or in the field...or both. We'd be thrilled to have you! **We promise you will not only give back, you will also receive.**



Join Our Social Media Community

Connect directly with Parinaam where you can send donations easily & quickly. We, along with our beneficiaries, will be very grateful! You can make a real impact by simply joining our social media community & spreading the word. **Our goal is to reach 2008 supporters on Facebook & Twitter this year to celebrate the year of Parinaam's launch.... every "Like" & "Follower" will count beyond the screen!**



@parinaam



Parinaam Foundation

www.parinaam.org



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Social Development Program

In order to achieve the mission of alleviating poverty, Ujjivan has integrated a Social Development dynamic into its business model. Our social welfare assistance enables customers to live a more comfortable life while they utilize our micro-credit loans to “Build A Better Life”. We demonstrate our commitment to our customers by allocating a portion of profits to initiatives in the areas of Child Welfare and Development, Infrastructure, Health Care and Disaster Relief. Started in 2010, Ujjivan’s Social Development Program (SDP) empowers customers with the opportunity to direct funds towards the projects of their choice. As collaborative activities, such projects enhance relations between local branch staff and their clients.

All mature branches (those in operation for more than one year) are funded for SDP initiatives. For each branch an SDP Committee is formed to plan and execute these projects. The committee is comprised of both branch staff and customers. Each area where the branch operates must have a customer representative present. As with all Ujjivan services we value customer participation. With SDP projects in particular, the customer’s voice is the most important voice at the table. Only those who live in the community understand what type of investment will benefit them the most. Their insight should elevate the chance of success and sustainability for any given project.

In the Financial Year 2012-13 we executed more than 280 local Social Development Programs that touched the lives of more than 80000 adults and children. With each year, SDP fund allocation has increased. As Ujjivan is a Social Business, the impact of social welfare and development projects contributes to our bottom line evaluation. For the past three years Ujjivan has received the Gold or Platinum Award for Social Performance, assigned by Microfinance Information Exchange (MIX) in partnership with the Michael & Susan Dell Foundation and the Ford Foundation. Sound financial performance is not sufficient to achieve the Microfinance sector’s social objectives. On the road to Full Financial Inclusion for India’s Poor, we at Ujjivan understand that investment in Social Development must complement our core business of Financial Services. Only through such cross-sector activity will we produce real and lasting change for our customers.

Particulars	North	South	East	West	Total
No of Branches	54	93	101	42	290
No of SDPs	55	90	101	42	288
No of Aganwadis	3	289	300	10	602
No Of Govt. Schools	27	177	80	17	301
Orphanage/ Physically & Mentally challenged children/ Hostels	6	37	45	5	93
No of Children and others benefitted	18,522	31,061	16,317	21,500	87,400
No of Community works	11	12	175	10	208
Total Expenditure (Rs. In Lakhs)	13.50	22.30	24.90	10.00	70.70

All the four regions - North, South, East and West conduct Social Development Programs after assessing needs of the local communities. For encouraging regional branches to undertake such activities, “Best SDP

Awards” are given to branches which conduct unique Social Development Programs having positive and widespread impact on the society. The next section explores some of the best and outstanding SDP activities conducted in different regions during the year.

North Region – Meerut Branch, U.P - Renovating a Government Hospital (Winner of Best SDP Award 2012-13)

Health services are one of the critical requirements for the poor. But, unfortunately infrastructure is not proper in most of our hospitals. Meerut branch SDP committee decided to renovate on such hospital. They constructed pavement connecting the hospital main gate with road. Earlier there was water logging after every rain and it was difficult for patients and hospital staffs to walk. The toilet was repaired. Sitting arrangements were made for the patients and building was whitewashed. It will benefit the patients, relatives, hospital staffs and nearby residents as well.



South Region - Periyakulam Branch, Tamil Nadu (Winner of Best SDP Award 2012-13)

Periyakulam branch SDP committee decided to conduct four different activities under Social Development Program - Rain water harvesting, Tree plantation, Blood donation camp and distributing utility items to Government Anganwadis.

Rain Water Harvesting:

One of Ujjivan's newest initiatives under the Social Development Program, the installation of Rainwater Harvesting systems, was born out of a desire for sustainable way to utilize a natural resource, rain, to conserve water by funneling it into a pit to recharge underground water tables, thereby prolonging the lives of underground water table level. One of the seven branches to have worked for Rain Water Harvesting, Periyakulam branch team constructed recharge pit in a government school. The branch staffs volunteered to construct recharge pit.

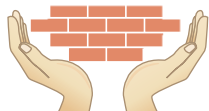


Tree Plantation

A step towards “Go Green”, the team donated 1000 saplings to the local societies and schools. “We donated Neem trees for its medicinal character and its ability to keep the surrounding germ-free” says one of the SDP committee members.

Blood Donation Camp

“The local government blood bank unit has to depend upon the private blood banks. On an average, we have 10 units of blood only” says the government blood bank supervisor in Theni. The SDP team arranged for a



blood donation camp in the government hospital where 26 units of blood bags were donated.

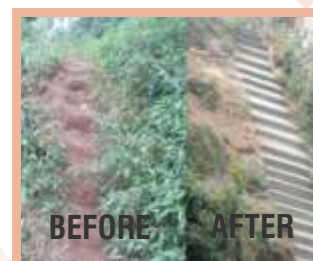
Distribution of Utility items to Government Anganwadi

With a focus on child welfare and nourishment, the SDP team donated utility items like Idly Boiling drums, Water Storage Drums, Mats etc. to ten Anganwadis in the branch area.

The Periyakulam SDP Program got wide coverage in local media, both Print and Electronic.

East Region - Police Bazaar Branch, Meghalaya - Building a way (Winner of Best SDP Award (2012-13))

Policebazaar branch stands as a reflection of our presence in the State of Meghalaya. Geographically, it lies in the East Khasi Hills region. The proposal that came up from our customers in that area is to help construct a road that connects Mynsain with lower Lumparing. The road is unpaved uphill and during rainy season it gets extremely difficult to climb up & down the ~70-80m stretch.



Our customers in that area has milk business and they needed to use this stretch of road carrying big milk jars to give it to the suppliers. Additionally this road is also connectivity for the people who come on a bi-weekly basis with loads of goods for sale of items such as garments, handicrafts, vegetables in the Weekly Bazaar in Burrabazar area.

The proposal of constructing stairs in that stretch met with huge response from the localites as well. They have worked as laborers in return of a very small amount of money. The branch staffs of Ujjivan were personally involved in the construction phase.

The event was inaugurated by the Village Headman. The project has immense positive impact in the lives of the commoners.

West Region

The region amplified its impact on a larger population by actively organizing social development activities at 42 branches in FY 2012-13. Complete renovation of a bus-stop, construction of a bridge, construction of toilets at a public school and erection of benches and water containers at a park were a few examples of initiatives that benefited the local populace.

Navsari (Surat)

The SDP conducted by Navsari was the first of its kind in the region. As part of the program, a bus stop – serving as a transit point for over 5000 passengers daily, including 1500+ Ujjivan customers – was renovated with reworked flooring, painting and installation of improved seating facilities for passengers. This seemingly small effort on part of Ujjivan has significantly increased the comfort level of passengers waiting for their next bus.

Chandan Nagar (Pune)

Continuing the trend set by Navsari, Chandan Nagar embarked on the construction of a concrete bridge across a narrow canal. Previously, the canal – which floods its banks regularly during the monsoons – would completely isolate the working area from its surroundings. The construction of this bridge has visibly lessened the hardships faced by the residents in commuting to and from the area.

Pune East (Pune)

Pune East constructed public toilets for a school catering to the educational needs of children from underprivileged families of that area. This 55 year old school which runs solely on government grants had been struggling to provide basic sanitation to its students. The construction of these toilets is expected to reduce the instances of children falling prey to infectious diseases.

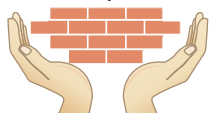


Dharavi (Mumbai)

The Dharavi SDP comprised of setting up public benches at a park in one of its working areas and the installation of water containers serving the needs of customers – as well as other residents – engaged in business activities in the area. These measures will hopefully provide customers a suitable spot to relax in, as they take a much needed break from their daily grind.

The Lingarajapuram Community Resource Centre

In early 2013, Ujjivan's Lingarajapuram branch SDP team in Bangalore undertook a new Social Development Program initiative by developing our first Community Resource Centre. Located inside the branch, the Centre has been stocked with four sewing machines, two computer system and a library of children's books. These resources allow the Centre to provide tailoring classes taught by Lingarajapuram customers, computer classes for both customers and their children, as well as a safe place for children to read while their mothers participate. The library is also open in the evenings for the kids. The Resource Centre is staffed entirely by branch customer volunteers with a Working Committee providing oversight of day-to-day affairs. For now, Ujjivan employees are providing assistance to the Centre, although its eventual goal is reaching a point of self-sustainability where Ujjivan's help is no longer needed. The long term goal of Ujjivan is to make a scalable and replicable model.



Child Welfare & Development

The Model Anganwadi Project (MAP)

Our Social Development Program, launched in 2010, has benefitted more than 1,80,000 children around the country, where clients and branch staff jointly conduct development projects funded by Ujjivan. The child welfare oriented projects predominantly focus on the development of Anganwadis as desired by our customers.

India has the world's largest population of malnourished or under-nourished children. An estimated 47% of children aged below 3 years are under-nourished as per international standards. The prevalence of underweight children in India is among the highest in the world, with dire consequences for mobility, mortality, productivity and economic growth. Anganwadis are India's primary tool against the curses of child malnourishment, infant mortality and preventable diseases such as polio. They provide outreach services to poor families in need of immunization, healthy food, clean water, clean toilets and a learning environment for infants, toddlers and pre-schoolers.

Having undertaken development projects for Anganwadis, we came across the same story everywhere – poor conditions and high dropout rates due to lack of the most basic facilities. We realized that without the participation and involvement of local authorities, administration and local community residents these problems could not be resolved on a long-term basis. Thus, we decided to start the Model Anganwadi Project (MAP) as part of our Social Development Program. It is an initiative based on a public-private partnership framework, with Ujjivan taking the lead in discussions and coordination with local administrative authorities, Government departments and the residents. This is followed-up by funding part of the Anganwadi development project as well as post-implementation monitoring. MAP involves identification and selection of Anganwadis based on criteria such as level of town/village sophistication, dropout rate, presence of qualified teachers, and proprietorship (has to be Government-owned). We initiate deliberations with all stakeholders to help identify issues which need to be addressed and simultaneously solicit their support for the project.



The Gram Panchayat (village administration) Municipal Corporation organises all outward renovation work, including painting, while Ujjivan typically undertakes the following activities: refurbishment of electrical installations, constructing drinking water and toilet facilities, arrangement of classrooms (chairs, tables, blackboards, toys and teaching aids) and the provision of weighing



machines for the children's weekly weight checks. Parinaam Foundation participates by conducting health camps for children and their mothers. Last year, as part of the first phase of this initiative, we created seven model Anganwadis at Channapatna, Jamkhandi (2), Krishnagiri, Mysore, Chandra Layout and Yelahanka in Bangalore.

The feedback has been extremely encouraging and children's attendance has increased. The community residents, some of whom are our customers as well, are happy with the support from Ujjivan for their neighbourhood Anganwadi. One parent said, "I feel as though my child is now going to a private school!" The Model Anganwadi inauguration function is attended by senior officials from Government departments, local administration, media, customers, as well as Ujjivan and Parinaam staff.

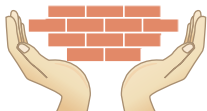


Playground Solar Lighting

The Deepshikha Institute of Child Development and Mental Health is a state nodal agency centre of National Trust. It is a non-profit organization aiming to improve the lives of children with mental disabilities. Located at Namkum in Ranchi, the Institute serves over 100 mentally challenged children. Customers of the local Ujjivan Ratu Road branch chose the institute to be a recipient of the the Social Development Fund this past year. The community was grateful for the opportunity offered by Ujjivan to help their local institution continue to impact the lives of these children in need.

The Deepshikha Institute has a playground where teachers take the children for physical activity and games; the playground also serves as the pathway to the main entrance of the building. The playground's lighting, however, was insufficient to illuminate the ground and entrance, making it a dangerous place for the children to play or walk in the evenings. The lack of lighting therefore denied the institute's children valuable exercise and play time in the evenings, critical to both the development of their bodies and their mental faculties.

Regular power cuts made it difficult to establish safe lighting in the playground, so Ujjivan's Social Development Program intervened by installing a solar streetlight. The playground and main entrance are now illuminated in the evenings (even during power cuts), making it a safe site for many hours of activities and games each day. The children, the management of the institute and the Ujjivan branch customers have all expressed gratitude for this simple solar solution that now keeps the children both active and safe after dark.



Beyond the Call: Ujjivan's Social Commitment in Action

Channabasayya's Family Reunion

The thought of getting separated from one's family is scary enough on its own—but the thought of getting separated for nearly 25 years is nearly unthinkable. Channabasayya is a man who went through exactly such an ordeal. But thanks to Uttavum Ullangal, a rehabilitation center, and Ujjivan, Channabasayya is a family man again.

One day in 1987, 21 year-old Channabasayya suddenly vanished, leaving his wife, parents, four brothers, two sisters and young son behind. Channabasayya was a newlywed and deeply loved by his family. He was mentally challenged, though, and his disappearance frightened his family. They searched every corner of their neighborhood, Bagalkot, Karnataka, and the surrounding districts, but to no avail.

Days, weeks and eventually years went by with no sign of Channabasayya. The years of separation were painful for everyone involved. His wife once said of this time, "I would often catch myself lost, sitting alone, reminiscing about his smile, dejected in life. I just wanted to know, at least, if he was alive or dead."

Many years later, in 2008, Channabasayya was discovered at a Vellore railway station by the employees of Uttavum Ullangal, a rehabilitation center. They took him first to CMC Hospital in Vellore, then to their center in Thirupattur, Tamil Nadu, for shelter and treatment. Slowly, he began to stabilize both physically and mentally, but he continued to yearn for his long-lost family.

In August, 2012, Ujjivan employees visited Uttavum Ullangal to deliver cots as part of the Social Development Program. During the visit, Pradeep, our Distribution Manager, heard about Channabasayya and became determined to find his relatives. Pradeep collected Channabasayya's documents and asked Amresh, Ujjivan's Program Manager in Bagalkot, for assistance. Miraculously, while investigating, they realized that one of Amresh's friends lived adjacent to Channabasayya's wife. The family could now finally be reunited.

The reunion was nothing short of a rebirth for the entire family. Channabasayya's son, an infant during his disappearance, was now grown and able to meet his father for the first time in his adult life. Meanwhile, his wife regained a husband, his parents regained a child, and Channabasayya himself gained an entire family. This miracle would never have been possible if not for the wonderful team to which we all belong. Ujjivan employees take the company's mission to heart and beyond the call of duty. Ujjivan is proud and deeply grateful to Pradeep, Amresh, and Uttavum Ullangal for helping this family. We sincerely hope to continue to be of service to families, communities and society. There are few greater rewards than witnessing the smile of someone whose life has been truly changed for the better.



PARINAAM
FOUNDATION

Letter From the Executive Director

Parinaam Foundation's Social Progress In 2012-2013

Each new year starts with reflections on the past year that trigger all the emotions of the spectrum: **SORROW** for the programs that did not quite work out the way we envisaged; **DISPAIR** when the longed-for donations and grants didn't come through as we expected; **BLEST** that those who offered support and funds kept their promises and helped us pull through on turning our powerful initiatives into reality; **PRIDE** that choked us when we looked at our Parinaam Teams with appreciation for how hard they work to change the lives of our beneficiaries; **RELIEF** that one more year had passed and we were able to stand firm and not compromise our integrity; and finally **HOPE** that this year can only get better and that we will **PREVAIL**.

2012-2013 included some incredible highs for Parinaam, and sadness for those favourite programs that went into cold storage, waiting for a better day to come alive. Parinaam has settled into the role of "Innovator", with every initiative meeting the high standards we have imposed on ourselves to deliver unique quality services to our women beneficiaries and their families. We understand that we cannot control the sources of our funding requirements and with sorrow we realize that indigent families will fall through the cracks. Yet always there is a prayer for a better day and often it works in wondrous ways.

Last year was the "Year of **Diksha**", the financial literacy program developed by Parinaam. The training sessions were launched for 33000 Ujjivan women customers, thanks to a grant from the Michael & Susan Dell Foundation. Citi Foundation also joined in as a funding partner, supporting another 31500 participants. Soon the news of Diksha spread, attracting accolades and interest from many organisations. The final feather in our cap came from the Reserve Bank of India. They contacted us for our training materials and integrated many of the Diksha concepts, including the financial diary, in their own financial literacy program for the banks. They kindly acknowledged our contribution in their training manual. In the meantime, our trainers and the Ujjivan field staff made it their mission to help the Diksha graduates open bank savings accounts and taught them how to utilize such accounts. Ujjivan encouraged the usage by offering cashless loan disbursements. Our beneficiaries, who had expressed their most desperate need for financial inclusion as how to save and where to save, suddenly found themselves empowered as they felt in control of their financial situation for the first time in their lives.

This year our goal is to find the funds to train at least half of Ujjivan's one million customer base. Our first grant for 2013-2014 has just been approved by Citi Foundation. For the second time, Citi will support the training of 30000 additional participants in Diksha. As part of the Grant we have included a unique pilot to encourage savings by tying it to the Scholarship Program. With access to financial literacy training and banks, women can actively support their children's need for quality education without falling into usurious debt.

We expanded to 9 slums in the Parinaam **Urban Ultra Poor Program**. Sadly 2 of them were demolished for reasons best known to the agencies that roared in there with their JCBs, converting the already "almost-homeless"

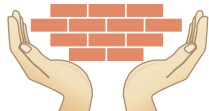
into “the homeless”, scattering impoverished families to the four winds. From our originally planned 240 families we took under our wing 469 women beneficiaries with 1769 family members, including 1130 children. The highlight of the year was helping the first 15 women open savings accounts. This is unheard of among the ultra poor. I will always remember the incredible high when the first UUPP beneficiary received her ATM card. Of the graduated women, 94 borrow micro-loans from Ujjivan and have a 100% repayment rate. We all smile when the Ujjivan field staffers report that our former UUPP women are more disciplined than the regular Ujjivan members. We remember those early days when we despaired because they were so irregular at their UUPP centre meetings!

Our UUPP children attend 7 tuition centres, and the **Summer Camp** is the ultimate joy. Sarah Owen-Vandersluis, dear friend and well-wisher from the UK, ran an amazing triathlon to raise money for this year’s Camp. Her supporters, including her Grandfather, contributed generously to Parinaam. Our 259 children reaped the benefits of that generosity and Sarah’s efforts for a glorious 5 weeks.

Some folk think these small numbers hardly make a tiny dent in the vast majority of the desperately poor. However if you could see the smile on a well-dressed woman’s face when she is treated as a guest at the Ujjivan branch office, you would understand the impact. She has never experienced such a day. She sits on a chair, is offered snacks and tea, receives her Ujjivan membership card and her first microfinance loan... This day she is empowered. She now looks forward, beyond her memories of a year ago when her children ran about half-naked, her husband drank himself silly and beat her up at the slightest provocation; the days when she scrabbled to put food in her children’s mouths, they died of the slightest illness because she had no money to pay for healthcare. I feel incredibly proud of the work our UUPP Team has done to change these lives. This I know – this program will never go into cold storage!

We realise that the Right to Education Act is a paper tiger – most schools will take in a few kids under duress, the newspapers report that parents could pay anything up to Rs. 20000 in unethical costs. Our UUPP staff helped 84 children get into good schools. Some parents can afford to pay the fees thanks to our livelihood initiative that got them good jobs. For those who could not quite make the cut, Parinaam started the **Academic Adoption Program** to give them the security of a good education. We had 17 sponsorships, up to 40 this year. People were incredible – given a choice of several child profiles they would say “I’ll sponsor all of them!” We are happy to note that not one rupee of the sponsorships go towards Parinaam administrative costs or school transport. We manage somehow and are determined to ensure that the child will benefit 100% from the care provided by a generous donor. Yes, we and our children feel truly blest.

Sadly last year we could support only 9 of the 200 applicants for **Scholarships for Higher Education**. Then, at the beginning of this year, Sequoia Capital India Operations LLC provided us the funds for the much needed support of our students, under both Academic Adoption and the Scholarship Fund. We are so excited because we know how



truly grateful these students are for being given a shot at their dreams. This year we will meet our goals. One more reason to believe in the power of prayer!

We were let down last year on a promised donation for our **Medical Interventions** and we thought it would be near impossible to manage critical care for the very ill. Through our determination to not give up and to meet the challenge head-on, we were able to help every case that came up for urgent and expensive medical care. Our Parinaam staff paid the high price of working extremely hard at all hours. They found the funds, generous doctors and hospitals that would provide quality tertiary care to poor patients at little or no cost to the families. It is quite strange – what we thought of as a really bad situation ended up being the cause of our biggest success— saving lives.

Our beloved **Jalmitra Program** that focused on the education and provision of safe water for slum dwellers was born from necessity and hard work. This livelihood initiative provided a good income to poor women trained as sales people for their communities. Unfortunately, the synergy that we had assumed existed with our partner Hindustan Unilever Ltd. was not as we had envisaged, and eventually Parinaam had to shut the program down in August 2012. We feel especially sad that women, who so enthusiastically bought into the idea of safe water for their families, were let down.

The **Educational Grant Initiative** where we refunded the interest component to women who had borrowed to send their children to school had to be set aside as we simply could not raise enough funds to meet our goals. Our beneficiaries loved this program because for the first time someone was giving them money instead of taking it away from them. The interest refund often went towards school expenses for the following academic year and with today's rising inflation every paisa counted. One day, we hope to resurrect this program.

2012-2013 was our toughest year yet. All of us multi-tasked and every week was fraught with concern that a program would not quite meet the goals and standards that we had set for ourselves. Some people, unable to manage the pressure, left which only made it imperative for those of us who were determined not to fail. We would think – “This bottomless pit of human need – can I possibly pour any more of myself into it?”

But then the moments come that remind us of purpose and humanity: an ultra poor beneficiary gets an ATM card; a Diksha graduate sends a message sharing how empowered she feels, how her business is growing and how much she is finally saving; a happy patient comes to the office to proudly show us the huge scar on his neck where a tumour had once threatened his life; a little girl who had been saved through open heart surgery is seen happily skipping in the best community school in India. This girl is a double beneficiary of the Medical Intervention and the

Academic Adoption Program. Then an email arrives “I will sponsor six”; a bank notification announces a huge, unexpected donation; a Donor says “we appreciate the work you do”; a child smiles; a young woman, old before her time, is young again because someone is there to hold her hand and walk her through the pitfalls of her life.

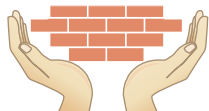
And we know, we just know, that we will prevail in **2013-2014**.

Sustainability and funding are key issues faced by most non-profit organizations. Parinaam works with the intention of providing the maximum and best quality benefits at a minimal cost. To successfully continue our programs, we need support from donors, sponsors, our volunteers and our friends. We appreciate donations of all types – money, time or some product / service that will benefit our families. We thank those generous sponsors who made last year’s programs possible. We are confident that this year will bring us the sponsorships and donations that will enable us to innovate and expand new programs across India.



Elaine Marie Ghosh
Executive Director
Parinaam Foundation
May 30th, 2013

Parinaam Foundation was incorporated as a not-for-profit organization under Section 25 of the Companies Act 1956, on March 31st, 2008. Parinaam received its tax exempt status under Section 12AA on January 20th, 2009 and its approval under Section 80G (5)(vi) of the Income Tax Act 1961 in July 2009 which has been validated “in perpetuity” under CBDT Circular No. 5/2010. The 80G approval allows Indian citizens & companies a tax break on donations. The general approval under the Foreign Contribution Regulation Act 2010 (FCRA) has also been approved by the Ministry of Home Affairs, Government of India and is valid for 5 years until January 16th, 2017. We are now in a position to also accept foreign currency donations and grants.





Diksha

The Financial Literacy Program

Background & Goals

The Diksha Program, funded by the Michael & Susan Dell Foundation and Citi Foundation, provides financial literacy to 64,500 enrolled customers of Ujjivan Financial Services.

Parinaam had five primary objectives when developing the Diksha Financial Literacy Program:

- ❑ Participants should understand the difference between “wants” and “needs”
- ❑ They should be able to manage their cash flow and track their income and expenditure with the help of the financial diary and calculator which is provided to them through Diksha
- ❑ They should understand how to borrow judiciously and within their capacity to repay their loans
- ❑ They should understand how to save on a monthly basis and their options to save, safely. They should learn to use their bank accounts regularly.
- ❑ They should understand that with careful planning and saving they need not borrow to meet their needs and wants, unless it is for capital expenditure or emergencies.

To meet these objectives Parinaam ensured, through the 5-module classroom training, that participants would understand how to manage their cash-flows; how to differentiate between their “needs” (essential expenditure) and “wants” (non-essential aspirations); how to save regularly each month and the importance of opening bank accounts to keep their money safe; how to borrow judiciously and understand their debt and the repayment thereof and how to take control of their financial situation. Only those customers who complete all five modules are certified as “graduated” from the Financial Literacy Program. Customer feedback shows satisfaction with the design, concepts and the trainer delivery.



Capacity building & Community involvement

By the very nature of how the Diksha Program has been developed, financial education provides women the capability to manage the most crucial aspect of their lives through informed choices. Anecdotal information collected from a proportion of graduated participants showed that the highest retention of concepts concerned those modules that appealed most to the women, i.e. methods to save and options on how to save safely. We are



told that after going through the Diksha training, they feel empowered to take responsibility for their own financial situations. Many of them now work with their husbands to manage their family finances rather than, as previously, being told what to do by the men. By ensuring capacity building as part of the program, we are benefitting our participants where they need help most on a sustainable basis. Helping them to open savings accounts gives them a reason to feel in control.

Once a sufficient number of women have been trained in each branch area, financial literacy would, and could, be taken forward for others in the slums that would benefit from such an education. Diksha graduates inform us that they are sharing financial literacy education with their neighbours, friends and relatives and methodology of keeping the financial diary is an important lesson to be taught and learnt. As they gain an understanding and the confidence to open their bank accounts and utilize them, this too becomes a boon they can share with their fellow community members.

Sustainability

Parinaam has the flexibility to work in close coordination with Ujjivan, modifying delivery as required and therefore making the program amenable to adoption by institutions as a micro "plus" approach rather than as a separate program that the MFI is required to run. Thus, as bank accounts are now the norm, we are modifying the Diksha to train the women on how to utilize and manage their accounts.



Diksha has also received external recognition from the Reserve Bank of India who has used some of the content for their own Financial Literacy Program for banks. The BRAC financial literacy team visited us in the South and East to understand the methodology of Diksha and how it is being effectively integrated into microfinance.

Data & Impact

Software was developed to manage the MIS of Diksha from baseline data; attendance, attrition, bank account applications, opening of accounts and stock (financial diaries; calculators etc) distributed to participants. MIS weekly reports are generated to enable Diksha teams to manage and strengthen attendances for the programs. Baseline data is collected as part of the registration process and is being encoded by an external vendor. Only those participants who complete all 5 modules are certified. Ujjivan and Parinaam utilize the quantitative information from the software and the qualitative feedback and anecdotal information collated from customers, Ujjivan branch

staff and trainers to share on an on-going basis with their Sponsors. We will begin our 3 month and 6 month external impact assessment in July 2013 once we have completed our initial 5 programs.

Ujjivan's Contribution

Ujjivan provides about 40% of direct program costs for Diksha. This amount is not part of required grant funding and is Ujjivan's contribution to their commitment to financial inclusion. If the cost of Ujjivan operational support for Diksha; back-end processes and branch staff support is included in the budget to show a "Total Cost of the Project" – it provides a fully loaded "Total Cost per Customer" of Rs. 410/- (as compared to Rs.248/- CPC on grant funding). In addition to this "per customer" quantitative contribution, Ujjivan also provides invaluable intangible benefits such as committed and direct supervision from its senior management; their senior Distribution Staff help in the internal impact evaluation process; they paid for the development of the software and the support staff to run it; they support Diksha graduates with an increase in credit limits; provide cashless loan disbursement facilities to those women who have opened back accounts and will upgrade them to individual lending once other internal criteria are met.

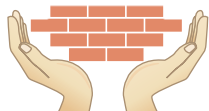


Future

Ujjivan is committed to continue the Diksha program, until their entire customer base of one million members are financially literate. However to meet some of the costs we will continue to seek Sponsors who will mitigate the expenses of the program. Ujjivan is considering charging customers a fee and will be piloting this concept in the near future. The 1st program under the Ujjivan umbrella will begin on May 27th, 2013.

Region Wise Statistics (as of 30th March 2013)

Region	Targeted Registered Customers	Full Attendance Rate	Bank Accounts Opened through Diksha
East	16200	76%	2782
West	6900	84%	1339
North	7200	74%	1131
South	20400	75%	3376
Total	50700	76%	8628



Parinaam's Urban Ultra Poor Program

Goals

When we began the program in November 2009 we budgeted to make a difference in the lives of 240 women and 1200 family members. We wanted to ensure sustainable livelihoods for the adults, financial literacy to manage their cash flow & how to save and eventually graduate them to microfinance in one year from the time they enrolled in the program. We wanted healthcare for the families and good schooling and childcare for the children. We were provided financial support for the first year of operations from Mr. Ravindra Bahl and a grant for one year from the Michael and Susan Dell Foundation to carry out this unique concept of how to help the ultra poor to live a better life and pull themselves out of the pit of desperate poverty.

Achievements

Today, three years later, we have almost doubled the number of primary beneficiaries to 469 women and 1765 family members from 7 desperately poor urban slums in Bangalore.

Women Beneficiaries

143 women have graduated of whom 94 borrow from our MFI strategic partner Ujjivan Financial Services. 211 women have savings accounts with banks and have ATM cards/cheque book facilities. Some of them even get cashless loan disbursements into their accounts from Ujjivan. Our women have saved a total of Rs. 4,47,535/- with Parinaam. 63.4% of the savings have now been credited to their bank accounts and an additional 14.6% has been withdrawn by the women to pay for education, healthcare and other needs based requirements. Our community workers take them regularly to the banks and educate them on how best to use their accounts and ATM cards.

Constant capacity building exercises, exposure visits from successful peers and the confidence they gain from their families' approbation, ensure that they are eager and willing to continue jobs that provide them with sustainable income. They no longer wish to fall back into the past of being unemployed or working infrequently and earning less.





Case Study

Chandbi joined the UUPP program 2-1/2 years ago as an unemployed housewife. We sent her for tailoring classes and after she completed the course, through the livelihood initiative, she was given a sewing machine. In the two years that she has been working, she has saved Rs. 30,000/- in her bank account, is on her 2nd loan from Ujjivan and now conducts tailoring classes for other women.

Children

For the 259 children who attend our 7 tuition centers it is an opportunity to learn beyond the lessons taught in their government-run schools; to have a nutritious snack each evening and their biggest joy of all, to attend a summer camp (this year being sponsored by Sarah Owen-Vandersluis, who put her heart and soul into running a triathlon to raise the money for it).

These children are our biggest supporters to encourage their mothers to take the plunge into the unknown world of employment and to sustain their membership in the UUP Program. For if their mothers drop out, sadly, so do the children. They help their mothers in multiple ways to stay true to their new lives: they help them keep their financial diaries and regularly attend the center meetings, they are trained to save in their little savings boxes for their future aspirations and all of them understand that there is a new world outside their slums that their families can aspire to.

To make sure that the children are given a strong foundation to help pull themselves out of their parents' world, Parinaam started a parallel "Academic Adoption Program" that provides sponsorships to each child for completion of a school education (up to 12th grade) in a quality school. Of the 84 children enrolled in the AAP, 40 have received sponsorships. We have also started a corpus fund for each sponsored child to enable them to access a higher education.



Healthcare and Social & Community Support

Through Health Camps, access to the Parinaam network of hospitals and education on health issues and primary care, our beneficiaries and their families are now able to access what is a basic right. Family planning is encouraged and we have several women who have had tubectomy; awareness camps on substance abuse are also conducted. Key necessities such as birth certificates and ID

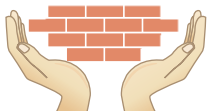
proof are on-going initiatives. The general communities of the slums where we work are grateful for our constant presence and the work we do with their poorer brethren. They see Parinaam as a support for the wider issues that afflict them, especially with the Slum Board, who have no thought for the people supposedly under their care.

Conclusion

The urban ultra poor (UUP) are undefined by society. A paucity of statistical information from even government sources on the urban poor, give rise to unsubstantiated claims that the only urban ultra poor are the beggars or destitute. However these families are those that have migrated from their villages with the hope of jobs and a new life for their families. Without proof of residence, they receive no government benefits or consideration. They lack food; water; housing; healthcare; education and secure economic sustenance.

In the world of social development, footprints are the key to access grant funding - it is always the first question “how many people will be affected by the funds that are poured into this program?” Sadly in the chase for quantitative measures, families who are the “ultra poor” fall through the cracks as their multiple needs for basic human rights & necessities are not handled en masse by any one traditional program. Merely providing livelihoods, or the odd health camp, or perhaps a tuition center for a few months or a couple of days a week, will not make a major difference to their lives. At the first health shock, the livelihood asset will be sold or abandoned. Children will be sent to work irrespective of their age. Husbands will find solace and forgetfulness in gambling, alcohol and other women. Women will borrow from unethical sources and will fall into the bottomless pit of debt just to keep some food in the family pot.

Four years ago Parinaam, understanding that if we were to make a real difference, had to take a holistic approach to these families. We developed the unique and multi-dimensional Urban Ultra Poor Program, and were fortunate to find two sponsors who believed as we did, that the crucial answer to making a long term difference was to treat the family unit for its major needs and not just one woman for a livelihood. They believed, as we did, that making a long-term and sustainable difference in one family’s life was worth more than unsustainable mass scale interventions.



Mr. Bahl and the Michael and Susan Dell Foundation have supported the Urban Ultra Poor Program for two years and with judicious spending of the grant from MSDF we have stretched those funds for an additional one and half years.

We are committed to this program and must find the means to continue with it. We have seen the difference in the families and most especially in the children under our care and we know that there is only one way to go – forward.



Urban Ultra Poor Program Communities	7
Total Primary Beneficiaries	469
Spouses	442
Children 0-17 years	1130
Children 18 years and above	74
Other family members	119
Total members under UUPP	2234
Attrition (%) - Dropped after being in our program >3 months	10%
Children currently attending the tuition centers	259
Primary beneficiaries working	425
Primary beneficiaries Unemployed	40
Bank Accounts opened for beneficiaries	211
Birth certificates arranged for kids	109
ID proof (UID), voter ID, ration cards, PAN cards for beneficiaries	96
Beneficiaries graduated	143
Beneficiaries who have been chosen to become Ujjivan Clients	94
Children under the Academic Adoption Program	84
Beneficiaries referred to hospitals	310
Total beneficiary savings with Parinaam	Rs.4,47,535

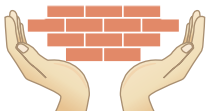
Parinaam's Academic Adoption Program

We are continually being inspired by the much larger challenges faced by our children just trying to get to school each day to make something more of their futures. Parinaam's Academic Adoption Program lets the team and the Sponsors focus on removing some of the major barriers to advancement – one child at a time.

Over the last three years we have enrolled 84 children into 8 excellent schools that specialize in giving children from disadvantaged backgrounds an education that will help them make their previously inconceivable dreams of becoming doctors, police officers, teachers, lawyers or engineers a reality. The sponsors are able to experience and watch their children grow and develop into intelligent and engaging little students. The mothers and fathers are so grateful for the generosity of people to help their children that they start to work on stabilizing their home life. Our favourite part of this journey is when we see them reprimand their children because their grades weren't as good as expected or they are not paying attention in class. It only means they care and are determined to ensure their children succeed with the opportunity gifted to them, like any parent should be.

It is not just enough to have a "Right to Education Act" or promise seats in schools for the children coming from an ultra poor background. Several other problems surrounding the issue need to be solved simultaneously if we want to make "real" change. Creating awareness, counseling and building confidence among the family members to be able to approach such schools, putting together the required documents, solving the transport issues and finally making sure the child goes to school every day, are the immediate and vital issues. Alcoholism, unhygienic living conditions, indiscipline and health problems are the other peripheral issues that will hinder the child's future growth and requires constant follow up.

The partnership that Parinaam and its AAP Sponsors begin together at the beginning of each child's academic life is a holistic one. Each of us has a role to play and we encourage our Sponsors to track their children in multiple ways with advice, visits and lots of questions about their development. It is why we call our initiative the "academic adoption" program.



Academic Year	Total Number of Children		#Of Children Sponsored	# of Children yet to be sponsored		
	Boys	Girls		Boys	Girls	Total
2011-12	6	11	14	2	1	3
2012-13	17	27	26	9	9	18
2013-14	22	9	4	20	7	27
with Total	47	47	44	31	17	48

Parinaam's Academic Adoption Program

One Child at a Time: Maheswari

Six-year old Maheswari is unusually obedient for a child her age, coming from an environment of poverty. She is highly motivated to go to school and fulfill her dream of becoming a teacher. She is quite lucky to have parents who recognize her potential and support her enthusiasm. They know all too well the consequences of lacking good schooling. Education, they believe, has the unique power to help even the most desperate escape extreme poverty. Unfortunately, due to their financial constraints, Maheswari's parents were only able to send her to a government school close to their home.

Mrs. Rao, at first hesitant to take on the responsibility of a child's education, ultimately couldn't resist the opportunity to help a young soul in need. She decided to become an Academic Adoption Sponsor and Maheswari is the recipient of her generosity. Like most of our Sponsors she has taken her relationship with Maheswari to another level. To strengthen their bond beyond financial aid, she ensures that she spends quality time with her little girl, in addition to sending small gifts.

Maheswari has been on her Academic Adoption school journey for over two years. At age four she joined Resurrection School, laying a strong foundation for her future. This year, with the help of the Parinaam team, she applied to Crystal House School and was one of 70 children chosen from a pool of more than 500 applicants. With this access to quality education, Maheswari has greatly improved her chances of following her dreams, living a better life and leading her family out of poverty.



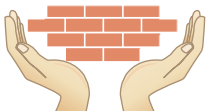
Parinaam's Summer Camp

One exceptionally popular and important Parinaam program is our 5-week Summer Camp. The program is fun and engaging for the kids, but most importantly helps their mothers. Summer Camp enables mothers to hold down decent full-time/year-round jobs and focus on their careers. Without the Camp, mothers would be taking poorly paid casual labour assignments during the school year in order to stay home with the kids in the summer. The 5-week program costs \$15 per child. 284 children signed-up this year and 70% attended full-time, allowing their mothers to stay in formal employment. Sarah Owen-Vandersluis, who was competing in her first-ever triathlon, rallied her friends and family to support her. She ran on behalf of Parinaam's Summer Camp and raised this year's required funds! It was staggering and humbling to see the level of enthusiasm donors showed for our work.

A core team of 4 volunteers signed-up to run the Camp and companies such as Cross Fit and Pollinate Energy participated by hosting fun events. Each week was headed by a theme: English and Math, Science, Geography, Colors, Culture (Indian), and basic general knowledge. Activities ranged from drawing and coloring to making picture frames, coasters, and alphabet charts. A compulsory weekly activity was badge making. This served as an exercise to familiarize each child with his/her name and its spelling. Name badges were designed in accordance to the theme of the week, such as Festivals, Colors, Science and Nature etc. Morning snacks and a scrumptious afternoon lunch were provided for all the children throughout the camp. There were two major outings organized – a day in a science and aquarium museum, where they got to watch their first 3D film, and a train ride and picnic in the park. We wrapped-up Summer Camp with our beloved finale - Sports Day!

If Summer Camp had to be described in one sentence, it would read: "In every way the Parinaam Summer Camp is all that is good and all that is bad about our beautiful country, India!" Through all the chaos and mayhem, there is still harmony. While it can be overwhelming, frustrating and very exhausting, it is simultaneously uniquely welcoming and fulfilling. It presents all those involved with a great opportunity to grow, learn, and, most importantly, to have fun.

The Camp involved seven communities around the city of Bangalore and classes were conducted in make-shift huts and small classrooms, with little or no access to water or electricity. All these factors become secondary, if not completely negated, when one simply enters a classroom and sees the faces of the (mostly) excited, smiling children, all so very eager to learn. On spending some time with the children one realizes not only the vast amount of potential these incredibly smart kids possess, but also just how grounded and grateful they are for everything they



have and everything they receive. Complaints are as rare as electricity and water and smiles are as abundant as the mosquitoes!

The sense of community and contentment that we feel emanating from the children is cause for reflection for the rest of us. In many ways we have as much to learn from them as they can learn from us. Lessons in companionship, trust, faith, hope, compromise and appreciation for the little things – these are principles that somehow get lost in our highly competitive and globalized world. To see these children so happy and in possession of such values, all the while surrounded by conditions of hardship, well, this truly does put things in perspective.

Summer Camp Guidelines:

- ❑ NO HITTING! Punishment extends no further than making a child stand in a corner of the area, facing away from the rest of the children.
- ❑ Discipline: Slippers must be arranged neatly. Children must raise their hands before answering a question or speaking.
- ❑ Hygiene: The centre must be cleaned every morning and once again before lunch. Hands to be washed with soap before lunch.
- ❑ No Wasting! Drinking water is only meant for consuming. It is not to be used for anything else, including washing hands.
- ❑ Punctuality: Staff is to encourage children to arrive on time. A child who is continuously late will be reprimanded.
- ❑ Groups: Children are to be divided into groups, with older children acting as leaders of each group.
- ❑ Learning: Attention to be paid to the slower children. Quick learners to sit with these students to help them.
- ❑ Reporting: A file containing material created and work completed through-out the Camp is to be maintained for each individual child. This collection will be sent home to the parents so the child may show-off his/her accomplishments.



The Higher Education Scholarship Program

A total of 9 scholarships were given to Ujjivan Customers' children who wish to pursue Higher Education but lack the necessary funds or have unsupportive family members. The Higher Education Scholarship Program relieves students from the burden of taking on huge amounts of debt well before they even start their careers.

In 2012-2013 we received 200 applications and thanks to Mr. and Mrs. Viswanathan generosity we were able to respond positively for some scholarships. At the beginning of 2013-14 we received a donation from Sequoia Capital India Operations LLC who has an amazing "match an employee's donation" scheme. Parinaam will be able to keep our commitment to the families that really require the support to ensure their child completes her/his education. Here is a list of some of the scholarships given:

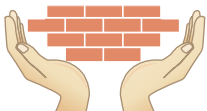
1. **Sudha Rani**, daughter of Lakshmi stays in a very small hut in Channapatna working area and her parents are into agriculture and milk business which are seasonal. There are three children who are studying in college and they were finding it extremely difficult to cope with their financial condition. Sudha Rani would like to become an

Engineer in Electronics and Communication and is currently in her 2nd year BE with excellent grades.

2. **Chethana**, daughter of Dhakshyani, is doing her Polytechnic Diploma in Computer Science Engineering. Her father, an auto driver, is an alcoholic and has accumulated huge debts. He harasses the family and thinks education for his daughters is a waste of money and time. He regularly physically abuses the mother and there is very little peace in their home. In spite of this situation Chethana manages to do well in college and wants to become a Computer Engineer.



3. **Abid Baig**, son of Nurjan Begum from the Chikkaballapura area. Both parents are tailors and their income is inconsistent. They stay in a very small single room house and earn around Rs.8000/- per month. Abid just received his first mobile as a gift. He is a Mechanical Engineering student and is consistently above 80% in all his exams. After completing his degree he wants to do M.Tech, get into a good company, and help children



like him by educating them.

4. **Aishwarya Hegadi**, daughter of our beneficiary Meenakshi Hegadi hails from Dharwad in North Karnataka. Her father is suffering from throat cancer and all three daughters are studying. The mother is the only breadwinner of the family earning Rs.5000/- per month. Aishwarya is excellent in her studies and wants to become a Civil Engineer.
5. **Jayanthi R**, daughter of Alis Mary from HAL in Bangalore, is a B.Com student with an ambition to become a Chartered Accountant. They stay in a very small house with no electricity. She studies under the lamp post near her house. Her grades are good and she feels the desire to help her fellow students so has started to give them tuitions free of cost. Her parents are tailors and the family income is only Rs. 8000/- per month. With this small salary the family has financial constraints in managing their daily expenses along with the educational expenses of 3 children.

Our students come from backgrounds that would normally make it impossible for them to attain a degree or diploma that would enable a well paid career. All of them have high hopes and a need to work past the poverty that keeps their parents and families at the bottom of the pyramid. If Parinaam can only level the playing field for them and give them a chance through a scholarship, then we will consider our job well done.





Health Care

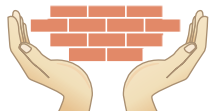
Medical Intervention

Parinaam's community activities include a platform of Medical Intervention. Of the many ways we help the poor get access to quality medical treatment, we most often do so by utilizing a partner network of hospitals and navigating various Government and Non-Governmental Organization (NGO) schemes. During the Financial Year 2012-13 Parinaam engaged with 88 patients, 14 of which were successfully assisted in completing their entire treatment process. Our beneficiaries included one patient in Pune (West Region) whose costs for dialysis over three months were paid for by Parinaam. Many cases were referred to Parinaam for healthcare financial aid, but due to lack of funds we unfortunately could not deliver on most of them with direct funding.

We persevered in our mission though, one person at a time. In spite of the difficulties in funding, our program successfully supported the following patients:

- ❑ Kaverappa (42 years old) required dialysis twice a week after both of his kidneys failed. We brought down his cost of dialysis treatment from Rs. 1000/- per cycle to Rs. 200/-, thanks to Humanitarian Hospital (RMV Foundation).
- ❑ Shafulla (48 years old), suffering from heart disease, was assisted in obtaining finance from the Chief Minister (CM) Fund along with a discount from Jayadeva Hospital. As one of Parinaam's beneficiaries, Shafulla had to pay only Rs. 10000/- towards her surgery vs. the initial cost estimate of Rs. 85,000/-.
- ❑ Ravi, the 24-year-old son of our beneficiary Kempamma, had a hole in his heart. His family had lost hope as they were not able to afford the surgery he required. Parinaam intervened and referred this patient to Jayadeva Hospital where doctors noticed two holes in the heart. Parinaam helped the family access funds from the CM fund and succeeded in securing a maximum discount from the hospital Director. In the end, Ravi had to pay only Rs. 45,000/- for a surgery which costs nearly Rs. 1,80,000/-.
- ❑ Mrs. Anitha (49 years old) lost one leg due to Diabetes and gangrene. Her children neither had the time nor the money to help her. Not only was she unable to work, she was not even able to walk. With the support of Jaipur Foots, Parinaam arranged for Anitha to receive an artificial leg free of cost. Anitha is now able to walk freely and even do a bit of the household work.
- ❑ Mrs. Jayamma (37 years old) suffered from Mouth Cancer. On her behalf, Parinaam approached doctors at St. John's Hospital and arranged for her the best treatment available at an extremely low cost. Mrs. Jayamma was extremely thankful and happy. She stated that even her family members could not have taken care of her the way Parinaam and Ujjivan had.

- ❑ Iliyaz Khan, the 60-year-old husband of our beneficiary Zabeena Bee, underwent open heart surgery for IHD with the help of aid in the amount of Rs. 25,000/-. On his behalf, Parinaam successfully obtained the funds from Have a Heart Foundation.
- ❑ Zeeshan Pasha, the 14 year-old son of Mubeena Taj, underwent eye surgery that cost an estimated Rs. 40,000. Parinaam intervened and successfully solicited funds from Vittala Institute of Ophthalmology, bringing down the final cost to the family to Rs. 10,000/-.
- ❑ Mehaboob Pasha (35 years old), the husband of Shahanaz Begum, was diagnosed with heart problems (CAD, TVD) and advised to undergo coronary bypass surgery at an estimated cost of Rs. 114,000/-. He was the only breadwinner in the family and his income was far too small for him to afford such treatment. The situation worsened when he became too ill to work. Now he was further away from having surgery and the household was simultaneously left without income. Rotary Club, at Parinaam's request, stepped in to help this patient in need. In the end, the bill for Mehaboob Pasha was only Rs. 10,000/-.
- ❑ Nishanth, the 12-year-old son of Kamakshi, was suffering from a hole in the ear and was advised to undergo surgery quoted at nearly Rs.20,000/-. Parinaam brought down the cost of surgery to Rs. 5,000/-, thanks to Divine Specialty Hospital.
- ❑ The brother of one of our Bihar branch employees, Kashinath Mehato, was suffering from a tumor in his throat. Treatment taken at various hospitals unfortunately did not work out. The family soon gave up hope that Kashinath would survive. Their last option was Parinaam. Kashinath was brought to Bangalore and treated at St. John's Hospital. An operation there successfully removed the tumor. Kashinath got a new lease on life and his family got their hope and happiness back. Many thanks to St. John's Medical College Hospital for bringing the treatment cost down to only Rs. 50000/-.
- ❑ 9-year-old Ganesh Chawan, the son of Rajashree Chawan, was suffering from kidney failure. Doctors had given the option of a transplant, but no one in the family was able to donate a kidney. The boy therefore had to continue with very expensive dialysis. After Parinaam's intervention, the cost for treatment was brought down



to Rs. 750/- per cycle. Parinaam paid Rs. 400/-, and the patient, Rs. 350/- per week. With funds donated by Fazal Manekia, we were fortunate enough to contribute a total of Rs. 5,400/- over 3 months to help keep this child alive.

- ❑ Rohit Sonawane, the 6 year-old son of Usha Sonawane, was suffering from heart disease. His surgery, estimated at Rs. 80,000/-, was unaffordable for his family. Parinaam spoke to the Social Work department of Shirdi Sai Hospital and the treatment was done free of cost.
- ❑ Sagar Nivangune, 4 years old and the son of one of our Pune beneficiaries, was suffering from urinary infection. Due to financial limitations, he was unable to get treatment at a cost of Rs. 12,000/-. Parinaam intervened and brought the cost down to Rs. 8000/-. With the help of Lions Club, the treatment was done at no cost to the baby boy's family. Lions Club contributed the entire Rs. 8,000/- to ensure that little Sagar would receive his treatment.
- ❑ 17-year-old Rahul Kumar, the son of Gowri Devi from Bihar, was suffering from problems of heart valve leakage. The required surgery could not be done in Bihar so he was referred to Bangalore Narayana Hrudayalaya. The family did not know the local language and was lost without support. Parinaam intervened and took the patient to the hospital, spoke to Doctors to determine the exact, appropriate treatment plan, then applied to the CM and PM funds. After having borrowed money for Rahul Kumar's urgent surgery, the funds came through from the CM fund and the family was able to pay off all of their debt.



When someone is sick and their life is at stake, we at Parinaam cannot turn away. Economics and finances should not stand in between a human's life and his/her death. We take each case one person at a time and are forever grateful to our donors and our healthcare network of hospitals and doctors. Going forward, our mission is to raise funds during FY 2013-14 so we can do our part to help more of those who suffer. We stand confident in the Parinaam team's commitment, the continued support of our partners and in the generosity of new donors.

