

S.M.I.L.E. MICROFINANCE LIMITED

NOTICE OF TWENTY-EIGHTH (28TH) ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE TWENTY-EIGHTH (28TH) ANNUAL GENERAL MEETING OF THE MEMBERS OF S.M.I.L.E. MICROFINANCE LIMITED (THE "COMPANY") WILL BE HELD ON FRIDAY, DECEMBER 29, 2023, AT 04:30 P.M. IST AT REGISTERED OFFICE OF THE COMPANY AT 8TH FLOOR NO 2, SOUTH TOWERKRM PLAZA, HARRINGTON ROAD, CHETPET, CHENNAI, EGMORE NUNGAMBAKKAM, TAMIL NADU- 600031 INDIA (DEEMED VENUE), THROUGH VIDEO CONFERENCING ("VC")/ OTHER AUDIO-VISUAL MEANS (OAVM) TO TRANSACT THE FOLLOWING BUSINESS: -

ORDINARY BUSINESS:

1. **To receive, consider and adopt the Audited Financial Statements of the Company for the Financial Year Ended 31st March 2023, along with the schedules and notes to accounts annexed thereto and together with the reports of directors and auditors thereon;**

"RESOLVED THAT Audited Financial Statements including Balance sheet, statement of Profit & Loss and Cash Flow Statement for the financial Year ended 31st March 2023, along with schedules and Notes to the Accounts annexed thereto forming an integral part of the accounts and any explanatory notes annexed thereto together with the reports of the Board of Directors (excluding addendum to director's report) and Auditors thereon, be and are hereby received, considered and adopted."

2. **To receive, consider and adopt the addendum to the director's report;**

"RESOLVED THAT pursuant to Section 134 and other applicable provisions of the Companies Act 2013, the rules and regulations framed thereunder including statutory amendment(s), enactment(s) or modification(s) thereto, the Addendum to the Directors' Report for the financial year 2022-23, be and are hereby received, considered and adopted."

3. **To declare the final dividend**

"RESOLVED THAT pursuant to the provisions of Section 123 of the Companies Act, 2013, the Rules made thereunder and other applicable provisions, if any, of the Companies Act, 2013 as amended from time to time or any other law for the time being in force (including any statutory modification or amendment thereto or re-enactment thereof for the time being in force) and the Articles of Association of the Company, consent of the members be and is hereby accorded for the declaration and payment of the final Dividend, as recommended by the Board of Directors of the Company for the financial year 2022-23 from the profits of the Company at the rate of Rs. 19.45 (Rupees Nineteen and Forty-Five Paise only) per fully paid-up Equity Share of Rs. 10/- (Rupees Ten only) each in proportion to their shareholding, to eligible members of the Company as per the provisions of the Companies Act, 2013."

4. **To re-appoint Mr. Aleem Remtula (DIN: 02872107) as a director, who retires by rotation and being eligible offers himself for re-appointment:**

"RESOLVED THAT pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, Mr. Aleem Remtula, Director (DIN: 02872107) who retires by rotation and being

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eligible offers himself for reappointment be and is hereby re-appointed as a Director of the Company, who is liable to retire by rotation."

SPECIAL BUSINESS:

5. To consider and fix remuneration to Mr. V T Prabakaran (PAN: AKOPP2826M), Chief Financial Officer (CFO) of the Company:

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

"RESOLVED THAT pursuant to provisions of Section 197 and 198 read with Part I and Section I of Part II of Schedule V and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification or re-enactment thereof), consent of the members be and is hereby accorded for payment of remuneration to Mr. V T Prabakaran (PAN: AKOPP2826M), Chief Financial Officer of the Company, on the terms and conditions including remuneration as mentioned below for the Financial year 2023-2024.

<i>Description</i>	<i>Amount in (Rs.) Per month for F.Y. 2023-2024</i>
<i>Gross Salary</i>	<i>2,89,190</i>

6. To approve change of Name of the Company and consequent alteration of the Memorandum of Association and Articles of Association of the Company:

To consider and, if thought fit, to approve the following resolution as a **Special resolution**:

"RESOLVED THAT pursuant to Section 13 and other applicable provisions of the Companies Act, 2013 ('Act') and rules made thereunder (including any amendment thereto or re-enactment thereof for the time being in force) and the provisions of the Memorandum of Association and Articles of Association of the Company, subject to the approval of the Central Government/ Registrar of Companies, consent of the Members be and is hereby given for changing the name of the Company from "S.M.I.L.E. Microfinance Limited" to S.F Limited.

RESOLVED FURTHER THAT pursuant to Section 13 and other applicable provisions of the Companies Act, 2013 read with rules made thereunder, (including any statutory modification or re-enactment thereof, for the time being in force), consent of the Members be and is hereby accorded to alter the Memorandum of Association and Articles of Association of the Company substituting the name "S.M.I.L.E. Microfinance Limited" to "S.F Limited" and accordingly replace Clause I of the Memorandum of Association of the Company as set out below:

- I. *The name of the Company is "S.F Limited".*

RESOLVED FURTHER THAT in accordance with the recommendation of the Board and pursuant to the provisions of Section 14 and other applicable provisions, if any, of the Companies Act, 2013 and the Rules framed thereunder (including any statutory modification(s) and re-enactment(s) thereof, for the time being in force) and all other applicable laws, the name "S.M.I.L.E. Microfinance Limited" wherever appearing in the Articles of Association of the Company be substituted by the new name of the Company, "S.F Limited".

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RESOLVED FURTHER THAT any of the Directors or Mr. V T Prabakaran, Chief Financial Officer (CFO), Authorised Signatory of the Company be and are hereby severally authorised to do all such acts, matters, deeds and things necessary or desirable in connection with or incidental to giving effect to the above resolution, including but not limited to (i) signing and executing the application under the Act and other documents which are required to be submitted to the Registrar of Companies as per the provisions of the Act and (ii) certifying true copies of these resolutions and forwarding the same to any person or authority for their record and necessary action.

RESOLVED FURTHER THAT after obtaining the Certificate of Incorporation pursuant to name change of the Company from the Registrar of Companies, the change of name of the Company be and is hereby affected in all the copies of the Memorandum and Articles of Association of the Company and on the bills, letterheads and all the other documents wherein the name of the Company is mentioned."

By Order of the Board
S.M.I.L.E. Microfinance Limited

Sd/-
Aleem Remtula
Director
DIN: 02872107
Address: 53-11, Morenci Lane,
Little Neck New York- 11362, USA

Date: 07th December, 2023
Place: New York, USA

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Explanatory Statement pursuant to section 102 of the Companies Act, 2013, and Secretarial Standard 2 issued by the Institute of Company Secretaries of India (ICSI):

ITEM NO. 5:

The following explanatory statement sets out all material facts relating to the special business mentioned in item number: 5 accompanying the notice and shall be taken as forming part of the notice.

The Board of Directors have approved the remuneration of Mr. V T Prabakaran (PAN: AKOPP2826M), Chief Financial Officer (CFO) of the Company.

{Remuneration of Rs. 2,89,190 per month for the Financial Year 2023-24}

The aggregate of the remuneration as aforesaid is within the maximum limits as laid down under Section 197 and all other applicable provisions, if any, of the Act read with Schedule V to the Act, as amended and as in force from time to time.

None of the Director, Key Managerial Personnel, or their relatives, are interested or concerned in the resolution except Mr. V T Prabakaran, CFO of the Company.

The Board of Directors recommends the approval of members by way of an Ordinary Resolution for the agenda set out at No. 5 of the Notice.

ITEM NO. 6:

The following explanatory statement sets out all material facts relating to the special business mentioned in item number: 6 accompanying the notice and shall be taken as forming part of the notice.

Further, pursuant to the clause 7.8 of Business Transfer Agreement ("BTA") executed between the Company and Northern Arc Capital Limited, the Company is required to change its name within 45 days of the NBFC license surrender.

Accordingly, the Board at their meeting held on Thursday, 07th December, 2023 considered and authorised any of the Directors or Mr. V T Prabakaran, Chief Financial Officer (CFO) of the Company to apply for name availability with the Registrar of Companies, Central Registration Centre ('CRC'), Ministry of Corporate Affairs.

This change in name also entails consequential alteration to the Memorandum of Association and Articles of Association of the Company.

Therefore, as per the Section 13 and 14 of the Companies Act, 2013, subject to the approval of Registrar of Companies and Central Government, approval of the Shareholders is required to be accorded for changing the name of the Company and consequent alteration to Memorandum of Association and Articles of Association of the Company by way of Special Resolution.

None of the Director, Key Managerial Personnel, or their relatives, are interested or concerned in the resolution.

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The documents in relation to the above said resolution are available for inspection on all working days from 10:00 AM to 6:00 pm at the registered office of the Company.

The Board of Directors recommends the approval of members by way of Special Resolution for the agenda set out at Item No. 6 of the Notice.

By Order of the Board
S.M.I.L.E. Microfinance Limited

Sd/-
Aleem Remtula
Director
DIN: 02872107
Address: 53-11, Morenci Lane,
Little Neck New York- 11362, USA

Date: 07th December, 2023
Place: New York, USA

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NOTES:

1. Pursuant to the Ministry of Corporate Affairs' General Circular No. 14/2020 dated April 8, 2020, General Circular No. 17/2020 dated April 13, 2020, General Circular No. 20/2020 dated May 5, 2020, General Circular No.02/2021 dated January 13, 2021, General Circular No. 10/2022 dated December 28, 2022, and General Circular No. 09/2023 dated September 25, 2023 (collectively referred to as 'Circulars'), Companies are allowed to hold AGM through VC/ OAVM. has introduced certain measures enabling companies to convene their Annual General Meetings (AGM/ Meeting) through Video Conferencing (VC) or Other Audio-Visual Means (OAVM) and also send notice of the Meeting and other correspondences related thereto.
2. In compliance with the said requirements of the MCA Circulars, electronic copy of the Notice along with the Annual Report for the financial year ended 31st March 2023 consisting of financial statements including Board's Report, Auditors' Report and other documents required to be attached therewith (Collectively referred to as Notice) have been sent only to those members whose e-mail ids are registered with the Company or the Registrar and Share Transfer Agent or the Depository Participants(s) through electronic means and no physical copy of the Notice has been sent by the Company to any member. The Notice of the 28th AGM of the Company inter alia indicating the process and manner of e-voting has also been hosted on the website of the Company www.sfltd.in and on the website of CDSL at www.evotingindia.com.
3. Explanatory statements as required under Section 102 of the Companies Act, 2013 with respect to Item No. 5 and 6 specified above are annexed hereto.
4. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and the proxy need not be a member of the company. A person can act as proxy on behalf of members not exceeding fifty (50) and holding in the aggregate not more than ten percent of the total share capital of the company. Member holding more than ten percent of the total share capital of the company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or shareholder. Proxies in order to be effective must be deposited at the registered office of the company, duly completed and signed not less than 48 (forty-eight) hours before the annual general meeting. However, corporate members are required to send to the Company/ RTA/ Scrutinizer, a certified copy of the Board Resolution, pursuant to section 113 of the Companies Act 2013, authorizing their representative to attend and vote at the Meeting through VC.
5. The facility for Shareholders to join the AGM in the VC/OAVM mode will be kept open to join 15 minutes before and 15 minutes after the scheduled time of the commencement of the Meeting. The Shareholders can join the AGM by following the procedure mentioned herein below in the Notice. The facility of participation at the AGM through VC/OAVM will be made available to at least 1000 Shareholders on 'first come first serve' basis. This will not include large Shareholders (i.e., Shareholders holding 2% or more), Promoters, Directors, Key Managerial Personnel, the Chairperson(s) of the Audit Committee, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc. who are allowed to attend the AGM without restriction on account of 'first come first serve' basis.

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6. The attendance of the Shareholders attending the AGM through both in Physical and VC/OAVM will be counted for the purpose of reckoning the quorum under Section 103 of the Act.
7. The Shareholders, seeking any information with regard to the accounts or any matter to be placed at the AGM, are requested to write to the Company on or before 23rd December, 2023 through email to so@sfltd.in or cfo@sfltd.in. The same will be replied by/on behalf of the Company suitably.
8. The Register of Members, Directors, Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013 and Register of Contracts or Arrangements in which the Directors are interested, maintained under Section 189 of the Companies Act, 2013 will be available electronically for inspection by the members during the Annual General Meeting.
9. Members are requested to quote their Registered Folio Number or Demat Account Number & Depository Participant (DP) ID Number on all correspondences with the Company. Members holding shares in dematerialized mode are requested to intimate all changes pertaining to their bank details, mandate, nomination, power of attorney, change of address, etc., to their respective Depository Participant (DP). Members holding shares in physical mode are requested to intimate the same to Registrar & Share Transfer Agents of the Company (RTA) M/s. Cameo Corporate Services Limited, "Subramanian Building", No.1, Club House Road, and Chennai-600 002.
10. Pursuant to Section 108 of the Companies Act, 2013, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as may be amended from time to time, as amended, and MCA Circulars dated April 8, 2020, April 13, 2020, May 5, 2020, January 13, 2021, December 28, 2022 and September 25, 2023 the Company is pleased to provide e- voting facility to the members to cast their votes electronically on all resolutions set forth in this Notice.

The Company has engaged the services of Central Depository Services (India) Limited (CDSL) to provide e-voting facility. The Company has appointed Mr. V Esaki, V Esaki & Associates, Practicing Company Secretary [ACS 30353, COP No. 11022] to act as the Scrutinizer, for conducting scrutiny of the votes cast.

Notice convening the 28th Annual General Meeting and the Annual Report 2022-23 is also available on the CDSL's website: www.cdslindia.com.

The e-voting facility is available at the link: www.evotingindia.com.

The e-voting facility will be available during the following voting period:

Commencement of e-voting	End of e-voting
26 th December 2023 Tuesday, at 09:00 A.M. (IST)	28 th December 2023, Thursday, at 05:00 P.M. (IST)

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During this period, shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date on Thursday, 21st December 2023 may cast their vote electronically. The e-voting module shall be disabled by CDSL thereafter. A person who is not a member of the Company as on cut-off date should treat the Notice for information purpose only.

Only those Shareholders, who will be present at the AGM through VC/OAVM facility and who had not cast their vote prior and are otherwise not barred from doing so, shall be eligible to vote through poll during the AGM. In the case of joint holders, the member whose name appears as the first holder in the order of names as per the Register of Members of the Company shall be entitled to vote through poll during the AGM.

Shareholders who have already voted prior to the meeting date would not be entitled to vote during the AGM.

THE INSTRUCTIONS OF SHAREHOLDERS FOR E-VOTING AND JOINING VIRTUAL MEETINGS ARE AS UNDER:

- Step 1** : Access through Depositories CDSL/NSDL e-Voting system in case of individual shareholders holding shares in demat mode.
- Step 2** : Access through CDSL e-Voting system in case of shareholders holding shares in physical mode and non-individual shareholders in demat mode.
- (i) The voting period begins on 26th December, 2023 at 09:00 A.M. (IST) and ends on 28th December, 2023 at 05:00 P.M. (IST) During this period shareholders of the Company, holding shares either in physical form or in dematerialized form, as on the cut-off date (record date) on 21st December, 2023 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- (iii) Currently, there are multiple e-voting service providers (ESPs) providing e-voting facility to listed entities in India. This necessitates registration on various ESPs and maintenance of multiple user IDs and passwords by the shareholders.

In order to increase the efficiency of the voting process, pursuant to a public consultation, it has been decided to enable e-voting to **all the demat account holders, by way of a single login credential, through their demat accounts/ websites of Depositories/ Depository Participants**. Demat account holders would be able to cast their vote without having to register again with the ESPs, thereby, not only facilitating seamless authentication but also enhancing ease and convenience of participating in e-voting process.

- Step 1** : Access through Depositories CDSL/NSDL e-Voting system in case of individual shareholders holding shares in demat mode.

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Login method for e-Voting and joining virtual meetings for **Individual shareholders holding securities in Demat mode CDSL/NSDL** is given below:

Type of shareholders	Login Method
Individual Shareholders holding securities in Demat mode with CDSL Depository	<ol style="list-style-type: none"> 1) Users who have opted for CDSL Easi / Easiest facility, can login through their existing user id and password. Option will be made available to reach e-Voting page without any further authentication. The users to login to Easi / Easiest are requested to visit CDSL website https://web.cdslindia.com/myeasi/home/login or www.cdslindia.com and click on login icon & New System Myeasi Tab. 2) After successful login the Easi / Easiest user will be able to see the e-Voting option for eligible companies where the evoting is in progress as per the information provided by company. On clicking the evoting option, the user will be able to see e-Voting page of the e-Voting service provider for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. Additionally, there is also links provided to access the system of all e-Voting Service Providers, so that the user can visit the e-Voting service providers' website directly. 3) If the user is not registered for Easi/Easiest, option to register is available at CDSL website www.cdslindia.com and click on login & New System Myeasi Tab and then click on registration option. 4) Alternatively, the user can directly access e-Voting page by providing Demat Account Number and PAN No. from a e-Voting link available on www.cdslindia.com home page. The system will authenticate the user by sending OTP on registered Mobile & Email as recorded in the Demat Account. After successful authentication, user will be able to see the e-Voting option where the evoting is in progress and also able to directly access the system of all e-Voting Service Providers.
Individual Shareholders holding securities in demat mode with NSDL Depository	<ol style="list-style-type: none"> 1) If you are already registered for NSDL IDeAS facility, please visit the e-Services website of NSDL. Open web browser by typing the following URL: https://eservices.nsdl.com either on a Personal Computer or on a mobile. Once the home page of e-Services is launched, click on the "Beneficial Owner" icon under "Login" which is available under 'IDeAS' section. A new screen will open. You will have to enter your User ID and Password. After successful authentication, you will be able to see e-Voting services. Click on "Access to e-Voting" under e-Voting services and you will be able to see e-Voting page. Click on company name or e-Voting service provider name and you will be re-directed to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting. 2) If the user is not registered for IDeAS e-Services, option to register is available at https://eservices.nsdl.com. Select "Register Online for IDeAS "Portal or click at https://eservices.nsdl.com/SecureWeb/IdeasDirectReg.jsp 3) Visit the e-Voting website of NSDL. Open web browser by typing the following URL: https://www.evoting.nsdl.com/ either on a Personal Computer or on a

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	<p>mobile. Once the home page of e-Voting system is launched, click on the icon "Login" which is available under 'Shareholder/Member' section. A new screen will open. You will have to enter your User ID (i.e. your sixteen digit demat account number hold with NSDL), Password/OTP and a Verification Code as shown on the screen. After successful authentication, you will be redirected to NSDL Depository site wherein you can see e-Voting page. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.</p>
<p>Individual Shareholders (holding securities in demat mode) login through their Depository Participants (DP)</p>	<p>You can also login using the login credentials of your demat account through your Depository Participant registered with NSDL/CDSL for e-Voting facility. After Successful login, you will be able to see e-Voting option. Once you click on e-Voting option, you will be redirected to NSDL/CDSL Depository site after successful authentication, wherein you can see e-Voting feature. Click on company name or e-Voting service provider name and you will be redirected to e-Voting service provider website for casting your vote during the remote e-Voting period or joining virtual meeting & voting during the meeting.</p>

Important note: Members who are unable to retrieve User ID/ Password are advised to use Forget User ID and Forget Password option available at abovementioned website.

Helpdesk for Individual Shareholders holding securities in demat mode for any technical issues related to login through Depository i.e.; CDSL and NSDL

Login type	Helpdesk details
Individual Shareholders holding securities in Demat mode with CDSL	Members facing any technical issue in login can contact CDSL helpdesk by sending a request at helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 22 55 33
Individual Shareholders holding securities in Demat mode with NSDL	Members facing any technical issue in login can contact NSDL helpdesk by sending a request at evoting@nsdl.co.in or call at toll free no.: 1800 1020 990 and 1800 22 44 30

Step 2 : Access through CDSL e-Voting system in case of shareholders holding shares in physical mode and non-individual shareholders in demat mode.

Login method for e-Voting and joining virtual meetings for **Physical shareholders and shareholders other than individual holding in Demat form.**

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- 1) The shareholders should log on to the e-voting website www.evotingindia.com.
- 2) Click on “Shareholders” module.
- 3) Now enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Shareholders holding shares in Physical Form should enter Folio Number registered with the Company.
- 4) Next enter the Image Verification as displayed and Click on Login.
- 5) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier e-voting of any company, then your existing password is to be used.
- 6) If you are a first-time user, follow the steps given below:

	For Physical shareholders and other than individual shareholders holding shares in Demat.
PAN	Enter your 10-digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) <ul style="list-style-type: none">• Shareholders who have not updated their PAN with the Company/Depository Participant are requested to use the sequence number sent by Company/RTA or contact Company/RTA.
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the company records in order to login. <ul style="list-style-type: none">• If both the details are not recorded with the depository or company, please enter the member id / folio number in the Dividend Bank details field.

- (iv) After entering these details appropriately, click on “SUBMIT” tab.
- (v) Shareholders holding shares in physical form will then directly reach the Company selection screen. However, shareholders holding shares in demat form will now reach ‘Password Creation’ menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other company on which they are eligible to vote, provided that company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
- (vi) For shareholders holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
- (vii) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
- (viii) On the voting page, you will see “RESOLUTION DESCRIPTION” and against the same the option “YES/NO” for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
- (ix) Click on the “RESOLUTIONS FILE LINK” if you wish to view the entire Resolution details.

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- (x) After selecting the resolution, you have decided to vote on, click on “SUBMIT”. A confirmation box will be displayed. If you wish to confirm your vote, click on “OK”, else to change your vote, click on “CANCEL” and accordingly modify your vote.
- (xi) Once you “CONFIRM” your vote on the resolution, you will not be allowed to modify your vote.
- (xii) You can also take a print of the votes cast by clicking on “Click here to print” option on the Voting page.
- (xiii) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
- (xiv) There is also an optional provision to upload BR/POA if any uploaded, which will be made available to scrutinizer for verification.
- (xv) **Additional Facility for Non - Individual Shareholders and Custodians -For Remote Voting only.**
 - Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodians are required to log on to www.evotingindia.com and register themselves in the “Corporates” module.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
 - The list of accounts linked in the login will be mapped automatically & can be delink in case of any wrong mapping.
 - It is Mandatory that, a scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
 - Alternatively Non Individual shareholders are required mandatory to send the relevant Board Resolution/ Authority letter etc. together with attested specimen signature of the duly authorized signatory who are authorized to vote, to the Scrutinizer and to the Company at the email address viz; so@sfltd.in or cfo@sfltd.in , if they have voted from individual tab & not uploaded same in the CDSL e-voting system for the scrutinizer to verify the same.

INSTRUCTIONS FOR SHAREHOLDERS ATTENDING THE AGM/EGM THROUGH VC/OAVM & E-VOTING DURING MEETING ARE AS UNDER:

1. Shareholder will be provided with a facility to attend the AGM through VC/OAVM through the CDSL e-Voting system. Shareholders may access the same at <https://www.evotingindia.com> under shareholders/members login by using the remote e-voting credentials. The link for VC/OAVM will be available in shareholder/members login where the EVSN of Company will be displayed.
2. Shareholders who have voted through Remote e-Voting will be eligible to attend the meeting. However, they will not be eligible to vote at the AGM/EGM.
3. Shareholders are encouraged to join the Meeting through Laptops / IPads for better experience.

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4. Further shareholders will be required to allow Camera and use Internet with a good speed to avoid any disturbance during the meeting.
5. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
6. Shareholders who would like to express their views/ask questions during the meeting may register themselves as a speaker by sending their request in advance at least **07 days prior to meeting** mentioning their name, demat account number/folio number, email id, mobile number at (company email id). The shareholders who do not wish to speak during the AGM but have queries may send their queries in advance **07 days prior to meeting** mentioning their name, demat account number/folio number, email id, mobile number at (company email id). These queries will be replied to by the company suitably by email.
7. The procedure for e-Voting on the day of the AGM is same as the instructions mentioned above for Remote e-voting.
8. The link for VC/OAVM to attend meeting will be available where the EVSN of Company will be displayed after successful login as per the instructions mentioned above for e-voting.
9. Those shareholders who have registered themselves as a speaker will only be allowed to express their views/ask questions during the meeting. The Company reserves the right to restrict the number of questions and number of speakers, depending upon the availability of time as appropriate for smooth conduct of the AGM.
10. Only those shareholders, who are present in the AGM/EGM through VC/OAVM facility and have not casted their vote on the Resolutions through remote e-Voting and are otherwise not barred from doing so, shall be eligible to vote through e-Voting system available during the EGM/AGM.

If any Votes are cast by the shareholders through the e-voting available during the EGM/AGM and if the same shareholders have not participated in the meeting through VC/OAVM facility, then the votes cast by such shareholders may be considered invalid as the facility of e-voting during the meeting is available only to the shareholders attending the meeting.

PROCESS FOR THOSE SHAREHOLDERS WHOSE EMAIL/MOBILE NO. ARE NOT REGISTERED WITH THE COMPANY/DEPOSITORIES.

1. For Physical shareholders- please provide necessary details like Folio No., Name of shareholder, scanned copy of the share certificate (front and back), PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) by email to **Company/RTA email id**.

2. For Demat shareholders -, Please update your email id & mobile no. with your respective **Depository Participant (DP)** and also provide Demat account details (CDSL-16 digit beneficiary ID or NSDL-16 digit DPID + CLID), Name, client master or copy of Consolidated Account statement, PAN (self-attested scanned copy of PAN card), AADHAR (self-attested scanned copy of Aadhar Card) to **Company/RTA email id**.

S.M.I.L.E. MICROFINANCE LIMITED

3. For Individual Demat shareholders – Please update your email id & mobile no. with your respective Depository Participant (DP) which is mandatory while e-Voting & joining virtual meetings through Depository.

General Instructions

1. The remote e-voting shall not be allowed beyond the abovementioned date and time.
2. Once the vote on the resolution is cast by the shareholder, whether partially or otherwise, the shareholder shall not be allowed to change it subsequently or cast the vote again.
3. Any person who have acquired shares and become members of the company after the electronic dispatch of the notice and holding shares as on cut-off date, i.e. 21st December, 2023 and who have updated their PAN with the Company/DP, should follow the instructions as above mentioned in (i) to (xix) to vote through e-voting and those who have not updated their PAN with the Company/DP, can send a mail to compliance@sfltd.in and investor@cameoindia.com to obtain sequence number and they will have to follow the instructions as above mentioned in (i) to (xix) to vote through e-voting.
4. The voting rights of members shall be in proportion to their shares in the paid-up equity share capital of the Company as on cut-off date. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date only shall be entitled to avail the facility of remote e-Voting and evoting during the AGM. The Scrutinizer shall, immediately after the conclusion of remote e-voting and e-voting during the general meeting, would unblock and count the e-votes cast in the presence of at least two witnesses not in the employment of the Company and make, not later than three days of conclusion of the meeting, a consolidated Scrutinizer's report of the total votes cast in favour or against, if any, to the Chairman or a person authorized by him in writing who shall countersign the same.
5. The results declared along with the Scrutinizer's Report shall be placed on the Company's website www.sfltd.in and on the website of CDSL www.cdslindia.com immediately after the result is declared.
6. Subject to the receipt of requisite number of votes through remote e-voting and voting during the meeting, the Resolutions proposed in the Notice shall be deemed to have been passed on the date of the meeting, i.e., Friday, 29th December 2023.

If you have any queries or issues regarding attending AGM & e-Voting from the CDSL e-Voting System, you can write an email to helpdesk.evoting@cdslindia.com or contact at toll free no. 1800 22 55 33.

All grievances connected with the facility for voting by electronic means may be addressed to Mr. Rakesh Dalvi, Sr. Manager, (CDSL,) Central Depository Services (India) Limited, A Wing, 25th Floor, Marathon Futurex, Mafatlal Mill Compounds, N M Joshi Marg, Lower Parel (East), Mumbai - 400013 or send an email to helpdesk.evoting@cdslindia.com or call toll free no. 1800 22 55 33.

To

The Members,
S.M.I.L.E. Microfinance Limited.

Your Directors are pleased to present the twenty eighth 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 2023.

FINANCIAL SUMMARY

(Rs. in Lakh)

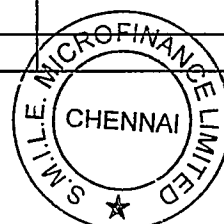
Particulars	2022-23	2021-22
Interest Income	1,931.42	6,863.36
Other Income	0.72	16.98
Total Income	1,932.13	6,880.34
Less:		
Expenses	1,097.94	9,543.46
Profit before Tax	834.19	-2,663.12
Less		
Provisions for:		
Income Tax	---	---
Short provision for tax relating to prior years	25.00	-140.82
Deferred Tax	1,383.52	-382.74
Profit after Tax	-574.59	-2,139.56
Add:		
Other Comprehensive Income	---	42.46
Total Comprehensive Income for the Year	-574.59	-2,097.10
Add:		
Balance b/f from previous years	4,136.02	6,275.58
Amount available for Appropriation	3,561.43	4,136.02
Appropriations:		
Statutory Reserve	---	---
Dividend & Distribution Tax	---	---
Balance carried to Balance Sheet	(574.59)	(2,097.10)
Equity Share Capital	1,733.96	1,733.96
Reserves	9,205.33	9,779.95

FINANCIAL OVERVIEW:

During the year, your company earned a GROSS INCOME of Rs. 19.32 Cr (Previous Year Rs. 68.80 Cr) and PROFIT BEFORE TAX (PBT) of Rs. 8.34 Cr (Previous Year Rs. -26.63 Cr), with expenditures of Rs. 10.98 Cr (Previous Year Rs. 95.43 Cr). The Company incurred a Net Loss of Rs. 5.75 Cr due to higher Loan Loss Provision made (Previous year LAT Rs. 20.97 Cr). The amount transferred to Statutory Reserve is Rs. NIL Cr (Previous year Rs. NIL Cr).

OPERATIONAL REVIEW

Year ended March 31	2023 @	2022
Number of Branches	NIL	144
Number of Members	NIL	283,651
Number of employees	2	813
Number of States	NIL	7
Amount Disbursed (₹ In Crore)	NIL	234.38
Portfolio Outstanding (₹ In Crore)	NIL	326.86



@ The Company has sold the microfinance business undertaking through a slump sale transaction to Northern Arc Capital and has discontinued the business. The sale was completed on 12th April, 2022. The company has on 15th March, 2023 submitted application to the RBI for cancellation of the NBFC-MFI Certificate, which is in progress.

TRANSFER TO RESERVES:

Due to loss in FY 2022-23, the Company has not transferred any amount to Statutory Reserves 20% of the Comprehensive Income in accordance with the provisions of Section 45 – IC of Reserve Bank of India Act, 1934.

CAPITAL ADEQUACY:

The Company does not have loan assets / other financial assets carrying >0% weightage. The assets are predominantly held in Cash & Bank balances and Fixed Deposits with Banks, which constitutes 97.62% of the Total Assets on the Balance Sheet.

Hence, the Capital vis-à-vis Risk Weighted Assets is much higher (>100%) and thus complies with the minimum capital adequacy requirements of 15% stipulated by RBI.

GRADING AND CREDIT RATING:

The Company has sold the microfinance business undertaking on 12th April, 2022 to another NBFC, viz., Northern Arc Capital Ltd., and exited business. Hence there is no Grading / Rating requirement.

LOAN OBTAINED AND DISBURSED:

During the Year under review, the Company has not obtained any funds through Term Loan (previous year Rs.151 Cr) and the Company has not disbursed any loans (previous year 0.59 lakh loans for Rs.234.38 Cr).

ASSETS UNDER MANAGEMENT (AUM):

The Company has sold the microfinance business undertaking and hence the amount of total Loan Assets under management of the Company is NIL (Previous year Rs. 326.86 Cr).

Current Year: Loan Assets under management: NIL

Previous Year: Loan Assets under management Rs. 326.86 Cr (Own Book Portfolio Rs. 300.89 Cr + BC Rs. 25.98 Crore).

SECURITISATION:

During the year, the Company has not done securitization deals.

DIRECT ASSIGNMENTS:

During the year, the Company has not done any direct assignments deals.

ARREARS / PORTFOLIO AT RISK (PAR) / WRITE-OFF:

Arrears / Portfolio at Risk (PAR) / Portfolio Write-off: NIL (since the Company has sold the microfinance business undertaking on 12th April, 2022).

LOAN SERVICING:

During the year, the Company has cleared fully all its Loans outstanding with Banks & Financial Institutions. There was no liability to any investor in respect of securitized assets and direct assignment.

DIVIDEND:

The Company did not consider any dividend payment for the current Financial Year.



TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND:

There is unclaimed dividend of Rs.8.52 lakh (kept in earmarked account with ICICI Bank) out of dividend declared in FY 2014-15 which is due for transfer to Investor Education and Protection Fund (IEPF). The Company could not complete the transfer within the mandatory timeline on account of a "status quo" order from the Madras High Court / Supreme Court. The Court has passed judgement order in favour of the Company and the Company is in the process of transferring the unclaimed dividend to IEPF account.

SHARE CAPITAL:

The paid up equity capital as on March 31, 2023 was Rs.17,33,96,390/-. During the year under review, the Company has not issued any equity share and shares with differential voting rights nor granted stock options /sweat equity.

FIXED DEPOSITS:

The Company has not accepted any deposits within the meaning of Section 73 of the Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS:

The company has not given any loans or guarantees covered under the provisions of section 186 of the Companies Act, 2013. The detail of the investments made by company is given in the notes to the financial statements.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY:

The Company has an Internal Control System, commensurate with the size post sale of microfinance business undertaking.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE OUTGO:**(A) Conservation of energy:**

The Company has continued to adopt measures to conserve electrical energy. The Company ensures that all Electrical Equipment are being serviced periodically so that the consumption of energy is minimized and that all electrical appliances are religiously switched off when not in use.

(B) Technology absorption:

The Company is using BR.Net application software with effect from 2013, which has been discontinued post sale of microfinance business undertaking. The sale was concluded on 12th April, 2022.

(C) Foreign exchange earnings and Outgo:

During this Financial Year, the Company has not incurred foreign exchange expenditure.

Expenditure Incurred in Foreign Currency	
Particulars	For the year ended 31 st March, 2023 Amount Rs. in Lakh
Reimbursement of Travelling Expenses	NIL

DIRECTORS AND KEY MANAGERIAL PERSONNEL:

During the FY 2022-23 1) Mr. Murali Srinivas P, (DIN: 00554309), Managing Director; 2) Ms. Indrani Bhagwan Singh, (DIN: 02973901) Non-Executive Director; 3) Mr. Rajan Samuel (DIN: 02586490) Independent Director; and 4) Mrs. Aparna Narendra Sharma (DIN: 07132341) Independent Director are resigned from the office. Current Board of Directors and Key Managerial Personnel of the Company is given in the below table:



S.No.	Name of the Director/Key Managerial Personnel	Designation
1.	Mr. J Bradley Swanson	Non-Executive Director
2.	Mr. Aleem Remtula	Non-Executive Director
3.	Mr. V S Padmanaban	Non-Executive Director
4.	Mr. V T Prabakaran	Chief Financial Officer

DECLARATION OF INDEPENDENT DIRECTORS:

The Independent Directors shall submit their disclosures to the Board that they fulfil all the requirements as stipulated in Section 149(6) of the Companies Act, 2013 so as to qualify themselves to be appointed as Independent Directors under the provisions of the Companies Act, 2013 and the relevant rules.

As per the provisions of the Companies (Appointment and Qualification of Directors) Fifth Amendment Rules, 2019, every individual who has been appointed as an independent director in a company, on the date of commencement of the above rules shall within a period of three months from the date of commencement apply to Indian Institute of Corporate Affairs for inclusion of his name in the data bank for such period till he continues as Independent Director of any Company. Accordingly, the Independent Directors of the Company have enrolled in the database.

As per the above provisions, every independent director shall submit a declaration of compliance of sub-rule (1) and sub-rule (2) to the Board, each time he submits the declaration required under sub-section (7) of section 149 of the Act. Since the Ministry of Corporate Affairs, vide Companies (Appointment and Qualification of Directors) Second Amendment Rules, 2020, has now extended the period of Five months to seven months for registering with Indian Institute of Corporate Affairs, the declaration could not be obtained.

Further, the time available for passing online proficiency self-assessment test is one year from the date of inclusion of the name of the Directors in the data bank. The Board of Directors shall provide an opinion with regard to the proficiency of the Independent Directors as ascertained from the online proficiency self-assessment test conducted by the institute which is required under Rule 8(5)(iia) of the Companies (Accounts) Rules, 2014.

The Company sold the microfinance business undertaking on 12th April, 2022 and decided to exit the business. Since the Company decided to discontinue business and go for voluntary liquidation, the independent directors of the Company resigned.

The Company is making best efforts to recruit independent directors by publishing vacancies through newspaper advertisements and in Company website.

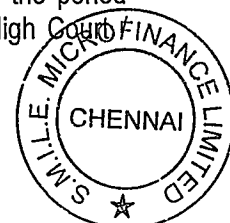
COMPLIANCE WITH KMP REQUIREMENTS:

Consequent to the resignation of Mr R Venkatasubramanian (PAN No.AJGPV8188H), Company Secretary of the Company on 31st March, 2022, the position remains vacant and yet to be filled. The Company has outsourced the secretarial functions to a Consulting Firm, viz., V. Esaki & Associates.

The Company is making best efforts to recruit Company Secretary by publishing vacancies through newspaper advertisements and in Company website.

MEETINGS:

During the year 2 Board Meetings were convened and held, the details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was not within the period prescribed under the Companies Act, 2013 due to "status quo" order from the Madras High Court & Supreme Court. At present the Court has passed judgement order in favour of the Company.



AUDIT COMMITTEE:**Composition as at 31st March 2023**

Mr. Rajan Samuei, Independent Director (Chairman of the Committee)- *resigned w.e.f. 30-09-2022 EOD*

Ms. Aparna Sharma, Independent Director - *resigned w.e.f. 12-09-2022 EOD*

Mr. J Bradly Swanson, Non-Executive Director

Mr. V S Padmanaban, Non-Executive Director

The Audit Committee met one (1) time during the Financial Year 2022-23. The details of which are given in the Corporate Governance Report.

DIRECTORS RETIRING BY ROTATION:

To comply with the provisions of Section 152 of the Companies Act, 2013 ('CA 2013') Mr. Aleem Remtula, Director shall retire by rotation at the ensuing AGM and being eligible, offered for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT:

In pursuance of section 134 (5) of the Companies Act, 2013, the Directors hereby confirm that:

(a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;

(b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;

(c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;

(d) the directors had prepared the annual accounts on a going concern basis; and

(e) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

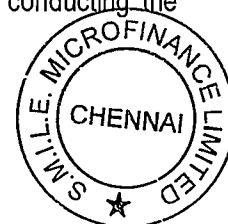
NOMINATION & REMUNERATION POLICY:

The Board has, on the recommendation of the Nomination & Remuneration Committee framed a policy for selection and appointment of Directors, Senior Management and their remuneration.

EVENTS SUBSEQUENT TO THE DATE OF FINANCIAL STATEMENTS:

a) In a case filed by Dr. Rajam Sethuraman & 2 Others Vs. Mahasemam Trust & Others, in which the Company and the Directors were included as the Respondents, the High Court of Madras has issued a "status quo" order on account of which the Company could not conduct Board Meetings as per regulatory requirements. In the said case, the High Court of Madras has passed judgement order in favour of the Company and subsequently, the Company has conducted the Board Meeting.

b) The Company could not also conduct the Annual General Meeting of Shareholders (AGM) within the extended date of 31st December, 2022. Subsequent to the favourable judgement order from the High Court of Madras, the Company has conducted the AGM on 9th May, 2023. The Company is filing compounding application with the Registrar of Companies for the delay in conducting the AGM.



- c) The Company, on account of the legal case mentioned above, could not transfer the unclaimed dividend of Rs.8.52 lakh to Investor Education & Protection Fund (IEPF) within the stipulated time. Subsequent to the receipt of the judgement order from the High Court of Madras, the Company is proceeding with the transfer of unclaimed dividend of Rs.8.52 lakh to the IEPF Account.

RELATED PARTY TRANSACTIONS:

During the financial year there were no related party transactions made by the company with Promoters, Directors, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the company at large. Form AOC-2 is attached as "Annexure A" to Directors' Report.

DETAILS OF SUBSIDIARY, ASSOCIATE AND JOINT VENTURE OF THE COMPANY:

The Company doesn't have any subsidiary, associate and joint venture.

AUDITORS' REPORT:

The observation made in the Auditors' Report read together with relevant notes thereon are self-explanatory and hence, do not call for any further comments under Section 134 of the Companies Act, 2013.

AUDITORS:

I. Statutory Auditors:

The Statutory Auditors of the Company, M/s P.B. Vijayaraghavan & Co., Chartered Accountants (Firm registration number: 004721S), were appointed in the Annual General Meeting of the Company held on December 30, 2021 as Statutory Auditors of the Company to hold office for a term of five years until the conclusion of the Annual General Meeting to be held in 2026.

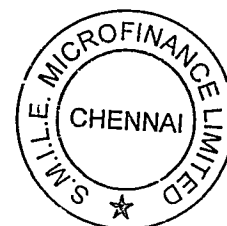
EXPLANATION FOR THE STATUTORY AUDITORS' OBSERVATIONS WHICH FORM BASIS FOR QUALIFIED OPINION & EMPHASIS OF MATTER

Audit Observation-1: We invite attention to Note 58, the company has not transferred the unpaid or unclaimed dividend for a period of 7 years as mandated by section 124 of the Companies Act, 2013. We are unable to comment upon the levy of penalty, if any, on the accompanying financial statements for the year ended 31st March 2023.

Board's reply: In a case filed by Dr. Rajam Sethuraman & 2 Others Vs. Mahasemam Trust & Others, in which the Company and the Directors were included as the Respondents, the High Court of Madras has on 28-04-2022, issued a "status quo" order on account of which the Company could not conduct Board Meetings as per regulatory requirements, pass necessary resolutions and proceed with the transfer of unclaimed dividend of Rs.8.52 lakh to IEPF Account. In the said case, the High Court of Madras on 9th March, 2023 has passed judgement order in favour of the Company and subsequently, the Company is taking steps to transfer the unclaimed dividend to IEPF Account. In this connection, the Company has sent individual communication to the shareholders and issued public notice in the newspaper also.

Emphasis Point No.1: We invite attention to Note 52, as per the Management's opinion, Capital gains would not arise on slump sale on transfer of business undertaking for a Net consideration of Rs.111.62 crores (Agreed consideration of Rs. 115 crores) as the ECL provision at Rs. 50.16 is not considered for Income tax purpose resulting in a Capital Loss.

Board's reply: Please refer to **Annexure-B:** Note on Loan Assets sold under Slump Sale Transaction



Emphasis Point No.2: We invite attention to Note 59 and 60, the company has not appointed a whole-time company secretary and Internal Auditor as mandated by Companies Act, 2013. The company has also not appointed any Independent Director and non-compliance with section 177 and 173 of Companies Act, 2013

Board's reply: Since the Company has sold the microfinance business undertaking on 12th April, 2022 and exited business with a plan to go for voluntary liquidation, the whole-time company secretary and independent directors have resigned. The Internal Auditor has retired from service. The Company has posted vacancies in the Company website and newspapers. The Company is making best efforts to fill the vacancies as quickly as possible.

Emphasis Point No.3: We invite attention to Note 67, the company has not made accounting treatment and disclosure for employee benefits as required by Ind AS 19, as the company has not carried out any actuarial valuation by independent actuary for gratuity liability to represent the present value of the defined benefit obligation as at the balance sheet date together with adjustments for unrecognized actuarial gain or losses and past service cost. In the absence of actuarial valuation, we are unable to comment upon the impact, if any, on the accompanying financial statements for the year ended 31st March 2023.

Board's reply: The Company sold the microfinance business undertaking on 12th April, 2022 through a slump sale transaction to Northern Arc Capital Ltd., and transferred the microfinance business related assets and liabilities, infrastructure and human resources to the buyer. SMILE has exited the microfinance business and has applied to the RBI for cancellation of NBFC-MFI registration, post which the Company is planning to go for voluntary liquidation. As on 31st March, 2023, in the SMILE residual entity, there are only two staff members on the payroll, of whom only one is eligible for gratuity. The other employee has not completed the required minimum years of service as on 31st March, 2023 to be eligible for gratuity. Since the Company has just two staff members on the payroll and is planning to go for voluntary liquidation, valuation from the actuary has not been obtained.

However, the Company has kept adequate funds with the LIC of India to meet the gratuity liability of the eligible employee.

Emphasis Point No.4: We invite attention to Note 65, the Company has recognized rental expense upto 12.03.2023 as per the rental agreement but after the said period the Rental Expense has been booked based on the expired rental agreement.

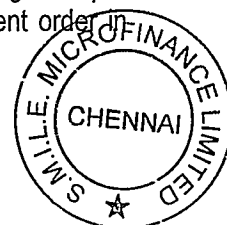
Board's reply: The Company is planning to shift the Registered Office to new premises on or before 31-July-2023. However, the Company has renewed the rental agreement for the existing premises on 25-May-2023

II. Secretarial Auditor:

Since the Company has no business transactions, the Secretarial Audit Report for FY 2022-23 is not applicable to the Company as per Section 204 of the Companies Act, 2013 and the Rules made thereunder.

DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY OPERATIONS IN FUTURE:

In a case filed by Dr. Rajam Sethuraman & 2 Others Vs. Mahasemam Trust & Others, in which the Company and the Directors were included as the Respondents, the High Court of Madras has issued a "status quo" order on account of which the Company could not conduct Board Meetings as per regulatory requirements. In the said case, the High Court of Madras has passed judgement order on



favour of the Company and subsequently, the Company has conducted the Board Meeting.

There are no significant and material orders passed by the Regulators or Tribunals.

The Company has sold the microfinance business undertaking through a slump sale transaction to Northern Arc Capital and exited business. The sale was completed on 12th April, 2022. The company has on 15th March, 2023 submitted application to the RBI for cancellation of the NBFC-MFI Certificate, which is in progress.

INTERNAL FINANCIAL CONTROLS:

In pursuant to the Section 134(5) (e) of the Companies Act, 2013, the Board has properly laid down its internal financial controls and has ensured that the controls are not only adequate but are also operating effectively. The Company is following an effective internal control system commensurate with its size and operations. In addition to this the work process is designed in such a way that process of internal check is ensured at all levels.

It also ensures the adoption of all policies & procedures for orderly and efficient conduct of its business, including adherence to the Company's Policy, the safeguarding of its assets, prevention and detection of fraud & error, the accuracy & completeness of the accounting records and the timely preparation of reliable financial information.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company and the reviews performed by management, the board is of the opinion that the Company's internal financial controls were adequate and effective during the FY 2022-23.

VIGIL MECHANISM:

The Company has a vigil mechanism and Whistle Blower Policy to deal with instance of fraud and mismanagement, if any.

Strict confidentiality is maintained whilst dealing with concerns and also that no discrimination will be meted out to any person for a genuinely raised concern.

RISK MANAGEMENT:

The Company's Risk Management strategy is based on clear understanding of various risks, disciplined risk assessment and continuous monitoring.

ANNUAL PERFORMANCE EVALUATION OF THE BOARD:

As part of the evaluation process, the performance evaluation of Board as a whole was done by the Directors of the Board. The Directors expressed satisfaction with the evaluation process.

INFORMATION REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013:

The Company has a policy against sexual harassment and a formal process for dealing with complaints of harassment or discrimination. The Company seeks to ensure that all such complaints are resolved within defined timelines. The Company has not received any complaint during the period. The Annual returns for the same has also been submitted.

EXTRACT OF ANNUAL RETURN:

Pursuant to Section 134 (3)(a) and Section 92 (3) of the CA 2013, read with Rule 12 of the Companies(Management and Administration) Rules, 2014, an extract of the Annual Return as at March 31, 2023 has been updated in form MGT 7 and uploaded in the website of the Company - www.sfltd.in



CORPORATE GOVERNANCE:

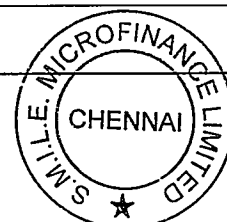
The Company's philosophy of Corporate Governance is aimed at assisting the management of the Company in the efficient conduct of its business and meeting its obligations to stakeholders, guided by a strong emphasis on transparency, accountability and integrity.

CORPORATE SOCIAL RESPONSIBILITY (CSR):

In compliance with Section 135 of the CA 2013 read with the Companies (Corporate Social Responsibility Policy) Rules 2014, the Company has established the Corporate Social Responsibility Committee (CSR Committee) in 2014 and the composition and function thereof are mentioned in the Corporate Governance Report. The Board adopted the CSR Policy, formulated and recommended by the CSR Committee.

Annual Report on Corporate Social Responsibility (CSR) Activities:

<p>1. A brief outline of the company's CSR policy As a responsible and socially committed organization, SMILE strives to improve the social welfare and the quality of life of the communities in which it operates. SMILE commits itself that it will not discriminate beneficiaries of CSR based on membership, gender, caste or creed. SMILE works for and strives to:</p> <ul style="list-style-type: none"> ✓ Support the health, education and community welfare activities. ✓ Protect the environment by adopting "Go Green" culture in work place. ✓ Provide suitable facilities to people with special needs and facilitate their requirements ✓ Partner with community development authorities to promote, support and participate in community development initiatives 	<p>2. Composition Post resignation of the Directors, the Committee has not been reconstituted.</p> <p>3. The Company CSR Policy has hosted in the website of the Company:- www.sfltd.in</p> <p>4. Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable:- NA</p> <p>5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies(Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any :- NIL</p> <p>6. Average net profit of the Company for the last 3 financial years Incurred loss for the last 3 years</p> <p>7. Prescribed CSR Expenditure (2% of the amount as in above) allocated NIL</p>																																																																						
<p>8. (a) CSR amount spent or unspent for the financial year:</p> <table border="1" style="width: 100%;"> <tr> <th rowspan="3">Total Amount Spent for the Financial Year. (in Rs.)</th> <th colspan="5">Amount Unspent (in Rs.)</th> </tr> <tr> <th colspan="2">Total Amount transferred to Unspent CSR Account as per section 135(6).</th> <th colspan="3">Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).</th> </tr> <tr> <th>Amount.</th> <th>Date of transfer.</th> <th>Name of the Fund</th> <th>Amount.</th> <th>Date of transfer.</th> </tr> <tr> <td colspan="6" style="text-align: center;">NIL</td> </tr> </table> <p>(b) Details of CSR amount spent against ongoing projects for the financial year:</p> <table border="1" style="width: 100%;"> <thead> <tr> <th>(1)</th> <th>(2)</th> <th>(3)</th> <th colspan="2">(4)</th> <th>(5)</th> <th>(6)</th> <th>(7)</th> <th>(8)</th> <th>(9)</th> <th colspan="2">(10)</th> </tr> <tr> <th>Sl. No.</th> <th>Name of the Project</th> <th>Item from the list of activities in Schedule VII to the Act.</th> <th colspan="2">Location of the project.</th> <th>Project duration</th> <th>Amount allocated for the project (in Rs.)</th> <th>Amount spent in the current financial Year (in Rs.).</th> <th>Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.)</th> <th>Mode of Implementation Direct (Yes/No).</th> <th colspan="2">Mode of Implementation - Through Implementing Agency</th> </tr> <tr> <td></td> <td></td> <td></td> <th>State</th> <th>Dist.</th> <td></td> <td></td> <td></td> <td></td> <td></td> <th>Name</th> <th>CSR Registration no.</th> </tr> </thead> <tbody> <tr> <td colspan="12" style="text-align: center;">NIL</td> </tr> </tbody> </table>		Total Amount Spent for the Financial Year. (in Rs.)	Amount Unspent (in Rs.)					Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).			Amount.	Date of transfer.	Name of the Fund	Amount.	Date of transfer.	NIL						(1)	(2)	(3)	(4)		(5)	(6)	(7)	(8)	(9)	(10)		Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Location of the project.		Project duration	Amount allocated for the project (in Rs.)	Amount spent in the current financial Year (in Rs.).	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.)	Mode of Implementation Direct (Yes/No).	Mode of Implementation - Through Implementing Agency					State	Dist.						Name	CSR Registration no.	NIL											
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NIL																																																																							



(c) Details of CSR amount spent against other than ongoing projects for the financial year:-

(1)	(2)	(3)	(4)		(5)	(6)	(7)	
Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act.	Location of the project.		Amount spent for the project (in Rs.)	Mode of Implementation Direct (Yes/No).	Mode of implementation Through implementing agency.	
			State	Dist.			Name	CSR Registration no.
NIL								

(d) Amount spent in Administrative Overheads : Nil

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

(f) Total amount spent for the Financial Year (8b+8c+8d+8e) : NIL

(g) Excess amount for set off, if any

Sl	Particular	Amount (in Rs.)
1	Two percent of average net profit of the company as per section 135(5)	Nil
2	Total amount spent for the Financial Year	Nil
3	Excess amount spent for the financial year [(ii)-(i)]	Nil
4	Surplus arising out of the CSR projects or program or activities of the previous financial years, if any	Nil
5	Amount available for set off in succeeding financial years [(iii)-(iv)]	Nil

9. (a) Details of Unspent CSR amount for the preceding three financial years: Nil

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Nil

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details): Nil

11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5): Not Applicable

ACKNOWLEDGEMENTS:

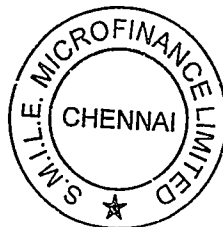
The Board of Directors wishes to place on record its sincere thanks for the wholehearted support extended by the Company's Lenders and Bankers, Statutory Authorities, the Reserve Bank of India and all external agencies. The Board also wishes to record its sincere appreciation for the commitment of its employees at all levels in successfully tackling the challenges faced by the Company during this Year and for their continued efforts to achieve the Company's goals.

-By order of the Board-

For S.M.I.L.E. MICROFINANCE LIMITED


ALEEM REMTULA
DIRECTOR
DIN: 02872107

Place: **New York, USA**
Date: 24-May-2023



For S.M.I.L.E. MICROFINANCE LIMITED


J BRADLEY SWANSON
DIRECTOR
DIN: 02872123

Place:
Date: 24-May-2023

Annexure- A

FORM NO. AOC -2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014

Form for Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub section (1) of section 188 of the Companies Act, 2013 including certain arm's length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis. NIL
2. Details of contracts or arrangements or transactions at Arm's length basis:

S.No	Name(s) of the Related Party	Designation	Nature of Arrangements	Transaction value as at 31 st March, 2023 (In Rs.)
1.	Mr. Murali Srinivas P (up to 31-Mar-2023 EOD)	Managing Director	Remuneration	44,52,000
			Ex-gratia	3,71,000
			Incentive	**34,00,000
			Variable Pay	**21,75,000
2.	Mrs. Indrani Bhagwan Singh (up to 12-Dec-2022 EOD)	Non-Executive Director	Sitting Fee	NIL
3.	Mr. V S Padmanaban	Non-Executive Director	Sitting Fee	50,000
			Sitting Fee 14.03.2023	^^25,000
4.	Mr. Rajan Samuel (up to 30-Sept-2022 EOD)	Independent Director	Sitting Fee	50,000
5.	Ms. Aparna Narendra Sharma (up to 12-Sept-2022 EOD)	Independent Director	Sitting Fee	50,000
6.	Mr. V T Prabakaran	Chief Financial Officer	Remuneration	34,70,280
			Ex-gratia	2,89,074
			Incentive	##15,00,000

** Incentive & Variable Pay, paid to Mr. Murali Srinivas P, Managing Director of the Company after the close of the financial year 2022-23.

^^ Sitting Fee, paid to Mr. V S Padmanaban, Director of the Company after the close of the financial year 2022-23

Incentive, paid to Mr. V T Prabakaran, Chief Financial Officer of the Company after the close of the financial year 2022-23.

REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS:

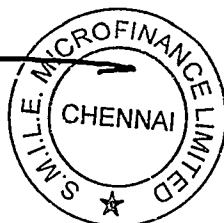
The Company has sold the microfinance business undertaking on 12th April, 2022 to Northern Arc Capital Ltd (NBFC) and discontinued the business. It has applied to the Reserve Bank of India for cancelation of the NFC-MFI Certificate, which is in process.

Hence, the Report on Management Discussion and Analysis is NIL.

-By order of the Board-

For S.M.I.L.E. MICROFINANCE LIMITED


ALEEM REMTULA
DIRECTOR
DIN: 02872107



S.M.I.L.E. MICROFINANCE LIMITED

ADDENDUM TO THE DIRECTOR'S REPORT

ORDINARY BUSINESS:

FINAL DIVIDEND:

For the financial year ended 31st March, 2023, your Directors are happy to recommend a final dividend of Rs. 19.45 per fully paid-up equity share of Rs. 10 each subject to approval of Reserve Bank of India for voluntary surrender of Certificate of Registration of NBFC- MFI and shareholders in the ensuing Annual General Meeting of the Company.

The dividend, if approved at the ensuing 28th Annual General Meeting of the Company, will be paid to those members whose names appear in the Register of Members as on the closing hours of 21st December, 2023.

For and on behalf of Board of Directors
S.M.I.L.E. Microfinance Limited

Sd/-

ALEEM REMTULA

Director

Address: 53-11, Morenci Lane,
Little Neck New York- 11362, USA

DIN: 02872107

Sd/-

J BRADLEY SWANSON

Director

Address: 2596 Chain Bridge Rd
Vienna- 221815518, USA

DIN: 02872123

Date: 07th December, 2023

Place: USA

REPORT ON CORPORATE GOVERNANCE:

Corporate Governance is the commitment of an organization to follow Ethics, Fair Practices and Transparency in all its dealings with its various stakeholders such as Customers, Employees, Investors, Government and the Society at large. Sound Corporate Governance is the result of external marketplace commitment and legislation plus a healthy Board Culture which directs the policies and philosophy of the Organization. Your Company is committed to good Corporate Governance in all its activities and processes.

COMPANY PHILOSOPHY:

S.M.I.L.E. MICROFINANCE LIMITED's philosophy on Corporate Governance envisages adherence to the highest levels of Transparency, Accountability and fairness in all areas of its operations and in all interactions with its stakeholders. The Board shall work to ensure the success and continuity of the Company's business through the appointment of Qualified Management and through on-going monitoring to assure that the Company's activities are conducted in a Responsible, Ethical and Transparent manner.

BOARD OF DIRECTORS:

In terms of Corporate Governance philosophy, all statutory and other significant material information are placed before the Board of Directors to enable it to discharge its responsibility of strategic supervision of the Company as trustees of the Shareholders.

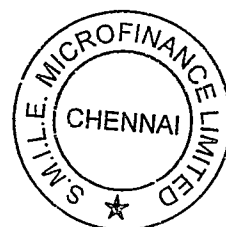
The Board of Directors of the Company as on 31st March, 2023:

S.no	Name of the Directors	Designation
1	Mr. Murali Srinivas P	Managing Director (resigned w.e.f. 31-03-2023 EOD)
2	Mr. Bradley Swanson	Non- Executive Director
3	Mr. Aleem Remtula	Non- Executive Director
4	Mr. V.S. Padmanaban	Non- Executive Director

During the Financial Year ended 31st March 2023, Two (2) Board Meetings were conducted on the following dates viz., on 12th September 2022, 14th March 2023 and more than 120 days have elapsed between the two Board Meetings due to "status quo" order from the Madras High Court / Supreme Court. The Court has subsequently passed judgement order in favour of the Company.

Particulars of the Directors' attendance of Board /Committee Meetings and particulars of their other company directorships are given below:-

NAME	Nature of Directorship	Attendance		Other
		Board	Committe	Directorships
Mr. Murali Srinivas P (up to 31-03-2023 EOD)	Managing Director	2	0	Nil
Mrs. Indrani Bhagwan Singh (up to 12-12-2022 EOD)	Non-Executive Director	0	0	Nil
Mr. J Bradly Swanson	Non- Executive Director	2	1	Nil
Mr. Aleem Remtula	Non- Executive Director	2	0	Nil
Mr. Rajan Samuel (up to 30-09-2022 EOD)	Independent Director	1	1	1
Ms. Aparna Sharma (up to 12-09-2022 EOD)	Independent Director	1	1	3
Mr. V.S. Padmanaban	Non- Executive Director	2	1	2



COMMITTEES OF BOARD:

The Board has currently nine (9) Committees, namely, Audit Committee, Nomination & Remuneration Committee, Corporate Social Responsibility Committee, Borrowing & Investment Committee, Asset Liability Management Committee, Share Allotment & Transfer Committee, Grievance Redressal & Stakeholder Relationship Committee, Risk Management Committee and IT Steering Committee. The Board is responsible for constituting, assigning and co-opting the members of these Committees. The Board fixes the terms of references of the Committees and also delegates powers to the Committees from time to time. The Minutes of the meetings of the Committees are circulated to the Board for its information and confirmation.

AUDIT COMMITTEE:

Composition:

Post resignation of the Directors, the Committee has not been reconstituted on account of the "status quo" order of the High Court of Madras. The Company has since received a favourable judgement order from the Court.

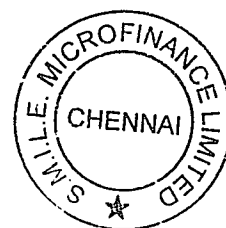
Meetings:

The Committee meeting could be conducted only one during the financial year 2022-23 i.e., on 12th September 2022 due to the "status quo" order of the High Court of Madras.

Terms of Reference:

The Role of the Committee, among others will include:

1. Oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. recommending to the Board, the appointment, re-appointment and, if required, the replacement or removal of the Statutory Auditor and the audit fees and also appointment of External Auditors for Branch Auditing.
3. Reviewing with the management, the quarterly and annual financial statements before submission to the Board for approval, with particular reference to:
 - a. Matters required to be included in the Director's Responsibility Statement, in the Board's report in terms of section 134 (5) of the Companies Act, 2013;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by management;
 - d. Significant adjustments made in the financial statements arising out of audit findings
 - e. Compliance with accounting and other legal requirements relating to financial statements;
 - f. Disclosure of any 'related party transactions';
 - g. Qualifications in the Draft Audit Report
4. Reviewing with the management, performance of Internal Auditors and adequacy of the internal control systems.
5. Reviewing the adequacy of internal audit function including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure, coverage and frequency of internal audit.
6. Discussion with Internal Auditors about significant findings and follow up there on.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
8. Discussion with Statutory Auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.



The Committee shall review the following information:

1. Management discussion and analysis of financial condition and results of operations;
2. Statement of 'related party transactions' (as defined by the Audit Committee), submitted by management;
3. Management letters / letters of internal control weaknesses issued by the Statutory Auditors;
4. Internal Audit reports relating to internal controls of the Company;

BORROWING & INVESTMENT COMMITTEE:

Composition:

Post resignation of the Directors, the Committee has not been reconstituted on account of the "status quo" order of the High Court of Madras. The Company has since received a favourable judgement order from the Court.

Meetings:

No meetings conducted during the financial year on account of the "status quo" order of the High Court of Madras and the Company has no business transactions during the FY 2022-23.

Terms of Reference:

The role of Borrowing & Investment Committee is to approve borrowings from sources like Banks, Financial Institutions, Corporate on such terms and conditions as to repayment, interest rate as it thinks fit and to review proposals for fresh issue of securities, or debt and approve the same.

ASSET LIABILITY MANAGEMENT COMMITTEE (ALCO):

Asset Liability Management Committee (ALCO) was constituted by the Company as per the guidelines issued by RBI which are applicable to systemically important NBFCs.

Composition:

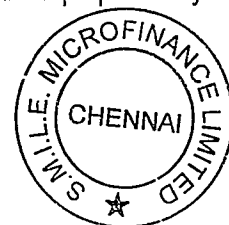
Post resignation of the Directors, the Committee has not been reconstituted on account of the "status quo" order of the High Court of Madras. The Company has since received a favourable judgement order from the Court.

Meetings:

No meetings conducted during the financial year on account of the "status quo" order of the High Court of Madras and the Company has no business transactions during the FY 2022-23.

Terms of Reference:

1. Liquidity Risk Management
2. Management of Market (Interest Rate) Risk
3. Funding and Capital Planning
4. Pricing, Profit planning and Growth projections
5. Credit and Portfolio Risk Management
6. Setting credit norms for lending products of the company
7. Operational and Process Risk Management
8. Laying down guidelines on KYC norms
9. To approve and revise the actual interest rates to be charged from customers for different products from time to time applying the interest rate model.
10. Business Plans; analysis of Member base; Drop outs; Death Benefits to Members / their Spouses; representations in MFI Associations like MFIN, Sa-Dhan.
11. Revision in Business Plans, Risk Categorisation of Accounts, Compliances as per RBI Guidelines in respect of Interest Rates, Margins etc.,
12. Analysing NPAs, suggestions for controlling NPAs, New Business Initiatives proposed by the Company, etc.



SHARE ALLOTMENT & TRANSFER COMMITTEE:

Share Allotment & Transfer Committee was constituted as per the guidelines of the Companies Act.

Composition:

Post resignation of the Directors, the Committee has not been reconstituted on account of the "status quo" order of the High Court of Madras. The Company has since received a favourable judgement order from the Court.

Meetings:

No meetings conducted during the financial year on account of the "status quo" order of the High Court of Madras.

Terms of Reference:

The Committee shall consider all the share transfers, share transmissions and allotment of shares as and when the need arises and the Committee shall prepare a consolidated statement of all share transfers/transmissions effected and allotment(s) of shares made and present the same to the Board for its noting.

NOMINATION & REMUNERATION COMMITTEE:

Nomination & Remuneration Committee was constituted as per the Companies Act, 2013 and guidelines issued by RBI for systemically important NBFCs.

Composition:

Post resignation of the Directors, the Committee has not been reconstituted on account of the "status quo" order of the High Court of Madras. The Company has since received a favourable judgement order from the Court.

Meetings:

No meetings conducted during the financial year on account of the "status quo" order of the High Court of Madras.

Terms of Reference:

The terms of reference of the Nomination Committee includes:

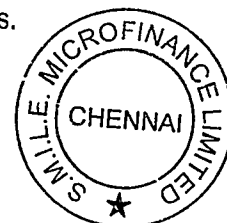
The primary role of the Committee is fixing and revising the remuneration payable to the Managing Director and Whole-time Director(s) of the Company from time to time and to recommend to the Board the same for its approval.

The Committee shall analyse the necessity of appointment of Directors to the Board whether Executive / Non-Executive / Independent, proposed candidates' ability in contributing to the good of the Company, their value addition etc., and recommending to the Board the right person for appointment to the position of Director in the Board, to the Board and also to determine the Salary, Bonus, Incentive and other Perquisites payable to the Key / Senior Management Personnel of the Company and recommend the same to the Board for its approval.

CORPORATE SOCIAL RESPONSIBILITY COMMITTEE:

Corporate Social Responsibility Committee was constituted as provided by Section 135 of the Companies Act, 2013

The outline and composition of the Committee are given in the annual report on CSR activities.



Composition:

Post resignation of the Directors, the Committee has not been reconstituted on account of the "status quo" order of the High Court of Madras. The Company has since received a favourable judgement order from the Court.

Meetings:

No meetings conducted during the financial year on account of the "status quo" order of the High Court of Madras and the Company has no business transactions during the FY 2022-23.

Terms of Reference:

The terms of reference of the Corporate Social Responsibility Committee includes:

1. Design, implement and Review of CSR Policy periodically.
2. Comply Statutory Requirement and CSR practices
3. Budget and allocate funds for CSR initiatives and review the spends periodically
4. Ensure CSR activities reach the Public and who are in need of basic amenities for their livelihood / relief from natural calamities.

RISK MANAGEMENT COMMITTEE:

Risk Management Committee has overall responsibility for establishing a strategic approach to risk management across the organisation, ensuring that the approach is pro-active. The Committee is also responsible for the overall co-ordination of risk management activity.

Composition:

Post resignation of the Directors, the Committee has not been reconstituted on account of the "status quo" order of the High Court of Madras. The Company has since received a favourable judgement order from the Court.

Meetings:

No meetings conducted during the financial year on account of the "status quo" order of the High Court of Madras and the Company has no business transactions during the FY 2022-23

Terms of Reference:

The terms of reference of the Risk Management Committee includes:

1. To assist the Board in the execution of its risk management accountabilities, the Committee shall be charged with the following general responsibilities:
2. To assist the Board in setting risk strategy policies in liason with management and in the discharge of its duties relating to corporate accountability and associated risk in terms of management assurance and reporting;
3. To review and assess the quality, integrity and effectiveness of the risk management systems and ensure that the risk policies and strategies are effectively managed;
4. To review and assess the nature, role, responsibility and authority of the risk management function within the Company and outline the scope of risk management work;
5. To ensure that the Company has implemented an effective on-going process to identify risk, to measure its potential impact against a broad set of assumptions and then to activate what is necessary to pro-actively manage these risks, and to decide the Company appetite or tolerance for risk;
6. To ensure that a systematic, documented assessment of the processes and outcomes surrounding key risks is undertaken at least annually for the purpose of making its public statement on risk management including internal control;
7. To oversee formal reviews of activities associated with the effectiveness of risk management and internal control processes. A comprehensive system of control should be established to ensure that risks are mitigated and that the Company's objectives are attained;



8. To review processes and procedures to ensure the effectiveness of internal systems of control so that decision-making capability and accuracy of reporting and financial results are always maintained at an optimal level;
9. To monitor external developments relating to the practice of corporate accountability and the reporting of specifically associated risk, including emerging and prospective impacts;
10. To provide an independent and objective oversight and view of the information presented by management on corporate accountability and specifically associated risk, also taking account of reports by the Audit Committee to the Board on all categories of identified risks facing Company.
11. To review the risk bearing capacity of Company in light of its reserves, insurance coverage or other such financial structures

IT STEERING COMMITTEE:

To provide strategic advice, guidance and direction to the Board of Directors on technology initiatives. To explore and make recommendations regarding technology tools and resources that would benefit the Company.

Composition:

Post resignation of the Directors, the Committee has not been reconstituted on account of the "status quo" order of the High Court of Madras. The Company has since received a favourable judgement order from the Court.

Meetings:

No meetings conducted during the financial year on account of the "status quo" order of the High Court of Madras and the Company has no business transactions during the FY 2022-23.

Terms of Reference:

The terms of reference of the IT Steering Committee includes:

1. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
2. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
3. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
4. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
5. Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.
6. Provide IT insights to board and act as subject matter expert.
7. Monitor strategic IT plans.
8. Monitor enterprise resource availability to support IT initiatives.
9. Understand, Communicate, Mitigate IT risk.

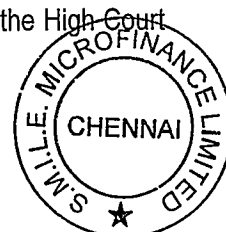
GRIEVANCE REDRESSAL & STAKEHOLDER RELATIONSHIP COMMITTEE:

Composition:

Post resignation of the Directors, the Committee has not been reconstituted on account of the "status quo" order of the High Court of Madras. The Company has since received a favourable judgement order from the Court.

Meetings:

No meetings conducted during the financial year on account of the "status quo" order of the High Court of Madras.



Terms of Reference:

1. Grievance Redressal & Stakeholder Relationship Committee should take utmost care in solving the grievances of the stakeholder of the company.
2. The Committee shall not act prejudicial to the interest of the stakeholder.
3. The Committee shall be governed by the same rules regarding meetings as are applicable to the Board.

DEBENTURE HOLDER DETAILS:

Name of Debenture Holder	Address	Number of Non-Convertible Debentures
NIL	NIL	NIL

DEBENTURE TRUSTEES DETAILS:

Debenture Trustee	Registered Office Address
NIL	NIL

GENERAL SHAREHOLDER INFORMATION:

Financial year: 1st April to 31st March: Shareholding pattern as on 31st March 2023

Category	# of Shares	Percentage
Promoter & Promoter Group	3219997	18.57%
Other Members	2565003	14.79%
Foreign Shareholding:		
DWM Investments (Cyprus) Limited	11554639	66.64%
Total	17339639	100.00%

CODE OF CONDUCT:

The Company has formulated and adopted a Code of Conduct for the Board of Directors. The Code of Conduct is derived from three interlinked fundamental principles, viz. good Corporate Governance, good corporate citizenship and exemplary personal conduct.

FAIR PRACTICES CODE:

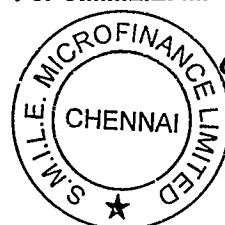
The Company has formulated a Fair Practices Code pursuant to the RBI guidelines issued in this regard to lay down procedures and practices in dealing with the business transactions, namely, applications for loans and their processing, loan appraisal and terms/conditions, disbursement of loans including changes in terms and conditions and handling of customer grievances. The Code came into effect on 17th March, 2007. The Code was amended by the Board of Directors at their meetings as and when required in order to comply with the changes provided by the Reserve Bank of India through periodical Circulars/Guidelines.

DISCLOSURES:

The particulars of transactions between the Company and its related parties, as defined in Indian Accounting Standard (Ind-AS) 24, are set out in the financial statements.

Address for Correspondence
No.10, 1st Floor, Jagadeeswaran Street,
T.Nagar, Chennai- 600017

- By order of the Board-
For S.M.I.L.E. MICROFINANCE LIMITED



ALEEM REMTULA
DIRECTOR
DIN: 02872107

ANNEXURE-B

NOTE ON LOAN ASSETS SOLD UNDER SLUMP SALE TRANSACTION

BUYER: NORTHERN ARC CAPITAL LTD.

VALUE OF LOAN ASSETS: Rs.29094.20 lakhs

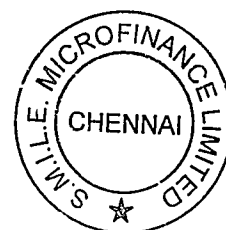
DATE OF TRANSACTION: 12TH APRIL, 2022

The total loan outstanding in respect of Loan Assets sold under the slump sale transaction on 12th April, 2022 was Rs.29094.20 lakhs.

For the loan outstanding of Rs.29094.20 lakhs, the Company created an impairment loss allowance of Rs.5016.53 lakhs, which is 17.24% of the loan outstanding. This is a much higher loan loss provision made by the Company in order to comply with the RBI regulatory guidelines and IndAS requirements.

SMILE's asset quality has been exceptionally good throughout 15 years since inception. When the microfinance industry average of NPA used to be 2%, SMILE had only less than 1% in all the years till FY 2019-2020. Only on account of Covid-19 the asset quality has started deteriorating, necessitating a cautious approach to making loan loss provision. Covid-19 has affected the liquidity across globe and across industries and the impact was more severe in the case of microfinance industry, where the poor microfinance borrowers have lost their entire working capital during prolonged lock down period. However, when the MFIs started providing working capital support, the microfinance borrowers were able to revive their businesses, generate income and have acquired the financial strength to service the loans. The impact of Covid-19 was of short term in nature and was felt in FY 2020-2021. Starting from FY 2021-2022, there has been improvement month on month in collection efficiency and reduction in PAR/NPA.

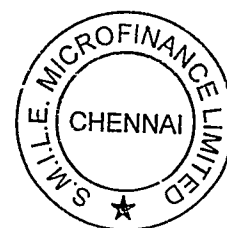
In FY 2022-2023, the financial year in which the sale transaction has happened, the microfinance industry witnessed good growth on all parameters and especially in the matter of collection efficiency, the performance was excellent, as could be seen from the following table:



Section I
Microfinance Industry
Performance Highlights of the Microfinance Industry

Indicators	Type of lenders	As on Dec' 2022			As on Sept' 2022		As on Dec'2021	Growth	
		No. of Reported lenders	Value	Market Share (%)	No of lenders	Value	Value	Q-o-Q (%)	Y-o-Y (%)
No. of Loan Accounts (In lakhs)	NBFC-MFIs	84	519.47	39.06%	84	488.95	433.59	6.24%	19.81%
	Banks	13	490.76	36.90%	13	476.88	436.30	2.91%	12.48%
	SFBs	9	204.36	15.37%	9	202.32	198.85	1.01%	2.77%
	NBFCs	80	99.94	7.51%	80	96.13	78.99	3.96%	26.52%
	Non-profit MFIs	46	15.47	1.16%	46	15.35	13.13	0.78%	17.82%
Loan Outstanding (₹ In Cr.)	Industry	232	1,330	100%	232	1,280	1,161	3.94%	14.57%
	NBFC-MFIs	84	1,24,689	38.48%	84	1,11,778	86,968	11.55%	43.37%
	Banks	13	1,15,698	35.71%	13	1,14,716	1,05,922	0.86%	9.23%
	SFBs	9	52,797	16.29%	9	50,635	44,147	4.27%	19.59%
	NBFCs	80	27,338	8.44%	80	23,997	17,179	13.92%	59.14%
Total	Industry	232	3,24,017	100%	232	3,04,462	2,56,776	6.42%	26.19%
No. of Loans Disbursed during Oct'22 to Dec'22 (In lakhs)	NBFC-MFIs	66	77.71	41.04%	69	74.19	67.16	4.74%	15.71%
	Banks	11	71.19	37.60%	11	75.87	70.01	-6.17%	1.69%
	SFBs	9	24.96	13.18%	9	23.18	28.52	7.66%	-12.48%
	NBFCs	40	12.74	6.73%	43	15.78	12.00	-19.26%	6.17%
	Non-profit MFIs	21	2.76	1.46%	22	2.81	3.09	-1.78%	-10.68%
Amount Disbursed during Oct'22 to Dec'22 (₹ in Cr.)	Industry	147	189	100%	154	192	181	-1.56%	4.42%
	NBFC-MFIs	66	32,053	41.19%	69	29,475	24,271	8.75%	32.06%
	Banks	11	27,379	35.18%	11	28,435	28,491	-3.71%	-3.90%
	SFBs	9	11,771	15.13%	9	10,350	11,661	13.73%	0.94%
	NBFCs	40	5,644	7.25%	43	7,109	5,192	-20.61%	8.71%
Total	Industry	147	77,819	100%	154	76,671	70,582	1.50%	10.25%
		As on 31 Dec 2022			As on 30 Sept 2022				
		30+	60+	90+	180+	30+	60+	90+	180+
Delinquency % by value	NBFC-MFIs	2.18%	1.68%	1.06%	8.31%	2.77%	2.13%	1.38%	9.04%
	Banks	5.70%	4.31%	3.11%	17.09%	8.39%	6.78%	3.89%	14.57%
	SFBs	3.22%	2.45%	1.46%	11.21%	4.38%	2.92%	1.76%	11.04%
	NBFCs	1.22%	0.84%	0.53%	3.05%	1.36%	0.90%	0.56%	3.43%
	Non-profit MFIs	1.59%	1.01%	0.71%	9.79%	2.31%	1.21%	0.80%	10.09%
Total	Industry	3.43%	2.60%	1.76%	11.49%	4.94%	3.83%	2.27%	11.02%

Data source: Equifax

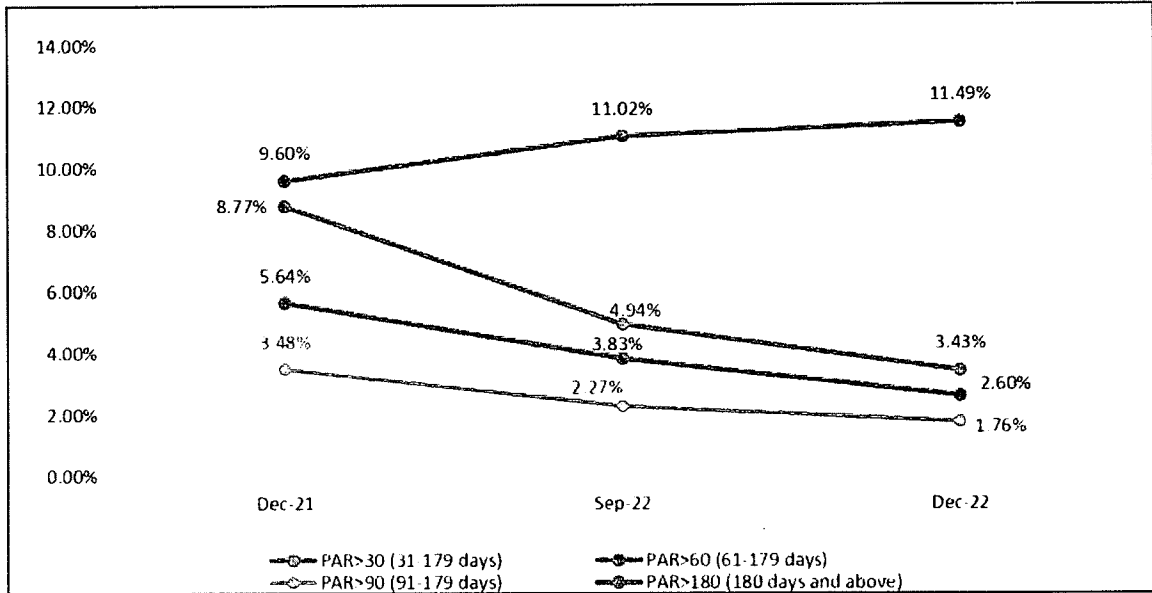


The portfolio quality has improved substantially as could be seen from the following table.

1.6 Portfolio Quality:

The portfolio quality of the industry is depicted in Figure 7. Industry PAR 30+ DPD has improved to 3.43% from 4.94% in Sept'22, PAR 60+ DPD has improved to 2.60 from 3.83% in Sept'22, PAR 90+ has also improved to 1.76% from 2.27% in Sept'22, and PAR 180+ has deteriorated to 11.49% from 11.02% in Sept'22.

Figure 7: Portfolio Quality of the Microfinance Industry



During the one year period Dec 21 to Dec 22 and during the period Q2 to Q3 of FY 2022-2023, there has been excellent improvement in all the buckets of PAR 30+, 60+ and 90+, while there is marginal deterioration in PAR 180+. PAR 180+ was 9.60% as at the end of Q2 and 11.49% as at the end of Q3 of FY 2022-2023.

In the State of Tamil Nadu also, where major chunk of SMILE's portfolio (~90%) was concentrated, the performance of the microfinance industry is excellent in the FY 2022-2023, as could be seen from the following table:

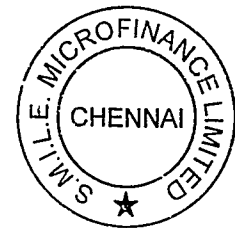
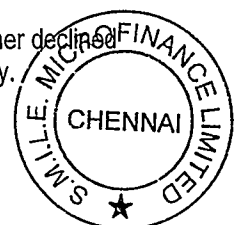


Table 8 (a): State wise Delinquency – Industry, NBFC-MFIs and Banks

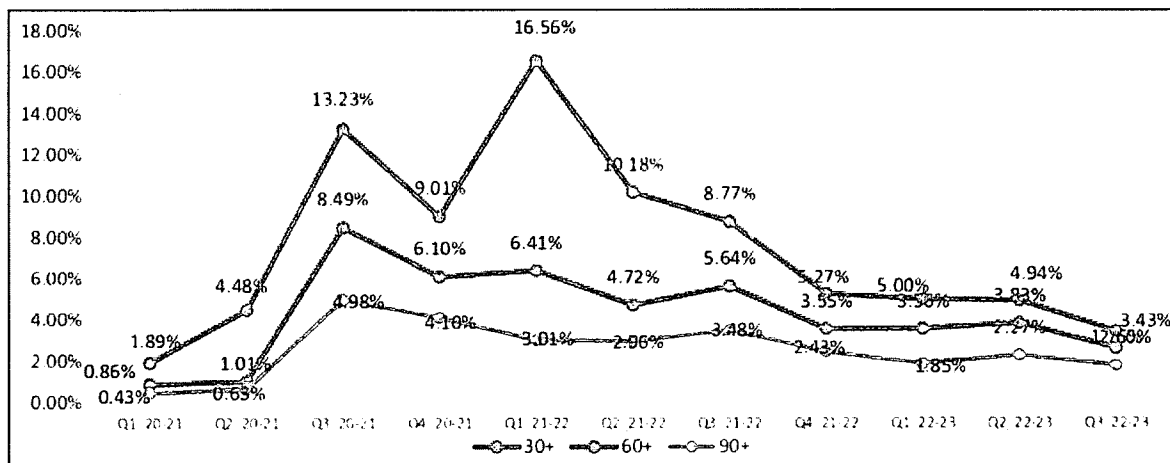
30+ Delinquency (31 to 179 days)							
S. N	State/UT	Industry		NBFC-MFIs		Banks	
		Q3_FY22 -23	Q2_FY22 -23	Q3_FY22 -23	Q2_FY22 -23	Q3_FY22 -23	Q2_FY22 -23
1	Andaman & Nicobar Islands	1.95%	3.25%	1.80%	3.13%	9.65%	8.93%
2	Andhra Pradesh	1.19%	1.66%	1.64%	2.49%	0.25%	0.35%
3	Arunachal Pradesh	7.40%	9.26%	0.48%	1.26%	19.54%	31.00%
4	Assam	15.13%	33.78%	2.57%	3.45%	22.07%	41.72%
5	Bihar	1.87%	2.52%	1.52%	2.00%	2.65%	3.68%
6	Chandigarh	3.15%	3.40%	6.71%	7.56%	3.80%	4.73%
7	Chhattisgarh	4.19%	5.55%	3.30%	4.71%	5.89%	7.44%
8	Delhi	5.43%	7.72%	0.63%	1.38%	11.17%	15.92%
9	Goa	2.71%	4.08%	3.12%	4.04%	2.62%	4.63%
10	Gujarat	3.40%	4.30%	2.91%	3.27%	6.20%	8.49%
11	Haryana	3.35%	3.42%	3.16%	3.28%	5.02%	5.24%
12	Himachal Pradesh	1.25%	1.31%	1.07%	1.04%	2.96%	3.13%
13	Jammu & Kashmir	0.55%	0.89%	0.56%	0.82%	2.60%	3.81%
14	Jharkhand	2.10%	2.79%	1.24%	1.68%	3.05%	3.86%
15	Karnataka	1.31%	1.96%	0.83%	1.16%	1.84%	2.86%
16	Kerala	3.25%	4.68%	2.40%	3.48%	2.48%	3.74%
17	Ladakh	0.00%	NA	NA	NA	0.00%	NA
18	Lakshadweep	0.00%	0.00%	NA	NA	NA	NA
19	Madhya Pradesh	4.00%	5.25%	3.06%	4.08%	5.29%	7.69%
20	Maharashtra	3.14%	4.14%	1.93%	2.57%	4.14%	5.94%
21	Manipur	2.63%	5.02%	2.72%	8.22%	1.54%	3.29%
22	Meghalaya	6.30%	11.49%	3.76%	4.40%	6.86%	14.92%
23	Mizoram	4.01%	6.98%	13.41%	18.21%	2.23%	4.55%
24	Nagaland	10.43%	18.58%	2.54%	1.66%	10.43%	20.14%
25	Odisha	3.29%	3.98%	3.17%	4.07%	4.35%	5.11%
26	Others	4.91%	3.66%	1.56%	1.82%	3.65%	2.35%
27	Puducherry	4.52%	8.52%	2.29%	3.44%	10.15%	21.48%
28	Punjab	4.33%	4.85%	4.77%	4.88%	5.43%	7.03%
29	Rajasthan	3.99%	4.79%	3.62%	4.40%	5.49%	6.41%
30	Sikkim	13.13%	14.83%	6.16%	2.74%	12.79%	20.17%
31	Tamil Nadu	2.44%	3.29%	2.34%	2.91%	2.44%	3.57%
32	Telangana	1.37%	1.34%	3.90%	6.30%	0.69%	0.55%
33	The Dadra & Nagar Haveli & Daman & Diu	4.87%	5.35%	1.88%	1.79%	12.83%	15.06%
34	Tripura	11.07%	13.72%	3.39%	4.96%	15.87%	18.22%
35	Uttar Pradesh	2.33%	2.77%	1.10%	1.37%	4.31%	4.94%
36	Uttarakhand	4.35%	6.12%	1.60%	2.06%	8.06%	11.14%

In the State of Tamil Nadu, the 30+ delinquency rate was low at 2.91% as at the end of Q2 and it further declined to 2.34% at the end of Q3. It clearly shows increasing trend in the asset quality and collection efficiency.



The microfinance industry as a whole is showing steady declining trend over a period, as could be seen from the following table:

Figure 16: Industry Trend of Delinquency at various time periods



Basis the performance of the microfinance industry in India and especially in Tamil Nadu in the FY 2022-2023 and basis the fact that the delinquency rate is low and showing a declining trend and the asset quality is good and showing an increasing trend, the impairment loss allowance of 17.24% made for the purpose of compliance with regulatory and IndAS requirements and for accounting purpose is very much on the higher side.


Even if we make a very cautious approach and do a conservative estimate, 50% of 17.24%, ie., 8.62% is a reasonable estimate in all probabilities and the Net Loan Assets Value will be as follows: (Rupees In lakh)

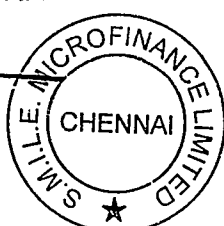
Value of Loan Assets sold as on 12 th April, 2022	: 29,094.20/-
Less: Impairment Loss Allowance @ 8.62%	: 2,507.92/-
Net Value of Loan Assets sold	: 26,586.28/-

WHY DEFAULT SHOULD BE NEGLIGIBLE IN MICROFINANCE INDUSTRY:

- Microfinance loans are unsecured and the poor microfinance borrower is dependent on MFIs for the working capital needs;
- Every microfinance borrower is dependent on 2 or more MFIs / lenders for their working capital / credit needs;
- Credit Bureau is very strong and it is mandatory for all MFIs to do the credit check before every loan disbursement;
- As per the Code of Conduct and guidelines on Responsible Lending of the Self-Regulatory Organizations – MFIN and Sa-dhan to be followed by MFIs, borrower cannot take fresh loans if he/she is defaulter in any lending institution. The borrower is required to obtain No Due Certificate after clearing the loan dues to take fresh loans;
- Therefore, even if there is default, it is temporary and the loan amount will be recovered ultimately. The default rate in unavoidable circumstances will be very negligible.

-By order of the Board-
For S.M.I.L.E. MICROFINANCE LIMITED


ALEEM REMTULA
DIRECTOR
DIN: 02872107



CERTIFICATE

**The Board of Directors
S.M.I.L.E. MICROFINANCE LIMITED**

This is to certify that:

- We have reviewed financial statements and the cash flow statement for the Financial Year ended 31st March 2023 and that to the best of our knowledge and belief:
 - a) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - b) these statements together present a true and fair view of the Company's affairs and are in compliance with the Indian accounting standards (Ind-AS), applicable laws and regulations.

- There are, to the best of our knowledge and belief, no transactions entered into by the Company during the Financial Year which are fraudulent or illegal.

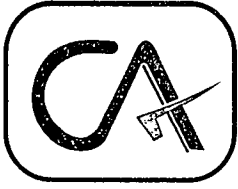
- We accept responsibility for establishing and maintaining internal controls for financial reporting.



A handwritten signature in black ink, appearing to read "V.T. Prabakaran".

**V.T. PRABAKARAN
Chief Financial Officer**

**Place: Chennai
Date: 24-May-2023**



P.B. Vijayaraghavan & Co.,

Chartered Accountants

Head Office

14, (Old No. 27) Cathedral Garden Road,
Nungambakkam, Chennai - 600 034.

Tel : +91-44-2826 3918 / 3490

Mobile : 098401 88734

e-mail : audit@pbvho.co.in

INDEPENDENT AUDITOR'S REPORT

To The Members of S.M.I.L.E MICROFINANCE LIMITED

Report on the Audit of Financial Statements

Qualified Opinion

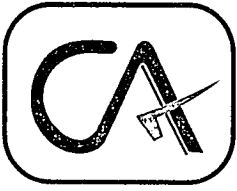
We have audited the accompanying financial statements of **S.M.I.L.E MICROFINANCE LIMITED** ("the Company"), which comprise the Balance Sheet as at 31 March 2023, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view except for the below mentioned basis for qualified opinion in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2023, and its loss, total comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

Basis for Qualified Opinion

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





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1. We invite attention to Note 58, the company has not transferred the unpaid or unclaimed dividend for a period of 7 years as mandated by section 124 of the Companies Act, 2013. We are unable to comment upon the levy of penalty, if any, on the accompanying financial statements for the year ended 31st March 2023.

Emphasis

1. We invite attention to Note 52, as per the Management's opinion, Capital gains would not arise on slump sale on transfer of business undertaking for a Net consideration of Rs.111.62 crores (Agreed consideration of Rs. 115 crores) as the ECL provision at Rs. 50.16 is not considered for Income tax purpose resulting in a Capital Loss.
2. We invite attention to Note 59 and 60, the company has not appointed a whole-time company secretary and Internal Auditor as mandated by Companies Act, 2013. The company has also not appointed any Independent Director and non-compliance with section 177 and 173 of Companies Act, 2013.
3. We invite attention to Note 67, the company has not made accounting treatment and disclosure for employee benefits as required by Ind AS 19, as the company has not carried out any actuarial valuation by independent actuary for gratuity liability to represent the present value of the defined benefit obligation as at the balance sheet date together with adjustments for unrecognized actuarial gain or losses and past service cost. In the absence of actuarial valuation, we are unable to comment upon the impact, if any, on the accompanying financial statements for the year ended 31st March 2023.
4. We invite attention to Note 65, the Company has recognized rental expense upto 12.03.2023 as per the rental agreement but after the said period the Rental Expense has been booked based on the expired rental agreement.

Our opinion is not modified in respect of the above matters.





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Material Uncertainty related to Going Concern:

We draw attention to Note No. 51 of the accompanying statements, in which the Company has disclosed about the Business Transfer Agreement dated 22nd February 2022 entered by the Company with Northern Arc Capital Limited whereby the Company has agreed to sell its Assets and Liabilities (as per the Agreement) to Northern Arc Capital Limited on a slump sale basis and sold the microfinance undertaking on 12th April, 2022. Hence, the going concern of the entity has been affected. Our opinion is not modified in respect of this matter.

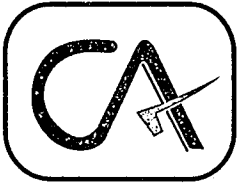
Information Other than the Financial Statements and Auditor's Report Thereon

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Directors' report, but does not include the financial statements and our auditor's report thereon.
- Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and





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application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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





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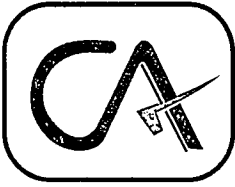
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company and its branches to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities or business activities included in the financial statements of which we are the independent auditors.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

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





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

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Companies Act, 2013, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by Section 143(3) of the Act, based on our audit we report that:
 - (1) We have sought and obtained except for the matters described in Basis for qualified opinion section, all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - (2) 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.
 - (3) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
 - (4) Subject to the effects of the matters as mentioned in Emphasis paragraph, in our opinion, the aforesaid financial statements comply with the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - (5) On the basis of the written representations received from the directors as on 31 March, 2023 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2023 from being appointed as a director in terms of Section 164(2) of the Act.
 - (6) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over





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financial reporting.

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

- a. The Company has disclosed the impact of pending litigations in Note no. 69 of financial statements, which would impact its financial statements.
- b. The Company does not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- c. As mentioned in the Emphasis paragraph, the company is yet to transfer the unclaimed dividend amount to Investor Education and Protection Fund.

d. (i) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

(ii) The management has represented, that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been received by the company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

(iii) Based on audit procedures which we considered reasonable and appropriate in the circumstances, nothing has come to their notice that has caused them to believe that the representations under sub-clause (i) and (ii) contain any material mis-statement.

e. The Company has not declared or paid any dividend during the year in contravention of the provisions of section 123 of the Companies Act, 2013.





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- f. The Company has used such accounting software for maintaining its books of accounts which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.

(8) With respect to the matter to be included in the Auditors' Report in accordance with the requirements of section 197(16) of the Act, as amended,

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

For P.B. Vijayaraghavan & Co.,
Chartered Accountant
(Firm's Registration No. 004721S)




P.B. Santhanakrishnan
(Partner)
(Membership No. 020309)

UDIN: 23020309BG1YYJS2420

Place: Chennai

Date: 24th May 2023



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ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2(6) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

We have audited the internal financial controls over financial reporting of S.M.I.L.E. MICROFINANCE LIMITED ("the Company") as of March 31, 2023 in conjunction with our audit of the Ind AS financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

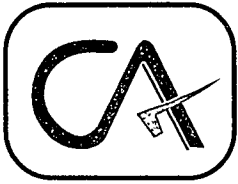
The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial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

Auditor's Responsibility

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

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding





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of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

Meaning of Internal Financial Controls Over Financial Reporting

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

Inherent Limitations of Internal Financial Controls Over Financial Reporting

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





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Opinion

In our opinion, to the best of our information and according to the explanations given to us the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2023, based on the criteria for internal financial control over financial reporting established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For P.B. Vijayaraghavan & Co.,
Chartered Accountant
(Firm's Registration No. 004721S)

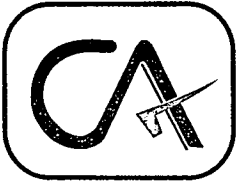



P.B. Santhanakrishnan
(Partner)
(Membership No. 020309)

UDIN: 23020309B6Y4JS2420

Place: Chennai

Date: 24th May 2023



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ANNEXURE "B" TO THE INDEPENDENT AUDITORS' REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- (i) (a)(A) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment / fixed assets.
- (B) The Company's maintenance of proper records showing full particulars of Intangible Assets.
- (b) The property, plant and equipment / fixed assets were physically verified during the year by the Management in accordance with a regular programme of verification which, in our opinion, provides for physical verification of all the property, plant and equipment / fixed assets at reasonable intervals. According to the information and explanations given to us, there were no material discrepancies were noticed on such verification.
- (c) The Company does not have any immovable properties of freehold land and building. In respect of immovable properties of buildings that have been taken on lease and disclosed as Right of Use assets in the financial statements, the lease agreements are in the name of the Company.
- (d) The Company has not revalued its Property, Plant and Equipment (including rights to use assets) or intangible assets or both during the year.
- (e) According to the Information provided to us there are no case proceeding against the company for holding any benami under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder
- (ii) (a) The Company does not have any inventory and hence reporting under clause ii (a) of the Order is not applicable.
- (b) The Company has been sanctioned working capital limits in excess of five crore rupees, in aggregate, from banks or financial institutions on the basis of hypothecation of book debts. However, all the loans has been closed during the year, the reporting under this clause is not applicable.
- (iii) The Company has not made any investments, provided any guarantee or security, granted any loans, secured or unsecured, to companies, firms, Limited Liability





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Partnerships or other parties.

- (iv) The Company has not granted any loans, made any investments, provided any guarantee or security. Hence the provisions of Section 185 and 186 of the Companies Act are not applicable.
- (v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. There were no unclaimed deposits outstanding at any time during the year and hence reporting under clause (v) of the Order is not applicable.
- (vi) Having regard to the nature of the Company's business, reporting under clause (vi) of the Order relating to maintenance of cost records is not applicable.
- (vii) According to the information and explanations given to us, in respect of statutory dues:
- (a) The Company has been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income Tax, Goods and Services Tax, Cess and other material statutory dues applicable to it with the appropriate authorities.
There were no undisputed amounts payable in respect of Provident fund, Employees State Insurance, TDS, Cess and other material statutory dues in arrears as at March 31, 2023 for a period of more than six months from the date they become payable except for GST RCM default amounting to Rs. 90,000 and Income Tax amounting to Rs. 50,800.
- (b) Details of dues of Income-tax which have not been deposited as on March 31, 2023 on account of disputes are given below:





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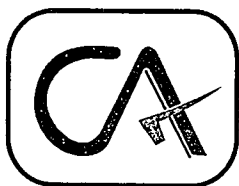
e-mail : audit@pbvho.co.in

Name of Statute	Nature of Dues	Forum where Dispute is pending	Period to which the amount relates	Amount involved (Rs.)*	Amount Unpaid (Rs.)
Income Tax Act, 1961	Income Tax	Assistant Commissioner of Income Tax	Assessment year 2017-18	1,30,50,323	1,20,50,323
Income Tax Act, 1961	Income Tax	Assessing Officer	Assessment year 2022-23	2,57,580	2,57,580

*Excludes interest and penalty

- (viii) In our opinion and according to the information and explanations given to us, the Company has not surrendered or disclosed any unrecorded transactions as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961)
- (ix) (a) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowing to banks and financial institution or dues to debenture holders.
- (b) According to the information provided to us the Company has not been declared willful defaulter by any bank or Financial institution or other lender.
- (c) In our opinion and according to the information and explanations given to us, the Company has applied the term loans for the purpose for which the loans were obtained. However, all the loans has been closed during the year, the reporting under this clause is not applicable.
- (d) In our opinion and according to the information and explanations given to us, the Company has not utilized funds raised on short term basis for Long term purposes. However, all the loans has been closed during the year, the reporting under this clause is not applicable.
- (e) The Company does not have any subsidiaries, associates or joint ventures hence reporting under the clause (ix)(e) is not applicable.
- (f) The Company does not have any subsidiaries, associates or joint ventures





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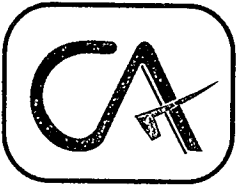
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hence reporting under the clause (ix)(f) is not applicable.

- (x) (a) The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) hence reporting under the clause (x)(a) is not applicable
- (b) The Company has not made any preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year hence reporting under the clause (x)(b) is not applicable
- (xi) (a) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (b) Since there has been no fraud reported during the year this clause is not applicable
- (c) There have not been any whistle blower complaints lodged during the year
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us, the Company is in compliance with Sections 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) (a) In our opinion and according to the information and explanations given to us, the Company does not have an internal audit system which is in line with the size and nature of its business
- (b) As the company not appointed the Internal Auditor, we were unable to comment on this clause.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with them and hence provisions of





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Section 192 of the Companies Act, 2013 are not applicable.

- (xvi) (a) The Company is required to be registered under Section 45-1A of the Reserve Bank of India Act, 1934 and it has obtained the registration.
- (b) The Company has obtained certificate of registration from Reserve bank of India and has been conducting Non-Banking financing activities under the license obtained.
- (c) The Company is not a Core Investment Company as defined in the regulations made by the Reserve Bank of India.
- (d) The Company does not have any Core Investment Company as part of the group
- (xvii) The Company has incurred cash profit amounting to Rs. 9.36 crores during the Financial year 2022-23.
- (xviii) There has been no resignation of the previous Statutory Auditor during the year.
- (xix) In our opinion since the Company has sold its assets and liabilities as per the Business Transfer Agreement with Northern Arc as on 12th April 2022 there is no material uncertainty as to the Company's ability to meet the liabilities existing at the date of balance sheet.
- (xx) According to the information and explanation given to us, the Company does not have any unspent amount to be transferred to the Fund specified in Schedule VII to the Companies Act, hence reporting under the clause (xx) is not applicable
- (xxi) Since the Company does not have any subsidiary, Joint ventures reporting under the Clause (xxi) is not applicable

For P.B.Vijayaraghavan & Co.,
Chartered Accountant
(Firm's Registration No. 004721S)



P.B.Santhanakrishnan
(Partner)
(Membership No. 020309)

Place: Chennai

Date: 24th May 2023

UDIN: 23020309B6YYJS2420

S.M.I.L.E. Microfinance Limited

CIN: U67190TN1995PLC030604

Regd Office: No. 10, 1st Floor, Jagadeeswaran Street, T.Nagar, Chennai - 600017

Statement of Financial Results for the year ended 31st March 2023

Particulars	Note No.	As at 31st March 2023	As at 31 March 2022
		Amount Rs. in lakhs	Amount Rs. in lakhs
I ASSETS			
1 Financial assets			
(a) Cash and cash equivalents	4	235.51	1,820.01
(b) Bank Balances other than cash and cash equivalents	5	10,625.57	1,794.42
(c) Derivative financial instruments			
(d) Receivables			
(e) Loans	6	-	24,859.99
(f) Loans given to staff - at amortised cost	6(a)	-	11.37
(g) Investments			
(h) Other Financial assets	7	18.71	107.25
2 Non-financial Assets			
(a) Current tax assets (net)	8	229.63	311.67
(b) Deferred tax assets (net)	9	-	1,383.45
(c) Property, Plant and Equipment	10(a)	4.25	86.47
(d) Intangible assets	10(b)	0.24	30.44
(e) Right of Use	10(C)	-	9.30
(f) Other non financial assets	11	12.24	155.92
Total Assets		11,126.15	30,570.29
II LIABILITIES AND EQUITY			
1 Financial Liabilities			
(a) Trade Payables	12		
(i) total outstanding dues of micro enterprises and small enterprises		-	2.40
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		14.30	44.57
(b) Debt Securities	13	-	3,999.85
(c) Borrowings (other than debt securities)	14	-	14,043.25
(d) Lease Liability	15	-	11.87
(e) Other Financial liabilities	16	8.52	298.02
2 Non-financial Liabilities			
(a) Provisions	17	119.30	506.88
(i) Deferred Tax Liabilities (net)		0.07	
(c) Other non-financial liabilities	18	44.67	149.54
3 Equity			
(a) Equity share capital	19	1,733.96	1,733.96
(b) Other equity	20	9,205.33	9,779.95
Total Liabilities and Equity		11,126.15	30,570.29

See accompanying notes forming part of the financial statements

In terms of our report of even date attached

Chartered Accountants

Firm Reg. No.: 004721S



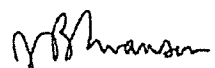

P.B. Santhanakrishnan
Partner
M.No.020309

Place : Chennai
 Date : 24-May-2023

For and on behalf of the Board of Directors of

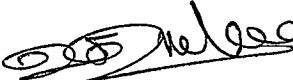
S.M.I.L.E. Microfinance Limited


Aleem Remtula
Director
DIN - 02872107


J Bradley Swanson
Director
DIN - 02872123

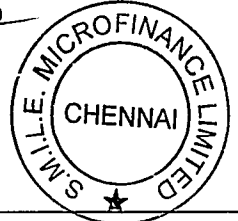
Place : New York, USA
 Date : 24-May-2023

Place :
 Date : 24-May-2023



V.T. Prabakaran
Chief Financial Officer
PAN - AKOPP2826M

Place : Chennai
 Date : 24-May-2023





S.M.I.L.E. Microfinance Limited
Statement of Profit and Loss for the year ended 31st March 2023

Particulars		Note No.	For the Year ended 31st March 2023	For the Year ended 31 March 2022
			Amount Rs. in lakhs	Amount Rs. in lakhs
I	Revenue from operations			
	Interest income	21	447.74	6,757.94
	Net Gain on derecognition of Financial Instruments under amortised cost category	22	-	2.55
	Commission Income	23	-	67.10
	Other operating income	24	0.88	35.77
	Profit on Sale of Business		1,482.80	
	Total (I)		1,931.42	6,863.36
II	Other Income	25	0.71	16.98
III	Total Income (I + II)		1,932.13	6,880.34
IV	Expenses			
	Finance cost	26	170.26	3,672.63
	Impairment of financial instruments	27	(39.67)	1,666.05
	Employee benefit expenses	28	199.94	2,794.41
	Depreciation, amortization and impairment	10	3.77	106.32
	Other expenses	29	763.64	1,304.05
	Total Expenses (IV)		1,097.94	9,543.46
V	(Loss) / Profit before Exceptional Items and tax (III - IV)		834.19	(2,663.12)
VI	Exceptional item	30		-
VII	(Loss) / Profit before tax (V - VI)		834.19	(2,663.12)
VIII	Tax Expense:	9		
	(1) Current tax			-
	(2) (Excess)/Expense (Provision) for tax relating to prior years		25	(140.82)
	(3) Deferred tax		1,383.52	(382.74)
IX	(Loss) / Profit for the year (VII- VIII)		(574.59)	(2,139.56)
X	Other Comprehensive Income	20		
A	(i) Items that will not be classified to profit or loss:			
	Remeasurement gains and (losses) on defined benefit obligations (net)		-	56.74
	(ii) Income tax relating to items that will not be reclassified to profit or loss	9.1	-	(14.28)
	Other Comprehensive Income / (Loss)		-	42.46
XI	Total Comprehensive (Loss) / Income for the year (IX + X)		(574.59)	(2,097.10)
XII	Earnings per equity share	32		
	- Basic (Rs.)		(3.31)	(12.34)
	- Diluted (Rs.)		(3.31)	(12.34)


See accompanying notes forming part of the financial statements

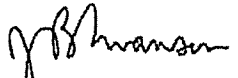
In terms of our report of even date attached
Chartered Accountants
Firm Reg. No.: 004721S


P.B. Santhanakrishnan
Partner
M.No.020309


Place: Chennai
Date: 24-May-2023


For and on behalf of the Board of Directors of
S.M.I.L.E. Microfinance Limited


Aleem Remtula
Director
DIN - 02872107

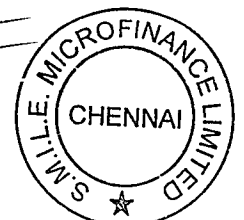

J Bradley Swanson
Director
DIN - 02872123

Place : New York, USA
Date: 24-May-2023

Place:
Date: 24-May-2023


V.T. Prabakaran
Chief Financial Officer
PAN - AKOPP2826M


Place : Chennai
Date: 24-May-2023



S.M.I.L.E. MICROFINANCE LIMITED
CIN: U67190TN1995PLC030604
Regd Office: No. 10, 1st Floor, Jagadeeswaran Street, T.Nagar, Chennai - 600017
Statement of Audited Cash Flows for the year ended 31st March 2023

Particulars	For the Year Ended 31 March 2023	For the Year Ended 31 March 2022
	Amount (Rs. in lakhs)	Amount (Rs. in lakhs)
A Cash flow from Operating Activities		
(Loss) / Profit After Tax	(574.59)	(2,139.56)
Adjustments for:		
Depreciation/ Amortisation	3.77	106.32
Tax Expenses	1,408.78	(523.56)
Provision for Receivables under Financing Activity (Net)	(39.67)	1,666.05
Finance Cost	170.26	3,672.63
Interest on Deposits	(329.74)	(268.81)
		-
Operating Profit before Working Capital Changes	638.81	2,513.07
Changes in Working Capital:		
Adjustments for (increase) / decrease in operating assets:		
Receivables under Financing Activity	24,899.66	17,133.64
Loans given to staff	11.37	0.42
Other financial assets	88.54	79.92
Other non financial assets	143.68	(34.51)
Adjustments for increase / (decrease) in Operating Liabilities:		
Other Payables	(32.67)	(83.16)
Liability for Lease	(11.87)	(31.33)
Other financial Liabilities	(289.50)	(92.90)
Other non financial Liabilities	(104.91)	(100.94)
Other Provisions	(387.58)	83.80
Cash Flow Generated from Operations	24,955.54	19,468.01
Operational cash flows from Interest:		
Interest Income on Deposits	329.74	268.81
Interest paid on borrowings	(99.32)	(3,715.48)
Net cash flow generated from / (used in) operations	25,185.96	16,021.34
Net Income Tax Paid	56.04	(90.55)
Net Cash flows generated from / (used in) Operating Activities	25,242.00	15,930.79
B. Cash flow from Investing Activities		
Bank Balance other than cash and cash equivalents (placed)/matured	(8,831.15)	3,162.08
Proceeds from Sale of Property, plant & equipment	118.68	0.09
Capital Expenditure on Property, plant & equipment (including Capital Advances)		(46.26)
Net Cash Flow (used in)/generated from Investing Activities	(8,712.47)	3,115.91
C. Cash flow from Financing Activities		
Proceeds from of Long-Term Borrowings-Term Loans		14,600.00
Repayment from of Long-Term Borrowings-Term Loans		(25,131.22)
Proceeds of Long-Term Borrowings-Debentures		-
Repayment of Long-Term Borrowings-Debentures	(3,999.85)	(6,854.00)
Proceeds from Securitisation Borrowings		-
Repayment of Securitisation Borrowings	(14,043.25)	(3,164.98)
(Repayment)/Proceeds of Short-Term Borrowings - Cash Credit (net)		-
Other Interest and charges paid	(70.93)	(92.60)
Net Cash Flow (used in)/generated from Financing Activities	(18,114.03)	(20,642.80)
Net (decrease) in Cash and cash equivalents (A+B+C)	(1,584.50)	(1,596.10)
Cash and cash equivalents at the beginning of the year	1,820.01	3,428.23
Cash and Cash Equivalents at the end of the year	235.51	1,832.13
Reconciliation of Cash and cash equivalents with the Balance Sheet:		
Cash and cash equivalents as per balance sheet	235.51	1,820.01
Less: Balances that does not meet the definition of Cash & Cash Equivalents as per Ind AS 7 Statement of Cash flows: Bank Overdraft		(12.12)
Cash and cash equivalents as per Ind AS 7 Statement of Cash flows	235.51	1,832.13

"In terms of our report of even date attached For P.B. Vijayaraghavan & Co."

Chartered Accountants
Firm Reg. No.: 004721S

P.B. Santhanakrishnan
Partner
M.No.020309


Place: Chennai
Date: 24-May-2023



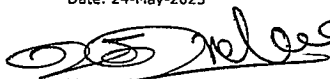
For and on behalf of the Board of Directors of S.M.I.L.E. Microfinance Limited


Aleem Remtula
Director
DIN - 02872107

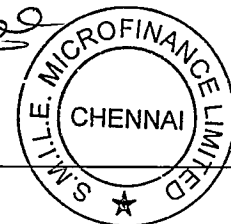
Place : New York, USA
Date: 24-May-2023


J Bradley Swanson
Director
DIN - 02872123

Place :
Date: 24-May-2023


V.T. Prabhakaran
Chief Financial Officer
PAN - AKOPP2826M

Place : Chennai
Date: 24-May-2023



S.M.I.L.E Microfinance Limited
Statement of changes in Equity for the year ended 31st March 2023

A. Equity Share capital

1) Current reporting period

Balance at the beginning of the reporting year	Amount Rs. In lakhs			Balance at the end of the reporting year
	Changes in equity share capital due to prior year	Restated balance at the beginning of the current reporting year	Changes in equity share capital during the year	
1,733.96	-	1,733.96	-	1,733.96

2) previous reporting period

Balance at the beginning of the reporting year	Amount Rs. In lakhs			Balance at the end of the reporting year
	Changes in equity share capital due to prior year	Restated balance at the beginning of the current reporting year	Changes in equity share capital during the year	
1,733.96	-	1,733.96	-	1,733.96

B. Other Equity

Amount Rs. In lakhs

1) Current reporting period

Particulars	Reserves and Surplus													Total
	Share application money pending allotment	Equity component of Compound financial instruments	Capital reserve	Securities Premium	Statutory Reserve	Retained Earnings	Debt Instruments through other comprehensive income	Equity Instruments through other Comprehensive Income	Effective portion of Cash flow hedges	Revaluation on surplus	Exchange difference as on translating the financial statements of foreign operation	other Items of other Comprehensive Income	Money received against share warrants	
Balance at the Beginning of the current reporting period	-	-	-	3,740.20	1,872.41	4,136.02	-	-	-	-	-	31.32	-	9,779.95
Changes in accounting policy/prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restated balance at the beginning of the current reporting period	-	-	-	3,740.20	1,872.41	4,136.02	-	-	-	-	-	31.32	-	9,779.95
Total Comprehensive Income for the current year	-	-	-	-	-	(574.59)	-	-	-	-	-	-	-	-
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securities Premium on equity shares issued during the year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Any other change(To be specified)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the end of the current reporting period	-	-	-	3,740.20	1,872.41	3,561.43	-	-	-	-	-	31.32	-	9,205.36

2) previous reporting period

Particulars	Reserves and Surplus													Total
	Share application money pending allotment	Equity component of Compound financial instruments	Capital reserve	Securities Premium	Statutory Reserve	Retained Earnings	Debt Instruments through other comprehensive income	Equity Instruments through other Comprehensive Income	Effective portion of Cash flow hedges	Revaluation on surplus	Exchange difference as on translating the financial statements of foreign operation	other Items of other Comprehensive Income	Money received against share warrants	
Balance at the Beginning of the current reporting period	-	-	-	3,740.20	1,872.41	6,275.58	-	-	-	-	-	(11.14)	-	11,877.05
Changes in accounting policy/prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restated balance at the beginning of the current reporting period	-	-	-	3,740.20	1,872.41	6,275.58	-	-	-	-	-	(11.14)	-	11,877.05
Total Comprehensive Income for the current year	-	-	-	-	-	(2,139.56)	-	-	-	-	-	42.46	-	(2,097.10)
Dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Any other change(To be specified)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the end of the current reporting period	-	-	-	3,740.20	1,872.41	4,136.02	-	-	-	-	-	31.32	-	9,779.95

"In terms of our report of even date attached
For P.B. Vijayaraghavan & Co."
"Chartered Accountants
Firm Reg. No.: 004721S"

For and on behalf of the Board of Directors of
S.M.I.L.E. Microfinance Limited

P.B. Srinthakrishnan
Partner
M.No.020309



Place: Chennai
Date: 24-May-2023

Alecem Remtula
Director
DIN - 02872107

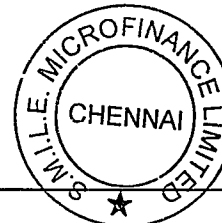
Place: New York, USA
Date: 24-May-2023

J Bradley Swanson
Director
DIN: 02872123

Place: Chennai
Date: 24-May-2023

V.T. Prabakaran
Chief Financial Officer
PAN - AKOPP2826M

Place: Chennai
Date: 24-May-2023



Notes forming part of the Financial Statements for the year ended 31st March 2023

1 CORPORATE INFORMATION

S.M.I.L.E. Microfinance Limited ("the Company") was incorporated on 21 March 1995. The Company is a Non-Banking Finance Company - Micro Finance Institution (NBFC-MFI). The Company had obtained registration under the Non-Banking Financial Company - Micro Finance Institution (Reserve Bank) Directions, 2011 vide Reserve Bank of India ("RBI") letter dated 29 May 2015.

The Company is engaged in providing microfinance services to women from poor segments of urban and rural Tamil Nadu. The Company generally provides small value collateral free loans upto Rs. 50,000 for a tenor of one to two years with fortnightly / monthly repayment. The Company broadly follows the Grameen model with suitable adaptations using the Joint Liability Groups (JLG) framework, where each member of the group guarantees the loan repayment of the other members of the group. All transactions are conducted in the group meetings organised every fortnight / monthly near the habitats of the members.

During December 2017, the Company qualified as a Systemically Important Non Deposit taking NBFC (NBFC-MFI-ND-SI). The Company sold the microfinance business undertaking through a slump sale transaction to Northern Arc Capital Ltd., and the sale was completed on 12th April, 2022.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance

The financial statements have been prepared in accordance with the Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under section 133 of the Companies Act 2013 (the act) and other relevant provisions of the Act.

The financial statements were authorised for issue by the Company's Board of Directors on May 24, 2023.

Amendments to Ind AS 116 - Covid-19 Related Rent Concessions:

The amendments provide practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to Ind AS 116. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying Ind AS 116 if the change were not a lease modification. There were no rent concessions availed by the Company and therefore this amendment did not have any impact on the financial statements

Amendments to Ind AS 1 and Ind AS 8 - Definition of "material"

The Company has adopted the amendments to Ind AS 1 and Ind AS 8 for the first time in the current year. The amendments make the definition of material in Ind AS 1 easier to understand and are not intended to alter the underlying concept of materiality in Ind ASs. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in Ind AS 8 has been replaced by a reference to the definition of material in Ind AS 1. In addition, the MCA amended other Standards that contain the definition of 'material' or refer to the term 'material' to ensure consistency.

The adoption of the amendments has not had any material impact on the disclosures or on the amounts reported in these financial statements

2.2 Basis of Preparation and Presentation of Financial Statements

These financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Fair value for measurement and / or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2.3 Use of Estimates

The preparation of the company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Company's accounting policies, management has made judgements, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2.4 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

(a) The Company calculates interest income by applying effective interest rate method to Gross carrying amount of financial assets other than credit impaired assets. When a financial asset becomes credit impaired and is therefore regarded as Stage 3, the Company calculates Interest Income by applying effective interest rate method to net amortised cost of the Financial Assets. If the Financial Asset cures and is no longer credit impaired, the Company reverts to calculating Interest Income on gross basis.

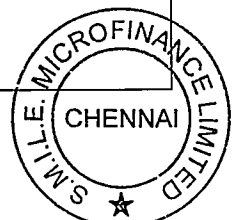
(b) Loan processing fee is recognized over the life of the loan on a proportionate basis. Loan processing fee of derecognised loan portfolio is recognised upfront.

(c) Interest Income on securitized loans are considered at par with own loans and is also recognised under the Effective Interest Rate method. In case of Direct Assignment, company recognize the income upfront on the basis of fair value by discounting the entire interest strip (excess interest spread) of assigned portfolio.

(d) Interest income on deposits is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable.

(e) Dividend income from investments (other than equity shares) is recognized on actual realizations, as stipulated by RBI.

(f) All other income is recognized on an accrual basis, when there is reasonable certainty in the ultimate realization / collection.



Notes forming part of the Financial Statements for the year ended 31st March 2023

2.5

Leases

The Company's lease asset classes primarily consist of leases for land and buildings. The Company, at the inception of a contract, assesses whether the contract is a lease or not lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a time in exchange for a consideration. This policy has been applied to contracts existing and entered into on or after April 1, 2019.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Company's incremental borrowing rate. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Company has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognises the lease payments associated with these leases as an expense over the lease term.

In the comparative period, leases under which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. When acquired, such assets are capitalized at fair value or present value of the minimum lease payments at the inception of the lease, whichever is lower. Lease payments and receipts under operating leases are recognised as an expense and income respectively, on a straight line basis in the statement of profit and loss over the lease term except where the lease payments are structured to increase in line with expected general inflation.

2.6

Employee Benefits

Employee benefits include provident fund, employee state insurance scheme, gratuity and compensated absences.

Retirement Benefit Costs and Termination Benefits

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

For defined benefit retirement benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding net interest), is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognised in the Statement of profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- Service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- Net interest expense or income; and
- Remeasurement

The Company presents the first two components of defined benefit costs in profit or loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the balance sheet represents the actual deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

A liability for a termination benefit is recognised at the earlier of when the entity can no longer withdraw the offer of the termination benefit and when the entity recognises any related restructuring costs.

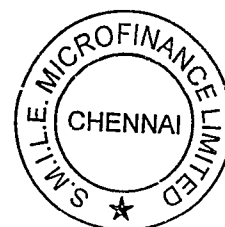
Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Company in respect of services provided by employees upto the reporting date.

The Company has a policy on compensated absences which are both accumulating and non-accumulating in nature. The expected cost of accumulating compensated absences is determined by actuarial valuation performed by an independent actuary at each Balance Sheet date using projected unit credit method on the additional amount expected to be paid / availed as a result of the unused entitlement that has accumulated at the Balance Sheet date. Expense on non-accumulating compensated absences is recognised in the period in which the absences occur.



Notes forming part of the Financial Statements for the year ended 31st March 2023

2.7 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

i) Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity, respectively.

2.8 Cash and Cash Equivalents (for purposes of Cash Flow Statement)

Cash and cash equivalent in the balance sheet comprise demand deposits with bank and Cash on hand, short-term deposits with an original maturity of three months or less including lien marked deposits with Banks and others with respect to loans availed by company. These balances are subject to an insignificant risk of changes in value.

Bank Balances include term deposits held with an original maturity more than 3 months and includes lien marked deposits with Banks and others with respect to loans availed by company/assets securitised.

2.9 Cash Flow Statement

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

2.10 Property, Plant and Equipment

Furniture and Fixtures, Leasehold Improvements, Office Equipment, Vehicles, Computers and Others are stated at cost less accumulated depreciation and accumulated impairment losses. Costs comprises its purchase price net of any trade discounts and rebates, any import duties and other taxes (other than those subsequently recoverable from tax authorities), any attributable expenditure on making the assets ready for intended use.

Depreciation is recognized so as to write off the cost of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the Written Down Value method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Estimated useful lives of the assets are as follows:

Particulars	Years
Furniture and Fixtures including AC and Electrical fittings	10
Leasehold Improvements	6
Office Equipment	5
Vehicles	8
Computers and others	6

Depreciable amount for assets is the cost of an asset, less its estimated residual value. The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and expected residual value at the end of its life. Depreciation on tangible fixed assets has been provided on the Written Down Value Method as per the useful life prescribed in Schedule II to the Companies Act, 2013.

Depreciation is accelerated on fixed assets, based on their condition, usability etc., as per the estimates of the Management, where necessary. Depreciation methods, useful lives and residual values are reviewed periodically including at each financial year end.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

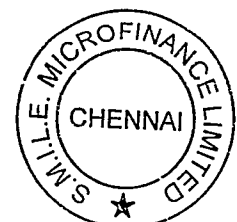
2.11 Intangible Assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on Written Down Value method basis over the estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on prospective basis.

Software is depreciated over the license period or 6 years, whichever is lower.

An Intangible assets is derecognised on disposal or when no future economic benefits are expected from use of disposal. Gains or losses arising from derecognition of an intangible assets measured as the difference between the net disposal proceeds and the carrying amount of the asset as recognised in profit or loss when the asset is derecognised.



2.12 Impairment to Tangible and Intangible Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the Statement of Profit and Loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.13 Provisions and Contingencies

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

'Contingent Liability and Assets :

Contingent liability is disclosed for (i) Possible obligations which will be confirmed only by future events not wholly within the control of the Company or (ii) Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are not recognized in the financial statements since this may result in the recognition of income that may never be realized.

2.14 Financial Instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provision of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs are directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial Assets

Initial Recognition

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Subsequent measurement

For the purpose of subsequent measurement, financial assets are classified in four categories:

Debt instruments at amortised cost

Debt instruments at fair value through other comprehensive income (FVTOCI).

Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL).

Equity instruments measured at fair value through other comprehensive income FVTOCI.

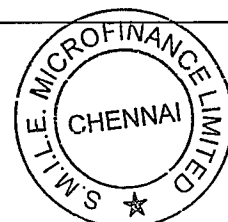
Financial assets measured at amortised cost

A 'debt instrument' is measured at amortised cost if both the following conditions are met:

- a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows
- b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

Financial assets at fair value through profit or loss

A financial asset (other than those stated as amortized cost) is subsequently fair valued through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Dividend income from these financial assets is included in other income.



Notes forming part of the Financial Statements for the year ended 31st March 2023

Derecognition of financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received or receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss if such gain or loss would have otherwise been recognised in profit or loss on disposal of that financial asset.

Financial liabilities

Initial Measurement

Financial liabilities are classified and measured at amortized cost. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs. The company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts

Subsequent Measurement

Financial liabilities are subsequently carried at amortized cost using the effective interest method.

Impairment of financial assets

The Company recognises Impairment allowance for expected credit losses (ECL) on Financial Assets held at amortized cost. The Company also computes the provision for non-performing assets (NPA) as per IRAC norms of RBI. The higher of the two is recorded in the books. ECL is the difference between all contractual cash flows that are due to the company in accordance with the contract and all the cash flows that the company expects to receive (i.e., all cash shortfalls).

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial asset. 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months from the reporting date.

The company assesses at each reporting date whether a financial asset (or a group of financial assets) such as loans and advances and security deposits held at amortised cost are tested for impairment based on evidence or information that is available without undue cost or effort. Lifetime Expected credit losses are assessed and loss allowances recognised if the credit quality of the financial asset has deteriorated significantly since initial recognition.

The company applies a three-stage approach to measuring expected credit losses (ECLs) for Loan Receivables. No ECL is recognised on equity Investments.

Measurement of ECLs

Expected Credit Loss is computed as follows = Gross EAD * PD* LGD

The Exposure at Default ("EAD") is an estimate of the exposure (gross carrying amount), at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments.

The Probability of Default ("PD") is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

The Loss Given Default ("LGD") is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the Exposure at Default

To calculate the ECL, the Company assesses the possible default events of EAD at various Stages. The company has broadly followed the following approach to compute ECL.

The EAD is categorised based on respective Past Due status as given below :

Stage 1: 12-months ECL

All exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date and that are not credit impaired upon origination are classified under this stage. The company has assessed that all standard advances and advances upto 30 days default would fall under this category.

For these assets, 12-month ECL are recognized and interest revenue is calculated on the gross carrying amount of the asset (that is, without deduction for credit allowance).

Stage 2: Lifetime ECL – not credit impaired

Financial instruments that have had a significant increase in credit risk since initial recognition are classified under this stage. 30 Days Past Due upto 90 Days is considered as significant increase in credit risk and classified under this category. For these assets, lifetime ECL are recognized, but interest revenue is still calculated on the gross carrying amount of the asset.

Stage 3: Lifetime ECL – credit impaired

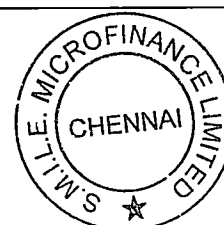
All exposures greater than 90 Days Past due assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred are classified in this stage. For exposures that have become credit impaired, a lifetime ECL is recognised. Interest revenue is recognized on actual realization in line with prudential norms.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial assets credit risk has increased significantly since initial recognition, by considering the change in the risk of defaults occurring over the remaining life of the financial assets.

Where there is significant change in macro- economic conditions warranting reassessment of credit risk and perceived likelihood of increased probability of loan defaults, company shall make such additional credit loss provisions in addition to ECL provisions as deemed fit by Audit committee.

The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events and current conditions.



Notes forming part of the Financial Statements for the year ended 31st March 2023

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the company determines that the borrower does not have the financial ability to repay the amounts subject to the write-off.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL in respect of Financial assets measured at fair value through Profit and Loss are presented as a deduction from the gross carrying amount of the assets in the statement of financial position.

2.15 Earnings per Share

Basic earnings per share is computed by dividing the profit / (loss) after tax by the weighted average number of equity shares outstanding during the year. Diluted earnings per share is computed by dividing the profit / (loss) after tax as adjusted for dividend, interest and other charges to expense or income relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share from continuing ordinary operations. Potential dilutive equity shares are deemed to be converted as at the beginning of the period, unless they have been issued at a later date. The dilutive potential equity shares are adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e. average market value of the outstanding shares). Dilutive potential equity shares are determined independently for each period presented. The number of equity shares and potentially dilutive equity shares are adjusted for share splits / reverse share splits and bonus shares, as appropriate.

2.16 Goods & Services Tax Input Credit

Goods & Service Tax Input Credit is accounted for in the books in the period when the underlying Goods and service received are accounted and when there is reasonable certainty in availing / utilizing the same.

2.17 Insurance claims

Insurance claims recoverable are accrued for on the basis of claims admitted and to the extent that the amount recoverable can be measured reliably and it is reasonable to expect ultimate collection. Claims pending settlement for more than a year are provided for.

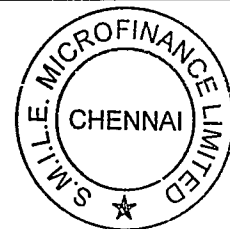
3 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Company's accounting policies which is described in Note 3, the Management of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are included in the following notes:

- (i) Useful lives of Property, plant and equipment (Refer Note 2.10)
- (ii) Assets and obligations relating to employee benefits (Refer Note 2.6)
- (iii) Valuation and measurement of income taxes and deferred taxes (Refer Note 2.7)
- (iv) Impairment of financial assets based on Expected Credit Loss model (Refer Note 2.14)



S.M.I.L.E. Microfinance Limited
Notes forming part of the Financial Statements for the year ended 31st March 2023

4 Cash and cash equivalents

Particulars	As at	As at
	31st March 2023	31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Cash on hand	0.03	0.35
(b) Balances with Banks		
- In Current Accounts	235.48	1,819.66
- In Deposit Accounts - Free of Lien (original maturity less than 3 months)		-
Total	235.51	1,820.01

5 Bank Balances other than Cash and cash equivalents

Particulars	As at	As at
	31st March 2023	31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
Balances with Banks		
- In Deposit Accounts - Free of Lien (original maturity more than 3 months)	10617.05	10.92
- In Current Accounts- Earmarked Unpaid Dividend	8.52	8.52
- In Deposit Accounts - Under Lien		1,774.98
Total	10,625.57	1,794.42

6 Loans (at amortised cost (Refer Notes below))

Particulars	As at	As at
	31st March 2023	31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
(i) Unsecured and considered good, unless otherwise stated		
Loans	-	29,916.19
Less : Impairment loss allowance	-	5,056.20
Sub Total	-	24,859.99

6(a)

Particulars	As at	As at
	31st March 2023	31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
(ii) Loan to Staff	-	11.37
Grand Total	-	11.37

6.1

Particulars	As at	As at
	31st March 2023	31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
The Loan Receivables reflected above excludes microfinance loans assigned to a third party on securitization in accordance with RBI Guidelines which qualify for derecognition as per Ind AS 109.	-	-



6.2 Disclosure requirements as per RBI circular dated March 13, 2020 having reference number RBI/2019-20/170 , DOR (NBFC),CC.PD.No.109/22.10.106/2019-20 as per para 2 of Prudential Floor of ECL
(a) As at 31 March 2023

(Amount Rs.in Lakhs)						
Asset classification as per RBI norms	Asset classification as per Ind AS 109	Gross carrying amount as per Ind AS	Loss allowances (provisions) as required under Ind AS 109	Net Carrying amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(A)	(B)	(C)	(D)	E = (C-D)	(F)	G = (D-F)
Performing assets	Stage 1	Refer Note: 50, where the Company has sold its Microfinance Business				
Standard	Stage 2					
Non Performing Assets (NPA)	Stage 3					
Total		-	-	-	-	-

(a) As at 31 March 2022

(Amount Rs.in Lakhs)						
Asset classification as per RBI norms	Asset classification as per Ind AS 109	Gross carrying amount as per Ind AS	Loss allowances (provisions) as required under Ind AS 109	Net Carrying amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(A)	(B)	(C)	(D)	E = (C-D)	(F)	G = (D-F)
Performing assets	Stage 1	23,866.30	560.86	23,305.44	-	560.86
Standard	Stage 2	573.50	13.47	560.03	-	13.47
Non Performing Assets (NPA)	Stage 3	5,637.57	4,481.87	1,155.70	4,655.30	-173.43
Total		30,077.37	5,056.20	25,021.17	4,655.30	400.90

6.3 The Stage wise break of Loans reflected above (Refer Note 6) is given below :

(A) As at 31 March 2023

(Amount Rs. In lakhs)

Loan Receivables	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Total
i. Loans considered as Qualifying Assets	Refer Note: 50, where the Company has sold its Microfinance Business			
ii. Loans considered as Non Qualifying Assets				
Gross Carrying Amount of Loans				
Less : Impairment loss allowance	-	-	-	-
Net Loans	-	-	-	-

(B) As at 31 March 2022

(Amount Rs. In lakhs)

Loan Receivables	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Total
i. Loans considered as Qualifying Assets	23,789.49	564.00	5,541.63	29,895.12
ii. Loans considered as Non Qualifying Assets	76.80	9.51	95.94	182.25
Gross Carrying Amount of Loans	23,866.29	573.51	5,637.57	30,077.37
Less : Impairment loss allowance	560.86	13.47	4,481.87	5,056.20
Net Loans	23,305.43	560.04	1,155.70	25,021.17

6.4 Reconciliation of impairment allowance on Loans

Particulars	Amount Rs. in Lakhs
Impairment allowance as at 1 April 2020	Refer Note: 50, where the Company has sold its Microfinance Business
Add: Impairment allowance provided in statement of Profit & Loss	
Less: Impairment allowance Utilised for writing off Loss assets	
Impairment allowance as at 31 March 2021	
Add: Impairment allowance provided in statement of Profit & Loss	
Less: Impairment allowance Utilised for writing off Loss assets	
Impairment allowance as at 31 March 2022	



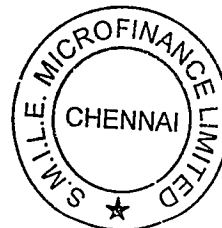
6.5 As per RBI guidelines on Securitisation DNBR, PD, 008/03.10.119/2016-17 dated September 01, 2016 updated on April 16, 2019 the details of securitisation are given below:

Particulars	31 March 2023 Numbers/Amount (Rs. In lakhs)	31 March 2022 Numbers/Amount (Rs. In lakhs)
(i) No of SPVs sponsored by the NBFC for securitisation transactions		
a.Through Direct assignment	-	-
b.Through PTC	-	-
Total	-	-
(ii) Total amount of securitised assets as per books of the SPVs Sponsored (Amount Rs.in Lakhs)		
a.Through Direct assignment	-	-
b.Through Pass through Certificates	-	-
Total	-	-
(iii) Total amount of exposures retained by the NBFC to comply with MRR as on the date of Balance sheet		
a) Off-balance sheet exposures		
- First loss	-	-
- Others	-	-
b) On-balance sheet exposures		
- First loss	-	-
a. Direct Assignment	-	-
a. Pass through Certificates	-	-
- Others (Minimum Retention requirement("MRR"))	-	-
(iv) Amount of exposures to securitisation transactions Other than		
a) Off-balance sheet exposures		
i) Exposure to own securitizations		
- First loss	-	-
a. Direct Assignment	-	-
a. Pass through Certificates	-	-
- Others	-	-
ii) Exposure to third party securitisations		
- First loss	-	-
- Others	-	-
b) On-balance sheet exposures		
i) Exposure to own securitisations		
- First loss	-	-
- Others	-	-
ii) Exposure to third party securitisations		
First loss	-	-
Others	-	-

6.6 Details of Financial Assets sold to Securitisation Company

(Amount Rs in lakhs)

Particulars	For the Year ended 31 March 2023	For the Year ended 31 March 2022
Total number of loan assets securitized during the year	-	-
a.Through Direct assignment (no. of accounts)	-	-
b.Through PTC (no. of accounts)	-	-
Book value of loan assets securitized during the year		
a.Through Direct assignment	-	-
b.Through PTC	-	-
Sale consideration received during the year		
a.Through Direct assignment	-	-
b.Through PTC	-	-
MFI Loans Subordinated as Credit Enhancement on Assets Derecognised		
a.Through Direct assignment	-	-
b.Through PTC	-	-
Gain / (loss) on the securitization transaction recognised in P&L		
a.Through Direct assignment	-	-
b.Through PTC	-	-
Gain / (loss) on the securitization transactions deferred		
a.Through Direct assignment	-	-
b.Through PTC	-	-
Quantum of Credit Enhancement provided on the transactions in the form of deposits		
a.Through Direct assignment	-	-
b.Through PTC	-	-
Quantum of Credit Enhancement as at year end		
a.Through Direct assignment	-	-
b.Through PTC	-	-
Interest spread Recognised in the Statement of Profit and Loss during the Year		
a.Through Direct assignment	-	-
b.Through PTC	-	-

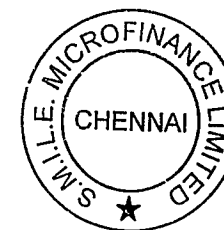


6.7 An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans is as follows:

Particulars	As at 31 March 2023				As at 31 March 2022			
	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Total	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Total
Gross carrying amount as at 1 April					40,402.97	2,314.36	4,476.49	47,193.82
New assets originated or purchased					20,970.27	-	244.40	21,214.67
Assets derecognised or repaid (excluding write offs)					(34,684.88)	(922.39)	(2,723.85)	(38,331.12)
Interest on moratorium period included in principal amount of loans					-	-	-	-
Transfers to Stage 1					-	444.13	2,377.93	2,822.06
Transfers to Stage 2					(444.13)	-	1,262.60	818.47
Transfers to Stage 3					(2,377.93)	(1,262.60)	-	(3,640.53)
Amounts written off					-	-	-	-
Gross carrying amount as at 31 March	-	-	-	-	23,866.30	573.50	5,637.57	30,077.37

Reconciliation of ECL balance is given below:

Particulars	As at 31 March 2023				As at 31 March 2022			
	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Total	Stage 1: 0-30 days	Stage 2: 31-90 days	Stage 3: >90 days	Total
ECL allowance as at 1 April					460.52	149.80	2,779.82	3,390.14
New assets originated or purchased					492.80	-	194.30	687.10
Assets derecognised or repaid (excluding write offs)					(326.14)	(117.10)	(2,070.04)	(2,513.28)
Interest on moratorium period included in principal amount of loans					-	-	-	-
Transfers to Stage 1					-	10.44	2,232.24	2,242.68
Transfers to Stage 2					(10.44)	-	1,345.55	1,335.11
Transfers to Stage 3					(55.88)	(29.67)	-	(85.55)
Amounts written off					-	-	-	-
ECL allowance as at 31 March	-	-	-	-	560.86	13.47	4,481.87	5,056.20



7 Other financial assets (At amortised cost)

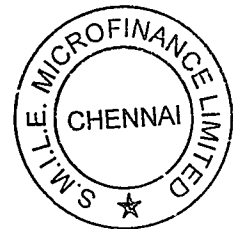
Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Security deposits	4.50	106.68
(b) Insurance Commission Receivable	-	0.57
(c) Direct Assignment Incentive Receivable	-	-
(d) Retained Interest on Asset Assigned	-	-
(e) Interest Spread Receivable on Securitisation	-	-
(f) Accrued Interest	14.21	-
Total	18.71	107.25

8 Current Tax Assets (Net)

Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
Advance Income Tax (Net of provision)	229.63	311.67
Total	229.63	311.67

9 Deferred Tax Liabilities/Asset (Net)

Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
Deferred Tax Liabilities/Asset (Net) (Refer Note 9.1)	0.07	1,383.45
Total	0.07	1,383.45



9.1 Current Tax and Deferred Tax

(i) Income Tax Expense

Particulars	As at	As at
	31st March 2023	31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Current tax in respect of current year		(140.82)
(b) Deferred tax relating to origination and reversal of temporary differences	1,383.52	(382.74)
Total Tax Expense recognised in statement of profit and loss in respect of current year	1,383.52	(523.56)

(ii) Income Tax on Other Comprehensive Income

Particulars	As at	As at
	31st March 2023	31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
Deferred Tax Remeasurement of defined benefit obligation	-	(14.28)
Total	-	(14.28)

(iii) Following is the analysis of the deferred tax asset/(liabilities) presented in the Balance sheet.

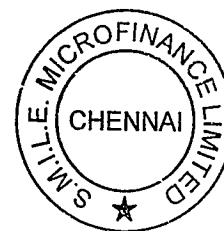
(Amount Rs. in Lakhs)

Particulars	Opening Balance	For the Year Ended 31 March 2023		Closing Balance
		Charge/(Credit) recognised in Profit and Loss	Recognised in OCI	
Tax effect of items constituting deferred tax assets/deferred Tax liability :				
Property, Plant and Equipment	18.49	18.57	-	(0.07)
Provision for Employee Benefits	124.23	-	-	-
Provision for Loan Receivables	1,198.00	1,198.00	-	-
Effective Interest Rate on Borrowings	61.51	61.51	-	-
Present Value Discounting of Processing Fee Income	(18.79)	(18.79)	-	-
Present Value Discounting of Interest spread on Direct Assignment of receivables	-	-	-	-
Total	1,383.45	1,259.29	-	(0.07)

(Amount Rs. in Lakhs)

Particulars	Opening Balance	For the Year Ended 31 March 2022		Closing Balance
		Charge/(Credit) recognised in Profit and Loss	Recognised in OCI	
Tax effect of items constituting deferred tax assets/deferred Tax liability :				
Property, Plant and Equipment	21.09	2.60	-	18.49
Provision for Employee Benefits	145.31	6.80	(14.28)	124.23
Provision for Loan Receivables	778.26	(419.74)	-	1,198.00
Effective Interest Rate on Borrowings	108.08	46.57	-	61.51
Present Value Discounting of Processing Fee Income	(37.51)	(18.72)	-	(18.79)
Present Value Discounting of Interest spread on Direct Assignment of receivables	(0.24)	(0.24)	-	-
Total	1,014.99	(382.74)	(14.28)	1,383.45

The company elected to exercise the option permitted under Section 115BAA of the Income Tax Act, 1961 as introduced by Taxation Laws (Amendment) Ordinance 2019. Accordingly the Company has recognized Provision for Income Tax for the year ended 31 March 2020 and recognized its Deferred Tax Assets and Liabilities based on the rates prescribed in the aforesaid section. The impact of this change has been recognized in the Statement of Profit and Loss for the year ended 31 March 2020.



S.M.I.L.E Microfinance Limited
Notes forming part of the Financial Statements for the year ended 31st March 2023

11

A. Current Year (1 April 2022 to 31 March 2023)

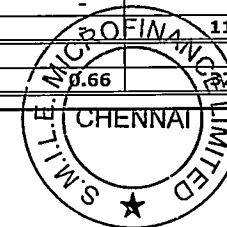
(Amount in Rs. in Lakhs)

S.No.	Description	Gross Block			Accumulated Depreciation and Amortisation				Net Block		
		Balance as at 1 April 2022	Additions	Disposals	Balance as at 31st March 23	Balance as at 1 April 2022	For the year	Eliminated on Disposal of Assets	Balance as at 31st March 23	Balance as at 31st March 23	Balance as at 1st April 22
11(a)	Investment Property										
1	Land	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
10(a)	Property, plant and equipment										
1	Leasehold Improvements	14.98	-	14.98	-	8.70	8.70	-	-	-	6.28
2	Computer Equipments	189.52	2.75	189.52	2.75	0.79	1.61	1.58	0.82	1.93	188.73
3	Furniture and Fixtures	23.58	0.31	23.58	0.31	0.03	0.10	0.10	0.03	0.28	23.55
4	Office Equipments	20.37	2.47	20.37	2.47	0.46	0.58	0.62	0.43	2.04	19.91
5	Vehicles	35.34	-	35.34	-	24.78	0.08	24.86	-	-	10.56
6	Server and Netwokring	18.79	-	18.79	-	12.06	0.09	12.15	-	-	6.73
		302.58	5.52	302.58	5.52	46.82	2.46	48.00	1.28	4.25	255.76
10(b)	Intangible assets										
-	Computer - Softwares	66.78	0.28	66.78	0.28	0.04	0.38	0.38	0.04	0.24	66.74
10(C)	Right of Use- Lease hold Building	83.71	-	83.71	-	74.41	0.93	75.34	-	-	9.30
		150.49	0.28	150.49	0.28	74.45	1.31	75.72	0.04	0.24	76.04
	Grand Total	453.07	5.81	453.07	5.81	121.27	3.77	123.72	1.32	4.49	331.80

B. Previous year (1 April 2021 to 31 March 2022)

(Amount Rs. in Lakhs)

S.No.	Description	Gross Block			Accumulated Depreciation and Amortisation				Net Block		
		Balance as at 01 April 2021	Additions	Disposals	Balance as at 31 March 2022	Balance as at 01 April 2021	For the year	Eliminated on Disposal of Assets	Balance as at 31 March 2022	Balance as at 31 March 2022	Balance as at 1 April 2021
11(a)	Investment Property										
1	Land	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-
10(a)	Property, plant and equipment										
1	Leasehold Improvements	14.98	-	-	14.98	6.59	2.11	-	8.70	6.28	8.39
2	Computer Equipments	152.55	37.43	0.46	189.52	97.59	45.84	0.42	143.01	46.51	54.96
3	Furniture and Fixtures	23.58	-	-	23.58	12.26	2.90	-	15.16	8.42	11.32
4	Office Equipments	18.03	2.34	-	20.37	7.21	5.19	-	12.40	7.97	10.82
5	Vehicles	35.63	-	0.29	35.34	20.95	4.07	0.24	24.78	10.56	14.68
6	Server and Netwokring	18.79	-	-	18.79	7.71	4.35	-	12.06	6.73	11.08
		263.56	39.77	0.75	302.58	152.31	64.46	0.66	216.11	86.47	111.25
10(b)	Intangible assets										
1	Computer - Softwares	60.46	6.32	-	66.78	22.39	13.95	-	36.34	30.44	38.07
10(C)	Right of Use- Lease hold Building	83.71	-	-	83.71	46.51	27.90	-	74.41	9.30	37.20
		144.17	6.32	-	150.49	68.90	41.85	-	110.75	39.74	75.27
	Grand Total	407.73	46.09	0.75	453.07	221.21	106.31	0.66	326.86	126.21	186.52

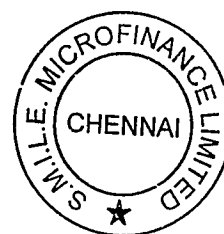


S.M.I.L.E Microfinance Limited

Notes forming part of the Financial Statements for the year ended 31st March 2023

11 Other non financial assets

Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Deferred Lease rental		0.74
(b) Balance with Government authorities		
(i) Goods and Service Tax Input Tax Credit	0.00	35.28
(ii) Amounts paid under Protest-Service Tax Demand	-	-
(iii) Amounts paid under Protest-Income Tax Demand	10.00	10.00
(c) Prepaid expenses	2.24	15.54
(d) Advance to Suppliers	-	19.81
(e) Insurance premium receivable from Customer	-	74.55
	12.24	155.92



12 Trade Payables

Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Total outstanding dues of micro enterprises and small enterprises (Refer Note 38)		2.40
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises	14.30	44.57
Total	14.30	46.97

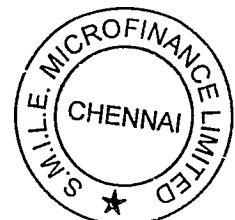
13 Debt securities (At Amortised Cost)

Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
Redeemable Non-convertible Debentures		
- Secured	-	-
- Unsecured	-	3,999.85
Total	-	3,999.85
(i) Debt securities in India	-	3,999.85
(ii) Debt securities outside India	-	-
Total	-	3,999.85

14 Borrowings (other than debt securities) (At Amortised Cost)

Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Secured		
- Term Loan from Banks	-	5,053.70
- Term Loan from NBFCs	-	9,001.67
- Cash credit	-	(12.12)
(b) Borrowings under securitisation	-	-
Total	-	14,043.25
Borrowings in India	-	14,043.25
Borrowings outside India	-	-
Total	-	14,043.25

14.1 The Company has not defaulted in the repayment of dues to Banks and NBFC's as on 31 March 2023.



15 Liability for Lease

Particulars	As at 31st March 23	As at 31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Liability for Lease (Refer Note 33)	-	11.87

16 Other financial liabilities

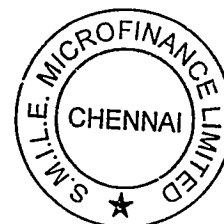
Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Unclaimed Dividends	8.52	8.52
(b) Remittances payable on assignment not due	-	-
(c) Non Solicitation fee payable-Mahasemam Trust	-	275.00
(d) Insurance Proceeds payable to borrowers	-	14.50
(e) Payable for Purchase of Capital Asset	-	-
(f) Excess interest collected refundable to borrowers	-	-
Total	8.52	298.02

17 Provisions

Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Gratuity Payable (Refer Note 34)	-	109.10
(b) Provision for Compensated Absences (Refer Note 34)	-	314.93
(c) TDS Default payable	8.30	8.30
(d) Provision for Insurance Amount Receivable	-	74.55
(e) Provision for Slumpsale incentive	111.00	-
Total	119.30	506.88

18 Other non financial liabilities

Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. in lakhs	Amount Rs. in lakhs
(a) Statutory dues payable	34.71	69.65
(b) Others	7.92	79.89
(c) Advance from Northern Arc Capital	-	-
(d) Northern Arc Capital - Consideration	-	-
(e) Northern Arc Capital - Transfer	-	-
(f) Interest Payable A/c	2.05	-
Total	44.67	149.54



19 Equity Share Capital

Particulars	As at 31st March 2023		As at 31 March 2022	
	Number of shares	Amount Rs. In lakhs	Number of shares	Amount Rs. In lakhs
(a) Authorised Equity shares of Rs.10/- each	2,00,00,000	2,000.00	2,00,00,000	2,000.00
TOTAL	2,00,00,000	2,000	2,00,00,000	2,000
(b) Issued , Subscribed and Fully Paid Up Equity shares of Rs.10/- each	1,73,39,639	1,733.96	1,73,39,639	1,733.96
TOTAL	1,73,39,639	1,733.96	1,73,39,639	1,733.96

Notes:

(i) Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the reporting year

Equity Shares	As at 31st March 2023		As at 31 March 2022	
	Number of shares	Amount Rs. In lakhs	Number of shares	Amount Rs. In lakhs
At the beginning of the year	1,73,39,639	1,733.96	1,73,39,639	1,733.96
Issued during the year	-	-	-	-
Outstanding at the end of the year	1,73,39,639	1,734	1,73,39,639	1,734

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

Class of shares / Name of shareholder	As at 31st March 2023		As at 31 March 2022	
	Number of shares	Amount Rs. In lakhs	No of shares held	% holding in the class of shares
Equity Shares of Rs. 10 each DWM Investments (Cyprus) Limited	1,15,54,639	66.64%	1,15,54,639	66.64%

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

Class of shares / Name of shareholder	As at 31st March 2023		As at 31 March 2022	
	Number of shares	Amount Rs. In lakhs	No of shares held	% holding in the class of shares
Equity Shares of Rs. 10 each DWM Investments (Cyprus) Limited	1,15,54,639	66.64%	1,15,54,639	66.64%
Dr. S. Gurushankar	27,02,499	15.59%	27,02,499	15.59%

(iv) The Company has only one class of equity shares having a par value of Rs.10. Each holder is entitled to one vote per equity share. Dividends are paid in Indian Rupees.



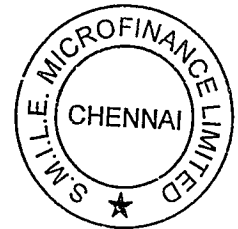
S.M.I.L.E Microfinance Limited

Notes forming part of the Financial Statements for the year ended 31st March 2023

20 Other Equity

Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Securities Premium Account	3,740.20	3,740.20
(b) Statutory Reserve	1,872.41	1,872.41
(c) Surplus in Statement of Profit and Loss	3,561.40	4,136.02
(d) Other Comprehensive Income (OCI)	31.32	31.32
Total	9,205.33	9,779.95

Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Securities Premium Account		
Opening balance	3,740.20	3,740.20
Add : Premium on shares issued during the year	-	-
Less : Utilised during the year	-	-
Closing Balance	3,740.20	3,740.20
(b) Statutory Reserve		
Opening balance	1,872.41	1,872.41
Add: Additions during the year	-	-
Less: Utilised / transferred during the year	-	-
Closing Balance	1,872.41	1,872.41
(c) Surplus in Statement of Profit and Loss		
Opening Balance	4,136.02	6,275.58
Add:(Loss)/ Profit for the year	(574.62)	(2,139.56)
Less:Transfer to Statutory Reserve	-	-
Closing Balance	3,561.40	4,136.02
(d) Other Comprehensive Income (OCI)		
Opening Balance	31.32	(11.14)
Add: Profit / (Loss) for the Year	-	42.46
Less:Transfer to Statutory Reserve	-	-
Closing Balance	31.32	31.32
TOTAL (a+b+c+d+e)	9,205.33	9,779.95



S.M.I.L.E Microfinance Limited

Notes forming part of the Financial Statements for the year ended 31st March 2023

21 Interest Income

Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Interest on Microfinance Loans	118.00	6,489.13
(b) Interest on deposits with Banks and Financial Institutions	329.74	268.81
	447.74	6,757.94

22 Net Gain on derecognition of Financial Instruments under amortised cost category

Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. In lakhs	Amount Rs. In lakhs
Net Gain on derecognition of Financial Instruments under amortised cost category	-	2.55
	-	2.55

23 Commission Income

Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. In lakhs	Amount Rs. In lakhs
Insurance commission		54.67
BC commission	-	12.43
	-	67.10

24 Other Operating Income

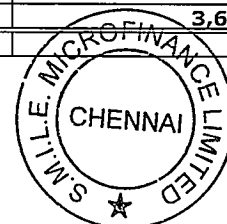
Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Loss Assets recovered	0.88	18.47
(b) Gain on sale of current investments in Mutual Funds	-	17.30
Total	0.88	35.77

25 Other Income

Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Profit on Sale of Property, Plant & Equipment		0.21
(b) Interest on Staff Loan	0.00	2.69
(c) Servicer Fee	-	1.00
(d) Incentive on Direct Assignment	-	-
(e) Miscellaneous income	0.71	13.08
(f) Income From IT Refund interest AY 2018-19	-	-
Total	0.71	16.98

26 Finance Cost

Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Interest on Borrowings		
- Term Loans from Banks	62.58	939.89
- Term Loans from NBFCs	16.20	1,425.20
- Cash Credit	-	8.72
(b) Interest on Debt Securities		
- Debentures	20.54	1,109.83
- Borrowings under securitisation arrangement	-	96.39
(c) Other Borrowing Costs		
- Processing Fees & Others	0.69	20.03
- Bank Charges	70.25	72.57
	170.26	3,672.63



S.M.I.L.E Microfinance Limited
Notes forming part of the Financial Statements for the year ended 31st March 2023

27 Impairment of financial instruments

Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. In lakhs	Amount Rs. In lakhs
Loans (Also refer Note 6.4)	(39.67)	1,666.05
Total	(39.67)	1,666.05
Less : Exceptional Item (Also Refer Note 50)		
Total	(39.67)	1,666.05

28 Employee Benefit Expenses

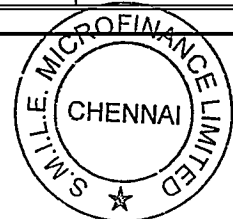
Particulars	As at 31st March 2023	As at 31 March 2022
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Salaries and Wages	188.41	2,514.47
(b) Contributions to Provident and Other Funds (Refer Note 34)	8.76	165.91
(c) Staff Welfare Expenses	2.77	114.03
Total	199.94	2,794.41

29 Other expenses

	As at 31st March 2023	As at 31 March 2022
	Amount Rs. In lakhs	Amount Rs. In lakhs
(a) Electricity	2.99	31.94
(b) Rent including Lease Rentals (Refer Note 33)	9.80	192.95
(c) Repairs and Maintenance - Building	0.40	12.25
(d) Repairs and Maintenance - Others	0.59	27.61
(e) Insurance	3.23	119.46
(f) Rates and Taxes	89.17	76.14
(g) Communication Expenses	2.36	61.49
(h) Travel and Conveyance	21.13	330.96
(i) Loss on sale of Property, Plant & equipment	-	-
(j) Printing and Stationery	0.97	24.72
(k) Directors' Sitting Fees	1.50	20.50
(l) Subscription Fees	-	1.82
(m) Corporate Social Responsibility (Refer Note 47)	-	28.04
(n) Legal and Professional Fees	448.45	175.12
(o) Software Costs	1.17	138.70
(p) Security Charges	-	7.20
(q) Customer welfare Expenses	-	0.67
(r) Meeting and Seminar Expenses	-	7.88
(s) Filing Fees	0.22	0.58
(t) Bad Debts written off	15.62	-
(u) Vehicle Maintenance	0.58	13.78
(v) Payments to Statutory Auditors' (net of input tax credit)		
- Statutory Audit	5.50	16.00
- Tax Audit	1.00	2.00
- Other Services (Limited Review and Certification)	2.00	1.00
(w) Slump sale incentive	111.00	-
(x) Miscellaneous Expenses	45.94	13.24
Total	763.63	1,304.05

30 Exceptional Item

	As at 31st March 2023	As at 31 March 2022
	Amount Rs. In lakhs	Amount Rs. In lakhs
Exceptional item	-	-
Total	-	-



34 Employee benefits

(For the year ended 31 March 2023: The Company has sold the microfinance undertaking on 12th April, 2022 on account of which there were only 2 employees on the payroll of the residual SMILE entity as on 31st March 2023 EOD. Hence, actuarial valuation not obtained)

34.1 Defined Contribution Plan

(a) The Company makes Provident and Pension Fund contributions, which is a defined contribution plan, for qualifying employees. Additionally, the Company also provides, for covered employees, health insurance through the Employee State Insurance scheme. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

(b) Expenses Recognised

(Amount Rs. In lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Contributions to provident and pension funds	4.88	130.76
Contributions to Employee State Insurance	1.39	35.15
Total	6.27	165.91

34.2 Compensated Absences

(Amount Rs. In lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Included under "Salaries & Wages" (Refer Note 28)	NA	(7.81)

(Amount Rs. In lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
(b) Net liability recognised in the Balance Sheet	NA	314.93
Current portion of the above	NA	130.49
Non - current portion of the above	NA	184.44

The Key Assumptions used in the computation of provision for compensated absences are as given below:

Particulars	As at 31 March 2023	As at 31 March 2022
Discount Rate (% p.a)	NA	6.84%
Future Salary Increase (% p.a)	NA	6.00%
Attrition rate:		
Upto 30 years	NA	27.00%
31 to 44 years	NA	9.40%
45 years and above	NA	1.00%

34.3 Defined Benefit Plans:

The Company operates a gratuity plan covering qualifying employees. The benefit payable is calculated as per the Payment of Gratuity Act, 1972 and the benefit vests upon completion of five years of continuous service and once vested it is payable to employees on retirement or on termination of employment. In case of death while in service, the gratuity is payable irrespective of vesting. The Company makes annual contribution to the group gratuity scheme administered by the Life Insurance Corporation of India.

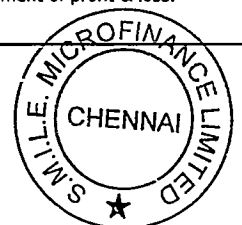
In respect of the plan, the most recent actuarial valuation of the plan assets and the present value of the defined benefit obligation were carried out as at 31 March 2021 by M/s KP Actuaries and Consultants, Fellow of the Institute of Actuaries of India. The present value of the defined benefit obligation, and the related current service cost and paid service cost, were measured using the projected unit cost credit method.

(a) Amount recognised in the statement of profit & loss in respect of the defined benefit plan are as follows :

(Amount Rs. In lakhs)

Particulars	For the year ended 31 March 2023	For the year ended 31 March 2022
Amounts recognised in statement of Profit & Loss in respect of these defined benefit plans are as follows:		
Service Cost		
- Current Service Cost	NA	59.30
- Past Service Cost	NA	-
- Net interest expense	NA	6.22
Components of defined benefit costs recognised in statement of profit or loss (A)	-	65.52
Actuarial (gain)/loss on Plan Obligations	NA	56.74
Difference between Actual Return and Interest Income on Plan Assets- (gain)/loss		-
Components of defined benefit costs recognised in other comprehensive income (B)	NA	(56.74)
Total	NA	8.78

(i) The current service cost and interest expense for the year are included in the Note 28 - Employee Benefit Expenses in the statement of profit & loss.
(ii) The remeasurement of the net defined benefit liability is included in other comprehensive income.



(b) The amount included in the balance sheet arising from the entity's obligation in respect of defined benefit plan is as follows :
(Amount Rs. In lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
I. Net Asset/(Liability) recognised in the Balance Sheet		
Present value of defined benefit obligation	NA	437.41
Fair value of plan assets	NA	328.30
Net Asset/(Liability) recognised in the Balance Sheet	NA	(109.11)
Current portion of the above	NA	-
Non current portion of the above	NA	(109.11)

(c) Movement in the present value of the defined benefit obligation are as follows :

Particulars	(Amount Rs. In lakhs)	
	For the year ended 31 March 2023	For the year ended 31 March 2022
Change in the obligation during the year ended		
Present value of defined benefit obligation at the beginning of the year	NA	454.03
Expenses Recognised in Profit and Loss Account		
- Current Service Cost	NA	59.30
- Past Service Cost		-
- Interest Expense (Income)	NA	28.13
Remeasurement gains / (losses)		
- Effect of Changes in demographic Assumptions	NA	(12.63)
- Effect of Changes in Financial Assumptions	NA	(92.12)
- Effect of Experience Adjustments	NA	48.01
Benefit payments	NA	(47.31)
Present value of defined benefit obligation at the end of the year	NA	437.40

(d) Movement in fair value of plan assets are as follows :

Particulars	(Amount Rs. In lakhs)	
	For the year ended 31 March 2023	For the year ended 31 March 2022
Change in fair value of assets during the year		
Fair value of plan assets at the beginning of the year	NA	353.70
Expenses Recognised in Profit and Loss Account		
- Expected return on plan assets	NA	21.91
Remeasurement gains / (losses)		
- Actuarial gains/(loss) arising from changes in financial assumptions		-
Contributions by employer (including benefit payments recoverable)		-
Benefit payments	NA	(47.31)
Fair value of plan assets at the end of the year	NA	328.30

(e) The fair value of plan assets for India at the end of the reporting year for each category are as follows :
(Amount Rs. In lakhs)

Particulars	As at 31 March 2023	As at 31 March 2022
Investment Funds with Insurance Company		
- Life Insurance Corporation of India	19.19	328.30

(i) The plan assets comprise insurer managed funds. None of the assets carry a quoted market price in active market or represent the entity's own transferable financial instruments or property occupied by the entity.

(f) The principal assumptions used for the purpose of actuarial valuation were as follows :

Investment Risk:

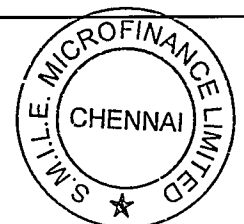
The present value of defined benefit plan liability is calculated using a discount rate which is determined by reference to the prevailing market yields of Indian government securities as at the balance sheet date for the estimated term of the obligations.

Interest Risk:

A decrease in the yield of Indian government securities will increase the plan liability.

Longevity Risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the plan participants will increase the plan's liability.



Salary Risk:

The present value of the defined benefit plan liability is calculated by reference to the future salaries. In particular, there is a risk for the Company that any adverse salary growth can result in an increase in cost of providing these benefits to employees in future.

The principal assumptions used for the purpose of actuarial valuation were as follows :

Particulars	As at 31 March 2023	As at 31 March 2022
Discount rate	NA	6.85%
Expected rate of salary increase	NA	6.00%
Withdrawal Rate		
Upto grade of Branch Managers	NA	0.00%
Above grade of Branch Managers	NA	0.00%
Upto 30 years	NA	27.00%
31 to 44 years	NA	9.40%
45 years and above	NA	1.00%
Mortality	NA	100% of IALM 2012-14

1. The discount rate is based on the prevailing market yields of Indian Government securities as at balance sheet date for the estimated term of the obligation.
2. The estimates of future salary increases considered takes into account the inflation, seniority, promotion and other relevant factors.
3. In order to protect the capital and optimize returns within acceptable risk parameters, the plan assets are maintained with an Insurer managed fund (maintained by the Life Insurance Corporation ("LIC")) and is well diversified.

Sensitivity Analysis

The benefit obligation results of a such a scheme are particularly sensitive to discount rate, longevity risk, salary growth and employee attrition, if the plan provision do provide for such increases on commencement of pension.

The following table summarizes the impact in financial terms on the reported defined benefit obligation at the end of the reporting period arising on account changes in these four key parameters:

(Amount Rs. In lakhs)

Impact on the Defined benefit Obligation	As at 31 March 2023	As at 31 March 2022
(a) Discount Rate		
- Increase by 1%	NA	398.92
- Decrease by 1%	NA	482.72
(b) Salary Growth Rate		
- Increase by 1%	NA	482.62
- Decrease by 1%	NA	398.29
(c) Withdrawal Rate		
- Increase by 50%	NA	438.53
- Decrease by 50%	NA	434.12
(d) Mortality Rate		
- Increase by 10%	NA	437.49
- Decrease by 10%	NA	437.31

These sensitivities have been calculated to show the movement in defined benefit obligation in isolation and assuming there are no other changes in market conditions at the accounting date. The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

Furthermore in presenting the above sensitivity analysis the present value of defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period which is the same as that applied in calculating the defined benefit obligation liability recognised in the balance sheet.

There is no change in the methods and assumptions used in preparing the sensitivity analysis from the prior years.

(h) Effect of Plan on Entity's Future Cash Flows

(i) Maturity profile of defined benefit obligation:

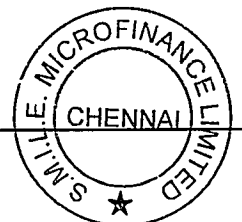
Expected cash flows over the next (valued on undiscounted basis):	Amount in Rs. In lakhs
Within 1 year	NA
2 to 5 years	NA
6 to 10 years	NA
More than 10 years	NA

(i) Experience Adjustments *

(Amount Rs. In lakhs)

Experience Adjustments	For the year ended 31 March 2023	For the year ended 31 March 2022
Defined Benefit Obligation	NA	437.41
Fair value of plan assets	NA	328.30
Surplus/(Deficit)	NA	(109.11)
Experience adjustment on plan liabilities [(Gain)/Loss]	NA	56.74
Experience adjustment on plan assets [Gain]/(Loss)]	-	-

* Experience adjustments related to prior years have been disclosed based on the information to the extent available.



S.M.I.L.E. Microfinance Limited
Notes forming part of the financial statements for the year ended 31 March 2023

35 Related Party Transactions

35.1 Names of Related Parties and Nature of Relationship

Description of Relationship	As at 31 March 2023	As at 31 March 2022
Holding Company	DWM Investments (Cyprus) Limited	DWM Investments (Cyprus) Limited
Key Managerial Personnel of the Company	Mr. Murali Srinivas Managing Director (Resigned w.e.f. 31st March, 2023 EOD)	Mr. Murali Srinivas Managing Director and CEO
	-	Mr. R Venkatasubramanian Company Secretary Resigned w.e.f. 31st March 2022
	Mr. Prabakaran Thangavelu Chief Financial Officer	Mr. Prabakaran Thangavelu Chief Financial Officer
Directors	-	Mr. Suresh Kodihalli Krishna
	-	Mr. Rajan Samuel
	Mr. Aleem Remtula	Mr. Aleem Remtula
	Mr. Bradley Swanson	Mr. Bradley Swanson
	-	Mrs. Indrani Bhagwan Singh
	Mr. V S Padmanaban	Mr. V S Padmanaban
	-	Ms. Aparna Sharma

Note: Related party relationships are as identified by the Management and relied upon by auditors

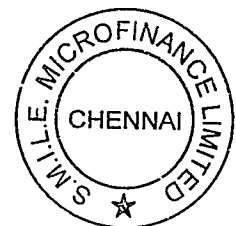
35.2 Transactions with the Related Parties

(Amount Rs. In lakhs)

Transaction	Related Party	For the Year Ended 31 March 2023	For the Year Ended 31 March 2022
Remuneration to Key Managerial Personnel	Mr. Murali Srinivas Managing Director (Resigned w.e.f. 31st March 2023 EOD)	48.23	62.52
	Mr. Prabakaran Thangavelu Chief Financial Officer	37.59	37.22
	Mr. R Venkatasubramanian Company Secretary (Resigned w.e.f. 31st March 2022 EOD)	-	18.50
Sitting Fees	Mr. Suresh Kodihalli Krishna	-	1.50
	Mr. Rajan Samuel (Resigned w.e.f. 30th September 2022 EOD)	0.50	6.00
	Mrs. Indrani Bhagwan Singh (Resigned w.e.f. 12th December 2022 EOD)	-	4.50
	Mr. V S Padmanaban	0.50	3.75
	Mrs. Aparana Narendra Sharma (Resigned w.e.f. 12th September 2022 EOD)	0.50	4.75

Note:

- (a) The Company accounts for costs incurred by / on behalf of the Related Parties based on the actual invoices / debit notes
(b) The above compensation to key management personnel excludes gratuity and compensated absences which cannot be separately identified from the composite amount advised by the actuary.



Notes to Accounts

49. Disclosures as per Notification dated 24th March 2021

Pursant to the notification dated 24th March 2021 the following disclosures are being made

- 1) The Company has filed stock statements in all cases duly verified by CA and other applicable returns and statements as required by the lenders wherever applicable
- 2) The Company has filed/satisfied the charges with ROC within the Stipulated timelines wherever applicable
- 3) All other disclosure not applicable

50. (i) Expenditure incurred in Foreign Currency

Particulars	For the year ended 31 March 2023 Amount in Rs.	For the year ended 31 March 2022 Amount in Rs.
Reimbursement of Travelling Expenses	-	-

(ii) The Company did not have any unhedged Foreign currency exposure as at 31 March 2021 and 31 March 2020 and the Company did not have any derivatives.

51. Slump Sale – During the year, the Microfinance business of the Company has been sold pursuant to the Business Transfer Agreement to another NBFC viz., Northern Arc Capital Limited and the deal was closed on 12th April, 2022 for a Net consideration of Rs 111.62 Crores (Rs. 3.37 Crores reduced from agreed consideration of Rs 115 Crores). Consequently, Company is not having any operating activities since 13th April, 2022.

The company has not engaged in any business since 13th April, 2022 and the only source of income is fixed deposit interest.

52. In the opinion of the Management, Capital gains would not arise on slump sale on transfer of business undertaking for a Net consideration of Rs.111.62 crores (Agreed consideration of Rs. 115 crores) as the ECL provision at Rs. 50.16 is not considered for Income tax purpose resulting in a Capital Loss.

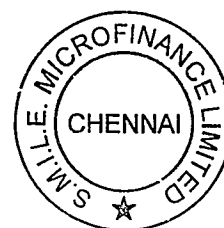
53. The Company has made a provision for Expected Credit Loss as per unaudited financial statements as on 12th April 2022 based on the management's estimate in accordance with Ind AS which works out to Rs. 50.16 Crores. The Microfinance business has been discontinued with effect from 13th April, 2022.

54. The Company has entered into a Business Correspondent Agreement with Northern Arc Capital Ltd., on 1st February 2022 whereby the company sourced borrowers to Northern Arc Capital Limited and acted as servicer for the loans and charged service fee on the processing fee collected and interest collected on such loans. The Agreement was



terminated effective from 12th April, 2022, when the Company sold the microfinance business assets and liabilities to Northern Arc Capital.

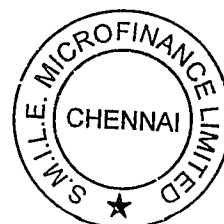
55. There are instances where the company had sanctioned fresh loans to borrowers which are utilized for credit in the then existing NPA accounts towards repayment which is reported in the RBI Risk Assessment Report dated 4th March 2022. However, the Company has sold the microfinance business and has not engaged in business since 13th April, 2022.
56. There was a second wave of COVID-19 during April 2021 to June 2021 and regional lock downs were imposed and were relaxed gradually and conditions improved subsequently. Consequently, company's management took a decision to grant deferment of collection of principal and interest to all its borrowers for the period May 2021 and June 2021 and has not considered this period for NPA Classification purposes. The company had granted this benefit based on the approval of MD & CEO pending ratification of the Board of Directors. The purchase consideration received towards slump sale is inclusive of the loan portfolio which has since been realized.
57. Prior to 1st April, 2022, there are cases where the Company has disbursed loans to borrowers who do not meet the eligibility criteria as per the RBI Master Directions for NBFC-MFIs. and has disbursed loans to borrowers whose total indebtedness is more than Rs. 1,25,000 and to borrowers who has household annual income is more than Rs. 1,25,000 in rural areas and Rs. 2,00,000 in semi urban and urban areas. The Company has not disbursed any loans since 1st April, 2022. The Company has sold the microfinance business undertaking to Northern Arc Capital Ltd., and has not engaged in business since 13th April, 2022.
58. In pursuant to section 124 of the Companies Act, 2013, the company has not transferred the unpaid or unclaimed dividend amount remains unpaid for a period of 7 years. However, the company has not complied with the above provision, due to the case filed against the Company and the "Status Quo" order of the High Court of Madras and the Supreme Court, Board meetings could not be conducted to pass necessary resolutions and to proceed with the necessary actions to transfer the unclaimed dividend to IEPF account. However, after receipt of the favorable judgment order from the Hon'ble High Court of Madras, the Company has initiated the process of transfer to IEPF and has sent intimation to the shareholders as required under the Act. Transfer to IEPF will be completed by 31st August, 2023.



59. The Company has filed with delay the annual return and other forms for the financial year 2021-22 as mandated by Companies Act, 2013. This was due to the status quo order of the Hon'ble High Court of Madras, resulting in conduct of AGM with delay on 9th May, 2023. The Company has not appointed a whole-time company secretary at present. The Company has also not appointed an Internal Auditor since 30th April 2022 as the company has sold its microfinance business undertaking. As on 31.03.2023, the company has not appointed any Independent Director which is a non-compliance as per section 149(4) of the Companies Act, 2013. However, the Company has taken steps to appoint Company Secretary and Independent Director by way of posting vacancy in website
60. The Company is in non-compliance with section 177 of Companies Act, 2013, as the company has not appointed minimum number of Independent Directors for Audit Committee and has not conducted the meetings during the year. However, the Company has taken steps to appoint Company Secretary and Independent Director by way of publishing advertisement in Local newspaper
61. As per section 173 of the Companies Act, 2013, a minimum number of 4 meetings of its board of directors is required to be held every year in such a manner that not more than 120 days shall intervene between two consecutive meetings of the Board. However, due to the case filed against the Company and the "Status Quo" order of the High Court of Madras and the Supreme Court, Board meetings could not be conducted as per the requirement.
62. The Company could not conduct the Annual General Meeting of the Shareholders (AGM) till the extended date of 31st December, 2022 in view of the case that was pending before the Hon'ble Madras High Court. The Court has since passed orders in favour of the Company. Subsequently, the Company has conducted the AGM on 9th May, 2023. The Company will submit the compounding application to the RoC for the delay.
63. The company has filed with delay the Annual return (FORM GST-9 and 9C) for the financial year ended 31st March 2022 as required by GST Rules, 2017 and the company has surrendered the GST registration for the States (Kerala and Pondicherry) but has filed with delay GSTR-10.
64. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value asset. Currently, the company has only one short-term lease, recognizes the lease payments associated with these leases as an expense over the lease term.



65. The Company has recognized rental expense up to 12.03.2023 as per the rental agreement but after the said period the rental Expense has been booked based on the expired rental agreement. However, the Company has initiated the procedure to execute the rental agreement.
66. Interest accrued and due and not paid by the borrowers has been arrived at based on the system generated report and difference between the interest accrued and due and not paid as per the portfolio dump and the system generated report is being reconciled. The income till the date of sale of microfinance business undertaking, till 12th April, 2022 has been recognized as per the Software Generated Report as a conservative measure.
67. The company has not made accounting treatment and disclosure for employee benefits as required by Ind AS 19. The Company has transferred all its Liabilities in relation to its employees to Northern Arc Capital Ltd as per the Business transfer Agreement and the Company has not obtained Actuarial valuation as the liability relates only to the residual employees which is immaterial as at 31st March 2023.
68. The management has created a provision for the incentive of 1% of Slump Sale Consideration for the senior management staff as per the approval obtained at AGM conducted on 09th May, 2023.
69. Litigations:
- (a) (i) A case has been filed by Dr. Rajam Sethuraman & 2 others. The Main Suit as it stands today is not maintainable as against the first defendant Trust in as much as the leave under Clause 12 of the Letters Patent was not obtained.
- (ii) A case has been filed by J. Mohammed Nazir and M. Rabia Banu (in the case mentioned in (i) above), for restraining the Company from obtaining cancellation of the NBFC-MFI Registration Certificate from the Reserve Bank of India and initiating voluntary liquidation process pursuant to the Business Transfer Agreement entered into between the company and Northern Arc Capital Limited. The case was dismissed by the Hon'ble Madras High Court on 09-03-2023.
- (b) Civil suit OS No. 7 of 2016 filed by M/s Fathi software Pvt Ltd before Madurai district court. This civil suit is pending in the District court since 2016. The Company has filed CRP(MD) 176 of 2023 before the Hon'ble Madurai branch of High Court of Madras seeking to quash the Civil suit and to stay the proceedings in District court, Madurai as the petitioner in OS 7 of 2016 does not have locus standi to continue the suit on the basis that the Company was struck off by the Registrar of Companies since 2017 and the Petitioners have been hiding the facts and continuing the suit in the lower court. This CRP is pending with Madurai branch of Madras High Court.





(c) The Company's vehicle met with an accident on Chennai-Trichy GST road and a pedestrian was fatally hit while crossing the road. The family members of the deceased have claimed Rs. 50 lakhs. It is believed that there will be no claim or liability arising on the company in the final judgement as the vehicle was fully insured on the date of accident and hence the insurance company may have to pay the compensation as may be ordered by the court.

(d) For the Assessment Year 2017-18, there is an Income Tax demand of Rs.1.31 Cr approx., relating to demonetized currency notes deposited in to bank accounts (being loan collections from borrowers) – Tax WRIT petition pending before the Madurai branch of High Court of Madras. An amount of Rs.10 lakh deposited by the Company as per the Court orders.

70. Disclosure pursuant to RBI Notification – RBI/2020-21/17 DOR.No.BP.BC/4/21.04.048/2020-21 dated August 06, 2020 ("Resolution Framework for Covid-19 Related stress") is not applicable as the Company has not restructured any loan accounts during the previous year.
71. Disclosure pursuant to RBI Notification – RBI/2020-21/31 DOR.STR.REC.11 /21.04.048/2021-22 dated 5th May 2021 Resolution Framework – 2.0: Resolution of Covid-19 Related stress of Individuals and Small Business is not applicable as the Company has not restructured any loan accounts during the year.
72. Previous year's figures have been regrouped/ reclassified wherever necessary, to correspond with the current year's classification/disclosure.

In terms of our report of even date attached
Chartered Accountants
Firm Reg. No.: 0047215




P.B. Santhanakrishnan
Partner
M.No.020309

Place : Chennai
Date: 24-May-2023

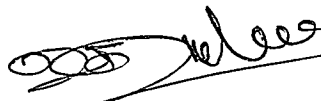
For and on behalf of the Board of Directors of
S.M.I.L.E. Microfinance Limited


Aleem Remtula
Director
DIN – 02872107

Place : New York, USA
Date: 24-May-2023


J Bradley Swanson
Director
DIN – 02872123

Place :
Date: 24-May-2023


V.T. Prabakaran
Chief Financial Officer
PAN - AKOPP2826M

Place : Chennai
Date: 24-May-2023

