

BOARD'S REPORT

To the Members,

Overview

The Company was originally incorporated as Ujjivan Financial Services Private Limited on December 28, 2004 at Bengaluru, Karnataka, India as a private limited company under the Companies Act, 1956. Pursuant to a certificate issued by the Reserve Bank of India ("RBI") on October 31, 2005, the Company was permitted to commence operations as a non-banking financial company ("NBFC") under section 45 IA of the Reserve Bank of India Act, 1934. Since financial year 2008-09, the Company has been classified as a systemically important non-deposit accepting NBFC. Pursuant to the RBI introduction of a new category of NBFC-Micro Finance Institution vide its circular BI/2013-14/49 DNBS.(PD)CC.No. 347 /03.10.38/2013-14 dated July 01, 2013, the Company was granted NBFC-Microfinance Institution ("NBFC-MFI") status by the RBI on September 5, 2013. Subsequently, the Company was converted into a public limited company pursuant to a special resolution passed by its Shareholders at the extraordinary general meeting ("EGM") held on November 3, 2015 and the name of the Company was changed to Ujjivan Financial Services Limited. A fresh certificate of incorporation consequent upon conversion to a public limited company was issued by the Registrar of Companies, Bangalore, Karnataka ("ROC") on November 26, 2015. Subsequently, a fresh certificate of NBFC-MFI registration consequent upon the change of name of the Company was issued by the RBI on March 4, 2016.

The Company has converted from an NBFC-MFI to NBFC-Non Deposit taking Systematically Important Core Investment Company (NBFC-ND-SI-CIC) and received a fresh certificate of registration dated October 10, 2017 from the RBI; the conversion was done pursuant to the conditions prescribed by the RBI in their license letter dated November 11, 2016 for setting up a Small Finance Bank.

Ujjivan Small Finance Bank Limited' (the wholly owned subsidiary of the Company) which commenced its small finance bank operations in February 2017 has been included in the Second Schedule to the Reserve Bank of India Act, 1934 vide Official Gazette Notification on August 25, 2017. This has granted the 'Scheduled Bank' status to 'Ujjivan Small Finance Bank Limited' from the date of the notification.

1. Financial Results

The Directors' submit the Annual Report of Ujjivan Financial Services Limited (the "Company" or "Ujjivan") along with the audited financial statements for the financial year (FY) ended March 31, 2018.

(Rs. in Crores)

Particulars	Standalone		Consolidated	
	FY 2017-18	FY 2016-17*	FY 2017-18	FY 2016-17
Operating Income	0.00	1,145.53	1,443.36	1,349.37
Other Income	7.74	42.00	138.34	48.25
Total Income	7.74	1,187.53	1,581.70	1,397.62
Less: Operational Expenses				
Personnel Expenses	1.52	220.87	366.45	271.62
Administrative Expenses	3.21	134.85	246.32	173.80
Finance Charges	0.01	432.76	604.90	542.72
Depreciation	0.01	7.53	41.38	12.63
Provision For Doubtful Debts	0.00	70.68	310.81	75.12
Total Operational Expenses	4.75	866.68	1,569.86	1,075.89
Profit/(Loss) Before Tax	2.99	320.85	11.83	321.74
Less: Income tax	2.56	135.54	33.88	136.96
Less Deferred tax	0.004	(22.33)	(29.33)	(22.90)
Profit/(Loss) After Tax	0.42	207.64	7.28	207.67

* includes the numbers for both discontinued as well as continued operations.

2. Dividend

In accordance with the Dividend Distribution Policy adopted by the Board in its meeting held on April 27, 2017 and in continuation to the dividend payment track record of the Company, the directors are pleased to recommend for approval of the members a dividend of Rs. 0.50 per equity share for the FY 2017-18.

The Board has recommended the aforesaid dividend out of the accumulated profits earned by it in the previous financial years and transferred to free reserves and it is in accordance with the Companies (Declaration and Payment of Dividend) Rules, 2014.

The aforesaid dividend, if approved by the shareholders would involve a cash outflow of ~ Rs. 7.2 Crores (including dividend distribution tax).

3. Transfer to reserves

The Company transferred Rs. 8.38 lacs to Statutory Reserves. Transfer of 20% of the Profit after Tax to the statutory reserves in accordance with the provisions of section 45 – IC Reserve Bank of India Act, 1934.

4. Credit Rating

The Company has zero debt; hence no rating has been obtained from any rating agencies during the year.

5. Capital Requirements

Adjusted Net Worth of a CIC-ND-SI shall at no point of time be less than 30% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items as on the date of the last audited balance sheet as at the end of the financial year as per RBI CIC Master Directions.

The Company as of March 31, 2018 is in compliance with the capital requirements and all other mandatory ratios as required under RBI CIC Master Directions.

6. Corporate Governance and Management Discussion and Analysis Report

In accordance with SEBI LODR Regulations, Management Discussion and Analysis Report and Corporate Governance Report together with the Certificate thereon from the Independent Practicing Company Secretary is provided separately and forms part of this Directors' Report.

7. Extract of Annual Return

In accordance with Section 134(3)(a) of the Companies Act, 2013, an extract of the Annual Return in the prescribed format (MGT-9) is appended as "*Annexure 1*" to the Board's Report.

8. Business Responsibility Reporting

The Board of the Company in its meeting held on May 10, 2018 has approved the Business Responsibility Report ("BRR") of the Company as stipulated under Regulation 34 (as amended) of SEBI Listing Regulations which mandates that top 500 listed companies based on market capitalization as on March 31 should include its BRR in its Annual Report. The Company is ranked 391 in the list as on March 31, 2018.

As a green initiative, a copy of the BRR has been hosted on the website of the Company at www.ujjivan.com and can be accessed from the link below http://ujjivan.com/html/ujjivan_policies.php

9. No. of Meetings of the Board during the FY 2017-18

During the Financial Year 2017-18, our Board has met 5 (five) times and the meetings of our Board of Directors were held on April 27, 2017, August 03, 2017, November 02, 2017, February 05, 2018 and March 28, 2018. For further details, please refer to the Corporate Governance Report, which forms part of this report.

10. Appointment / Reappointments

The Board accepted the resignation of Ms. Sudha Suresh from her position of Managing Director and Chief Executive Officer effective from June 30, 2018. Based on the recommendation of the Nomination and Remuneration Committee, the Board has appointed Mr. Ittira Davis (DIN: 06442816) as the Managing Director and Chief Executive Officer on the Board of the Company with effect from July 01, 2018 subject to the approval of the Reserve Bank of India and the Members of the Company. Please refer item no. 4 of the 14th AGM Notice for further details. Our application is pending with the Reserve Bank of India. The Board hereby recommends his appointment.

As per the provisions of the Companies Act, 2013, Mr. Jayanta Basu (DIN: 01268046) retires by rotation at the ensuing 14th AGM and being eligible, seeks his appointment. The Board recommends his appointment. Please refer the item no. 3 of the 14th AGM Notice for further details.

11. Directors' Responsibility Statement

Pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors of the Company confirms and state that:

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) they have 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;
- (iii) they have 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;
- (iv) they have prepared the annual accounts on a going concern basis;
- (v) they have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively; and
- (vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Based on the framework of internal financial controls and compliance systems established and maintained by the Company, audit of internal financial controls and the reviews performed by management and the risk management and audit committee of the board, the board is of the opinion that the Company's internal financial controls were adequate and effective during the FY 2017-18.

12. Declaration by Independent Directors

The Company has received necessary declarations of independence from each of its Independent Directors under section 149(7) of the Companies Act, 2013, that he/she meets the criteria of independent director envisaged in section 149 (6) of the Companies Act, 2013.

All Independent Directors have submitted the declaration of Independence, as required pursuant to Section 149(7) of the Act, stating that they meet the criteria of Independence as provided in section 149(6) of the Companies Act, 2013 and are not disqualified from continuing as Independent Directors.

13. Nomination and Remuneration Policy

The Company pursuant to the provisions of Section 178 of the Companies Act, 2013 has formulated and adopted a nomination and remuneration policy which is disclosed on our website at the below link - http://ujjivan.com/html/ujjivan_policies.php

14. Statutory Auditors

M/s Price Waterhouse Chartered Accountants LLP (FRN: 012754N/N500016), were appointed at the 13th Annual General Meeting as the Statutory Auditors of the Company for five years till the conclusion of the 18th Annual General Meeting of the Company. They have confirmed their eligibility for the FY 2018-19 under Section 141 of the Companies Act, 2013 and the Rules framed thereunder. The Companies Amendment Act, 2017 has omitted the requirement of ratification of the appointment of statutory auditors at every annual general meeting; the relevant amendment made effective on May 07, 2018. Hence the ratification of appointment of Statutory Auditors at the ensuing 14th AGM is not required.

15. Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made –

(i) Statutory Auditor's Report

There are no disqualifications, reservations, adverse remarks or disclaimers in the auditor's report

(ii) By the Company Secretary in practice in his secretarial audit report;

Secretarial Auditor

Mr. K. Jayachandran, Practicing Company Secretary (ACS No. 11309 and Certificate of Practice No. 4031) was appointed as the Secretarial Auditor of the Company to conduct secretarial audit of the Company for the Financial Year 2017-18 as required under Section 204 of the Companies Act, 2013 and the Rules made thereunder. The secretarial audit report for FY 2017-18 is appended as "Annexure 2" to the Board's Report.

The Secretarial Audit Report does not contain any qualification, reservation or adverse remark made by the Secretarial Auditor.

16. Particulars of loans, guarantees or investments under Section 186

The Company has not given any loans and guarantees to any-body corporate and has not made any investment under Section 186.

17. Transaction with related parties

Pursuant to Section 134(3)(h) of the Act read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no transactions to be reported under Section 188(1) of the Act in Form AOC-2.

There were no contracts or arrangements or transactions entered into during the year ended March 31, 2018, which were not at arm's length basis.

Your Directors draw attention of the members to Note 19.3 to the Financial Statements which sets out other related party disclosures.

All Related Party Transactions as required under Accounting Standards AS-18 are reported in Note 19.3 - Notes to Accounts of the Standalone financial statements of the Company.

18. The state of the Company's affairs

The Company is registered with RBI as a NBFC-ND-SI-CIC and received a certificate of registration on October 10, 2017. The Company is in compliance with the conditions of the Master Direction - Core Investment Companies (Reserve Bank) Directions, 2016 as amended. Prior to its conversion to a Core Investment Company, the Company was one of the largest microfinance institutions in the country. The conversion was done based on the stipulation of the Reserve Bank of India.

19. Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report;

None

20. The conservation of energy, technology absorption, foreign exchange earnings and outgo, in the manner as prescribed in Rule 8(3) of the Companies (Accounts) Rules, 2014

Conservation of energy and technology absorption

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

The Foreign Exchange earnings and outgo

There was no Foreign Exchange inflow and outflow during the year.

21. Development and implementation of risk management policy

The Company is a non-operating holding Company and its main objects are to carry on the business of making investments in group company(ies) in the form of securities and providing guarantees etc. and to carry on financial activities, whether in India or outside, in the nature of investment in bank deposits, money market instruments (including money market mutual funds and liquid mutual funds), government securities, and to carry on such other activities as may be permitted and prescribed by the relevant statutory authorities for core investment companies from time to time.

As a Core Investment Company with a key investment in the bank which is our 100% subsidiary, The Company's Board has an oversight function of USFB. We have entered into a Memorandum of Understanding (MoU) which includes sharing of information related to business and performance of SFB, with the Company and to its Board, to facilitate effective oversight and compliance with statutory and regulatory requirements under SEBI Listing Regulations. Thus a set of information including monthly and quarterly business and regulatory reports and returns, Board and committee meeting related minutes and other information is systematically shared by the bank and reviewed by the Board of the Company.

USFB has a Risk Management Committee in place which consists of well experienced Directors from diverse background who bring in the best risk practices to the organization and that the Committee of the bank reviews its risk management framework and verifies adherence to various risk parameters and compliances.

The Company is satisfied that its wholly owned subsidiary has a well-defined risk management strategy based on clear understanding of various risks, disciplined risk assessment and continuous monitoring.

The risk management Committee of the subsidiary approves and makes recommendations to its Board regarding all its risk-related responsibilities, including the review of major risk management and regulatory compliances.

The Audit Committee and the Board of the Company periodically reviews the risk management practices adopted by the Company and its subsidiary and evaluates its effectiveness.

The Company has in place an effective risk management policy which highlights the functions, implementation and the role of the committee and the board.

22. Corporate Social Responsibility

The Corporate Social Responsibility (CSR) programs were started by the Company in the year 2010 much before it was made mandatory under the Companies Act, 2013.

During the year, the Company has partnered with Parinaam Foundation and Piramal Foundation to undertake various community development programs, free healthcare and clean drinking water facility for and on behalf of the Company. Please refer the separate section on Corporate Social Responsibility in the annual report for a detailed write up on the CSR activities of the Company during the year.

A brief outline of the company's CSR policy is disclosed on our website at the below link- http://ujjivan.com/html/ujjivan_policies.php

The initiatives undertaken by the Company on CSR activities are out in "Annexure 3" of the Board's Report in the format prescribed in the Companies (Corporate Social Responsibility Policy) Rules, 2014. For other details regarding the CSR Committee, please refer to the Corporate Governance Report, which forms part of the Board's Report.

23. Board Evaluation

The board of directors has carried out an annual evaluation of its own performance, board committees and individual directors pursuant to the provisions of the Companies Act, 2013 and the corporate governance requirements as prescribed by Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 ("SEBI Listing Regulations") and SEBI guidance note on Board Evaluation.

Performance evaluation criteria for Board, Committees of the Board and Directors were approved by the Nomination Committee of the Board at its meeting held on March 28, 2018. Evaluation formats and criteria of evaluation duly incorporated the criteria and other parameters as suggested by SEBI vide their guidance note on evaluation through their circular dated January 05, 2017.

The Board was evaluated comprehensively on the following broad categories:

- Structure of the Board - Competency, Experience and Qualifications of directors, Diversity in Board under various parameters, Appointment Process
- Meetings of the Board - Regularity of meetings and adequacy, discussions and recording of dissent, if any.
- Recording of minutes, dissemination of information
- Functions of the Board - Role and responsibilities of the Board
- Strategy and performance evaluation
- Evaluation of Risks
- Grievance redressal for Investors
- Management of Conflict of interest
- Stakeholder value and responsibility
- Corporate culture and values
- Facilitation of independent directors
- Evaluation of performance of the management and feedback
- Independence of the management from the Board
- Access of the management to the Board and Board access to the management
- Secretarial support and fund availability for conducting its meeting effectively
- Succession planning
- Professional development
- Board Candor, Collegiality, Transparency and Board Education
- Ethics & Compliance

The performance of the board was evaluated by the board after seeking inputs from all the directors on each of the above parameters of evaluation and the performance of the committees was evaluated by the board after seeking inputs from the committee members on the basis of the above parameters of evaluation.

Performance Evaluation of the Directors

The board and the nomination and remuneration committee reviewed the performance of the individual directors on the basis of the criteria such as the contribution of the individual director to the board and committee meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc. In addition, the chairman was also evaluated on the key aspects of his role.

Evaluation of the Board Committees

The Board evaluated the performance of each of the Board Committees on the following broad categories:

- Mandate and composition
- Effectiveness of the Committee
- Structure of the Committee, its functioning and attendance
- Discussion, quality of agenda and action taken report
- Independence of the Committee from the Board
- Contribution of the Committees to the decisions taken by the Board
- Functioning of the committee in accordance with the terms of reference

The Board opined that the Board Committees' composition, structure, processes and working procedures are well laid down and that the Board Committees members have adequate expertise drawn from diverse functions, industries and business and bring specific competencies relevant to the Company's business and operations.

Independent Directors' Evaluation of Non-Independent Directors

In a separate meeting of independent directors held on March 28, 2018, performance of non-independent directors, performance of the board as a whole and performance of the chairman was evaluated, taking into account the views of executive directors and non-executive directors. The Independent Directors also assessed the quality, quantity and timeliness of flow of information between the Company management and the Board.

Performance evaluation of independent directors was done by the entire board, excluding the independent director being evaluated.

24. Details as required under Rule 8 of the Companies (Accounts) Rules, 2014

(i) The financial summary or highlights:

(Rs. in Crores)

Particulars	Standalone		Consolidated	
	FY 2017-18	FY 2016-17*	FY 2017-18	FY 2016-17
Operating Income	0.00	1,145.53	1,443.36	1,349.37
Other Income	7.74	42.00	138.34	48.25
Total Income	7.74	1,187.53	1,581.70	1,397.62
Less: Operational Expenses				
Personnel Expenses	1.52	220.87	366.45	271.62
Administrative Expenses	3.21	134.85	246.32	173.80
Finance Charges	0.01	432.76	604.90	542.72
Depreciation	0.01	7.53	41.38	12.63
Provision For Doubtful Debts	0.00	70.68	310.81	75.12
Total Operational Expenses	4.75	866.68	1,569.86	1,075.89
Profit/(Loss) Before Tax	2.99	320.85	11.83	321.74
Less: Income tax	2.56	135.54	33.88	136.96
Less Deferred tax	0.004	(22.33)	(29.33)	(22.90)
Profit/(Loss) After Tax	0.42	207.64	7.28	207.67

* includes the numbers for both discontinued as well as continued operations.

➤ **Strategic Highlights:**

- Receipt of fresh certificate of registration on October 10, 2017 from the RBI for operating as a NBFC-Core Investment Company.
- The wholly owned subsidiary 'Ujjivan Small Finance Bank' was included in the Second Schedule to the Reserve Bank of India Act, 1934 vide Official Gazette Notification on August 25, 2017. This has granted the 'Scheduled Bank' status to 'Ujjivan Small Finance Bank Limited' from the date of the notification

➤ **Key Performance Highlights of the Wholly owned subsidiary 'Ujjivan Small Finance Bank Limited'**

- Successfully emerged from shadows of demonetization and stabilized its business
- Stabilized portfolio quality and contained credit cost
- Mobilized institutional deposits to retire high cost legacy borrowings and reduced cost of funds
- Established systems and processes for seamless transition to banking with multi-channel network :
 - 187 Banking Outlets (including 47 URC); 25% URC compliance in Year 1
 - 146 Biometric ATM's
 - 7011 handheld devices for account opening
 - 64 Seat Phone Banking unit and well received internet banking and mobile banking application
- Expanded non MF Business- MSE and Housing
- Improved backend efficiencies and productivity
- Progressive improvement in business, profitability across quarters
- Closed the year with a net profit of Rs.7 Crores despite all challenges

USFB - Business and Operational Highlights

- PAT for the Bank for the financial year ending March 31, 2018 stands at Rs 6.87 crores
- Collection efficiency of new loans has improved to 99%
- Overall PAR down to 4% which was at 10.2% in March 2017
- Bank managed to repay 63% of the legacy borrowings
- Cost of funds of the Bank went down from 10.4% to 9%
- The Deposit business stood at Rs.3772.48 Crores spanning 883453 accounts at the end of March 2018
- CASA stood at Rs. 138.64 Crores, of which 10659 staff savings/salary accounts constituted Rs.28.06 Crores
- Time Deposits stood at Rs.1457.53 Crores of which institutional deposits stood at Rs.1178.85 Crores, while Recurring deposits stood at Rs.10.06 Crores
- Certificate of Deposits stood at Rs.2166.25 Crores
- Operating Expense at 41.18% of total expense.
- The Bank has a Long Term Credit Rating of A+ and a short term rating of A1+

Profitability: Pre-tax profits - Rs. 8.85 Crores and post- tax profits - Rs. 6.87 Crores for the period ended March 31, 2018.

Key Ratios: (Comparative ratios are annualized)

Particulars	March 31, 2018	March 31, 2017
Interest income as a percentage to working funds	17.13%	15.13%
Non-interest income as a percentage to working funds	1.32%	0.95%
Operating profit as a percentage to working funds	3.74%	0.38%
Business (deposits plus gross advances) per employee (Rs.)	79,36,620	59,14,099
Profit per employee	6411	34

- **Financial Performance:** Consolidated PAT of Rs. 7.28 Crores in FY 2017-18 as against Rs.207.67 Crores in the FY 2016-17; this reduced profit was on account of credit costs of Rs. 310.8 Crores in the FY 2017-18.

➤ **Profitability:**

(Rs. in Crores)

Particulars (FY 2017-18)	Standalone	Consolidated
Pre-Tax Profits (PBT)	2.99	11.83
Profit after Tax (PAT)	0.42	7.28

(ii) **highlights of performance of subsidiaries, associates and joint venture companies and their contribution to the overall performance of the company during the period**

'Ujjivan Small Finance Bank Limited' ("USFB") is a wholly owned material subsidiary of the Company. USFB was incorporated on July 04, 2016 and commenced its operations as a small finance bank w.e.f. February 01, 2017.

The highlights of the financial performance of USFB are as under:

(Rs. in Crores)

Particulars	Standalone	
	FY 2017-18	FY 2016-17
Operating Income	1,466.65	212.71
Other Income	112.70	13.39
Total Income	1,579.35	226.10
Less: Operational Expenses		
Personnel Expenses	364.93	50.74
Administrative Expenses	244.10	55.57
Finance Charges	609.33	109.36
Depreciation	41.37	5.10
Provision For Doubtful Debts	310.77	4.44
Total Operational Expenses	1,570.50	225.21
Profit/(Loss) Before Tax	8.85	0.89
Less: Income tax	31.32	1.42
Less Deferred tax	(29.34)	(0.57)
Profit/(Loss) After Tax	6.87	0.04

USFB - Financial Highlights

- PAT for the Bank for the financial year ending March 31, 2018 stands at Rs 6.87 crores
- Collection efficiency of new loans has improved to 99%
- Overall PAR down to 4% which was at 10.2% in March 2017
- NNPA down to 0.7% from 3.1% in March 2017
- Bank managed to repay 63% of the legacy borrowings
- Cost of funds of the Bank went down from 10.6% to 9%
- The Deposit business stood at Rs.3772.48 Crores spanning 883453 accounts at the end of March 2018
- CASA stood at Rs. 138.64 Crores, of which 10659 staff savings/salary accounts constituted Rs.28.06 Crores
- Time Deposits stood at Rs.1457.53 Crores of which institutional deposits stood at Rs.1178.85 Crores, while Recurring deposits stood at Rs.10.06 Crores
- Certificate of Deposits stood at Rs.2166.25 Crores
- Operating expense ratio at 41.18%
- The Bank has a Long Term Credit Rating of A+ and a short term rating of A1+

Please also refer to the full standalone financials of the USFB which is separately included in this annual report.

(iii) The change in the nature of business, if any;

The Company has converted from an NBFC-MFI to NBFC-Non Deposit taking Systematically Important Core Investment Company (NBFC-ND-SI-CIC) and received a fresh certificate of registration dated October 10, 2017 from the RBI; the conversion was done pursuant to the conditions prescribed by the RBI in their license letter dated November 11, 2016 for setting up a Small Finance Bank.

Ujjivan Small Finance Bank Limited' (the wholly owned subsidiary of the Company) which commenced its small finance bank operations in February 2017 has been included in the Second Schedule to the Reserve Bank of India Act, 1934 vide Official Gazette Notification on August 25, 2017. This has granted the 'Scheduled Bank' status to 'Ujjivan Small Finance Bank Limited' from the date of the notification.

(iv) The details of directors or key managerial personnel who were appointed or have resigned during the year;

Sr. No.	Name	Designation	DIN	Date of Appointment/Change/Cessation	Reason
1	Mr. Venkatesh Natarajan	Non-Executive Director	02453219	February 05, 2018	Resignation
2	Mr. Hiren Shah	CFO (KMP)	N.A.	October 09, 2017	Resignation
3	Mr. Deepak Khetan	CFO (KMP)	N.A.	March 29, 2018	Appointment

(v) the names of companies which have become or ceased to be its Subsidiaries, joint ventures or associate companies during the year;

None

(vi) Deposits from public

During the year, the Company has not accepted any deposits from public and as such, no amount on account of principal or interest on deposits from public was outstanding as on the date of the balance sheet.

However, the subsidiary of the Company 'Ujjivan Small Finance Bank Limited' which is a Small Finance Bank has outstanding deposits of Rs. 3,772 Crores as on March 31, 2018.

(vii) The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future;

None

(viii) The details in respect of adequacy of internal financial controls (IFC) with reference to the Financial Statements

In respect of internal financial control, the Board has adopted the policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the timely prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

Further, the management regularly reviews the control for any possible changes and takes appropriate actions.

25. Other disclosures

(i) Details of equity shares with differential rights

The Company has not issued any equity shares with differential rights during the year

(ii) Details of sweat equity shares issued

The Company has not issued any sweat equity shares during the year

(iii) Details of employee stock option scheme

The Company has established Employee Stock Option Plan (ESOP) for compensation to its employees, being ESOP 2006, ESOP 2007, ESOP 2008, ESOP 2010, MD-ESOP 2010 and ESOP 2015.

ESOP 2006

The Company pursuant to resolutions passed by the Board and Shareholders on March 29, 2006 and May 12, 2006, respectively, adopted the ESOP 2006. The ESOP 2006 was for a total of 64,000 Equity Shares for all the eligible employees of the Company. In accordance with the ESOP 2006, each option on exercise would be

eligible for one Equity Share on payment of exercise price. As on March 31, 2018, out of the 64,000 options granted, 28,629 options has been exercised and 35,371 options were lapsed.

ESOP 2007

Pursuant to resolutions passed by the Board and Shareholders on June 9, 2007 and July 21, 2007, respectively, the Company instituted the ESOP 2007. The ESOP 2007 was for a total of 189,440 Equity Shares for all the eligible employees of the Company. In accordance with the ESOP 2007, each option on exercise would be eligible for one Equity Share on payment of exercise price. As on March 31, 2018, out of the 189,400 options granted, 138,660 options has been exercised, 44,500 options lapsed and 6,280 valid options are left to be exercised.

ESOP 2008

Pursuant to resolutions passed by the Board and Shareholders on July 23, 2008 and August 18, 2008, respectively the Company approved the ESOP 2008. The ESOP 2008 was for a total of 396,680 Equity Shares for all the eligible employees of the Company. In accordance with the ESOP 2008, each option on exercise would be eligible for one Equity Share on payment of exercise price. As on March 31, 2018, out of the 396,680 options granted, 2,34,170 options has been exercised, 1,54,130 options lapsed and 8,380 valid options are left to be exercised.

ESOP 2010 and MD-ESOP 2010

Pursuant to resolution passed by the Board and Shareholder resolutions dated May 17, 2010 and July 12, 2010, respectively, the Company approved the ESOP 2010 and MD ESOP 2010 and granted 3,384,300 options under ESOP 2010 and 871,060 options under MD-ESOP 2010. Further, pursuant to the Shareholders resolution dated July 12, 2010 the exercise period under the ESOP 2006, ESOP 2007 and ESOP 2008 was aligned with the exercise period time frame mentioned in ESOP 2010.

Pursuant to sub-division of the face value of the equity shares from face value of Rs. 100 each to Rs. 10 each on October 12, 2010 and in accordance with ESOP 2010, maximum number of shares available for being granted under ESOP 2010 stood modified and the cumulative face value prior to sub-division remained unchanged.

Pursuant to resolution passed by the Board on August 12, 2011, additional grants were approved under the MD-ESOP 2010 amounting to 378,112. Accordingly, the total options granted under MD-ESOP 2010 were increased to 1,249,172 options.

In accordance with the ESOP 2010 and MD-ESOP 2010, each option on exercise would be eligible for one Equity Share on payment of exercise price.

Thereafter, pursuant to resolution passed by the Board and Shareholders on August 8, 2012 and September 12, 2012, respectively, the Company approved creation of a pool of 1,243,233 options under the ESOP 2010 for the Financial Year 2011-12.

As on March 31, 2018, out of the 3,384,300 options granted under ESOP-2010, 14,91,181 options has been exercised, 15,63,769 options lapsed and 3,29,350 valid options are left to be exercised.

As on March 31, 2018, out of the 1,249,172 options granted under MD-ESOP 2010, 809,172 options were exercised during the year and no option is left to be exercised.

ESOP 2015

The Company, pursuant to resolutions passed by the Board and the Shareholders, dated September 29, 2015 and November 3, 2015, respectively has adopted ESOP 2015. The total employee stock option pool available under ESOP 2015 is 5,561,188 options.

In accordance with the ESOP 2015, each option on exercise would be eligible for one Equity Share on payment of the exercise price.

In compliance with Regulation 12 of Securities and Exchange Board Of India (Share Based Employee Benefits) Regulations, 2014 (SEBI ESOP Regulations), the Company got its ESOP Scheme 2015 ratified by its shareholders subsequent to the IPO in their AGM held on August 10, 2016. Subsequent to the ratification, the Company granted 1,696,850 options to its employees under the ESOP 2015 on September 14, 2016.

As on March 31, 2018, the Company has granted 3,166,650 options under the ESOP 2015 (including 1,696,850 options granted to eligible employees during the FY 2016-17 on September 14, 2016). No options were granted during the FY 2017-18.

Further, as on March 31, 2018 out of the 3,166,650 granted options under ESOP 2015, 2,97,796 vested options has been exercised, 4,55,388 options has lapsed, 10,27,237 options are vested and 13,86,229 options are yet to be vested.

The vesting period for the options granted under ESOP 2015 is for a period of three years as under:

Year	Options Granted	Year 1	Year 2	Year 3
ESOP 2015 (Tranche 1)	1,469,800	34%	33%	33%
ESOP 2015 (Tranche 2)	1,696,850	33%	33%	34%
Total	3,166,650			

The ESOP 2015 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (SEBI ESOP Regulations), the Companies Act, 2013, and is implemented in accordance with guidance notes issued by ICAI and the relevant accounting standards.

Revisions in the ESOP Schemes during the Year

None

ESOP Schemes Compliance Status

ESOP 2006, ESOP 2007, ESOP 2008, ESOP 2010 and MD-ESOP 2010 were adopted prior to the commencement of the Companies Act, 2013.

The ESOP 2015 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 (SEBI ESOP Regulations) and the Companies Act, 2013. The company has received a certificate from the Statutory Auditors of the Company certifying that ESOP 2015 Scheme of the Company is being implemented in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and is in accordance with the resolutions passed by the Members of the Company at a general meeting.

The ESOP Schemes are implemented in accordance with guidance notes issued by ICAI and the relevant accounting standards.

The guidance note issued by the Institute of Chartered Accountants of India requires the disclosure of pro forma net results and Earnings Per Share (EPS) both basic & diluted, had the Company adopted the fair value method amortising the stock compensation expense thereon over the vesting period, such expense for the year ended March 31, 2018 amounts to Rs 8,02,35,588/- and the basic and diluted EPS would have been revised to Rs (0.63).

Administration of ESOP Schemes

The Governance, Nomination and Remuneration Committee of the Board administer the Employee Stock Option Schemes, formulated by the Company from time to time.

Mandatory ESOP Disclosures

Disclosures as required under Section 62 of the Companies Act, 2013 (to be read with Rule 12 of the Companies (Share Capital and Debenture) Rules, 2014, and SEBI ESOP Regulations:

Sr.	Particulars	March 31, 2018
1.	Number of options granted and outstanding at the beginning of the year (A)	44,73,626
2.	Number of options granted during the year (B)	Nil
3.	Number of options vested during the year	9,21,914
4.	Number of options exercised during the year	14,84,709
5.	Number of shares arising as a result of exercise of options (C)	14,84,709
6.	Money realized during the year by exercise of options (in Rs.)	9,52,31,052
7.	Number of options Forfeited/Expired during the year (D)	2,29,931
8.	The exercise price of the options (in Rs.)	10, 12.5, 28, 40, 47 & 146.35
9.	Number of options granted and in force at the end of year = (A)+(B)-(C)-(D)	27,58,986
10.	Weighted average of remaining contractual life (years) at the year end	1.74
11.	Variation of terms of the options	None

No option was granted to any of the Key Managerial Personnel or to any other employee of the Company or its subsidiary during the year.

The Board has approved the cancellation of options which are lapsed and valid under existing ESOP Schemes 2006, 2007, 2008, 2010 and 2015 and for adding back the cancelled options to the ESOP 2015 Pool. Please refer to item no. 5 of the AGM notice wherein the approval of the shareholders is being sought. Further, the Board has also sought for approval from the shareholders for the grant of stock options to the employees (present and future) of the wholly owned subsidiary 'Ujjivan Small Finance Bank Limited' under ESOP Scheme 2015. Please refer item no. 6 of the AGM Notice for further details.

26. Vigil Mechanism

The Company in compliance with Section 177 of the Companies Act, 2013 has a duly constituted Audit Committee of the Board. The composition of the Audit Committee is as under:

Sr. No.	Directors	Designation
1.	Mr. K.R. Ramamoorthy	Chairman (Independent Director)
2.	Mr. Abhijit Sen	Independent Director
3.	Mr. Jayanta Basu	Non-Independent, Non-Executive

Please refer to the Section on Corporate Governance for further details on the Board Committees.

Further in compliance to Section 177 of the Companies Act, 2013 and Regulation 22 of SEBI Listing Regulations, the Company has established a Whistle Blower policy / Vigil Mechanism for the directors and employees to report genuine concerns or grievances about unethical behavior, actual or suspected fraud or violation of the company's Code of Conduct or Ethics Policy. The Company has a vigil mechanism process wherein the employees are free to report violations of laws, rules, regulations or unethical conduct to the whistle and ethics officer of the Company.

Name and Address of the Whistle and Ethics Officer

Mr. Sanjeev Barnwal – Company Secretary and Compliance Officer (w.e.f. April 27, 2017)

Ujjivan Financial Services Limited
Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block, Bangalore – 560095, Karnataka
Email- sanjeev.barnwal@ujjivanfin.com

Protected Disclosure against the Whistle and Ethics Officer should be addressed to the MD & CEO of the Company and the Protected Disclosure against the MD & CEO of the Company should be addressed to the Chairman of the Audit Committee.

Name and Address of MD & CEO of the Company:

Ms. Sudha Suresh

Ujjivan Financial Services Limited
Grape Garden, No. 27, 3rd A Cross, 18th Main, 6th Block,
Bangalore - 560095
Karnataka
Email: sudha.suresh@ujjivanfin.com

Name and Address of the Chairman (Audit Committee):

Mr. K. R. Ramamoorthy

D - 302, Mantri Gardens,
Jayanagar, 1st Block,
Bangalore - 560011,
Karnataka
Email: ram@bankconsult.co.in

The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice

The whistle blower policy of the Company is disclosed on our website at the below link-

http://ujjivan.com/html/ujjivan_policies.php

27. Remuneration details of Directors, KMPs, employees

Sr.	Particulars	Disclosures										
1.	The ratio of the remuneration of each Whole time director to the median remuneration of the employees of the company for the financial year	MD & CEO: 2.95x										
2.	The percentage increase in remuneration of each director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year	<table border="1"> <thead> <tr> <th>KMP</th> <th>% increase in remuneration</th> </tr> </thead> <tbody> <tr> <td>Ms. Sudha Suresh</td> <td>Nil (Since she got appointed as the MD & CEO effective February 01, 2017 at an increased remuneration of 25%; hence during the year no increment was given)</td> </tr> <tr> <td>Mr. Sanjeev Barnwal - CS</td> <td>15%</td> </tr> <tr> <td>Mr. Hiren Shah - CFO (resigned October 09, 2017)</td> <td>15%</td> </tr> <tr> <td>Mr. Deepak Khetan - CFO (appointed as the CFO w.e.f. March 29, 2018)</td> <td>Nil</td> </tr> </tbody> </table>	KMP	% increase in remuneration	Ms. Sudha Suresh	Nil (Since she got appointed as the MD & CEO effective February 01, 2017 at an increased remuneration of 25%; hence during the year no increment was given)	Mr. Sanjeev Barnwal - CS	15%	Mr. Hiren Shah - CFO (resigned October 09, 2017)	15%	Mr. Deepak Khetan - CFO (appointed as the CFO w.e.f. March 29, 2018)	Nil
KMP	% increase in remuneration											
Ms. Sudha Suresh	Nil (Since she got appointed as the MD & CEO effective February 01, 2017 at an increased remuneration of 25%; hence during the year no increment was given)											
Mr. Sanjeev Barnwal - CS	15%											
Mr. Hiren Shah - CFO (resigned October 09, 2017)	15%											
Mr. Deepak Khetan - CFO (appointed as the CFO w.e.f. March 29, 2018)	Nil											
3.	The percentage increase in the median remuneration of employees in the financial year;	14% increase in the median remuneration of employees in the FY 2017-18.										
4.	The number of permanent employees on the rolls of company as on March 31, 2018	5										
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	The average increase in the salaries of employees was 10% and the average increase in the managerial remuneration during the last financial year was also 10%										
6.	Affirmation that the remuneration is as per the remuneration policy of the company	Yes										

A statement showing the name of every employee of the company, who-

- if employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore and two lakh rupees;
 - None
- if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh and fifty thousand rupees per month;
 - None
- if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company.
 - None

Information as per Rule 5(2) of Chapter XIII, the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

The names of the top ten employees in terms of remuneration drawn:

The Company as on March 31, 2018 had only the following 5 (five) employees:

Sr.	Particulars	Sudha Suresh	Sanjeev Barnwal	Deepak Khetan (Mar 14-Mar 31, 2018)	Shashidhara S. (Nov 1 – Mar 31, 2018)	Sushant Vanmali (Aug 7 – Mar 31, 2018)
i.	Designation	MD & CEO	Company Secretary and Compliance Officer	Chief Financial Officer	Assistant Company Secretary	Assistant Manager – Investor Relations
ii.	Remuneration received	89,44,398*	39,48,222*	2,21,110	3,73,195	4,95,451
iii.	nature of employment, whether contractual or otherwise;	Permanent	Permanent	Permanent	Permanent	Permanent
iv.	qualifications and experience of the employee	CA, CS & CWA 21+ years' experience	CS, LLB, Diploma in Business Management 14+ years' experience	PGDBM (Finance) 11 years' experience	CS	PGDM (Finance) 2 years' experience
v.	date of commencement of employment	November 03, 2008	August 12, 2014	March 14, 2018	November 01, 2017	August 07, 2017
vi.	the age of such employee	53	36	34	33	25
vii.	the last employment held by such employee before joining the company	Skyline Construction & Housing Private Limited	SMC Capitals Limited	Welspun Corp Limited	GMR Ose Hungund Hospet Highways Private Limited	Janalakshmi Financial Services Limited
viii.	the percentage of equity shares held by the employee in the company	0.02%	Nil	Nil	Nil	Nil
ix.	whether any such employee is a relative of any director or manager of the company and if so, name of such director or manager	No	No	No	No	No

* including perquisite by way of exercise of vested equity options

Compliance of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has only 5 employees as on March 31, 2018 and the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 is not applicable. However, the Company has a prevention of sexual harassment policy in place. The Directors further state that during the year under review, there was no case filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

Green Initiatives

Electronic copies of the Annual Report for the FY 2017-18 and the Notice of the 14th AGM are being sent to all the members whose email addresses are registered with the Company / Depository Participants. For members who have not registered their email address, physical copies are sent in the permitted mode.

ACKNOWLEDGEMENT

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

For and on behalf of the Board of Directors

K.R. Ramamoorthy
Chairperson
DIN: 00058467
Date: May 10, 2018
Place: Bangalore

Sudha Suresh
Managing Director & Chief Executive Officer
DIN: 06480567