

# **31<sup>st</sup>**

## **Annual Report**

### **2016 - 2017**



**Manipal Housing Finance Syndicate Ltd.**

Regd. Office: Manipal House, Manipal – 576 104, Karnataka



## Network of Branches

Manipal: Manipal House, Manipal – 576 104  
Bangalore: Unit No. N – 116, Manipal Centre  
North Block, Dickenson Road, Bangalore – 560 042

Mangalore: Ideal Towers, D.No.13-1-25/39  
1st Floor, Opp. Sharavu Mahaganapathi Temple  
Sharavu Temple Road, Mangalore – 575 001

Udupi: Maruthi Veethika, II Floor,  
New Vyavahar Complex, Udupi – 576 101

Hyderabad: Flat No. 101, Gayathri Plaza  
Mettuguda, Secunderabad – 500 017

Chennai: Gemini Parson – Commercial Complex,  
Ground Floor, D-6, No. 1,  
Kodambakkam High Road, Chennai – 600 006

Mumbai: 3, Priyottama Sahanivas,  
Prarthana Samaj Road, Vile Parle (E),  
Mumbai – 400 057

Car Street: Shop No. 201, First Floor,  
Ideal Towers, Opp. Sharavu Mahaganapathi Temple  
Mangalore, D.K. District – 575 001

B C Road: First Floor, SR Complex, NH 75,  
BC Road, Jodumarga, D.K. District – 574 219

Surathkal: Shop No. F-09, First Floor, Poova Arcade  
Near N H 66, Surathkal, D.K. District – 575 014

Kankanady: Shop No. F-8, First Floor  
Emkays Shalimar, Bye-pass Road  
Kankanady, D.K. District – 575 002

Maruthi Veethika: First Floor, "Vyavahar 1001"  
Maruthi Veethika Road, Near Chittaranjan Circle  
Udupi District – 576 101

Kundapura: Shop No. 3, First Floor, Yediyal  
Complex, Near Old Bus Stand, Kundapura  
Udupi District – 576 201

Yeshwanthpur: Shop No. 3, First Floor, Jai Complex  
Triveni Road, Yeshwanthpur, Bangalore – 560 022

Chamarajpet: First Floor, Gowamma Govindraju  
Complex, 134/1, 4th Main Road, 9th Cross  
Chamarajpet, Bangalore – 560 018

K R Market (Sunkadakatte): First Floor  
Gangadarappa Building, 119 Magadi Main Road  
Sunkadakatte, Near K. R. Market, Bangalore

Vittal: 1st Floor, Puttur Road  
Near Bus Stand, Vittal  
D.K. District – 574 243

Hebri: Shop No. 5, First Floor, Ramanath Complex  
Main Road, Opp. Bus Stand, Hebri – 576 112

Srinivasnagar: Shop No. 3, First Floor  
341/A, 80 Ft Road, Opp. Bank Colony Bus Stand  
Srinivasnagar, Banashankari Ist Stage  
Bangalore – 560 050

Moodabidri: Shop No. F-5, First Floor  
Panchami Apartments, Market Road, Behind Market  
Moodabidri, D.K. District – 574 227

Kamakshipalya: Shop No. 3, First Floor  
Jayalakshmi Complex, Magadi Main Road  
Near Ganesh Temple, Kamakshipalya  
Bangalore – 560 079

Sullia: Shop No. 5, First Floor, Honesty Building  
Main Road, Balemakki, Sullia – 574 239

Kadaba: Shop No. 4, 1st Floor, Sri Ram Towers Main Road,  
Near Sri Durgambika Amma Temple, Kadaba  
D. K. District – 574 221

Bhatkala: Shop No. 32, 1st Floor, Mahale Building, Sagar  
Road, Near Samshuddin Circle, Bhatkal  
U.K. District – 581 320

Bajpe: Shop No. 2, Ground Floor, Koya Complex Main Road,  
Near Bus Stand, Bajpe,  
D.K. District – 574 142

Periya Patna: Shop No. 8, First Floor  
L. M. Complex, B. M. Road, Near KSRTC Bus Stand  
Periya Patna, Mysore District – 571 107

Janata Nagar: First Floor, 1133,  
Sahukar Chennaiah Road, Near Bisilu Maramma Circle,  
Janatha Nagar, Mysore – 570 009

Kushal Nagara: Shop No. 1, First Floor  
Taanya Lakshmi Building, Rathabeedi  
Near Govt. Hospital, Kushal Nagara  
Kodagu District – 571 234

Hebbala: Shop No. 3, 1st Floor, Srinivas Complex  
Vijaya Nagar Main Road, Near Abhishek Circle  
Hebbal, Mysore Dist. – 570 017

K. R. Nagara: Ground Floor, Laxmi Narayana Nilaya,  
No. 17, Mysore Road, Near Police Station, K. R. Nagar  
Mysore – 571 602

Kengeri: Shop No. 2, First Floor, 118/2,  
Mysore Road, Fort Kengeri, Kengeri  
Bangalore Dist. – 560 060

Saligrama: No. 36, 1st Floor, Mahaveer Road  
Near Gandhi Square, Saligrama  
Mysore Dist. – 571 604

Mudipu: First Floor, P. K. Towers  
Vittal – Mangalore Road, Opp. Mudipu Bus Stand Mudipu,  
D.K. Dist., Karnataka – 574 153

Virajpet: Shop No. 2, Ist Floor, Sathyanarayana Complex,  
Main Road, Opp. Indian Bank, Virajpet  
Kodagu District, Karnataka – 571 218

Shimoga (Durgigudi): 2nd Floor, Sri Rama Complex  
Main Road, Opp. Market, Gandhi Bazar  
Shimoga Dist. – 577 202

Honnali: Shop No. 2 & 3, 1st Floor  
Janani Complex, Sarvakeri Road, Near Bus Stand  
Honnali, Davanagere Dist., Karnataka – 577 217

Hunsur: No. 1825, Katha No. 1326/1825/1  
First Floor, BM Road  
Near Hunsur Bus Stand, Mysore



## **BOARD OF DIRECTORS**

### **Chairman**

Sri N. A. Shanbhag

### **Directors**

Mrs. Vijayalaxmi N. Pai

Sri B. Ganapathi Pai

Sri K. T. Rai – Nominee – Syndicate Bank (up to 30-05-2017)

Sri Subramani R. – Nominee – Syndicate Bank (up to 30-05-2017)

Sri Sathish Kamath – Nominee – Syndicate Bank (appointed on 29-06-2017)

Sri Madhu P. – Nominee – Syndicate Bank (appointed on 29-06-2017)

### **Executive Director**

Sri T. Sunil Pai

### **General Manager**

Dr. K. K. Ammannaya

### **Deputy General Manager**

Sri N. Ashok

### **C.F.O.**

Sri Gopalakrishna Bhat

### **Auditors**

M/s Pai Nayak & Associates

Chartered Accountants

Raaj Towers

Near City Bus Stand

Udupi – 576 101

### **Bankers**

1) Syndicate Bank, 2) Canara Bank, 3) HDFC Bank, 4) State Bank of India, 5) ICICI Bank Ltd., 6) Karnataka Bank Ltd., 7) Bank of Maharashtra, 8) Indian Overseas Bank, 9) Bank of Baroda, 10) Union Bank of India, 11) Federal Bank, 12) Security Trustees for the Public Deposits – Canara Bank

### **Registered Office**

MANIPAL HOUSE, MANIPAL – 576 104 (UDUPI), KARNATAKA

Phone : (0820) 2570741

Website : [www.manipalhousing.com](http://www.manipalhousing.com)

CIN No. : U65922KA1986PLC007396

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## NOTICE TO THE MEMBERS

**NOTICE** is hereby given that the 31<sup>st</sup> Annual General Meeting of the Members of Manipal Housing Finance Syndicate Limited will be held on Thursday, the 31<sup>st</sup> day of August, 2017 at 4.00 p.m. at Regd. Office: "Manipal House", Manipal – 576 104 to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31<sup>st</sup> March, 2017, Statement of Profit and Loss for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To confirm the payment of interim dividend on Cumulative Redeemable Preference Shares and to declare dividend on the Equity Shares for the Financial Year ended March 31, 2017.
3. To appoint a Director in place of Sri B. Ganapathi Pai (DIN: 07209943), who retires by rotation, and being eligible offers himself for reappointment.
4. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** in compliance with the mandatory rotation of auditors as per provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and Rules framed thereunder, as amended from time to time, on recommendation of Audit Committee, M/s. A. Krishna Kumar & Co., Chartered Accountants, Mangalore registered with the Institute of Chartered Accountants of India vide Firm Registration No. 012424S be and is hereby recommended for appointment as Statutory Auditors of the Company in place of M/s. Pai Nayak & Associates, Chartered Accountants, Udupi (F. R. No.009090S), for a period of five years to hold the office from the conclusion of ensuing Annual General Meeting (AGM) till the conclusion of 36<sup>th</sup> AGM of the Company to be held in the calendar year 2022 (subject to ratification of their appointment at every AGM), at such remuneration plus service tax, and out-of-pocket and travelling expenses, etc., as may be mutually agreed between the Board of Directors of the Company and Auditors."

Registered Office:  
"Manipal House"  
Manipal – 576 104  
29<sup>th</sup> June, 2017

By Order of the Board

Sd/- N. A. Shanbhag  
Chairman  
DIN: 07157128

### Notes:

1. The relevant Explanatory Statement pursuant to Section 102 (1) of the Companies Act, 2013, in respect of Special Business at the meeting, is annexed hereto and forms part of this notice.
2. The Register of Members and Share Transfer Books of the Company will remain closed from 28.08.2017 to 31.08.2017 (both the days inclusive).
3. The dividend for the financial year ended March 31, 2017, as recommended by the Board, if approved by the members, will be paid on or after 05.09.2017 to those members whose name appear in the Company's Register of Members as on Book Closure dates.
4. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. Proxies in order to be effective must be received by the Company not later than forty-eight (48) hours before the meeting. Proxies submitted on behalf of limited companies, societies, etc., must be supported by appropriate resolutions/authority, as applicable.  
A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.
5. A person can act as a proxy on behalf of Members not exceeding fifty in number and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A Member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as a proxy and such person shall not act as proxy for any other person or shareholder.
6. Members are requested to bring their attendance slips duly completed and signed mentioning therein details of Folio No.
7. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote at the Meeting.
8. Relevant documents referred to in the accompanying Notice and in the Explanatory Statements are open for inspection by the Members at the Company's Registered Office on all working days of the Company, during business hours up to the date of the Meeting.
9. Corporate Members intending to send their authorized representatives to attend the Meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send to the Company, a certified copy of the relevant Board Resolution together with their respective specimen signatures authorizing their representative(s) to attend and vote on their behalf at the Meeting.
10. The Ministry of Corporate Affairs ('MCA') has notified provisions relating to unpaid / unclaimed dividend under Sections 124 and 125 of Companies Act, 2013 and Investor Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016. As per these Rules, dividends which are not encashed/ claimed by the shareholder for a period of seven consecutive years shall be transferred to the Investor Education and Protection Fund (IEPF) Authority. The new IEPF Rules mandate the companies to transfer the shares of shareholders whose dividends remain unpaid/unclaimed for a period of seven consecutive years to the demat account of IEPF Authority. Hence, the Company urges all the shareholders to encash/claim their respective dividend during the prescribed period. The details of the unpaid/unclaimed dividend amounts lying with the Company as on August 30, 2016 are available on the website of the Company [www.manipalhousing.com](http://www.manipalhousing.com) and on Ministry of Corporate Affairs' website. The shareholders whose dividend / shares are transferred / may transfer to the IEPF Authority can claim their shares from the Authority by following the Refund Procedure as detailed at the website of IEPF Authority <http://iepf.gov.in/IEPFA/refund.html>. Details of the unpaid / unclaimed dividend are also uploaded on the Company's website [www.manipalhousing.com](http://www.manipalhousing.com) as per the requirements. Members who have not encashed their dividend pertaining to Financial Year 2009-10 are requested to write to the Company immediately claiming dividends declared by the Company. The unpaid / unclaimed dividend for the Financial Year ended March 31, 2010 is due for transfer to IEPF on 15.8.2017. Members are requested to contact the Company at its Registered Office Address to encash the unclaimed dividend.
11. Members seeking any information with regard to the Accounts are requested to write to the Company at an early date, so as to enable the Management to keep the information ready at the meeting.

### The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on 28.08.2017 at 9.30 a.m. and ends on 30.08.2017 at 5.00 p.m. During this period shareholders' of the Company, holding shares either in physical form or in dematerialised form, as on the cut-off date (record date) of 24.08.2017 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) The shareholders should log on to the e-voting website [www.evotingindia.com](http://www.evotingindia.com).
- (iv) Click on Shareholders.
- (v) 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. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are holding shares in demat form and had logged on to [www.evotingindia.com](http://www.evotingindia.com) and voted on an earlier voting of any Company, then your existing password is to be used.
- (viii) If you are a first time user follow the steps given below:

|  | For Members holding shares in Demat Form and Physical Form  |
|--|---|
| 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"> <li>• Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field.</li> <li>• In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg., if your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.</li> </ul> |
| 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"> <li>• 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 as mentioned in instruction (iv).</li> </ul>   |

- (ix) After entering these details appropriately, click on "SUBMIT" tab.
  - (x) Members holding shares in physical form will then directly reach the Company selection screen. However, members 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.
  - (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
  - (xii) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
  - (xiii) 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.
  - (xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
  - (xv) 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.
  - (xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
  - (xvii) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
  - (xviii) 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.
  - (xix) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the App from the App Store and the Windows Phone Store. Please follow the instructions as prompted by the mobile app while voting on your mobile.
  - (xx) Note for Non-Individual Shareholders and Custodians
    - Non-Individual shareholders (i.e., other than Individuals, HUF, NRI etc.) and Custodian are required to log on to [www.evotingindia.com](http://www.evotingindia.com) and register themselves as Corporates.
    - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to [helpdesk.evoting@cdslindia.com](mailto: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 should be mailed to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com) and on approval of the accounts they would be able to cast their vote.
    - 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.
  - (xxi) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at [www.evotingindia.com](http://www.evotingindia.com), under help section or write an email to [helpdesk.evoting@cdslindia.com](mailto:helpdesk.evoting@cdslindia.com).
12. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in the securities market. Therefore, members are required to submit their PAN to the Company.
13. Members holding shares in single name and in physical form are advised to make a nomination in Form SH-13 in respect of their shareholding in the Company.

Registered Office:  
"Manipal House"  
Manipal – 576 104  
29<sup>th</sup> June, 2017

By Order of the Board

Sd/- N. A. Shanbhag  
Chairman  
DIN: 07157128

## DIRECTORS' REPORT

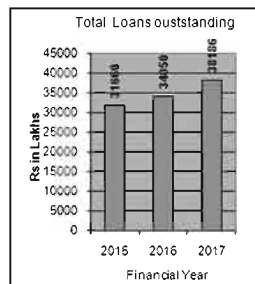
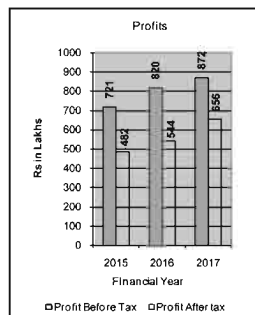
To,

The Members,

Your Directors have pleasure in presenting their 31<sup>st</sup> Annual Report on the business and operations of the Company and the accounts for the Financial Year ended March 31, 2017.

### 1. Results of our operations:

The following table brings out the financial performance of the Company during the F.Y, 2016-17:



| Particulars                                 | 2016-2017 (Rs.) | 2015-2016 (Rs.) |
|---|-----------------|-----------------|
| Gross Income                                | 43,58,16,870    | 42,31,94,526    |
| Profit Before Interest and Depreciation     | 39,13,06,446    | 38,54,44,228    |
| Finance Charges                             | 29,73,24,916    | 29,80,25,753    |
| Provision for Depreciation                  | 23,93,546       | 23,93,218       |
| Profit before Exceptional Items and Tax     | 9,15,87,984     | 8,50,25,257     |
| Less: Exceptional Items                     | 43,80,588       | 30,19,278       |
| Profit before Tax                           | 8,72,07,396     | 8,20,05,979     |
| Tax Expenses:                               |                 |                 |
| Current Income Tax                          | 2,41,77,488     | 2,34,00,000     |
| Income Tax earlier year's provision         | 97,851          | 48,709          |
| Deferred Tax Adjustments                    | (26,81,831)     | 41,68,756       |
| Net Profit after Tax                        | 6,56,13,888     | 5,43,88,514     |
| Balance of Profit brought forward           | 18,34,89,219    | 14,89,77,744    |
| Balance available for appropriation         | 24,91,03,107    | 20,33,66,258    |
| Transfer to Special Reserve                 | 1,46,97,000     | 1,40,00,000     |
| Transfer to General Reserve                 | 3,00,00,000     | 0               |
| Transfer to Capital Redemption Reserve      | 84,46,000       | 0               |
| Transitional adjustment to depreciation     | 0               | 0               |
| Interim Dividend on Preference Shares       | 12,46,329       | 14,80,920       |
| Dividend Distribution Tax on pref. Dividend | 2,53,723        | 3,01,480        |
| Proposed Dividend on Equity Shares          | 00              | 34,02,060       |
| Tax on proposed Dividend                    | 00              | 6,92,579        |
| Surplus carried to Balance Sheet            | 19,44,80,055    | 18,34,89,219    |

### 2. Economic Scene:

India has been one of the fastest growing economies in the world for the last several years. At present the global growth prospects also appear positive with major economies of the world slowly ascending the growth ladder. Indian economy is expected to grow at 7.30% in financial year 2018 before moving to higher growth of 8% in financial year 2019. The reform measures of the Government and other pro-active initiatives may stand the economy in good stead in the growth process. The launch of GST with effect from 01.07.2017 will surely act as a spur to growth of the economy in the years to come. The launch of Pradhan Mantri Awas Yojana – CLSS (Credit Linked Subsidy Scheme) for Economically Weaker Sections, Low Income Group and Middle Income Group and the growth that may accrue to the economy on account of the above initiatives will generate enormous opportunities for lending for banks and HFCs. Your Company will strive hard to avail the emerging opportunities and try to build up a sound and remunerative credit portfolio for the benefit of all stake holders.

### 3. Financial Performance:

Notwithstanding several challenges, your Company was able to deliver satisfactory performance on various fronts in the Financial Year 2016-17. The total income during the year was Rs.43.58 Crores. The company could achieve Profit After Tax of Rs.6.56 Crores as against the profit of Rs.5.44 Crores in the previous year. The net profit thus increased by Rs.1.12 Crores with percentage increase of 20%.

Total loan sanctions during the year ended 31<sup>st</sup> March, 2017 amounted to Rs.176.46 Crores. Disbursements of loans during the year amounted to Rs.168.65 Crores. Outstanding loans stood at Rs.381.86 Crores as on 31<sup>st</sup> March, 2017 as against Rs.340.50 Crores as on 31<sup>st</sup> March, 2016.

The report of the Board on Management Discussion and Analysis on Housing Sector and Financial Performance and other matters relating to housing sector are presented elsewhere.

**A. Regulatory and Statutory Compliances:** The Company gives utmost primacy to compliances both statutory and regulatory. It has been the avowed policy of the Company to scrupulously comply with the directions, guidelines and instructions of National Housing Bank. There is a compliance section headed by a senior officer, which attends to compliance on an ongoing basis and ensures that the prescribed returns are submitted to NHB within the due dates fixed by NHB. MHFS Ltd. has complied with NHB Directions 2010 and other directions regarding deposits, accounting standards, prudential norms concerning assets classification, income recognitions, provisioning capital adequacy, credit rating concentrations of credit and investment and norms relating to exposure to capital market. The Company has taken note of the directions issued by NHB vide notifications dated 3<sup>rd</sup> February, 2017, 9<sup>th</sup> February, 2017 and Circular dated 27.4.2017 on different matters such as acquisition or transfer of control, directions, Auditors Report, Corporate Governance directions, policy on Related Party Transactions etc., and necessary compliance will be ensured in terms of the directions.

The Company has also complied with the provisioning norms and fulfilled the provisioning requirements as per the NHB directions. The Capital Adequacy Ratio was 20.23 % as on 31.03.2017 as against the regulatory capital requirement of 12%.

The Net Owned Funds of the Company as on 31.3.2017 stood at Rs.52.71 Crores as against Rs.49.05 Crores as on 31.3.2016. There was thus, an increase of Rs.3.66 Crores in the Net Owned Funds, the percentage increase being 7.46 %.

**B. Resource Mobilisation:** The prime focus of the Company during the year was on reducing the funding cost and average cost of funds. The Company also continued its efforts at diversification of funding with a view to achieving an appropriate maturity structure and minimising the weighted average cost of borrowed funds. The major sources of funding presently comprise the following:

a) **Term Loans:** During the year, the Company raised additional Term Loans at lower rates of interest from Banks to the extent of Rs.78.26 Crores. The total outstanding Term Loans as on 31.3.2017 stood at Rs.315.32 Crores. The Term Loans availed from different Banks have been for long terms of 10 years. This has helped the Company in minimising the mis-match as between the maturities of loan assets and liabilities. The accent in financial year 2016-17 was on getting rates of interest reduced by requesting banks and through this effort, borrowing cost was reduced considerably.

The term loans of the Company have been rated by M/s CARE Ratings Limited and the Rating Agency has assigned "Triple B+" rating for the Bank liabilities.

- b) **Deposits:** The aggregate amount of deposits of the Company as on 31.3.2017 were Rs.16.55 Crores as against the figure of Rs.13.62 Crores as on 31.3.2016. The Company has plans to mobilise additional deposits of about a couple of Crores of rupees in FY 2017-18. The public deposits of the Company have been rated by the Rating Agency M/s CARE Ratings Limited and the rating assigned by them is CARE BBB + (Triple B Plus).
- c) **Unclaimed Deposits:** The total amount of matured deposits as on 31.3.2017 were Rs.31.80 Lakhs involving 12 accounts as against Rs.1.85 Lakhs as on 31.3.2016 comprising 8 accounts. It has been the constant endeavour of the Company to contact the depositors and get the deposits renewed or in case they are not interested in renewing the deposits, to refund the same. It will be the constant endeavour of the company to reduce the amount of unclaimed deposits by means of follow-up with depositors.
- d) **Refinance:** The amount of refinance outstanding as on 31st March, 2017 was Rs.6.02 Crores. The Company is planning to apply for fresh additional refinance limit during the financial year 2018.

#### 4. Dividend:

The dividend policy of the Company seeks to strike a balance between the twin objectives of rewarding the shareholders to the extent possible and retaining a portion of profits for building up reserves, in order to maintain a healthy capital adequacy ratio to support further growth and business expansion. Based on the Company's performance, your Directors are pleased to recommend a dividend of 4% (Rs.0.40 paise) per equity share of face value of Rs.10/- each for the year ended March 31, 2017. The interim dividend of 7% (Rs.0.175 paise) per Cumulative Redeemable Preference Shares of Rs.10/- each was paid on 02.07.2016, 03.10.2016, 02.01.2017 and 03.04.2017.

The dividend on equity shares subject to approval of Members at the Annual General Meeting scheduled to be held on 31.8.2017, will be paid on or after that date, to the members whose names appear in the Register of Members, as on the date of book closure, i.e. from 28.08.2017 to 31.08.2017 (inclusive of both dates). The total dividend for the Financial Year, including the proposed equity dividend, amounts to Rs.46,48,389/- excluding dividend distribution tax of Rs.9,46,302/-.

#### 5. Share Capital:

The paid up Share Capital as on 31<sup>st</sup> March, 2017 was Rs.9,77,61,500/-. During the year under review, there was redemption of 8,44,600 Cumulative Redeemable Preference Shares of Rs.10/- each. Further, the Company has not issued any shares and also no shares have been issued with differential voting rights. It has neither issued employee stock options nor sweat equity shares and does not have any scheme to fund its employees to purchase the shares of the Company.

#### 6. Management of NPAs and Recovery Management:

The company gives utmost priority to management of NPAs and recovery of stressed assets and regularization of irregular loans. The stress is always on building up and maintenance of good quality assets book through constant monitoring and follow-up. The recovery strategy of the Company is oriented towards improving recovery of NPAs and recycling of funds for further lending and upgradation of sub-standard loan accounts. It has been the earnest endeavour of the Company to reduce NPAs and restrict the percentages of NPAs to lowest rate possible. The details of NPAs as on 31.3.2017 with comparative data as on 31.3.2016 are furnished here below:

| Classification      | 31st March, 2017 |                    | 31st March, 2016 |                    |
|---------------------|------------------|--------------------|------------------|--------------------|
|                     | No. of A/cs      | Amount (Rs.)       | No. of A/cs      | Amount (Rs.)       |
| Sub-standard Assets | 10               | 1,24,78,567        | 16               | 1,40,06,292        |
| Doubtful Assets     | 59               | 3,82,59,894        | 51               | 3,12,12,806        |
| Category 1          | 7                | 86,86,676          | 9                | 25,87,968          |
| Category 2          | 14               | 99,94,262          | 9                | 1,21,39,321        |
| Category 3          | 38               | 19,578,956         | 33               | 1,84,85,517        |
| Loss Assets         | 0                | 0                  | —                | —                  |
| <b>Total</b>        | <b>69</b>        | <b>5,07,38,461</b> | <b>67</b>        | <b>4,52,19,098</b> |

As could be seen, the net NPA percentage as on 31.3.2017 was 0.11% as against 0.10% a year ago. Similarly, gross NPA percentage was 1.33% as on 31.3.2017 as against 1.33% as on 31.3.2016. As regards existing NPA accounts, efforts are on to ensure their recovery through various recovery measures. Action under SARFAESI Act is also vigorously pursued to get the NPA accounts closed apart from employing other recovery measures including one-time settlement on the basis of discussion and negotiation with borrowers.

The Company has in place a comprehensive collection and recovery policy. The progress made in the recovery of NPAs and overall recovery management strategies are discussed in Audit Committee meetings. It is hoped that with the on-going efforts of field level functionaries and recovery staff at all levels and with the vigorous pursuance of various recovery measures, we can accelerate recovery and further reduce NPAs in 2017-18.

#### 7. Corporate Governance

Corporate Governance refers to a set of rules, processes, norms, mechanisms, policies and resolutions put in place to ensure desired corporate behavior and conduct. The Board is pivotal in the governance process. MHFSL is always keen to demonstrate good corporate citizenship through normative approach, ethical behavior and sound corporate governance practices. Effective corporate governance forms the bedrock of business excellence in any Company. Corporate Governance essentially involves balancing of the interest of stake holders such as Shareholders, Promoters, Customers, Financiers and Lenders, Government and the Society at large. As Corporate Governance provides a frame work for attaining the corporate goals and objectives it encompasses practically every sphere and every aspect of management from initial planning and internal controls to performance review and measurement and corporate disclosures. The disclosures prescribed by NHB vide Circular dt. 27<sup>th</sup> April, 2017 are provided separately in this Annual Report. The Board has adopted a Corporate Governance Policy as per NHB notification and the said policy is being displayed on the website of the Company. The report of the Board on Corporate Governance is presented elsewhere. Also the Board of Directors have adopted a policy on Fit and Proper Criteria for Directors in terms of NHB notification dt. 9<sup>th</sup> February, 2017. MHFSL Ltd., has collected and kept on record Declarations and Undertaking giving additional information from all the Directors in the format prescribed by NHB as on 31.3.2017. Also Deed of Covenants signed by Directors has been obtained in prescribed format as on 31.03.2017.

#### 8. Directors and Key Managerial Personnel :

Sri B. Ganapathi Pal (DIN: 07209943), Director retire by rotation at the forthcoming Annual General Meeting and being eligible, offer himself for reappointment. Details of remuneration paid to the Directors and Key Managerial Personnel are given in the **Annexure I** forming part of the Boards' Report.

#### 9. Particulars of Employees:

During the year under review, the Company had no employees whose remuneration exceeded the limit prescribed pursuant to the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. Particulars of top 10 employees of the Company, in terms of remuneration drawn during the year 2016-17 presented as an Annexure to the Director's Report during the Board Meeting is preserved separately and the same will be furnished to any shareholder on request made to the Company in writing.

#### 10. Meetings:

A calendar of Meetings is prepared and circulated in advance to the Directors. During the year four Board Meetings were convened and held on 22.06.2016, 30.08.2016, 29.11.2016 and 20.03.2017. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

The Audit Committee constituted by the Board of Directors had its meetings on 22.06.2016, 30.08.2016, 29.11.2016 and 20.03.2017 respectively, during the year. The committee, among other things, deliberated on issues relating to risk management, internal control and inspection, audit of branches, financial performance of the Company at quarter ends, cost of borrowing and funding cost, recovery and reduction of NPAs and steps required to improve net interest margin, financial reporting process and aspects concerning disclosures of financial information to ensure correctness, adequacy and creditability of financial statement, internal financial control system, vigil mechanism, sources and use of funds etc.

#### 11. Board Evaluation:

During the year, the Board has conducted a formal evaluation of its own performance. The evaluation covered performance of the Board, performance of the directors individually as well as the evaluation of the working of various committees appointed by the Board.

#### 12. Declaration by an Independent Director(s) and reappointment, if any :

The Company has obtained declarations by the Independent Directors stating that they meet the criteria of independence as provided in sub-section (6) of Section 149 of the Companies Act, 2013.

An independent director shall hold office for a term up to five consecutive years on the Board of a Company, but shall be eligible for reappointment for next five years on passing of a special resolution by the Company and disclosure of such appointment in the Board's report.

#### 13. Nomination and Remuneration Policy:

The functions of the Nomination and Remuneration Committee of the Directors include recommending policy to the Board with regard to remuneration to Directors including Executive Director and other Key Managerial Personnel, performance bonus if any to Directors, perquisites, sitting fees, travelling and other travel

expenses etc., formulation of criteria for determining qualifications, qualities and positive attributes, and independence of director etc. The Committee also identifies and recommends suitable candidates for appointment as Directors from time to time. The Committee had following Directors as its members during the year:

1. Sri N. A. Shanbhag – Chairman    2. Sri T. Sunil Pai – Executive Director    3. Sri K. T. Rai – Nominee Director

The Committee, consequent on recent reconstitution, now comprises the following Directors:

1. Sri N. A. Shanbhag – Chairman    2. Sri T. Sunil Pai – Executive Director    3. Sri Sathish Kamath – Nominee Director,    4. Sri Madhu P. – Nominee Director  
The Committee also attends to the function relating to review of remuneration policy, changes to be effected in the policy from time to time and other aspects of remuneration to the Directors from time to time.

#### 14. Auditors:

Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the rules framed thereunder, the appointment of M/s. Pai Nayak & Associates Chartered Accountants, Udupi (Firm Registration No.009090S) who retire by compulsory rotation as Statutory Auditors were ratified at the AGM held on 30th August, 2016, whose appointment shall be effective till the conclusion of AGM to be held in the calendar year 2017.

Based on the above provisions, mandatory rotation of auditors is applicable for the Company and considering the same, the Board of Directors at their meeting held on 29th June, 2017, has, subject to approval of the members of the Company at the AGM, appointed M/s. A Krishna Kumar & Co., Mangalore (FRN 012424S) as Statutory Auditors of the Company for a period of 5 years (subject to ratification at each AGM) till the conclusion of the 36th AGM of the Company to be held in the year 2022, subject to approval of member at this AGM.

#### 15. Auditor's Report:

In respect of the comments made by the auditors in the Para "Emphasis of the matter" the relevant explanation given by the Company vide Note No. 2.02 to the Financial Statements is self-explanatory.

In respect of the comments made by the Auditors in Para i(c) of Annexure A to Independent Auditors' Reports, the necessary explanation given by the Directors under Note No. 9.01 of Notes to Accounts is also self explanatory.

#### 16. Internal Financial Control:

It is the earnest endeavour of the Company to maintain adequate internal controls over the financial reporting. Internal controls have been designed to provide reasonable assurance regarding the availability of financial and operational information of the Company and the reliability of financial reporting and preparation of financial statements in accordance with accounting principles generally accepted in India. The Company has internal control system commensurate with the size and nature of the business. The Company engages M/s. N. P. Pai & Co., Chartered Accountants, Udupi, (Firm Registration No.115271W / Membership No.039351) as its Internal Auditor. During the year, the Company continued to implement their suggestions and recommendations to improve the control environment. Their scope of work includes review of processes for safeguarding the assets of the Company, review of operational efficiency, effectiveness of systems and processes, and assessing the internal control strengths in all areas. Internal Auditors findings are discussed and acted upon and suitable corrective actions taken as per the directions of Audit Committee on an ongoing basis to improve efficiency in operations.

#### 17. Risk Management and Asset Liability Management System:

The Risk Management Policy was revised by the Board during the year. The Company has put in place an integrated risk management system covering credit risk, ALM, operational risk, interest rate risk, information security risk, etc. The risk management process involves selecting and implementing measures to alleviate the impact of identified risks. The Company has put in place an asset liability management system on the basis of the guidelines issued by NHB. Since the operations of our Company being a housing finance Company may give rise to Asset Liability mismatches and interest rate risk exposures, it was found necessary to introduce a comprehensive system as part of our overall system for effective risk management both on liabilities and asset sides.

It will be ensured that an information system audit is conducted at least once in two years to assess the operational risks faced by the Company as per NHB directions vide Circular dated 27th April, 2017.

The NHB guidelines relating to Asset Liability Management System and risk management are strictly complied with. The Asset Liability Management Committee (ALCO) meets every half-year to monitor as well as to deliberate on liquidity risk, interest rate risk, earnings risk, pricing both in respect of deposits and loans, maturity profiles of incremental assets and liabilities, cash flow, issues relating to profit planning and other aspects of balance sheet management. ALCO reviews position with reference to tolerance limits at half year ends before submitting the prescribed Asset Liability Management Return to the NHB.

During the year ALCO met on 30.09.2016 and 31.03.2017 to deliberate on issues of the nature mentioned above and also to discuss interest rates on deposits and housing loans. The ALCO examines interest rate scenario from time to time and makes its recommendations regarding changes in interest rates to be made if any to the Management.

#### 18. Extract of Annual Return:

As provided under section 92(3) of the Companies Act, 2013, the extract of annual return is given in **Annexure I** in the prescribed Form MGT 9, which forms part of this Annual Report.

#### 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 and changes in nature of business, if any:

There are no such material changes to be reported in this regard and there are no change in nature of business.

#### 20. 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:

Your Directors wish to state that there have been no significant or material orders that were passed by the Regulators or Courts or Tribunals which may impact the going concern status and operations of the Company in future.

#### 21. Corporate Social Responsibility:

In compliance with Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company has constituted Corporate Social Responsibility Committee, that had the following Directors as its members during the year 2016-17:-

|                        |            |                  |                      |
|------------------------|------------|------------------|----------------------|
| Sri N. A. Shanbhag     | – Chairman | Sri T. Sunil Pai | – Executive Director |
| Smt Vijayalaxmi N. Pai | – Director | Sri K. T. Rai    | – Nominee Director   |

The Committee has been reconstituted recently and at present the following Directors are members of the Committee

|                        |                    |                    |                      |
|------------------------|--------------------|--------------------|----------------------|
| Sri N. A. Shanbhag     | – Chairman         | Sri T. Sunil Pai   | – Executive Director |
| Smt Vijayalaxmi N. Pai | – Director         | Sri Sathish Kamath | – Nominee Director   |
| Sri Madhu P.           | – Nominee Director |                    |                      |

The Committee meets every quarter for discussing the CSR initiatives and CSR efforts of the company. The CSR Committee met on 29.6.2016, 29.08.2016, 29.11.2016 and 01.03.2017 and deliberated on plans and projects relating to CSR. An amount of Rs.15,02,206/- has been earmarked for CSR spending as against Rs. 14,60,133/- allocated for CSR spending in the previous year. Further, the Company has remitted an amount of 1,00,000/- towards Prime Minister's National Relief Fund on 24.3.2017, as a part of CSR spending. Annual Report on CSR activities is annexed as Annexure II to this report.

#### 22. Deposits :

The details relating to deposits, covered under Chapter V of the Act,

(a) Accepted during the year (including renewals) : Rs.7,28,43,788/-

(b) Remained unpaid or unclaimed as at the end of the year : Rs.31,80,661/-

(c) Whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved – No.

The details of deposits which are not in compliance with the requirements of Chapter V of the Act: Nil

#### 23. Particulars of loans, guarantees or investments under Section 186:

Details of Loans: Not applicable to Housing Finance Companies since same are given in the ordinary course of business.

Details of Guarantee / Security Provided: Not applicable to Housing Finance Companies. However no such guarantee or security was provided.

Investments made are of the nature quoted Equity Shares and Government Bonds. Particulars of such investments are provided in the financial statements vide note Nos. 9.01 to 9.03.

**24. OBLIGATION OF COMPANY UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**  
In terms of the Sexual Harassment of Women at Work Place (Prevention, Prohibition & Redressal) Act, 2013 has been notified on 9th December, 2013, MHFSL has constituted an Internal Complaints Committee to look into complaints of sexual harassment at work place of any women employee. The Company has adopted a



policy for prevention of sexual harassment of women at work place and the above Committee reviews the progress in the implementation of the said policy. During the year, the Committee met on 28.06.2016, 27.9.2016, 31.12.2016 and 31.03.2017 and deliberated on general issues relating to sexual harassment of women and improvement in facilities required. There were no specific complaints of sexual harassment of any women employee during the year.

**25. Conservation of energy, technology absorption and foreign exchange earnings and outgo:**

The Company did not have any activity in relation to conservation of energy or technology absorption. The Company had no foreign exchange earnings or outgoings during the year under report.

**26. Directors' Responsibility Statement :**

Your Directors hereby report in terms of Clause (c) of Sub-Section (3) of Section 134 of the Companies Act, 2013, that—

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- The directors 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;
- The directors 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;
- The directors have prepared the annual accounts on a going concern basis; and
- The directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**27. Transfer of Amounts to Investor Education and Protection Fund :**

Pursuant to the provisions of the Investor Education Protection Fund (Uploading of information regarding unpaid and unclaimed amounts lying with companies) Rules, 2012, the Company has already filed the necessary form and uploaded the details of unpaid and unclaimed amounts lying with the Company, as on the date of last AGM (i.e., 30.8.2016), with the Ministry of Corporate Affairs.

Information in respect of unclaimed dividend when due for transfer to the Investor Education Protection Fund is given below:

| Financial Year ended | Date of Declaration of Dividend | Last Date for Claiming Unpaid Dividend | Due date for Transfer to IEP Fund |
|----------------------|---------------------------------|--|-----------------------------------|
| 31.03.2010           | 16.08.2010                      | 15.08.2017                             | 15.09.2017                        |
| 31.03.2011           | 01.08.2011                      | 31.07.2018                             | 31.08.2018                        |
| 31.03.2012           | 09.08.2012                      | 08.08.2019                             | 08.09.2019                        |
| 31.03.2013           | 17.08.2013                      | 16.08.2020                             | 16.09.2020                        |
| 31.03.2014           | 20.08.2014                      | 20.08.2021                             | 20.08.2021                        |
| 31.03.2015           | 13.08.2015                      | 13.08.2022                             | 13.08.2022                        |
| 31.03.2016           | 30.08.2016                      | 30.08.2023                             | 30.09.2023                        |

**28. Related Party Transaction :**

The Board has adopted a policy on dealing with related party transactions in terms of NHB direction and guidelines. The policy is presented elsewhere apart from being uploaded on the website of the Company. All related party transactions that were entered into were on an arm's length basis, in the ordinary course of business and were in compliance with the applicable provisions of Companies Act, 2013 ("the Act"). There were no materially significant Related Party Transactions made by the Company during the year that would have required shareholders approval under the provisions of the Act. Details of the transactions with related parties are provided in the Note No. 25.04 of accompanying financial statements. Form 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 is annexed herewith marked as Annexure III.

**29. Vigil Mechanism:**

The Company has in place a whistle blower policy that was adopted under Vigil Mechanism pursuant to Section 177 (9) and (10) of the Companies Act, 2013. Directors and employees and other stakeholders are free to report genuine concerns if any under the policy. The policy stands uploaded in Company's website [www.manipalhousing.com](http://www.manipalhousing.com)

**30. Acknowledgements:**

Your directors wish to place on record their gratitude for the continued co-operation and support received from the promoters, particularly, the Syndicate Bank, being one of the Promoters. The Board is also grateful to the Reserve Bank of India and the National Housing Bank for their guidance and co-operation and all the bankers, shareholders, depositors, customers and others who have helped the Company in its endeavors.

Your directors also wish to place on record their deep sense of appreciation of the services rendered by the staff members at all levels.

For and on behalf of the Board of Directors

Place : Manipal  
Date : 29.06.2017

Sd/-  
**N. A. Shanbhag**  
Chairman  
DIN: 07157128

**Annexure I**  
**FORM NO. MGT 9**

**EXTRACT OF ANNUAL RETURN**

**As on Financial Year ended on 31.03.2017**

**Pursuant to Section 92 (3) of the Companies Act, 2013 and Rule 12(1) of the Company (Management & Administration) Rules, 2014**

**I. REGISTRATION & OTHER DETAILS**

|   |   |   |
|---|---|---|
| 1 | CIN   | U65922KA1986PLC007396   |
| 2 | Registration Date   | 06.01.1986  |
| 3 | Name of the Company   | Manipal Housing Finance Syndicate Ltd.  |
| 4 | Category/Sub-category of the Company                                      | —   |
| 5 | Address of the Registered office & contact details                        | Regd. Office : "Manipal House", Manipal – 576 104<br>Udupi Dist. Ph: 0820-2570741 |
| 6 | Whether listed Company  | Not listed  |
| 7 | Name, Address & Contact Details of the Registrar & Transfer Agent, if any | —   |

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY** (All the business activities contributing 10% or more of the total turnover of the Company shall be stated)

| Sl. No. | Name and Description of main products/services | NIC Code of the Product/Service | % to total turnover of the Company |
|---------|--|---------------------------------|------------------------------------|
| 1       | Housing Finance                                | 65922                           | 80%                                |
| 2       | Jewel Loan                                     | 64649                           | 11.42%                             |

**III. SHAREHOLDING PATTERN (Equity Share Capital Break up as percentage of Total Equity) Category-wise Shareholding:**

| Category of Shareholders   | No. of Shares held at the beginning of the year<br>[As on 31 March, 2016] |          |         |                   | No. of Shares held at the end of the year<br>[As on 31 March, 2017] |          |         |                   | % Change during the year |
|--|---|----------|---------|-------------------|---|----------|---------|-------------------|--------------------------|
|  | Demat   | Physical | Total   | % of Total Shares | Demat   | Physical | Total   | % of Total Shares |                          |
| <b>A. Promoter s</b>   |   |          |         |                   |   |          |         |                   |                          |
| <b>1. Indian</b>   |   |          |         |                   |   |          |         |                   |                          |
| a) Individual/ HUF   | -   | 280400   | 280400  | 3.30              | -   | 520306   | 520306  | 6.12              | 2.82                     |
| b) Central Govt.   |   |          |         |                   |   |          |         |                   |                          |
| c) State Govt.(s)  |   |          |         |                   |   |          |         |                   |                          |
| d) Bodies Corp.  | -   | 4328100  | 4328100 | 50.89             | -   | 4152094  | 4152094 | 48.82             | -2.07                    |
| e) Banks / FI  | -   | 600000   | 600000  | 7.05              | -   | 600000   | 600000  | 7.05              | -                        |
| f) Any other   | -   | -        | -       | -                 | -   | -        | -       | -                 | -                        |
| <b>Total shareholding of Promoter (A)</b>  | -   | 5208500  | 5208500 | 61.24             | -   | 5272400  | 5272400 | 61.99             | 0.75                     |
| <b>B. Public Shareholding</b>  |   |          |         |                   |   |          |         |                   |                          |
| <b>1. Institutions</b>   | 0   | 0        | 0       | 0                 | 0   | 0        | 0       | 0                 | 0                        |
| a) Mutual Funds  | 0   | 0        | 0       | 0                 | 0   | 0        | 0       | 0                 | 0                        |
| b) Banks / FI  | 0   | 0        | 0       | 0                 | 0   | 0        | 0       | 0                 | 0                        |
| c) Central Govt.   | 0   | 0        | 0       | 0                 | 0   | 0        | 0       | 0                 | 0                        |
| d) State Govt.(s)  | 0   | 0        | 0       | 0                 | 0   | 0        | 0       | 0                 | 0                        |
| e) Venture Capital Funds   | 0   | 0        | 0       | 0                 | 0   | 0        | 0       | 0                 | 0                        |
| f) Insurance Companies   | 0   | 0        | 0       | 0                 | 0   | 0        | 0       | 0                 | 0                        |
| g) FIs   | 0   | 0        | 0       | 0                 | 0   | 0        | 0       | 0                 | 0                        |
| h) Foreign Venture Capital Funds   | 0   | 0        | 0       | 0                 | 0   | 0        | 0       | 0                 | 0                        |
| i) Others (specify)  | 0   | 0        | 0       | 0                 | 0   | 0        | 0       | 0                 | 0                        |
| <b>Sub-total (B)(1):</b>   |   |          |         |                   |   |          |         |                   |                          |
| <b>2. Non-Institutions</b>   |   |          |         |                   |   |          |         |                   |                          |
| a) Bodies Corp.  | 0   | 0        | 0       | 0                 | 0   | 0        | 0       | 0                 | 0                        |
| i) Indian  | 0   | 0        | 0       | 0                 | 0   | 0        | 0       | 0                 | 0                        |
| ii) Overseas   | 0   | 0        | 0       | 0                 | 0   | 0        | 0       | 0                 | 0                        |
| b) Individuals   | 0   | 0        | 0       | 0                 | 0   | 0        | 0       | 0                 | 0                        |
| i) Individual shareholders holding nominal share capital upto Rs.1 lakh          | 0   | 2597650  | 2597650 | 30.54             | 0   | 2570850  | 2570850 | 30.23             | 0.31                     |
| ii) Individual shareholders holding nominal share capital in excess of Rs.1 lakh | 0   | 725950   | 725950  | 8.53              | 0   | 725950   | 725950  | 8.53              | -                        |
| c) Others (specify)  | -   | -        | -       | -                 | -   | -        | -       | -                 | -                        |
| Non Resident Indians   | -   | -        | -       | -                 | -   | -        | -       | -                 | -                        |
| Overseas Corporate Bodies  | -   | -        | -       | -                 | -   | -        | -       | -                 | -                        |
| Foreign Nationals  | -   | -        | -       | -                 | -   | -        | -       | -                 | -                        |
| Clearing Members   | -   | -        | -       | -                 | -   | -        | -       | -                 | -                        |
| Trusts   | -   | -        | -       | -                 | -   | -        | -       | -                 | -                        |
| Foreign Bodies - D R   | -   | -        | -       | -                 | -   | -        | -       | -                 | -                        |
| <b>Sub-total (B)(2):-</b>  |   |          |         |                   |   |          |         |                   |                          |
| <b>Total Public Shareholding (B)=(B)(1)+ (B)(2)</b>                              | -   | 3323600  | 3323600 | 39.08             | -   | 3296800  | 3296800 | 38.76             | 0.31                     |
| <b>C. Shares held by Custodian for GDRs &amp; ADRs</b>                           | -   | -        | -       | -                 | -   | -        | -       | -                 | -                        |
| <b>Grand Total (A+B+C)</b>   | -   | 8505300  | 8505300 | 100               | -   | 8505300  | 8505300 | 100               | -                        |

**A. Shareholding of Promoter:**

| Sl. No. | Shareholder's Name                     | Shareholding at the beginning of the year |                                  |  | Shareholding at the end of the year |                                  |   | % change in shareholding during the year |
|---------|--|---|----------------------------------|--|-------------------------------------|----------------------------------|---|--|
|         |  | No. of Shares                             | % of total Shares of the Company | % of Shares Pledged / encumbered to Total Shares | No. of Shares                       | % of total Shares of the Company | % of Shares Pledged/ encumbered to Total Shares |  |
| 1.      | ICDS LTD.                              | 729000                                    | 8.57                             | 0  | 729000                              | 8.57                             | 0   | 0  |
| 2.      | SYNDICATE BANK                         | 600000                                    | 7.05                             | 0  | 600000                              | 7.05                             | 0   | 0  |
| 3.      | MFC LTD.                               | 699100                                    | 8.21                             | 0  | 523094                              | 6.15                             | 0   | 2.06                                     |
| 4.      | MPL INSURANCE AGENCY SERVICES (P) LTD. | 2900000                                   | 34.09                            | 0  | 2900000                             | 34.09                            | 0   | 0  |
| 5.      | T. NARAYAN M. PAI                      | 123500                                    | 1.45                             | 0  | 146900                              | 1.73                             | 0   | 0.28                                     |
| 6.      | T. SANJAY PAI                          | 80000                                     | 0.93                             | 0  | 93800                               | 1.10                             | 0   | 0.16                                     |
| 7.      | SANGEETHA PAI                          | 24600                                     | 0.28                             | 0  | 129303                              | 1.52                             | 0   | 1.23                                     |
| 8.      | PRANITA PAI                            | 52300                                     | 0.62                             | 0  | 150503                              | 1.76                             | 0   | 1.14                                     |

**B. Change in Promoters' Shareholding (please specify, if there is no change)**

| Sl. No. | Particulars   | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|---------|---|---|----------------------------------|---|----------------------------------|
|         |   | No. of Shares                             | % of total Shares of the Company | No. of Shares                           | % of total Shares of the Company |
| 1.      | At the beginning of the year  | 280400                                    | 3.29                             | 280400                                  | 3.29                             |
| 2.      | Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/ decrease (e.g., allotment/transfer/bonus/sweat equity etc.): | -   | -                                | 239906 (transfer)                       | 2.83                             |
| 3.      | At the end of the year  | 280400                                    | 3.29                             | 520306                                  | 6.11                             |

**C. Shareholding Pattern of top ten Shareholders:  
(Other than Directors, Promoters and Holders of GDRs and ADRs):**

| Sl. No. | For Each of the Top 10 Shareholders  | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|---------|--|---|----------------------------------|---|----------------------------------|
|         |  | No. of Shares                             | % of total Shares of the Company | No. of Shares                           | % of total Shares of the Company |
| 1.      | At the beginning of the year   | 356600                                    | 4.14                             | 356600                                  | 4.14                             |
| 2.      | Date-wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g., allotment/transfer/bonus/ sweat equity etc.) | 0   | 0                                | 0                                       | 0                                |
| 3.      | At the end of the year   | 356600                                    | 4.14                             | 356600                                  | 4.14                             |

**D. Shareholding of Directors and Key Managerial Personnel:**

| Sl. No. | Shareholding of each Directors and each Key Managerial Personnel   | Shareholding at the beginning of the year |                                  | Cumulative Shareholding during the year |                                  |
|---------|--|---|----------------------------------|---|----------------------------------|
|         |  | No. of Shares                             | % of total Shares of the Company | No. of Shares                           | % of total Shares of the Company |
| 1.      | At the beginning of the year   | 160200                                    | 1.88                             | 160200                                  | 1.88                             |
| 2.      | Date-wise Increase / Decrease in Promoters Shareholding during the year specifying the reasons for increase /decrease (e.g., allotment/transfer/bonus/sweat equity etc.) | 0   | 0                                | 56300<br>(Transfer)                     | 0.66                             |
| 3.      | At the end of the year   | 160200                                    | 1.88                             | 216500                                  | 2.54                             |

**E. INDEBTEDNESS – Indebtedness of the Company including interest outstanding/accrued but not due for payment**

(Rs.)

|   | Secured Loans<br>Excluding Deposits | Unsecured<br>Loans | Deposits  | Total<br>Indebtedness |
|---|-------------------------------------|--------------------|-----------|-----------------------|
| Indebtedness at the beginning of the financial year |                                     |                    |           |                       |
| i) Principal Amount                                 | 2841071217                          | -                  | 136192477 | 2977263694            |
| ii) Interest due but not paid                       | -                                   | -                  | -         | -                     |
| iii) Interest accrued but not due                   | 24674688                            | -                  | 1278098   | 25952786              |
| Total (i+ii+iii)                                    | 2865745905                          | -                  | 137770575 | 3003216480            |
| Change in Indebtedness during the financial year    |                                     |                    |           |                       |
| * Addition  | 782662000                           | -                  | 72843788  |                       |
| * Reduction   | 447105614                           | -                  | 43494982  |                       |
| Net Change  | 335556386                           | -                  | 29348806  |                       |
| Indebtedness at the end of the financial year       |                                     |                    |           |                       |
| i) Principal Amount                                 | 3195392168                          |                    | 165541283 | 3360933451            |
| ii) Interest due but not paid                       | -                                   | -                  | -         | -                     |
| iii) Interest accrued but not due                   | 5910123                             | -                  | 1455647   | 7365770               |
| Total (i+ii+iii)                                    | 3201302291                          | -                  | 166996930 | 3368299221            |

**IV. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**
**A. Remuneration to Executive Director/ Whole-time Director:**

| Sl. No. | Particulars of Remuneration   | Name Total Amount |          |
|---------|---|-------------------|----------|
|         |   | T. Sunil Pai      |          |
| 1       | Gross salary  | Rs.               | Rs.      |
|         | (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 | 3,60,000          | 3,60,000 |
|         | (b) Value of perquisites u/s 17(2) of Income-tax Act, 1961                          | 28,800            | 28,800   |
|         | (c) Profits in lieu of salary under Section 17(3) of Income- tax Act, 1961          | 0                 | 0        |
| 2       | Stock Option  | 0                 | 0        |
| 3       | Sweat Equity  | 0                 | 0        |
| 4       | Commission<br>– as % of profit<br>– others, specify...                              | 0                 | 0        |
| 5       | Others, please specify  | 0                 | 0        |
|         | Total (A)   | 3,88,800          | 3,88,800 |
|         | Ceiling as per the Act  |                   |          |

**B. Remuneration to other Directors**

| Sl. No. | Particulars of Remuneration                | Name of Directors |           | Total Amount |
|---------|--|-------------------|-----------|--------------|
|         |  | N. A. Shanbhag    | B. G. Pai |              |
| 1       | Independent Directors                      | Rs.               | Rs.       | Rs.          |
|         | Fee for attending board committee meetings | 4,500             | 4,500     | 9,000        |
|         | Commission                                 | -                 | -         | -            |
|         | Travelling Allowance                       | 44,890            | -         | 44,890       |
|         | Total (1)                                  | 49,390            | 4,500     | 53,890       |



| Sl. No. | Particulars of Remuneration                | Name of Directors          |           | Total Amount |
|---------|--|----------------------------|-----------|--------------|
| 2       | Other Non-Executive Directors              | Subramani R. and K. T. Rai | V. N. Pai |              |
|         | Fee for attending board committee meetings | —                          | —         | —            |
|         | Commission                                 | —                          | —         | —            |
|         | Others, please specify                     | —                          | —         | —            |
|         | Total (2)                                  | —                          | —         | —            |
|         | Total (B)=(1+2)                            | —                          | —         | —            |
|         | Total Managerial Remuneration              | —                          | —         | —            |
|         | Overall Ceiling as per the Act             | —                          | —         | —            |

**C. Remuneration to Key Managerial :**

| Sl. No. | Particulars of Remuneration   | Key Managerial Personnel |          |
|---------|---|--------------------------|----------|
|         |   | C F O:- G. K. BHAT       | Total    |
|         | Gross salary  | Rs.                      | Rs.      |
| 1       | (a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961 | 2,99,000                 | 2,99,000 |
|         | (b) Value of perquisites u/s 17(2) of Income-tax Act, 1961                          | —                        | —        |
|         | (c) Profits in lieu of salary under Section 17(3) of Income-tax Act, 1961           | —                        | —        |
| 2       | Stock Option  | —                        | —        |
| 3       | Sweat Equity  | —                        | —        |
| 4       | Commission  | —                        | —        |
|         | - as % of profit  | —                        | —        |
|         | others, specify...  | —                        | —        |
| 5       | Others, please specify  | —                        | —        |
|         | Total   | 2,99,000                 | 2,99,000 |

**V. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:**

| Type                                | Section of the Companies Act | Brief Description | Details of Penalty/ Punishment/Compounding fees imposed | Authority [RD/NCLT/COURT] | Appeal made, if any (give Details) |
|-------------------------------------|------------------------------|-------------------|---|---------------------------|------------------------------------|
| <b>A. COMPANY</b>                   |                              |                   |   |                           |                                    |
| Penalty                             | —                            | —                 | —   | —                         | —                                  |
| Punishment                          | —                            | —                 | —   | —                         | —                                  |
| Compounding                         | —                            | —                 | —   | —                         | —                                  |
| <b>B. DIRECTORS</b>                 |                              |                   |   |                           |                                    |
| Penalty                             | —                            | —                 | —   | —                         | —                                  |
| Punishment                          | —                            | —                 | —   | —                         | —                                  |
| Compounding                         | —                            | —                 | —   | —                         | —                                  |
| <b>C. OTHER OFFICERS IN DEFAULT</b> |                              |                   |   |                           |                                    |
| Penalty                             | —                            | —                 | —   | —                         | —                                  |
| Punishment                          | —                            | —                 | —   | —                         | —                                  |
| Compounding                         | —                            | —                 | —   | —                         | —                                  |

**Annexure II****THE ANNUAL REPORT ON CSR ACTIVITIES TO BE INCLUDED IN THE BOARD'S REPORT****CSR Policy:**

The Corporate Social Responsibility (CSR) Committee will identify CSR project/activity, sector in which project is to be covered, suggest the area where project has to be undertaken, recommend the outlay for the project, etc.

**CSR Activities:**

- Corporate Social Responsibility (CSR) represents the perennial commitment of MHFSL to strive its best to contribute to socio-economic well being of the community around.  
The Corporate Social Responsibility (CSR) Committee has been constituted by the Board in the meeting held on 9th December, 2014.
- The Committee consists of following members:  
Sri N. A. Shanbhag – Chairman & Independent Director Sri Madhu P. Nominee Director  
Sri T. Sunil Pai – Executive Director Sri Sathish Kamth, Nominee Director  
Smt. Vijayalaxmi N. Pai – Director  
Sri K. T. Rai – Nominee Director (Up to 30.05.17)
- Meetings: CSR Committee met on 29.6.2016, 29.8.2016, 29.11.2016 and 01.03.2017 during the year. On the basis of discussion in the meeting held on 29.11.2016, the Committee recommended the following to the Board:  
(a) To consider Sanction of Rs.1,00,000/- to Prime Minister's Relief Fund.  
(b) To consider Sanction of Rs.50,000/- to Shree Ramachandrapur Mutt, Hosanagar.  
The Board sanctioned Rs.1,00,000/- to Prime Minister's Relief Fund. Accordingly, an amount of Rs.1,00,000/- was donated to Prime Minister's Relief Fund in financial year 2016-2017.
- Average net profit of the Company for last three financial year : Rs.7,51,10,307/-.
- Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) Rs.15,02,206/-
- Details of CSR spent during the financial year: Rs.1,00,000/-  
(a) Total amount to be spent for the financial year : Rs.15,02,206/-.  
(b) Amount unspent, if any; Rs.14,02,206/-.

Sd/-  
T. Sunil Pai  
Executive Director  
DIN: 00101564

Sd/-  
N. A. Shanbhag  
Chairman  
DIN: 07157128

## **Annexure - III**

### **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 arms 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: All related party transactions as covered u/s 188 of the Act were entered into during the period prior to 01.04.2015. Therefore making any further disclosures in Form AOC-2 does not arise.

## **Annexure IV**

### **Report of the Board on Corporate Governance**

The Board stands fully committed to maintain highest standards of governance through transparency, accountability and integrity and by means of adherence to best corporate governance principles and practices. Corporate Governance at MHFS Ltd., is a continuous process. It influences systems and policies of Corporate administration and is based on our commitment to maintain highest standards of transparency, accountability and professional ethics by adhering to the best corporate governance principles and practices. Corporate governance at MHFS Ltd., is based on the following five pillars:

1. To fully satisfy the spirit of Law in our functions and operations.
2. To be transparent and to maintain high degree of disclosure levels.
3. To have simple and effective corporate structure strictly driven by customer's requirements and expectations.
4. Strict compliance with the statutory and regulatory requirements prescribed by NHB, and
5. Promotion of ethics at work place.

The Board and Board appointed Committees aim at implementing best practices of Corporate Governance in full conformity with the letter and spirit of the laws of the land, rules, directions and guidelines of NHB. It is the constant endeavour of the Board to build up long term relationship with all stakeholders.

#### **A. Board of Directors:**

**Composition:** The Board comprises Six Directors. Out of them one is Whole Time/Executive Director and others are Non-Executive Directors. Two Directors are Nominee Directors of Syndicate Bank, being a promoter. There are Two Independent Directors.

#### **List of Directors:**

|   |                         |                               |
|---|-------------------------|-------------------------------|
| 1 | Sri T. Sunil Pai        | Executive Director            |
| 2 | Sri N. A. Shanbhag      | Chairman/Independent Director |
| 3 | Smt. Vijayalaxmi N. Pai | Director                      |
| 4 | Sri B. Ganapathi Pai    | Independent Director          |
| 5 | Sri Subramani R.        | Nominee Director              |
| 6 | Sri K. T. Rai           | Nominee Director              |

#### **B. Committees of the Board and other Committees:**

##### **Board Level Committees:**

| Sl. No. | Name of the Committee                     | Directors/Members   | No of meetings held in 2016-17 |
|---------|---|---|--------------------------------|
| 1.      | Audit Committee                           | Sri N. A. Shanbhag<br>Sri B. Ganapathi Pai<br>Sri K. T. Rai<br>Sri Subramani R.                           | 4                              |
| 2.      | Nomination and Remuneration Committee     | Sri T. Sunil Pai<br>Sri N. A. Shanbhag<br>Sri K. T. Rai   | 1                              |
| 3.      | Corporate Social Responsibility Committee | Sri T. Sunil Pai<br>Smt Vijayalaxmi N. Pai<br>Sri N. A. Shanbhag<br>Sri B. Ganapathi Pai<br>Sri K. T. Rai | 4                              |
| 4.      | Working/Loan Sanction Committee           | Sri T. Sunil Pai<br>Smt Vijayalaxmi N. Pai<br>Sri N. A. Shanbhag<br>Sri B. Ganapathi Pai                  | 9                              |
| 5.      | Review Committee Willful Defaulters       | Sri T. Sunil Pai<br>Sri N. A. Shanbhag<br>Sri B. Ganapathi Pai  | —                              |

##### **Other Internal Committees:**

|   |   |                      |   |
|---|---|----------------------|---|
| 1 | ALM Committee                                       | Internal Committee   | 2 |
| 2 | Risk Management Committee                           | Internal Committee   | 4 |
| 3 | Customer Service and Grievances Redressal Committee | Internal Committee   | 4 |
| 4 | Internal Complaints Committee                       | Internal Committee   | 4 |
| 5 | Identification Committee for Willful Defaulters     | Internal Committee * | — |

\* As permitted by Regulator vide letter No.8255/2016-17 dt. 5.9.2016.

There is a Vigil Mechanism in place. Directors and staff are given a platform through this mechanism to express their concerns if any on various matters. The Company has 6775 shareholders.

The Annual Report happens to be the main channel of communication to the shareholders. The Annual General Meeting also provides a forum for communication and interaction with members.

#### **Board Meetings:**

| Sl. No. | Director's Name         | No. of meetings attended | Attendance at AGM on 30th August, 2016 |
|---------|-------------------------|--------------------------|--|
| 1       | Sri T. Sunil Pai        | 4                        | Yes                                    |
| 2       | Sri N. A. Shanbhag      | 3                        | Yes                                    |
| 3       | Sri B. Ganapathi Pai    | 3                        | No                                     |
| 4       | Smt. Vijayalaxmi N. Pai | 2                        | No                                     |
| 5       | Sri Subramani R.        | 2                        | No                                     |
| 6       | Sri K. T. Rai           | 1                        | No                                     |

All the Directors have submitted declaration and undertaking in the format prescribed by NHB and executed Deed of Covenant in the format prescribed by NHB as on 31.3.2017.

## INDEPENDENT AUDITORS' REPORT

### TO THE MEMBERS OF MANIPAL HOUSING FINANCE SYNDICATE LIMITED, MANIPAL

#### Report on the Financial Statements

We have audited the accompanying financial statements of MANIPAL HOUSING FINANCE SYNDICATE LIMITED ("the Company"), which comprises the Balance Sheet as at 31 March, 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year ended and a summary of significant accounting policies and other explanatory information.

#### Management's Responsibility for the Financial Statements

The Company's Board of Directors is responsible for the matters in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting the frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.

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

#### Opinion

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

- In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2017;
- In the case of the Statement of Profit and Loss, of the profit for the year ended on that date;
- In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

#### Emphasis of matter

We draw attention to Note 2.02 to the financial statements, which describes the accounting treatment of the expenditure on creation of Deferred Tax Liability on Special Reserve under Section 36(1)(viii) of the Income Tax Act, 1961 as at 31st March, 2017, pursuant to National Housing Bank's Circular No. NHB(ND)/DRS/Policy Circular 65/2014-15 dated 22<sup>nd</sup> August, 2014.

Our opinion is not qualified in respect of this matter.

#### Report on other Legal and Regulatory Requirements

- As required by the Companies (Auditor's Report) Order, 2016 ("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.
- As required by the "Housing Finance Companies Auditor's Report (National Housing Bank) Directions 2016" ("the Directions"), issued by the National Housing Bank in exercise of powers conferred by Sub-Section (1A) of Section 33 of National Housing Bank Act 1987 (53 of 1987), we give in the 'Annexure B' a report on the matters specified in sub-paragraph A and sub-paragraph B of Paragraph 3 of the Directions, to the extent applicable.
- As required by Section 143(3) of the Act, we report
  - We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - The Balance Sheet, the Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
  - In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
  - The matter described in the Emphasis of the Matter paragraph will not have any adverse effect on the functioning of the Company.
  - On the basis of written representations received from the directors as on 31 March, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2017 from being appointed as a director in terms of Section 164(2) of the Act.
  - With respect to the adequacy of the internal financial controls over financial reporting of the Company and operating effectiveness of such controls, refer to our separate report in 'Annexure C'.
  - With respect to the other matters included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules 2014 in our opinion and to the best of our information and according to the explanations given to us:
    - The Company does not have any pending litigations which would impact its financial position.
    - The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses.
    - There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund, by the Company.
    - The Company has provided requisite disclosures in the Financial Statement as to Holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016. Based on the audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management in Note No. 25.06

**For PAI NAYAK & ASSOCIATES**

*Chartered Accountants*

Firm's Registration Number: 009090S

**Sd/- CA Ammunje Venkatesh Nayak**

*Partner*

Membership No.: 204685

Place : Manipal

Date : 29<sup>th</sup> June, 2017

**ANNEXURE "A" TO INDEPENDENT AUDITORS' REPORT**  
**(Issued to Manipal Housing Finance Syndicate Ltd., Manipal for the year ending 31<sup>st</sup> March, 2017)**  
**(Referred to in Paragraph 1 of our report of even date under the Heading**  
**"Report on other Legal and Regulatory Requirements")**

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.  
 (b) The fixed assets of the Company have been physically verified by the management. In our opinion, the frequency of such verification is reasonable having regard to the size of the Company and the nature of its assets. As explained to us, no material discrepancies were noticed on such verification.  
 (c) According to the information given to us and on the basis of our examination, title deeds of immovable properties are held in the name of the Company, except as below:

| Particulars | Total Number of Cases | Nature    | Gross Block Rs. | Net Block Rs. | Remarks if any       |
|-------------|-----------------------|-----------|-----------------|---------------|----------------------|
| Land        | One                   | Freehold  | 95,15,615       | 95,15,615     | Pending Registration |
| Building    | Two                   | Leasehold | 1,26,38,840     | 94,35,507     | — do —               |

- ii. According to the information and explanations given to us, the inventories have been physically verified by the management during the year. No material discrepancy was noticed on physical verification of stocks by the management as compared to book records.
- iii. According to the information and explanations given to us and on the basis of our examination of the books of accounts, the Company has not granted any loans, secured or unsecured, to Companies, Firms, Limited Liability Partnerships or other parties covered in the Register maintained under Section 189 of the Companies Act, 2013. Accordingly the question of making further observations in this aspect does not arise.
- iv. According to the information and explanations given to us, the Company has Complied with the provisions of Section 185 and 186 of the Companies Act, 2013 in respect of loans granted and investments made. We are informed by the management that the Company has not issued any guarantee or provided any security to any other person.
- v. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the National Housing Bank and the provisions of Section 73 to 76 of the Companies Act, 2013 and the Companies (Acceptance of Deposit) Rules, 2014. The public deposit accepted by the Company are governed by the directives issued by the National Housing Bank vide Notifications issued from time to time. The management has informed us that there are no orders by Company Law Board or National Company Law Tribunal or National Housing Bank or Reserve Bank of India or any Court or any other tribunal, in respect of Deposits.
- vi. The Central Government has not prescribed maintenance of cost records u/s 148(1) of the Companies Act, 2013 for the Company. Therefore the question of making any comments as required under paragraph 3(vi) of the Order does not arise.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the record of the Company, amounts deducted/accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, service tax, duty of customs, duty of excise, Value Added Tax, cess, and other material statutory dues (if payable by the Company) have been regularly deposited during the year by the Company with the appropriate authorities  
 (b) According to the records of the Company made available to us and as per the information and explanations given, there are no dues of income tax, sales tax, service tax, duty of customs, duty of excise, value added tax or cess which have not been deposited on account of any dispute.
- viii. Based on our audit procedures and on the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of loans or borrowings to financial institution and/or banks. Making any comments on repayment of loans to the Government or repayment of dues to debenture holders does not arise, since no such amounts were outstanding at any time during the year under audit.
- ix. In our opinion and according to the information and explanations given to us, no moneys were raised by the Company by way of initial public offer or further public offer (including debt instruments). The Company has utilized the term loan for the purpose for which it was obtained.
- x. Based on the audit procedures performed and the information and explanations given to us, we report that no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year, nor have we been informed of such case by the management.
- xi. According to the information and explanation given to us, the managerial remuneration has been paid or provided with the requisite approvals mandate by the provisions of Section 197 read with Schedule V to the Companies Act.
- xii. The Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Section 177 and 188 of the Act wherever applicable and the details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Therefore, the question of compliance with Section 192 of the Companies Act, 2013 does not arise. Accordingly, the Paragraph 3(xv) of the Order is not applicable.
- xvi. The Company has obtained registration to "commence/carry on the business of a Housing Finance Institution" from National Housing Bank under Section 29A of the National Housing Bank Act 1987. Therefore the question of obtaining further registration under Section 45-IA of the Reserve Bank of India Act, 1934 does not arise.

**For PAI NAYAK & ASSOCIATES**

*Chartered Accountants*

Firm's Registration Number: 009090S

**Sd/- CA Ammunje Venkatesh Nayak**

*Partner*

Membership No.: 204685

Place : Manipal  
 Date : 29<sup>th</sup> June, 2017

**ANNEXURE 'B' TO INDEPENDENT AUDITORS' REPORT**  
**(ISSUED TO MANIPAL HOUSING FINANCE SYNDICATE LTD., MANIPAL FOR THE YEAR ENDING 31<sup>st</sup> MARCH, 2017)**  
**(REFERRED TO IN PARAGRAPH 2 OF OUR REPORT OF EVEN DATE UNDER THE HEADING**  
**"REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS")**

**(Report on the matters as required by the "Housing Finance Companies Auditor's Report (National Housing Bank) Directions 2016" ("the Directions"), issued by the National Housing Bank in exercise of powers conferred by Sub-Section (1A) of Section 33 of National Housing Bank Act 1987 (53 of 1987))**

- A. I. The Company has been registered with NHB vide Certificate of Registration No. 01.0026.02 dated 7<sup>th</sup> May, 2002.  
 II. The Company has complied with the prescribed limits of Net Owned Funds as per Section 29A of the National Housing Bank Act, 1987.
- B. I. The Company has complied with the Section 29C of the National Housing Bank Act, 1987.  
 II. As per the information obtained by us the deposits accepted by the Company together with other borrowings indicated below are within the limits admissible to the Company as per the provisions of the Housing Finance Companies (NHB) Directions, 2010,  
 (a) from public by issue of unsecured non-convertible debentures/bonds : Rs.NIL;  
 (b) from its shareholders;  
 (c) which are not excluded from the definition of 'public deposit' in the Housing Finance Companies (NHB) Directions, 2010: Rs. NIL.
- III. The deposits held by the Company are within limits specified under the provisions of Directions, 2010. Accordingly the question of reporting on the clause 3(B)(III) of the directions does not arise.



- IV. The Company has obtained rating for its deposits from the credit rating agency i.e., M/s Credit Analysis and Research Limited. The aforesaid rating agency has assigned the rating "CARE BBB+ (Triple B Plus)" for the deposits of the Company, vide their letter dated 19<sup>th</sup> January, 2017.
- V. As per information and explanations given to us in respect of clause (IV) above,
  - (a) The credit rating mentioned above is given by one of the agencies approved namely M/s Credit Analysis & Research Limited for acceptance of Public Deposits and the rating is in force.
  - (b) The Credit rating as mentioned above was given for acceptance of deposits upto Rs.18 Crores. The aggregate amount of deposits outstanding at any time during the year has not exceeded the aforesaid specified limit of Rs.18 Crores.
- VI. According to the information and explanations given to us and on the basis of our examination of the books of accounts the Company has not defaulted in paying to its depositors the interest and/or principal amount of the deposits after such interest and/or principal became due during the year ended 31.03.2017.
- VII. The total borrowings of the Company are within the limits prescribed under paragraph 3(2) of the Housing Finance Companies (NHB) Directions, 2010.
- VIII. According to the information given to us by the Company, the Company has complied with the prudential norms on income recognition, accounting standards, asset classification, loan-to-value ratio, provisioning requirements, disclosure in balance sheet, investment in real estate, exposure to capital market and engagement of brokers, and concentration of credit/investments as specified in the Housing Finance Companies (NHB) Directions, 2010.
- IX. The capital adequacy ratio as disclosed in the Schedule – II return submitted to the National Housing Bank ("the Bank") in terms of the Housing Finance Companies (NHB) Directions, 2010 has been correctly determined and such ratio is in compliance with the minimum capital to risk weighted asset ratio (CRAR) prescribed therein.
- X. According to the information given to us by the Company, the Company has furnished to the Bank within the stipulated period the Schedule – II return as specified in the Housing Finance Companies (NHB) Directions, 2010.
- XI. According to the information and explanations given to us and on the basis of our examination of the books of accounts the Company has complied with the liquid assets requirement as prescribed by the National Housing Bank in exercise of powers under Section 29B of the National Housing Bank Act, 1987 and the requirements as specified in paragraphs 14 and 15 of the Housing Finance Companies (NHB) Directions, 2010.
- XII. According to the information given to us by the Company, the Company has furnished to the National Housing Bank within the stipulated period the Schedule – III return on Statutory Liquid Assets as specified in the Housing Finance Companies (NHB) Directions, 2010.
- XIII. According to the information and explanations given to us during the year the Company has neither opened any new branches/offices nor closed any existing branches/offices hence question of reporting on the clause 3(B)(XIII) of the directions does not arise.
- XIV. According to the information given to us the housing finance Company has complied with the provisions contained in paragraph 38 and 38A of the Housing Finance Companies (NHB) Directions, 2010.
- XV. The housing finance Company has not violated any provisions contained under restriction on acceptance of public deposits, period of public deposits, Joint public deposit, particulars to be specified in application form soliciting public deposits, ceiling on the rate of interest and brokerage and interest on overdue public deposits, renewal of public deposits before maturity as provided in Housing Finance Companies (NHB) Directions, 2010.

**For PAI NAYAK & ASSOCIATES**  
Chartered Accountants  
Firm's Registration Number: 009090S

Place : Manipal  
Date : 29<sup>th</sup> June, 2017

Sd/- CA Ammunje Venkatesh Nayak  
Partner  
Membership No.: 204685

**ANNEXURE 'C' TO INDEPENDENT AUDITOR'S REPORT**  
(ISSUED TO THE MEMBERS OF MANIPAL HOUSING FINANCE SYNDICATE LIMITED)

**REFERRED TO IN PARAGRAPH 2(f) UNDER THE HEADING "REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF EVEN DATE**

**Report on the Internal Financial Controls under Clause (f) 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 Manipal Housing Finance Syndicate Limited ("the Company") as of 31 March, 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

**Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include 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 based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the standards on Auditing issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of Internal Financial Controls both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

**Meaning of Internal Financial Controls over Financial Reporting**

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

**Inherent Limitation of Internal Financial Controls over Financial Reporting**

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

**Opinion**

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

**For PAI NAYAK & ASSOCIATES**  
Chartered Accountants  
Firm's Registration Number: 009090S

Place : Manipal  
Date : 29<sup>th</sup> June, 2017

Sd/- CA Ammunje Venkatesh Nayak  
Partner  
Membership No.: 204685



**BALANCE SHEET AS ON 31.03.2017**

| Particulars                                       | Note No. | 31.03.2017    |               | 31.03.2016    |               |
|---|----------|---------------|---------------|---------------|---------------|
|   |          | Rs.           | Rs.           | Rs.           | Rs.           |
| <b>A. EQUITY AND LIABILITIES :</b>                |          |               |               |               |               |
| <b>1. Shareholders' Funds</b>                     |          |               |               |               |               |
| a) Share Capital                                  | 1        | 9,77,61,500   |               | 10,62,07,500  |               |
| b) Reserves & Surplus                             | 2        | 41,15,76,628  | 50,93,38,128  | 36,79,34,231  | 47,41,41,731  |
| <b>2. Non-current Liabilities</b>                 |          |               |               |               |               |
| a) Long term borrowings                           | 3        | 275,24,50,791 |               | 249,62,95,234 |               |
| b) Long term provisions                           | 4        | 3,25,30,363   |               | 2,43,94,784   |               |
| c) Deferred tax liability (net)                   | 5        | 3,53,74,838   | 282,03,55,992 | 1,75,85,230   | 253,82,75,248 |
| <b>3. Current Liabilities</b>                     |          |               |               |               |               |
| a) Short term borrowings                          | 6        | 4,80,25,431   |               | 4,88,72,581   |               |
| b) Other current liabilities                      | 7        | 57,54,68,859  |               | 46,63,58,269  |               |
| c) Short term provisions                          | 8        | 1,40,56,691   | 63,75,50,981  | 2,16,15,024   | 53,68,45,874  |
| <b>TOTAL</b>                                      |          |               | 396,72,45,101 |               | 354,92,62,853 |
| <b>B. ASSETS :</b>                                |          |               |               |               |               |
| <b>1. Non-current Assets</b>                      |          |               |               |               |               |
| a) Fixed Assets:                                  |          |               |               |               |               |
| Tangible assets i.e., Property, Plant & Equipment | 9        | 2,61,84,283   |               | 2,78,87,096   |               |
| b) Non-current investments                        | 10       | 2,46,94,633   |               | 1,82,78,299   |               |
| c) Long term loans & advances                     | 11       | 323,68,89,840 |               | 307,27,85,846 |               |
| d) Other Non-current Assets                       | 12       | 60,328        | 328,78,29,084 | 93,397        | 311,90,44,638 |
| <b>2. Current Assets</b>                          |          |               |               |               |               |
| a) Inventories                                    | 13       | 88,977        |               | 1,00,925      |               |
| b) Cash and Cash Equivalents                      | 14       | 3,95,13,348   |               | 2,75,60,910   |               |
| c) Short term loans and advances                  | 15       | 63,76,98,214  |               | 39,49,19,253  |               |
| d) Other Current Assets                           | 16       | 21,15,478     | 67,94,16,017  | 76,37,127     | 43,02,18,215  |
| <b>TOTAL</b>                                      |          |               | 396,72,45,101 |               | 354,92,62,853 |

**OTHER DISCLOSURES TO ACCOUNTS:** 25

The notes are an integral part of these financial statements.

As per our report of even date

Sd/- **N. A. Shanbhag** (DIN: 07157128)

Chairman

Sd/- **B. Ganapathi Pai** (DIN: 07209943)

Sd/- **Madhu P.** (DIN: 07859447)

**For PAI NAYAK & ASSOCIATES**

Chartered Accountants

Firm Registration No.: 009090S

Sd/- **T. Sunil Pai** (DIN: 00101564)

Executive Director

Sd/- **Sathish Kamath** (DIN: 07873847)

Directors

Sd/- **Gopalakrishna Bhat**

Chief Financial Officer

Sd/- **CA Ammunje Venkatesh Nayak**

Partner

Membership No.: 204685

Place : Manipal

Date : 29<sup>th</sup> June, 2017

## STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31.03.2017

| Particulars  | Note No. | 2016-17             |             | 2015-16             |             |
|--|----------|---------------------|-------------|---------------------|-------------|
|  |          | Rs.                 | Rs.         | Rs.                 | Rs.         |
| <b>I. Revenue</b>  |          |                     |             |                     |             |
| Revenue from Operations                                  | 17       | 43,36,79,581        |             | 42,14,33,205        |             |
| Other Income   | 18       | 21,37,289           |             | 17,61,321           |             |
| <b>TOTAL REVENUE</b>                                     |          | <b>43,58,16,870</b> |             | <b>42,31,94,526</b> |             |
| <b>II. Expenses</b>                                      |          |                     |             |                     |             |
| Employee Benefit expenses                                | 19       | 1,88,22,909         |             | 1,66,24,851         |             |
| Finance costs  | 20       | 29,73,24,916        |             | 29,80,25,753        |             |
| Depreciation and amortization expense                    | 21       | 23,93,546           |             | 23,93,218           |             |
| Other Expenses   | 22       | 2,56,87,515         |             | 2,11,25,447         |             |
| <b>TOTAL EXPENSES</b>                                    |          | <b>34,42,28,886</b> |             | <b>33,81,69,269</b> |             |
| <b>Profit Before Exceptional Items and Tax</b>           |          | <b>9,15,87,984</b>  |             | <b>8,50,25,257</b>  |             |
| Less: Exceptional items                                  | 23       | 43,80,588           |             | 30,19,278           |             |
| <b>Profit Before Tax</b>                                 |          | <b>8,72,07,396</b>  |             | <b>8,20,05,979</b>  |             |
| <b>Tax expense</b>                                       |          |                     |             |                     |             |
| a) Current Income Tax                                    |          | 2,41,77,488         |             | 2,34,00,000         |             |
| b) Income Tax – Earlier year's provision                 |          | 97,851              |             | 48,709              |             |
| c) Deferred Tax Adjustments (Refer Note 5.02 and 2.02)   |          | (26,81,831)         | 2,15,93,508 | 41,68,756           | 2,76,17,465 |
| <b>Profit for the year</b>                               |          | <b>6,56,13,888</b>  |             | <b>5,43,88,514</b>  |             |
| Earning Per Equity Share (Equity share of Rs. 10/- each) | 24       |                     |             |                     |             |
| Basic Earning per share in Rs. Ps                        |          |                     | 7.54        |                     | 6.19        |
| Diluted Earning per share in Rs. Ps                      |          |                     | 7.54        |                     | 6.19        |
| <b>OTHER DISCLOSURES TO ACCOUNTS:</b>                    | 25       |                     |             |                     |             |

The notes are an integral part of these financial statements.

As per our report of even date

Sd/- **N. A. Shanbhag** (DIN: 07157128)  
Chairman

Sd/- **B. Ganapathi Pai** (DIN: 07209943)  
Sd/- **Madhu P.** (DIN: 07859447)

**For PAI NAYAK & ASSOCIATES**  
Chartered Accountants  
Firm Registration No.: 009090S

Sd/- **T. Sunil Pai** (DIN: 00101564)  
Executive Director

Sd/- **Sathish Kamath** (DIN: 07873847)  
Directors

Sd/- **Gopalakrishna Bhat**  
Chief Financial Officer

Sd/- **CA Ammunje Venkatesh Nayak**  
Partner  
Membership No.: 204685

Place : Manipal  
Date : 29<sup>th</sup> June, 2017

## NOTES TO ACCOUNTS FORMING PART OF BALANCE SHEET AS ON 31.03.2017

|  | 31.03.2017  |                     | 31.03.2016  |                     |
|--|-------------|---------------------|-------------|---------------------|
|  | Rs.         | Rs.                 | Rs.         | Rs.                 |
| <b>NOTE 1:</b>   |             |                     |             |                     |
| <b>SHARE CAPITAL</b>   |             |                     |             |                     |
| (Refer Note: 1.01 to 1.04 below)   |             |                     |             |                     |
| Authorised Capital :   |             |                     |             |                     |
| 86,00,000 (P.Y. 86,00,000) Equity Shares of Rs.10 each   |             | 8,60,00,000         |             | 8,60,00,000         |
| 34,00,000 (P.Y. 34,00,000) 7% Cumulative Redeemable Preference Shares of Rs.10 each                          |             | 3,40,00,000         |             | 3,40,00,000         |
|  |             | <u>12,00,00,000</u> |             | <u>12,00,00,000</u> |
| Issued, Subscribed & Paid-up :   |             |                     |             |                     |
| 85,05,300 Equity Shares of Rs.10/- each fully paid up  | 8,50,53,000 |                     | 8,50,53,000 |                     |
| (Previous year 85,05,300 Equity Shares of Rs.10 each fully paid)   |             |                     |             |                     |
| Less: Calls in arrears (From persons other than directors)   | 1,500       | 8,50,51,500         | 1,500       | 8,50,51,500         |
| 12,71,000 7% Cumulative Redeemable Preference Share of Rs.10/- each fully paid-up (Previous year 21,15,600 ) |             | 1,27,10,000         |             | 2,11,56,000         |
| <b>TOTAL</b>   |             | <u>9,77,61,500</u>  |             | <u>10,62,07,500</u> |

**Note 1.01:** Out of the above Preference Shares, 12,41,000 (face value Rs.1,24,10,000) shares were allotted on 30th Sept., 2013 and 30,000 (face value Rs.3,00,000) shares were allotted on 29th March, 2014. These shares are redeemable in the manner, mentioned in Note 1.03 below.

**Note: 1.02: Reconciliation of number of shares**

|   | As at March 31, 2017 |              | As at March 31, 2016 |              |
|---|----------------------|--------------|----------------------|--------------|
|   | Number of Shares     | Amount (Rs.) | Number of Shares     | Amount (Rs.) |
| <b>a. Equity Shares</b>                               |                      |              |                      |              |
| Balance as at the beginning of the year               | 85,05,150            | 8,50,51,500  | 85,05,150            | 8,50,51,500  |
| Adjustments during the year                           | -                    | -            | -                    | -            |
| Balance as at the end of the year                     | 85,05,150            | 8,50,51,500  | 85,05,150            | 8,50,51,500  |
| <b>b. 7% Cumulative Redeemable Preference Shares</b>  |                      |              |                      |              |
| Balance as at the beginning of the year               | 21,15,600            | 2,11,56,000  | 21,15,600            | 2,11,56,000  |
| Redeemed during the year (at par i.e., at Rs.10 each) | 8,44,600             | 84,46,000    | -                    | -            |
| Balance as at the end of the year                     | 12,71,000            | 1,27,10,000  | 21,15,600            | 2,11,56,000  |

**Note: 1.03: Rights, preferences and restrictions attached to shares**

- a. Equity Shares:** The Company has one class of equity shares having a par value of Rs.10 per share. Each shareholder is eligible for one vote per each share held. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company (after distribution of all preferential amounts) in proportion to their shareholding.
- b. Cumulative Redeemable Preference Shares:** These shares shall be redeemable at par after the expiry of 12 months but not later than 20 years from the respective dates of allotment at the discretion of the Board of Directors of the Company by giving not less than 3 months notice. The shares are entitled for preferential right over dividend (before the equity shareholders) at the rate of 7% per annum prorata, which is to be proposed by the Board of Directors, which is subject to the approval of the shareholders, in the ensuing Annual General Meeting, except in the case of payment of dividend as "interim dividend". Further shares are Cumulative and therefore the shareholders are entitled to carry forward the dividend of a year to the forthcoming year/s, in case the same is not declared in a year. In the event of liquidation, such shareholders are eligible to receive the face value (after distribution of all preferential amounts) before the distribution of assets to the equity shareholders. In case the assets available are not sufficient to cover up the face value, then the same will be distributed in proportion to their shareholding, if the surplus available, after distribution of all preferential amounts.

**Note: 1.04 Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company**

|   | As at March 31, 2017 |            | As at March 31, 2016 |            |
|---|----------------------|------------|----------------------|------------|
|   | Number of Shares     | Percentage | Number of Shares     | Percentage |
| <b>a. Equity shares</b>                                 |                      |            |                      |            |
| M/s Syndicate Bank Manipal                              | 6,00,000             | 7.05       | 6,00,000             | 7.05       |
| M/s MPL Insurance Agency Services Private Ltd., Manipal | 29,00,000            | 34.10      | 29,00,000            | 34.10      |
| M/s ICDS Ltd., Manipal                                  | 7,29,000             | 8.57       | 7,29,000             | 8.57       |
| M/s MFC Limited Manipal                                 | 5,23,094             | 6.15       | 6,99,100             | 8.22       |
| <b>b. 7% Cumulative Redeemable Preference Shares</b>    |                      |            |                      |            |
| Mr. T. Sanjay Pai                                       | -                    | -          | 4,83,000             | 22.83      |
| Ms. Vijayalaxmi N. Pai                                  | 6,51,800             | 51.28      | 6,51,800             | 30.81      |
| Mr. T. Narayan M. Pai                                   | 6,09,200             | 47.93      | 6,09,200             | 28.80      |
| Mr. T. Sunil Pai  | -                    | -          | 1,90,000             | 8.98       |
| Ms. Pranitha Pai  | -                    | -          | 1,71,600             | 8.11       |

|  | 31.03.2017   |              | 31.03.2016   |              |
|--|--------------|--------------|--------------|--------------|
|  | Rs.          | Rs.          | Rs.          | Rs.          |
| <b>NOTE 2:</b>   |              |              |              |              |
| <b>RESERVES &amp; SURPLUS</b>  |              |              |              |              |
| (also refer Note 2.01 to 2.04 below)   |              |              |              |              |
| Statutory Reserve  |              |              |              |              |
| (In terms of Section 36(1)(viii) of Income Tax Act, 1961 read with Section 29C of the National Housing Bank Act, 1987) |              |              |              |              |
| Opening Balance  | 15,92,00,000 |              | 14,52,00,000 |              |
| Additions during the year  | 1,46,97,000  |              | 1,40,00,000  |              |
| Appropriation during the year  | -            | 17,38,97,000 | -            | 15,92,00,000 |

## NOTES TO ACCOUNTS FORMING PART OF BALANCE SHEET AS ON 31.03.2017

|   | 31.03.2017   |              | 31.03.2016   |
|---|--------------|--------------|--------------|
|   | Rs.          | Rs.          | Rs.          |
| <b>General Reserve</b>  |              |              |              |
| Opening Balance   | 2,12,45,012  |              | 3,14,80,731  |
| Add: Transferred during the year  | 3,00,00,000  |              | -            |
|   | 5,12,45,012  |              | 3,14,80,731  |
| Less: Transitional Adjustment with regard to deferred tax liability (refer note 2.02 below) | 2,04,71,439  | 3,07,73,573  | 1,02,35,719  |
|   |              |              | 2,12,45,012  |
| <b>Capital redemption reserve</b>   |              |              |              |
| Opening Balance   | 40,00,000    |              | 40,00,000    |
| Add: Transferred during the year  | 84,46,000    | 1,24,46,000  | -            |
|   |              |              | 40,00,000    |
| <b>Surplus in Statement of Profit &amp; Loss</b>  |              |              |              |
| Balance at the beginning of the year  | 18,34,89,219 |              | 14,89,77,744 |
| Profit for the Year   | 6,56,13,888  |              | 5,43,88,514  |
|   | 24,91,03,107 |              | 20,33,66,258 |
| Less: Appropriations (refer Note 2.01 below)  | 5,46,43,052  | 19,44,60,055 | 1,98,77,039  |
|   | 41,15,76,628 |              | 18,34,89,219 |
|   |              |              | 36,79,34,231 |

### Note: 2.01 Appropriations

|   |                    |                    |
|---|--------------------|--------------------|
| Transfer to Statutory Reserve                                     | 1,46,97,000        | 1,40,00,000        |
| Transfer to Capital Redemption Reserve                            | 84,46,000          | -                  |
| Transfer to General Reserve                                       | 3,00,00,000        | -                  |
| Interim Dividend on Preference Shares (refer Note 2.03 below)     |                    |                    |
| 1st Interim   | 3,70,230           | 3,70,230           |
| 2nd Interim   | 3,67,255           | 3,70,230           |
| 3rd Interim   | 2,77,379           | 3,70,230           |
| 4th Interim   | 2,31,465           | 3,70,230           |
| Tax on distribution of Interim Preference Dividend                | 2,53,723           | 3,01,480           |
| Proposed Equity Dividend (Refer Note 2.04)                        | -                  | 34,02,060          |
| Tax on Distribution of Proposed Equity Dividend (Refer Note 2.04) | -                  | 6,92,579           |
| <b>TOTAL APPROPRIATIONS</b>                                       | <b>5,46,43,052</b> | <b>1,98,77,039</b> |

**2.02** The Company has created special reserve in terms of Section 36(1)(viii) of Income Tax Act 1961, which is one of the precondition to claim deduction from the "total income chargeable to tax", under the aforesaid section. As per Section 41(4A) of the Income Tax Act, the amount drawn from the aforesaid reserve, will be added to the Total Income in the year of withdrawal and will be subject to tax in that year. However the Board has passed a resolution long back, not to withdraw any amount from the aforesaid reserve at any time, for any purpose and accordingly the question of applicability of Section 41(4A) of Income Tax 1961 does not arise. Therefore the Company has not provided for deferred tax liability till 31st March, 2014. However National Housing Bank has vide its Letter No. NHB(ND)/DRS/Policy Circular 65/2014-15 dated 22nd August, 2014 has issued the directions as follows: "If the expenditure due to the creation of DTL on Special Reserve as at March 31, 2014 has not been fully charged to the Statement of Profit and Loss, HFCs may adjust the same directly from the Reserves over a period of 3 years starting with the current financial year, in a phased manner in the ratio of 25:25:50, in case if it prefers so, based on prudence. The details of the amount adjusted and to be adjusted, if any, may be appropriately disclosed in the Notes to Accounts of the financial statements of the respective years."

In compliance of the directives so issued, the Company has adjusted a total of 50% of the uncharged amount to general reserve during the years ending 31st March 2015 i.e., Rs.1,02,35,719/- and 31st March, 2016, i.e., Rs.1,02,35,719/- and further adjusted the balance 50% of uncharged amount to the general reserve, amounting to Rs.2,04,71,439/- during the current year ending 31st March, 2017. Had this amount been charged to the Statement of Profit and Loss in accordance with the generally accepted accounting principles in India, the amount of Profit for year in the Statement of Profit and Loss would be lower by such amount and the Deferred Tax Liabilities in the Balance Sheet would be higher by such amount.

**2.03** Dividend is paid on Cumulative Redeemable Preference Shares at the rate of 7% prorata. Accordingly the Company has declared 1st, 2nd, 3rd and 4th interim dividend at the rate of 0.175 per share each time as follows. Thus total dividend paid for whole year comes to Rs.0.70 per share on 12,71,000 shares, Rs. 0.5563 per share on 1,23,000 shares, Rs.0.5557 per share on 1,71,600 shares, Rs.0.3615 on 1,90,000 shares, Rs.0.3607 on 90,000 shares, Rs.0.3396 on 2,70,000 shares (P.Y. Rs.0.70 on 21,15,600 shares).

**2.04** The Company has not considered the dividend to be declared during the year and the tax thereon as an appropriation and the liability thereon. This has been done, in accordance with the amended provisions of AS4 "Contingencies and events occurring after the Balance Sheet date".

The aforesaid amounts were considered as an appropriation and the liability thereon, till the year ended 31st March, 2016, in accordance with the aforesaid AS4 prevailing before the amendment.

The rate of dividend to be declared on Equity Share for the year ending 31st March, 2017 is 4% i.e Rs.0.40 per share (P.Y. 4% i.e., Rs.0.40 per share) (Also refer note 25.16 to Financial Statements.)

**2.05** The details of provision under Section 36(1)(viii) of Income Tax Act read with Section 29C of National Housing Bank Act, 1987

| Particulars   | Current Year<br>in Rs. | Previous Year<br>in Rs. |
|---|------------------------|-------------------------|
| <b>A. Balance at the beginning of the year</b>  |                        |                         |
| a) Statutory Reserve u/s 29C of NHB Act, 1987   | -                      | -                       |
| b) Amount of Special Reserve u/s 36(1)(viii) of the IT Act, 1961 taken into account for the purpose of Statutory Reserve u/s 29C of NHB Act, 1987 | 15,92,00,000           | 14,52,00,000            |
| <b>Total - (A)</b>  | <b>15,92,00,000</b>    | <b>14,52,00,000</b>     |

## NOTES TO ACCOUNTS FORMING PART OF BALANCE SHEET AS ON 31.03.2017

| Particulars   | Current Year<br>in Rs. | Previous Year<br>in Rs. |
|---|------------------------|-------------------------|
| <b>B. Addition/Appropriations/Withdrawal during the year</b>  |                        |                         |
| Add: a) Amount transferred u/s 29C of the NHB Act, 1987   | -                      | -                       |
| b) Amount of Special Reserve u/s 36(1)(viii) of the IT Act, 1961 taken into account for the purpose of Statutory Reserve u/s 29C of NHB Act, 1987                 | 1,46,97,000            | 1,40,00,000             |
| Less: a) Amount appropriated from the Statutory Reserve u/s 29C of the NHB Act, 1987  | -                      | -                       |
| b) Amount withdrawn from the Special Reserve u/s 36(1)(viii) of the IT Act, 1961 taken into account for the purpose of Statutory Reserve u/s 29C of NHB Act, 1987 | -                      | -                       |
| <b>Total - (B)</b>  | <b>1,46,97,000</b>     | <b>1,40,00,000</b>      |
| <b>C. Balance at the end of the year</b>  |                        |                         |
| a) Statutory Reserve u/s 29C of NHB Act, 1987   | -                      | -                       |
| b) Amount of Special Reserve u/s 36(1)(viii) of the IT Act, 1961 taken into account for the purpose of Statutory Reserve u/s 29C of NHB Act, 1987                 | 17,38,97,000           | 15,92,00,000            |
| <b>Total - (A+B)</b>  | <b>17,38,97,000</b>    | <b>15,92,00,000</b>     |

|  | 31.03.2017           |                     | 31.03.2016           |                     |
|--|----------------------|---------------------|----------------------|---------------------|
|  | Non-Current<br>Rs.   | Current<br>Rs.      | Non-Current<br>Rs.   | Current<br>Rs.      |
| <b>NOTE 3:</b>   |                      |                     |                      |                     |
| <b>LONG TERM BORROWINGS</b>  |                      |                     |                      |                     |
| (Refer Note: 3.01 to 3.07 below)                                   |                      |                     |                      |                     |
| <b>SECURED:</b>  |                      |                     |                      |                     |
| <b>From Banks (including refinance from National Housing Bank)</b> |                      |                     |                      |                     |
| Secured by hypothecation of receivables                            | 266,96,84,940        | 48,30,56,195        | 240,38,27,675        | 40,70,51,028        |
| Secured by hypothecation of Vehicle                                | 2,07,262             | 3,28,463            | 5,35,725             | 2,97,331            |
| <b>A</b>   | <b>266,98,92,202</b> | <b>48,33,84,658</b> | <b>240,43,63,400</b> | <b>40,73,48,359</b> |
| <b>UNSECURED:</b>  |                      |                     |                      |                     |
| Public Deposits  | 8,25,58,589          | 7,98,02,033         | 9,19,31,834          | 4,40,75,739         |
| Others   | -                    | -                   | -                    | 51,61,565           |
| <b>B</b>   | <b>8,25,58,589</b>   | <b>7,98,02,033</b>  | <b>9,19,31,834</b>   | <b>4,92,37,304</b>  |
| <b>TOTAL(A+B)</b>  | <b>275,24,50,791</b> | <b>56,31,86,691</b> | <b>249,62,95,234</b> | <b>45,65,85,663</b> |

**Note 3.01:** a) The Current Portion of the above, represents the amount repayable on or before next 12 months i.e., 31st March, 2018 and the same is being disclosed under Note. No. 7 as current maturity of Long Term borrowings Secured or Unsecured as the case may be.

b) "Unsecured Loans - Others" if any, represents amount refundable to National Housing Bank on account of preclosure/prepayment of housing loans, on which the Company availed refinance.

**3.02:** Loans Secured by Hypothecation of receivables (both Current and Non-Current Portion) represents, loans secured against the receivables, in respect of housing & other loans granted by the Company. Loans secured by Hypothecation of vehicle Loan represents loan granted on the hypothecation of Claz Car.

**3.03:** The break-up of Public Deposits is as below: From Related Parties: Non-Current Rs.7,22,339/- (P.Y. Rs.10,50,000/-) and Current Rs.16,60,648/- (P.Y. Rs.14,00,000). From others: Non-Current Rs. 8,18,36,250/- (P.Y. Rs.9,08,81,834/-), Current Rs.7,81,41,385/- (P.Y. Rs.4,26,75,739/-). Interest accrued but not due on the aforesaid deposits Rs.11,79,278/- (P.Y. Rs.12,59,863/-) disclosed under Note No. 7.

**3.04:** Public Deposits matured for repayment Rs.31,80,661/- (P.Y. Rs.1,84,904/-) not included in the above Note. The same is being disclosed under Note No. 7. Interest on such deposits Rs.2,76,369/- (P.Y. Rs.18,235/-) also disclosed under Note No. 7.

**3.05:** a) Public Deposits are subject to renewal at the option of the depositors. However the current/non-current portion of the same is being arrived at without considering such option.

b) The Balances held under Public Deposits (both current and non-current) are subject to confirmation.

**3.06:** The Secured Loans is repayable in monthly/quarterly instalments varying from Rs.1,10,577 to Rs.75,00,000 (P.Y. Rs.1,10,577 to Rs.75,00,000) plus interest payable every month. The unsecured loans are repayable on maturity. Interest on unsecured loans is payable periodically i.e., on monthly/quarterly basis in the case of non-cumulative scheme and payable on maturity in the case of cumulative scheme.

**3.07: The repayment Schedule of Loans is as under:**

|   | Secured<br>Rs. | Unsecured<br>Rs. |
|---|----------------|------------------|
| repayable within next 12 months i.e., Current Portion | 48,33,84,658   | 7,98,02,033      |
| repayable during the year ending 31st March 2019      | 46,57,93,894   | 5,12,78,228      |
| repayable during the year ending 31st March 2020      | 45,12,64,344   | 2,81,40,361      |
| repayable during the year ending 31st March 2021      | 40,05,21,293   | 31,40,000        |
| repayable during the year ending 31st March 2022      | 36,06,31,480   |                  |
| repayable during the year ending 31st March 2023      | 32,79,06,313   |                  |
| repayable during the year ending 31st March 2024      | 28,02,37,270   |                  |
| repayable during the year ending 31st March 2025      | 21,73,61,769   |                  |
| repayable during the year ending 31st March 2026      | 13,64,95,209   |                  |
| repayable during the year ending 31st March 2027      | 2,75,26,950    |                  |
| repayable during the year ending 31st March 2028      | 15,99,932      |                  |
| repayable during the year ending 31st March 2029      | 4,59,932       |                  |
| repayable during the year ending 31st March 2030      | 93,816         |                  |

The rate of interest on secured loan varies from 6.95% to 12.10% (P.Y. 7% to 12.15%) and on unsecured loans varies from 7.5% to 11% (P.Y. 7% to 11%)

## NOTES TO ACCOUNTS FORMING PART OF BALANCE SHEET AS ON 31.03.2017

|  | 31.03.2017           |                    | 31.03.2016           |
|--|----------------------|--------------------|----------------------|
|  | Rs.                  | Rs.                | Rs.                  |
| <b>NOTE 4:</b>   |                      |                    |                      |
| <b>LONG TERM PROVISIONS</b>  |                      |                    |                      |
| Provisions on Non-Performing and Standard Assets as per NHB Directives (refer note below and also note 11.05 and 11.06)  | 3,25,30,363          |                    | 2,43,94,784          |
|  | <u>3,25,30,363</u>   |                    | <u>2,43,94,784</u>   |
| <b>Note 4.01:</b> Provisions made for Non-Performing and Standard Assets, represents provisions made as per directives issued by the National Housing Bank which pertains to the Non-Current Portion of such assets. Provisions in respect of current Portion disclosed under Note. No. 8.   |                      |                    |                      |
| <b>NOTE 5:</b>   |                      |                    |                      |
| <b>DEFERRED TAX ASSET/LIABILITY (NET)</b>  |                      |                    |                      |
| (refer Note No. 5.01 to 5.03 below)  |                      |                    |                      |
| Deferred tax Asset   |                      |                    |                      |
| On Account of  |                      |                    |                      |
| Disallowance U/S 43B   | 318,094              |                    | 359,123              |
| Provision for Non Performing Assets  | 1,17,74,032          |                    | 1,37,74,226          |
| On Account of Depreciation   | <u>4,46,007</u>      | <u>1,25,38,133</u> | <u>4,43,845</u>      |
|  |                      |                    | 1,45,77,194          |
| <b>Less: Deferred tax Liability</b>  |                      |                    |                      |
| On Account of Special Reserve created u/s 36(1)(viii) of Income Tax Act, 1961  | <u>4,79,12,971</u>   |                    | <u>3,21,62,424</u>   |
| <b>DEFERRED TAX ASSET/(LIABILITY)</b>  | <u>(3,53,74,838)</u> |                    | <u>(1,75,85,230)</u> |
| <b>Note 5.01:</b> As per Accounting Standard (AS-22) on Accounting for taxes on Income, the major components of deferred tax arising on timing differences are given in the above Note No. 5.  |                      |                    |                      |
| <b>5.02:</b> Accordingly a sum of Rs.26,81,831 recognized as Deferred Tax Adjustment (Income) in the Statement of Profit and Loss. (P.Y.: Expense Rs.41,68,756).   |                      |                    |                      |
| <b>5.03:</b> Also refer Note 2.02 regarding transitional adjustment of deferred tax liability on special reserve created u/s 36(1)(viii) of Income Tax Act, 1961.  |                      |                    |                      |
| <b>NOTE 6:</b>   |                      |                    |                      |
| <b>SHORT TERM BORROWINGS</b>   |                      |                    |                      |
| (refer Note 6.01 to 6.04 below)  |                      |                    |                      |
| <b>SECURED:</b>  |                      |                    |                      |
| <b>From Banks</b>  |                      |                    |                      |
| Working Capital Borrowings   | <u>4,80,25,431</u>   |                    | <u>4,88,72,581</u>   |
|  | <u>4,80,25,431</u>   |                    | <u>4,88,72,581</u>   |
| <b>Note 6.01:</b> The borrowing as above, represents Overdraft/Cash Credit availed from Banks, which is subject to renewal every year. However the Bank has the right to demand the repayment at any time.   |                      |                    |                      |
| <b>6.02:</b> The borrowings as above, are secured by hypothecation of receivables in respect of Jewel Loans granted by the Company with a limit of Rs.6,00,00,000 (P.Y. Rs.6,00,00,000).   |                      |                    |                      |
| <b>6.03:</b> The rate of interest on such overdraft is MCLR + 1.50% p.a. The rate of interest as on 31st March, 2017 is 10.95%. (P.Y. Base Rate+1.75% i.e., 11.75% as on 31st March, 2016).  |                      |                    |                      |
| <b>6.04:</b> The Company has also pledged term deposits held with the Banks Rs.4,47,442/- (P.Y. Rs.4,37,301/-) as security for an overdraft on deposits, with a limit of Rs.3,00,000. The interest rate on such overdraft is 10.95% (P.Y. 11%) which is 1.95% above the pledged deposit rate. However these accounts have not been overdrawn on the date of the Balance Sheet.   |                      |                    |                      |
| <b>NOTE 7 :</b>  |                      |                    |                      |
| <b>OTHER CURRENT LIABILITIES</b>   |                      |                    |                      |
| (refer Note: 7.01 to 7.04 below)   |                      |                    |                      |
| Current maturities of long term debt – Secured (Refer Note No. 3 & 7.01)   | 48,33,84,658         |                    | 40,73,48,359         |
| Current maturities of long term debt – UnSecured (Refer Note No. 3 & 7.01)   | 7,98,02,033          |                    | 4,92,37,304          |
| Unclaimed Equity Dividends*  | 21,52,009            |                    | 20,52,220            |
| Unpaid Matured Deposits*   | 31,80,661            |                    | 1,84,904             |
| Interest on Unpaid Matured Deposits as above*  | 2,76,369             |                    | 18,235               |
| Dividend Payable (on Preference Shares)  | 2,31,465             |                    | -                    |
| Tax on Dividend Payable (on Preference Shares)   | 47,129               |                    | 75,370               |
| Liabilities for expenses   | 28,09,291            |                    | 31,50,120            |
| Interest accrued but not due on public deposits  | 11,79,278            |                    | 12,59,863            |
| Other Payables (See Note 7.02 below)   | 24,05,966            |                    | 30,31,894            |
| * Does not include amount due to Investor Education and Protection Fund  |                      |                    |                      |
|  | <u>57,54,68,859</u>  |                    | <u>46,63,58,269</u>  |
| <b>Note 7.01:</b> The relevant details (i.e., security offered, terms of repayment etc.) in respect of Current Maturity of Long Term Debt-Secured and Current Maturity of Long Term Debt-Unsecured, are given under note No. 3, 3.01 to 3.07.  |                      |                    |                      |
| <b>7.02:</b> Other Payables includes, amounts payable to others in the ordinary course of business and other petty advances, which are not material in nature. However there are no cases which are outstanding for a period exceeding seven years.  |                      |                    |                      |
| <b>7.03:</b> There are no dues to Micro, Small and Medium Enterprises at any time during the year, in the absence of notified registered dealer with the Company as per the provisions of the Micro, Small and Medium Enterprises Development Act 2006. Hence the further disclosure requirement as required under Micro, Small & Medium Enterprises Development Act, 2006 and Schedule III to Companies Act, 2013 does not arise. |                      |                    |                      |
| <b>7.04:</b> The balances held under "Unpaid Matured Deposits", "Interest payable on such deposits" and "Other payables" are subject to confirmation.  |                      |                    |                      |
| <b>Note 8:</b>   |                      |                    |                      |
| <b>SHORT TERM PROVISIONS</b>   |                      |                    |                      |
| Provisions on Non-Performing and other Assets as per NHB Directives (refer note below and also note 11.05 & 11.06)   | 1,40,56,691          |                    | 1,72,65,760          |
| Proposed Equity Dividend (refer Note 2.01, 2.04 and 25.16)   | -                    |                    | 34,02,060            |
| Tax on Distribution of Proposed Equity Dividend (refer Note 2.01, 2.04 and 25.16)  | -                    |                    | 6,92,579             |
| Provision for Current Income Tax (Net of Advance Tax and Tax Deducted at Source)   | -                    |                    | 2,54,625             |
|  | <u>1,40,56,691</u>   |                    | <u>2,16,15,024</u>   |
| <b>Note 8.01:</b> Provisions made for Non-performing and other Assets, represents provisions made as per directives issued by the National Housing Bank and which pertains to the Current Portion of such assets.  |                      |                    |                      |



## NOTES TO ACCOUNTS FORMING PART OF BALANCE SHEET AS ON 31ST MARCH, 2017

### Note 9: FIXED ASSETS i.e, PROPERTY, PLANT AND EQUIPMENTS

| Assets                      | Gross Block                    |           |          |                                   | Depreciation        |              |          | Net Block           |                     |                     |
|-----------------------------|--------------------------------|-----------|----------|-----------------------------------|---------------------|--------------|----------|---------------------|---------------------|---------------------|
|                             | At Cost<br>as on<br>31.03.2016 | Additions | Sales    | Total Cost<br>as on<br>31.03.2017 | Up to<br>31.03.2016 | Depreciation | Sales    | Up to<br>31.03.2017 | As on<br>31.03.2017 | As on<br>31.03.2016 |
|                             | Rs.                            | Rs.       | Rs.      | Rs.                               | Rs.                 | Rs.          | Rs.      | Rs.                 | Rs.                 | Rs.                 |
| Land (refer note below)     | 95,15,615                      | -         | -        | 95,15,615                         | -                   | -            | -        | -                   | 95,15,615           | 95,15,615           |
| Buildings                   | 74,10,372                      | -         | -        | 74,10,372                         | 27,17,827           | 2,28,453     | -        | 29,46,280           | 44,64,092           | 46,92,545           |
| Buildings Leasehold         | 1,26,38,840                    | -         | -        | 1,26,38,840                       | 23,15,763           | 8,87,570     | -        | 32,03,333           | 94,35,507           | 1,03,23,077         |
| Office Furniture & Fittings | 28,03,456                      | 1,47,511  | 26,150   | 29,24,817                         | 22,97,096           | 1,49,703     | 26,150   | 24,20,649           | 5,04,168            | 5,06,360            |
| Office Equipments           | 19,59,862                      | 2,53,840  | 4,050    | 22,09,652                         | 17,09,166           | 1,54,111     | 4,050    | 18,59,227           | 3,50,425            | 2,50,696            |
| Electrical Fittings         | 5,12,970                       | 4,924     | -        | 5,17,894                          | 3,07,167            | 54,989       | -        | 3,62,156            | 1,55,738            | 2,05,803            |
| Air-Conditioners            | 3,07,085                       | -         | -        | 3,07,085                          | 2,36,072            | 17,915       | -        | 2,53,987            | 53,098              | 71,013              |
| Vehicles                    | 66,99,548                      | -         | -        | 66,99,548                         | 43,77,650           | 7,45,762     | -        | 51,23,412           | 15,76,136           | 23,21,898           |
| Computer                    | 40,90,081                      | 2,84,458  | 1,43,615 | 42,30,924                         | 40,89,992           | 1,55,043     | 1,43,615 | 41,01,420           | 1,29,504            | 89                  |
| Total                       | 4,59,37,829                    | 6,90,733  | 1,73,815 | 4,64,54,747                       | 1,80,50,733         | 23,93,546    | 1,73,815 | 2,02,70,464         | 2,61,84,283         | 2,78,87,096         |
| Previous Year               | 4,46,38,901                    | 22,45,195 | 9,46,267 | 4,59,37,829                       | 1,65,53,048         | 23,93,218    | 8,95,533 | 1,80,50,733         | 2,78,87,096         | 2,80,85,853         |

**Note :** Refer Note 25.03 for note on Impairment of assets.

# NOTES TO ACCOUNTS FORMING PART OF BALANCE SHEET AS ON 31.03.2017

|  | 31.03.2017         |                | 31.03.2016         |                |
|--|--------------------|----------------|--------------------|----------------|
|  | Rs.                | Rs.            | Rs.                | Rs.            |
| <b>NOTE 10:</b>  |                    |                |                    |                |
| <b>NON-CURRENT INVESTMENTS</b>   |                    |                |                    |                |
| (refer Note 10.01 to 10.04 below)  |                    |                |                    |                |
| <b>Other than Trade:</b>   |                    |                |                    |                |
| <b>Quoted Investments (Valued at Cost)</b>   |                    |                |                    |                |
| <b>I. Investment in Equity Instruments (in India)</b>  |                    |                |                    |                |
| 8040 (P.Y. 8040) Shares of Re.1 each in State Bank of India  | 20,77,302          |                | 20,77,302          |                |
| Nil (P.Y. 2100) Shares of Rs.2 each in HDFC Bank Ltd.  | -                  |                | 15,24,340          |                |
| 100 (P.Y. 100) Shares of Re.1 each in TCS Ltd.   | 2,48,889           |                | 2,48,889           |                |
| 1030 (P.Y. 1030) Shares of Rs.2 each of HCL Technologies Ltd.  | 7,39,308           |                | 7,39,308           |                |
| 1325 (P.Y. 1325) Shares of Rs.2 each of Bharat Heavy Electricals Ltd.  | 4,89,103           |                | 4,89,103           |                |
| Nil (P.Y. 2100) Shares of Rs.5 each of Bharti Airtel Ltd.  | -                  |                | 8,64,535           |                |
| Nil (P.Y. 1090) Shares of Rs.2 each of DLF Ltd.  | -                  |                | 6,13,366           |                |
| 450 (P.Y. 450) Shares of Rs.10 each of SAIL  | 52,866             |                | 52,866             |                |
| 4200 (P.Y. 2800) Shares of Re.1 each of ITC Ltd.   | 9,79,040           |                | 9,79,040           |                |
|  |                    | 45,86,508      |                    | 75,88,749      |
| <b>Unquoted Investments (Valued at Cost)</b>   |                    |                |                    |                |
| <b>I. Investment in Equity Instruments (in India)</b>  |                    |                |                    |                |
| 25 (P.Y. Nil) Shares of Rs.25 each in SVC Co-operative Bank Ltd.   |                    | 625            |                    | -              |
| <b>II. Investment in Government/Trust Securities (in India)</b>  |                    |                |                    |                |
| 8.30% Government of India Bonds (Face Value Rs.1,10,00,000)<br>(Held as SLR Securities under National Housing Bank Directives)   | 1,03,67,500        |                | 1,03,67,500        |                |
| 7.50% Government of India Bonds (Face Value Rs.1,00,00,000)<br>(Held as SLR Securities under National Housing Bank Directives)   | 97,40,000          |                | Nil                |                |
| 8.07% Government Stock 2017 (Face Value Rs.3,00,000)   | Nil                |                | 3,22,050           |                |
|  |                    | 2,01,07,500    |                    | 1,06,89,550    |
|  |                    | 2,46,94,633    |                    | 1,82,78,299    |
| <b>Note 10.01:</b> Aggregate Amount of Quoted Investments (non-current)  |                    |                |                    |                |
|  |                    | 45,86,508      |                    | 75,88,749      |
| <b>Note 10.02:</b> Aggregate Market Value of Quoted Investments (non-current)  |                    |                |                    |                |
|  |                    | 49,23,730      |                    | 68,52,841      |
| <b>Note 10.03:</b> Aggregate amount of Unquoted Investments (non-current)  |                    |                |                    |                |
|  |                    | 2,01,08,125    |                    | 1,06,89,550    |
| <b>Note 10.04:</b> The market value of Quoted Investment is more than the book value and therefore the question of making the disclosure as required under sub-paragraph 2 of paragraph 29 of Housing Finance Company (NHB) 2010 Directions, in respect of Investments does not arise.   |                    |                |                    |                |
| <b>Note 10.04:</b> There are no Investments held outside India.  |                    |                |                    |                |
|  | 31.03.2017         |                | 31.03.2016         |                |
|  | Non-Current<br>Rs. | Current<br>Rs. | Non-Current<br>Rs. | Current<br>Rs. |
| <b>NOTE 11:</b>  |                    |                |                    |                |
| <b>LONG TERM LOANS and ADVANCES</b>  |                    |                |                    |                |
| (considered good) (considered doubtful duly provided for in Note 4 and 8 subject to Note 11.04 & 11.05)  |                    |                |                    |                |
| <b>A. Lease Security Deposits (unsecured) (refer note 11.09)</b>   |                    |                |                    |                |
| <b>A</b>   | 3,60,01,714        | -              | 4,45,12,939        | -              |
|  | 3,60,01,714        | -              | 4,45,12,939        | -              |
| <b>B. Loans granted (refer Note 11.01 to 11.08)</b>  |                    |                |                    |                |
| (Provisions for Non-Performing and Other Assets duly made as per NHB directives and shown separately under Note No. 4 and 8)   |                    |                |                    |                |
| <b>I. Secured Loans</b>  |                    |                |                    |                |
| a) Housing Loans   | 278,73,00,103      | 27,67,43,077   | 253,65,54,073      | 26,99,51,398   |
| b) Other Secured Loans   | 41,11,72,550       | 33,09,73,453   | 48,57,24,787       | 5,76,84,830    |
| <b>I Secured Loans</b>   | 319,84,72,653      | 60,77,16,530   | 302,22,78,860      | 32,76,36,228   |
| <b>II. Unsecured Loans</b>   |                    |                |                    |                |
| Inter-corporate loan   | -                  | 1,25,00,000    | -                  | 5,51,00,000    |
| <b>II Unsecured Loans</b>  | -                  | 1,25,00,000    | -                  | 5,51,00,000    |
| <b>B (I + II) Total Loans</b>  | 319,84,72,653      | 62,02,16,530   | 302,22,78,860      | 38,27,36,228   |
| <b>C. Other (Unsecured)</b>  |                    |                |                    |                |
| a) Disputed Income Tax Paid  | -                  | -              | 7,00,000           | -              |
| b) Other Advances (refer note 11.07)   | 24,15,473          | 9,06,953       | 52,94,047          | 2,59,952       |
| <b>C</b>   | 24,15,473          | 9,06,953       | 59,94,047          | 2,59,952       |
| <b>TOTAL (A+B+C)</b>   | 323,68,89,840      | 62,11,23,483   | 307,27,85,846      | 38,29,96,180   |
| <b>Note:</b>   |                    |                |                    |                |
| <b>11.01</b> The Current Portion of the above, represents the amount recoverable on or before next 12 months i.e., 31st March, 2017 and the same is being disclosed under Note. No. 15.  |                    |                |                    |                |
| <b>11.02</b> The Housing Loan as per Note 11 (B)(I)(a) above includes Suit Filed Loans Rs.84,156 (P. Y. Rs.84,156) and same has been included in the current portion of the asset.   |                    |                |                    |                |
| <b>11.03</b> Housing Loans Granted (Secured) as per Note No. 11 (B)(I)(a) above represents Housing Loans granted by the Company secured on equitable mortgage of immovable properties and/or undertaking to create a security and/or, assignment of Life Insurance Policies and/or Personal guarantee of Individuals etc. Other Secured Loans as per Note No. 11 (B)(I)(b) represents Loans granted by the Company secured on equitable mortgage of properties and/or against pledge of jewels and/or personal guarantee of individuals. Loans Granted (unsecured) as per Note No.11 (B)(II) above represents Inter-Corporate Loan granted by the Company. |                    |                |                    |                |
| <b>11.04</b> Loans considered good as per Note No. 11 (B) above [i.e., both secured and unsecured] includes Non-Performing Assets against which adequate provisions have been made as per the Directives issued by the National Housing Bank from time to time. The provision so made also includes provisions made for Standard Assets.   |                    |                |                    |                |



## NOTES TO ACCOUNTS FORMING PART OF BALANCE SHEET AS ON 31.03.2017

**11.05** As per the directives issued by the National Housing Bank, the Company is required to disclose the provision amount for Non-Performing and Standard Assets separately, without netting off the same against the corresponding assets. Therefore the Company has disclosed the same under Note No. 4 and 8, under the Head "Long Term Provisions" and "Short Term Provisions" respectively.

**11.06** The details of Asset Classification as per directives issued by National Housing Bank [i.e., of Loans Granted (both current and non-current)], with provisions there of given below: (Previous year's amounts given within brackets) (as per sub-paragraph 2 of Paragraph 29 of Housing Finance Companies (NHB) Directions 2010).

**A. Housing Loans (Secured and includes both current and Non-current Portion):**

| <b>Asset Classification:</b> | <b>Outstanding as on<br/>31st March, 2017<br/>(in Rs.)</b> | <b>%</b>      | <b>Provision as on<br/>31st March, 2017<br/>(in Rs.)</b> |
|------------------------------|--|---------------|--|
| Standard (Considered Good)   | 301,39,83,282  | 98.37         | 1,20,55,933  |
|                              | (276,20,09,157)  | (98.41)       | (1,20,48,037)  |
| Substandard Assets           | 1,24,78,587  | 0.41          | 18,71,785  |
|                              | (1,39,62,072)  | (0.50)        | (20,94,311)  |
| Doubtful Assets              | 3,75,81,331  | 1.22          | 2,69,26,905  |
|                              | (3,05,34,243)  | (1.09)        | (2,30,71,510)  |
| Loss Assets                  | -  | -             | -  |
|                              | (-)  | (-)           | (-)  |
| <b>Total</b>                 | <b>306,40,43,180</b>                                       | <b>100.00</b> | <b>4,08,54,623</b>                                       |
|                              | (280,65,05,471)  | (100.00)      | (3,72,13,858)  |

Provision on Standard Assets under this category, includes voluntary provision of Rs.NIL made on prudential basis. (P. Y. Rs.10,00,000)

**B. Non-Housing Loans (Both Secured and Unsecured and includes both Current and Non-Current Portion) (Amount in Rs.)**

| <b>Asset Classification:</b> | <b>Outstanding<br/>as on<br/>31st March 2017<br/>(in Rs.)</b> | <b>%</b>      | <b>Provision<br/>as on<br/>31st March 2017<br/>(in Rs.)</b> |
|------------------------------|---|---------------|---|
| Standard (Considered Good)   | 75,39,67,440  | 99.91         | 54,81,005   |
|                              | (59,77,86,834)  | (99.88)       | (42,70,412)   |
| Substandard Assets           | -   | -             | -   |
|                              | (7,72,783)  | (0.12)        | (1,76,274)  |
| Doubtful Assets              | 6,78,563  | 0.09          | 2,71,425  |
|                              | -   | -             | -   |
| <b>Total</b>                 | <b>75,46,46,003</b>   | <b>100.00</b> | <b>57,32,430</b>  |
|                              | (59,85,09,617)  | (100)         | (44,46,686)   |

No Provision is required to be made in respect of assets, other than above (i.e., other than Assets given in A & B of Note 11.06). Accordingly the disclosure as required under sub-paragraph 2 of paragraph 29 of Housing Finance Companies (NHB) Directions 2010 is not applicable in respect of such other assets.

**11.07** Other Advances includes vehicle loan advance to staff, travelling advance etc. The balance held under Loans Granted and Other Advances (as per B & C in Note 11, both Non-current and current) are subject to confirmation.

**11.08** Percentage of outstanding Loans Granted against the pledge of gold jewellery (included in other secured loans), to the outstanding total assets is as below:

| <b>Particulars</b>                                | <b>31.03.2017</b>                       | <b>31.03.2016</b>            |
|---|---|------------------------------|
|   | <b>Amounts out-<br/>standing in Rs.</b> | <b>% to Total<br/>Assets</b> |
| Loans Outstanding against the pledge of jewellery | 33,27,06,908                            | 8.39                         |
| Total Assets held                                 | 396,72,45,101                           | 22,94,76,170                 |
|   |   | 354,92,62,853                |

This disclosure is being made in accordance with sub-paragraph 5 of Paragraph 29 of Housing Finance Companies (NHB) Directions 2010.

**11.09** The Break-up of Lease Security Deposit is as below: to Related Parties Rs.75,00,000 (P. Y. Rs.75,00,000) and to Others Rs.2,85,01,714 (P. Y. Rs.3,70,12,939).

|   | <b>31.03.2017</b> | <b>31.03.2016</b> |
|---|-------------------|-------------------|
|   | <b>Rs.</b>        | <b>Rs.</b>        |
| <b>NOTE 12: Other Non-current assets</b>                |                   |                   |
| Net Asset in Gratuity Fund (maintained by LIC of India) | 60,328            | 93,397            |
|   | <u>60,328</u>     | <u>93,397</u>     |

**NOTE 13:  
INVENTORIES**

|                                      |               |                 |
|--------------------------------------|---------------|-----------------|
| Stock of Stationery (valued at cost) | 88,977        | 1,00,925        |
|                                      | <u>88,977</u> | <u>1,00,925</u> |

## NOTES TO ACCOUNTS FORMING PART OF BALANCE SHEET AS ON 31-03-2017

|   | 31.03.2017   |              | 31.03.2016   |
|---|--------------|--------------|--------------|
|   | Rs.          | Rs.          | Rs.          |
| <b>NOTE 14:</b>   |              |              |              |
| <b>CASH AND CASH EQUIVALENTS</b>  |              |              |              |
| (refer note 14.01 )   |              |              |              |
| A) Cash and Cash Equivalents (For the purpose of Cash Flow Statement)   |              |              |              |
| i) Cash in hand   | 25,64,993    |              | 26,54,583    |
| ii) Balance with banks  |              |              |              |
| in Current Accounts   | 3,27,10,048  | 3,52,75,041  | 1,78,21,196  |
| B) Other Bank Balances  |              |              | 2,04,75,779  |
| i) Fixed deposits (with original maturity beyond 3 months)  |              |              |              |
| Fixed Deposits with Scheduled Banks (Held as SLR assets)  | 10,00,000    |              | 40,00,000    |
| Pledged to Banks for security for Overdraft   | 4,47,442     |              | 4,37,302     |
| Pledged to Sales Tax  | 10,000       |              | 10,000       |
| Kept for Bank Lockers   | 6,28,856     | 20,86,298    | 5,81,110     |
| ii) In Current Account earmarked for unclaimed dividends  |              | 21,52,009    | 20,56,719    |
| <b>CASH &amp; CASH EQUIVALENTS</b>  | 3,95,13,348  |              | 2,75,60,910  |
| <b>Note 14.01</b> Note 14(B) above includes Rs.20,86,298/- (P.Y. Rs.50,28,412/-) being Deposits maturing within 12 months from the date of Balance Sheet.   |              |              |              |
| <b>NOTE 15:</b>   |              |              |              |
| <b>SHORT TERM LOANS AND ADVANCES</b>  |              |              |              |
| (Considered Good) (refer note below)  |              |              |              |
| <b>Loans Granted:</b>   |              |              |              |
| (Provisions for Non-Performing and Other Assets duly made as per NHB directives and shown separately under Note No. 4 and 8)  |              |              |              |
| Secured Housing and other Loans (as per Note No. 11)  | 60,77,16,530 |              | 32,76,36,228 |
| Unsecured Loans (as per Note No. 11)  | 1,25,00,000  | 62,02,16,530 | 5,51,00,000  |
| Other Advances (unsecured) (as per Note No. 11)   |              | 9,06,953     | 2,59,952     |
| Income Tax paid (Advance Tax, TDS etc.) (net of provisions)   |              | 20,35,063    | -            |
| <b>Prepaid Expenses</b>   |              | 1,45,39,668  | 1,19,23,073  |
|   |              | 63,76,98,214 | 39,49,19,253 |
| <b>Note 15.01:</b> The Secured Housing and other Loans Granted as above, represents Current Portion of Long Terms Loans. (as detailed in Note 11) Also refer Note 11.01 to 11.09 for other informations on loans granted. |              |              |              |
| <b>NOTE 16:</b>   |              |              |              |
| <b>OTHER CURRENT ASSETS</b>   |              |              |              |
| (Unsecured and considered good)   |              |              |              |
| Interest accrued on Investments   |              | 3,25,362     | 2,30,230     |
| Income Receivable from Banks & Others   |              | 17,90,116    | 74,06,897    |
|   |              | 21,15,478    | 76,37,127    |
| <b>NOTE 17:</b>   |              |              |              |
| <b>REVENUE FROM OPERATIONS</b>  |              |              |              |
| (Refer Note 17.01 below)  |              |              |              |
| Income From Housing Finance   |              |              |              |
| Interest on Loans   | 33,36,65,906 |              | 33,30,44,952 |
| Other Financial Services  | 1,33,38,737  | 34,70,04,643 | 1,48,28,829  |
| Interest on Other Loans   |              | 8,55,56,081  | 7,26,66,210  |
| Other Financial Services of other Loans   |              | 10,33,667    | 7,99,462     |
| Miscellaneous Income  |              | 85,190       | 93,752       |
| <b>NET REVENUE FROM OPERATIONS</b>  |              | 43,36,79,581 | 42,14,33,205 |
| <b>Note 17.01:</b> Income from Other Financial Services of Housing and other Loans represents Income from Processing, Administrative and other related charges.   |              |              |              |
| <b>NOTE 18:</b>   |              |              |              |
| <b>OTHER INCOME</b>   |              |              |              |
| Interest on Investments (Long Term – Non-Trade)   | 16,09,425    |              | 9,37,210     |
| Other Interest (On Bank Deposits and Income Tax Refund)   | 2,14,551     | 18,23,976    | 3,98,965     |
| Dividend on Investment – Non-Trade (Long Term – Non-Current)  |              | 3,13,313     | 13,36,175    |
| Gain on Gratuity Fund maintained with LIC of India  |              | -            | 3,16,743     |
| Reversal of Gratuity Provisions   |              | -            | 93,397       |
|   |              | 21,37,289    | 15,006       |
|   |              |              | 17,61,321    |
| <b>NOTE 19:</b>   |              |              |              |
| <b>EMPLOYEES' BENEFIT EXPENSES</b>  |              |              |              |
| (Refer note 19.01 below)  |              |              |              |
| Salary  | 1,62,65,850  |              | 1,44,93,309  |
| Bonus   | 6,71,059     |              | 6,62,642     |
| Staff Welfare Expenses  | 26,477       |              | 21,374       |
| Contribution to Provident and other Funds   | 8,06,637     |              | 7,65,392     |
| Contribution to Gratuity Premium  | 6,16,330     |              | 3,23,333     |
| Contribution to ESI   | 4,03,487     |              | 3,58,801     |
| Loss from Gratuity fund maintained with LIC of India  | 33,069       |              | -            |
|   | 1,88,22,909  |              | 1,66,24,851  |
| <b>Note 19.01:</b> Disclosure as required under Accounting Standard 15 i.e., Employee benefits, given under Note No. 25.10.   |              |              |              |

# NOTES TO ACCOUNTS FORMING PART OF STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

|  | 31.03.2017       |                     | 31.03.2016          |
|--|------------------|---------------------|---------------------|
|  | Rs.              | Rs.                 | Rs.                 |
| <b>NOTE 20:</b>                                      |                  |                     |                     |
| <b>FINANCE COSTS</b>                                 |                  |                     |                     |
| Interest on Term Loan                                | 27,72,12,324     |                     | 28,10,21,245        |
| Interest on Public Deposits                          | 1,54,59,996      |                     | 1,15,44,263         |
| Interest on Others – Working Capital Borrowings etc. | 24,51,981        | 29,51,24,301        | 15,35,851           |
| Bank Charges, Commission and Processing Fees         |                  | 22,00,615           | 39,24,394           |
|  |                  | <u>29,73,24,916</u> | <u>29,80,25,753</u> |
| <b>NOTE 21:</b>                                      |                  |                     |                     |
| <b>DEPRECIATION AND AMORTIZATION EXPENSE</b>         |                  |                     |                     |
| Depreciation on Tangible Assets (Refer Note No.: 9)  | 23,93,546        |                     | 23,93,218           |
|  | <u>23,93,546</u> |                     | <u>23,93,218</u>    |

|  |                    |               |                    |
|--|--------------------|---------------|--------------------|
| <b>NOTE 22:</b>  |                    |               |                    |
| <b>OTHER EXPENSES</b>  |                    |               |                    |
| Building Rent (refer note below)                               | 27,65,658          |               | 27,65,658          |
| Locker Rent  | 3,31,246           |               | 1,12,181           |
| Travelling and Conveyance Expenses                             | 21,47,789          |               | 14,28,559          |
| Vehicle Maintenance  | 9,74,072           |               | 7,65,613           |
| Advertisement and Sales Promotion Expenses                     | 30,202             |               | 70,902             |
| Registration and Licence Fee                                   | 2,37,528           |               | 2,49,475           |
| Printing and Stationery  | 3,07,726           |               | 2,62,693           |
| Postage and Couriers   | 2,89,640           |               | 3,80,327           |
| Directors Sitting Fee  | 9,000              |               | 12,000             |
| Telephone Charges  | 6,39,490           |               | 5,79,529           |
| Audit Fees   |                    |               |                    |
| Statutory Audit  | 2,70,000           |               | 2,35,000           |
| Tax Audit  | 30,000             |               | 30,000             |
| Certification  | 30,000             |               | 15,000             |
| Service Tax  | 49,500             | 3,79,500      | 41,550             |
| Miscellaneous Expenses   | 52,06,409          |               | 43,92,942          |
| Donations  | 6,000              |               | 6,000              |
| Corporate Social Responsibility expenditure (refer Note 25.15) | 1,00,000           |               | -                  |
| Insurance Premium  | 3,45,787           |               | 2,46,065           |
| Electricity and Water Charges                                  | 3,64,455           |               | 3,32,912           |
| Commission and Brokerage                                       | 68,08,722          |               | 57,85,897          |
| Legal and Professional Charges                                 | 47,44,291          |               | 34,13,144          |
|  | <u>2,56,87,515</u> | <u>41,550</u> | <u>2,11,25,447</u> |

**Note 22.01:** Building Rent as above represents rent paid in respect of premises taken on cancellable operating lease.

|   |                  |  |                  |
|---|------------------|--|------------------|
| <b>NOTE 23:</b>   |                  |  |                  |
| <b>EXCEPTIONAL ITEMS</b>  |                  |  |                  |
| <b>I. EXCEPTIONAL EXPENSES:</b>   |                  |  |                  |
| Provisions for Non-Performing and other Assets (refer Note 23.01 and 23.02) | 49,26,510        |  | 32,68,931        |
| Loss on Sale of Long Term Investments viz., Shares (Non-Trade)              | 6,24,227         |  | -                |
|   | <u>55,50,737</u> |  | <u>32,68,931</u> |
| <b>II. EXCEPTIONAL INCOME</b>   |                  |  |                  |
| Profit on sale of Long Term Investments viz., Shares (Non-Trade)            | 11,59,857        |  | 31,936           |
| Profit on sale of Fixed Assets  | 10,292           |  | 2,17,717         |
|   | <u>11,70,149</u> |  | <u>2,49,653</u>  |
| <b>EXCEPTIONAL ITEMS – EXPENSES (NET) I - II</b>                            | <u>43,80,588</u> |  | <u>30,19,278</u> |

**Note 23.01:** Provision for Non-performing and other assets, is being disclosed as Exceptional Item, for the reason that the provision amount varies from year to year basis, depending upon the directives issued by the National Housing Bank from time to time.

**23.02:** The details of provisions made during the year for Non-Performing and other assets are as under:

|   | Current Year     | Previous Year     |
|---|------------------|-------------------|
|   | Rs.              | Rs.               |
| a) On Housing Finance Business:   |                  |                   |
| Provisions as required under NHB Directions on Housing Finance Business | 21,90,765        | 27,02,900         |
| Provisions made voluntarily by the Company on prudence                  | 14,50,000        | 10,00,000         |
|   | <u>36,40,765</u> | <u>37,02,900</u>  |
| b) On Business other than Housing Finance:                              |                  |                   |
| Provision no longer required  | -                | (4,33,969)        |
| Provisions as required under NHB Directions on Other Business           | 12,85,745        | -                 |
| Provisions made voluntarily by the Company on prudence                  | -                | -                 |
|   | <u>12,85,745</u> | <u>(4,33,969)</u> |
| Total Provisions made during the year (net) (a + b)                     | <u>49,26,510</u> | <u>32,68,931</u>  |

## NOTES TO ACCOUNTS FORMING PART OF STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

### NOTE 24:

#### EARNING PER EQUITY SHARE

(Refer note 24.01 below)

|  |             |             |
|--|-------------|-------------|
| a) Net profit after tax, as per Statement of Profit and Loss             | 6,56,13,888 | 5,43,88,514 |
| b) Preference Dividend   | 12,46,329   | 14,80,920   |
| c) Tax on Distribution of Preference Dividend                            | 2,53,723    | 3,01,480    |
| d) Net Profit available for equity shareholder used as numerator (a-b-c) | 6,41,13,836 | 5,26,06,114 |
| e) Weighted Average No. of equity shares used as Denominator             | 85,05,150   | 85,05,150   |
| f) Basic/Diluted earning per equity share of Rs.10 each fully paid       | 7.54        | 6.19        |

**Note 24.01:** There are no extraordinary items and therefore the question of calculating earning per share after adjusting such items does not arise.

### NOTE NO.: 25

#### OTHER DISCLOSURES TO ACCOUNTS:

##### 25. 01 Corporate Information:

The Registered office of the Company is at Manipal (State: Karnataka). The Company is registered as a Housing Finance Company with National Housing Bank. Accordingly, the main business of the Company is to extend Housing Loans for the construction or purchase of residential houses. In addition the Company also extends loans on the security of other properties, jewels etc., for the purposes other than housing. The Company also accepts deposits from public.

##### 25.02 Accounting Policies:

###### a. Basis of Accounting and Revenue recognition:

The Financial Statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 i.e., the Companies (Accounting Standard) Rules 2006 read with Companies (Accounting Standard) Amendment Rules 2016 and the relevant provisions of the Companies Act, 2013. The financial statements have been prepared on accrual basis under the historical cost convention. All significant items of income and expenditure are accounted on accrual system of accounting. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year except in the cases of Clause (c), (d), (e), (i) and (o) below, to which the amendment rules as aforesaid are applicable. However, this has not caused any effects on the statement of Profit and Loss for the year ending 31<sup>st</sup> March, 2017, on the Balance Sheet as on 31<sup>st</sup> March, 2017 and on the Cash Flow Statement for the year ending 31<sup>st</sup> March, 2017 (except to the extent mentioned in Note 25.16), since the assets/items dealt in by the Company are not covered under the changes prescribed in the aforesaid amended rules.

The Company follows the National Housing Bank (NHB) guidelines on Income recognition for accounting Income as per circulars issued by NHB from time to time. Income by way of 'Interest' is recognized on the time proportionate method. Income by way of 'Dividend' is recognized, when the unconditional right to receive the income is established. However income by way of Processing/Administrative fees, Interest on Income Tax Refund and Miscellaneous income are accounted on receipt basis, since the income of such nature are considered to be accrued and due on the date of receipt. Brokerage/Commission on deposits and service charges on bank loans are written off over the tenure of deposit and bank loans respectively.

###### b. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. The difference between the actual results and estimates are being recognized in the period in which the results are known/materialized.

###### c. Fixed Assets (Property, Plant and Equipments) and Depreciation:

Freehold land is carried at historical cost. All other items of 'Property, Plant and Equipment' are stated at historical cost less accumulated depreciation and accumulated impairment losses if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items such as purchase price, freight, duties and levies. Such cost includes the cost of replacing parts of the 'Property, Plant and Equipment' and the borrowing cost till the date of installation of qualifying asset and any attributable cost of bringing the asset to its working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.

An item of 'Property, Plant and Equipment' and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognized.

Further, when each major inspection is performed, its cost is recognized in the carrying amount of the item of 'Property, Plant and Equipment' as a replacement if the recognition criteria are satisfied. Machinery spares if any, which are specific to a particular item of 'Property, Plant and Equipment' and whose use is expected to be irregular are capitalized as 'Property, Plant and Equipment'.

Spare parts if any, are capitalized when they meet the definition of 'Property, Plant and Equipment' i.e., when the Company intends to use these for more than a period of 12 months.

The Fixed Tangible Assets held by the Company does not involve decommissioning cost and the cost of removal of such assets is not material considering the size of the Company. Considering this aspect, the Company has not made any policies for capitalizing the decommissioning cost.

Depreciation on 'Property, Plant and Equipment' generally is provided on the written down value method over the useful lives of the assets in terms of Schedule II of the Companies Act, 2013. Depreciation for the assets purchased/sold during the period is proportionately charged. However Building constructed on the leasehold land if any, is depreciated under straight line method over the period of lease or the useful life in terms of Schedule II of the Companies Act, 2013, whichever expires earlier. Improvements to buildings are amortized over the period of remaining useful life of the building. The residual values, useful lives and methods of depreciation of 'Property, Plant and Equipment' are reviewed at each financial year end and adjusted prospectively, if appropriate and under such circumstances the appropriate disclosure will be made in the notes to accounts.

###### d. Investments:

Long Term Investments are stated at cost. The Company has the policy of making provisions for diminution in the value of such investments to recognize decline, other than temporary. Current investments if any are valued at cost or net realizable value whichever is lower. The Company does not own any immovable property held as investments and accordingly has not made any policies for such investments.

###### e. Inventory:

Stock of stationery is valued at cost. Cost is taken at the value at which the same were purchased. The Company does not have any other items of inventory. Accordingly has not made any policies for other types of inventory.

###### f. Tax on Income:

The Company has charged off the Current Income Tax to the Statement of Profit and Loss. Deferred Tax Assets/Liabilities are recognized/provided in accordance with the Accounting Standard 22. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date, on the timing differences being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period. Deferred tax Asset is recognized, subject to the considerations of prudence. Deferred tax asset so recognized, is being net off to deferred tax liability or vice versa. Advance Income Tax Paid (including Tax deducted at source, tax paid on self-assessment or otherwise) and provision for current Income Tax are presented in the Balance Sheet after setting off the same against each other.

## NOTES TO ACCOUNTS FORMING PART OF STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

### g. Employee Benefits:

The Company's "Retirement Benefit Plan" and "Other Benefit Plans" comprises of Contribution to Provident Fund, Employee State Insurance and Gratuity. Contributions to Provident Fund and Employee State Insurance are being made at pre-determined rates and are charged to the Statement of Profit and Loss. The Company's liability towards gratuity to employees is covered by group gratuity policy with LIC of India.

There are no other retirement benefits/other benefits being provided by the Company.

### h. Borrowing Costs:

Borrowing costs are recognized as an expense in the year in which they are incurred except which are directly attributable to acquisition/construction of qualifying fixed assets, till the time such assets are ready for use, in which case the borrowing costs are capitalized as part of the cost of the asset.

### i. Provisions and Contingent Liabilities/Assets:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be outflow of resources. Provisions not made in the account (which otherwise should have been made) are disclosed by way of appropriate note. Contingent liabilities (if any) are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

### j. Impairment of Assets:

The Company has framed the policy of impairing the asset, when carrying value of the assets exceeds its recoverable amount, under the circumstances when the Company is having the sources of information (whether internal or external) that an impairment loss may have occurred. Accordingly, impairment losses will be charged to statement of profit and loss in the year in which an asset is identified as impaired. The impairment losses recognised in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

### k. Accounting for Leases:

Rent on premises taken on operating lease charged to statement of profit and loss as Rent Paid.

### l. Earnings per Share:

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. Diluted earnings per share if any is computed using the weighted average number of equity shares and dilutive potential equity share outstanding during the period except when the results would be anti-dilutive.

### m. Operating Cycle:

Based on the nature of activities of the Company, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

### n. Cash Flow Statement:

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information. Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

### o. Events occurring after the Balance Sheet Date:

Dividends pertaining to the financial year, but declared after the Balance Sheet, not recognized as a liability and the same is being disclosed in the notes to accounts vide Note. 25.16. This Policy is being adopted by the Company from the current financial year and onwards, in accordance with the amended Accounting Standard as referred above.

25.03 The management is of the opinion that the carrying cost of the assets does not exceed its recoverable amount. Further the Company does not have any information whether internal or external, that indicates that "impairment loss may have occurred". Accordingly the question of impairment of assets does not arise.

25.04 Disclosure in respect of related parties with whom transactions have taken place during the period.

### A. Key Management Personnel and their relatives

Sri T. Sunil Pai – Executive Director  
Sri Gopalakrishna Bhat – Chief Financial Officer  
Smt. Vijayalaxmi N. Pai – Director  
Sri T. Sanjay Pai, Sri T. Narayan M. Pai,  
Smt. Praneetha Pai

### B. Related Corporate Bodies:

Manipal Finance Corporation Ltd., Manipal

Details of transactions are as follows. The names of parties with amount involved therein are disclosed separately under first Column, if the amount involved therein is material.

|  |                    | 2016-17       | 2015-16       |
|--|--------------------|---------------|---------------|
| Particulars  |                    | Amount in Rs. | Amount in Rs. |
| A. Advances, Deposits and loans from related parties   |                    |               |               |
| Relatives of Key Management Personnel  |                    | 13,20,163     | 7,50,000      |
| B. Interest and other expenses to related parties  |                    |               |               |
| Relatives of Key Management Personnel  |                    | 4,81,625      | 4,38,291      |
| C. Advances, Deposits and loans to related parties   |                    |               |               |
| Related Corporate Bodies/Associate Companies   |                    | 75,00,000     | 75,00,000     |
| D. Remuneration and other charges:   |                    |               |               |
| Key Management Personnel and relatives   |                    |               |               |
| Remuneration (including PF and Perquisites):   |                    | 6,87,800      | 6,77,200      |
| Sri T. Sunil Pai – Rs.3,88,800/- (P. Y. Rs.4,14,200)   |                    |               |               |
| Sri Gopalakrishna Bhat – Rs.2,99,000/- (P. Y. Rs.2,63,000)   |                    |               |               |
| Professional Charges:  |                    |               |               |
| Sri T. Sanjay Pai – Rs.1,80,000 (P. Y. Rs.1,80,000)  |                    | 1,80,000      | 1,80,000      |
| F. Redemption of 7% Cumulative redeemable preference shares  |                    |               |               |
| Current Year   | No. Rs.            |               |               |
| Sri T. Sanjay Pai  | 4,83,000 48,30,000 |               |               |
| Sri T. Sunil Pai   | 1,90,000 19,00,000 |               |               |
| Smt. Pranitha Pai  | 1,71,600 17,16,000 | 84,46,000     | Nil           |
| Previous Year – Nil  |                    |               |               |
| No amount pertaining to the related parties has been provided for as doubtful debts/advances or written off/ written back during the year. |                    |               |               |

## NOTES TO ACCOUNTS FORMING PART OF STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2017

25.05 Information as required under sub-paragraph 5 of paragraph 25 of HOUSING FINANCE COMPANIES (NHB) DIRECTIONS, 2001 issued by the National Housing Bank.

- A. The details of the levy of penalty, if any, imposed on the Housing Finance Company by the National Housing Bank: Rs.Nil (P.Y. Rs.Nil).
- B. Adverse comments, if any, on the Housing Finance Company made in writing by the National Housing Bank on regulatory compliances, with a specific communication to the Housing Finance Company to disclose the same to the public: No such comments made (P.Y. No such comments made).
- As per Para 4 of the "Guidelines for Asset Liability Management System in Housing Finance Companies" issued by the National Housing Bank vide letter No. NHB(ND)/HFC(DRS-REG)/ALM/35/2010 dated 11th October, 2010, every Housing Company shall make certain disclosures in its Balance Sheet. Accordingly the Company has complied the details as aforesaid and annexed the same to this financial statement.
- As per Para 5(I) read with Annexure 4 thereon of "Housing Finance Companies – Corporate Governance (National Housing Bank) Directions 2016", every public deposit accepting/holding Housing Finance Companies are required to disclose certain aspects in their annual financial statement. Accordingly the Company has complied the details as aforesaid and annexed the same to this financial statement.

25.06 Disclosure Regarding the details of Specified Bank Notes (SBN) held and transacted during the period from 8th November, 2016 to 30th December, 2016, SBN's and other notes as per MCA Notification G.S.R 308(E) is given below:

| Particulars                           | SBNs in Rs. | Other denomination notes in Rs. | Total in Rs. |
|---------------------------------------|-------------|---------------------------------|--------------|
| Closing cash in hand as on 08.11.2016 | 25,88,000   | 2,03,699                        | 27,91,699    |
| (+) Permitted receipts                | -           | 1,01,58,311                     | 1,01,58,311  |
| (-) Permitted payments                | -           | 81,31,543                       | 81,31,543    |
| (-) Amount deposited in Banks         | 25,88,000   | 5,42,212                        | 31,30,212    |
| Closing cash in hand as on 30.12.2016 | -           | 16,88,255                       | 16,88,255    |

For the Purposes of this clause the term 'Specified Bank Notes' (SBN) shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O. 3407(E), dated the 8th November, 2016.

25.07 In the opinion of the Board of Directors, the assets listed under the head Non-Current Assets and Current Assets (other than Fixed Assets and Non-Current Investments) in the Balance Sheet (viz., assets covered under Note No.11 to 16), have a value on realization in the ordinary course of business at least equal to the amount at which they are stated.

25.08 The Company is operating under one reportable business segment i.e., Finance Activity and one Geographical segment. Therefore the Accounting Standard relating to Segment Reporting is not applicable.

25.09 The Company has created during the earlier year, the floating charge on the statutory liquid assets maintained (including such securities to be purchased by the Company in future) in terms of Sub-section 1 & 2 of Section 29B of the National Housing Bank 1987. Such charge is being created by executing the trust deed. M/s Canara Bank has been appointed as the sole trustee of the trust. Value of such assets held as on the date of Balance Sheet is Rs.2,20,00,000 (P.Y. Rs.1,50,00,000). The charge as aforesaid has been created in compliance of N. H. B. Directives.

### 25.10 Employee Benefits:

Brief description of the Plans:

- a) The Company has two schemes for long-term benefits such as provident fund and gratuity. In case of funded schemes, the funds are recognized by the Income tax authorities and administered through trustees/appropriate authorities. The Company's defined contribution plan is employees' provident fund (under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952) wherein the Company has no further obligation beyond making the contributions.

The Company is also contributing towards Employee State Insurance Plan, as per statutory requirements, wherein the Company has no further obligation beyond making the contributions.

The Company's defined benefit plan is gratuity.

- b) Charge to the Profit and Loss Account based on contributions:

The Company's contribution to Provident Fund and other related funds charged to Profit and Loss Account during the year is Rs.8,06,637/- (P.Y. Rs.7,65,392).

The Company's contribution to Employee State Insurance Plan charged to Profit and Loss Account during the year is Rs.4,03,487/- (P.Y. Rs.3,58,801)

The Company's contribution to LIC under Group Gratuity Policy, charged to Profit and Loss Account is Rs.6,16,330/- (P.Y. Rs.3,23,333).

- c) Disclosures for defined gratuity benefit plans based on actuarial reports obtained from Life Insurance Corporation of India as on 31st March, 2017.

**Valuation Method: Projected Unit Credit Method**

|   | Amount in Rs.<br>Current Year | Amount in Rs.<br>Previous Year |
|---|-------------------------------|--------------------------------|
| <b>Changes in present value</b>                           |                               |                                |
| Opening value of obligations                              | 23,37,828                     | 21,80,396                      |
| Current service cost                                      | 1,47,123                      | 1,47,303                       |
| Interest cost   | 1,87,026                      | 1,74,432                       |
| Actuarial loss/(gain)                                     | 1,72,437                      | 33,524                         |
| Benefits paid   | (43,616)                      | (1,97,827)                     |
| Closing value of obligations                              | 28,61,225                     | 23,37,828                      |
| <b>Change in Fair Value of Assets</b>                     |                               |                                |
| Opening fair value of plan assets                         | 24,31,225                     | 21,65,391                      |
| Expected return on plan assets                            | 1,99,381                      | 1,87,559                       |
| Contributions by employer                                 | 2,74,136                      | 2,76,102                       |
| Benefits paid   | (43,616)                      | (1,97,827)                     |
| Closing fair value of plan assets                         | 28,61,125                     | 24,31,225                      |
| Funded Status   | 60,328                        | 93,397                         |
| <b>Amount recognized in the Balance Sheet</b>             |                               |                                |
| Present value of obligations as at year end               | 24,31,225                     | 21,65,391                      |
| Fair value of plan assets as at year end                  | 28,61,125                     | 24,31,225                      |
| Amount not recognized as an asset                         | -                             | -                              |
| Funded Status   | 60,328                        | 93,397                         |
| Net (asset)/liability recognized as on 31st March, 2017   | (60,328)                      | (93,397)                       |
| <b>Expenses recognized in the Profit and Loss Account</b> |                               |                                |
| Current service cost                                      | 1,47,123                      | 1,47,303                       |
| Interest on defined benefit obligation                    | 1,87,026                      | 1,74,432                       |
| Expected return on plan assets                            | (1,99,381)                    | (1,87,559)                     |
| Net actuarial loss/(gain) recognised in the current year  | 1,72,437                      | 33,524                         |
| Effect of the limit in Para 59(b) of AS 15                | *                             | *                              |

**NOTES TO ACCOUNTS FORMING PART OF STATEMENT OF PROFIT & LOSS FOR THE YEAR ENDED 31ST MARCH, 2017**

|  | Amount in Rs.<br>Current Year | Amount in Rs.<br>Previous Year |
|--|-------------------------------|--------------------------------|
| Total expense  | 3,07,205                      | 1,67,700                       |
| <b>Asset Information</b> (as per para 120 (h) of AS 15)                  | *                             | *                              |
| <b>Principal actuarial assumptions used</b>                              |                               |                                |
| Discount rate (p.a.)   | 8%                            | 8%                             |
| Expected rate of return on plan assets (p.a.)                            | *                             | *                              |
| Salary Escalation  | 3.50%                         | 3.50%                          |
| Withdrawal Rate :  | *                             | *                              |
| Rate of increase in compensation levels                                  | *                             | *                              |
| Expected average remaining working lives of employees in number of years | *                             | *                              |
| <b>Experience adjustments</b> (as per Para 120(n) of AS 15)              | *                             | *                              |
| <b>Expected employer's contribution for the next year</b>                | *                             | *                              |

The Company has written to Life Insurance Corporation of India to furnish information of the Defined Gratuity Benefit Plan, in the manner required under Accounting Standard 15. Accordingly the Life Insurance Corporation of India has given the information as given above, which has been relied by the Auditors.

(\*) The Life Insurance Corporation of India has not given these information.

**Data for defined gratuity benefit obligation and fair value of planned assets are as under:**

Amount in Rs.

| Particulars                       | 2016-17   | 2015-16   | 2014-15   | 2013-14   | 2012-13    |
|-----------------------------------|-----------|-----------|-----------|-----------|------------|
| Closing value of obligation       | 24,31,225 | 23,37,828 | 21,80,396 | 19,28,015 | 19,63,788  |
| Closing fair value of plan assets | 28,61,126 | 24,31,225 | 21,65,391 | 19,80,983 | 20,94,407  |
| Net (asset)/liability recognised  | (60,328)  | (93,397)  | 15,005    | (52,968)  | (1,30,619) |

25.11 The details in respect of provision in respect of deferred tax liability on statutory reserve created u/s 36(1)(viii) of Income Tax Act 1961 as required by National Housing Bank vide its Letter No. NHB(ND)/DRS/Policy Circular 65/2014-15 dated 22nd August, 2014 is given as Note 2.02 of financial statement, which may be referred to.

25.12 The Company does not have any pending litigation which would impact its financial position.

25.13 The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses.

25.14 There has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund, by the Company.

25.15 Details with regard to Corporate Social Responsibility Expenditure:

Gross amount required to be spent by the Company during the year: Rs.15,02,206/- (P.Y. Rs.14,60,133/-).

Amount spent during the year on:

| Particulars   | In Cash Rs.       | Yet to be paid In Cash Rs. | Total Rs.         |
|---|-------------------|----------------------------|-------------------|
| (i) Construction/acquisition of any asset (Previous Year) | Nil<br>(Nil)      | Nil<br>(Nil)               | Nil<br>(Nil)      |
| (ii) On purposes other than (i) above (Previous Year)     | 1,00,000<br>(Nil) | Nil<br>(Nil)               | 1,00,000<br>(Nil) |

The amount spent towards Corporate Social Responsibility represents contributions to Prime Minister's National Relief Fund.

25.16 Disclosure with regard to events occurring after the Balance Sheet date is given as below:

**The Nature of Event:**

Proposed Dividend on Equity Shares and the Tax thereon. The Board has proposed a dividend of 4% i.e., Rs.0.40 per share on Equity Shares. (P. Y. 4% i.e., 0.40 per equity share). This has not been considered as liability in accordance with the amended accounting standard, as stated in Note 25.02 (o).

**Estimated Financial Effect:**

The aforesaid dividend if approved by the Company at its Annual General Meeting, will result into the cash outflow of the following amounts:

|   |                     |
|---|---------------------|
| On account of Dividend                              | Rs.34,02,060        |
| On account of Tax on Distribution of above dividend | Rs.6,92,579         |
| <b>Total</b>  | <b>Rs.40,94,639</b> |

The Company has considered the proposed dividend and tax thereon as a liability till the year ending 31<sup>st</sup> March, 2016. The accumulated profits of the Company in the Balance Sheet would have been reduced by the aforesaid amount if the Company had followed the earlier accounting policy.

25.17 The Company has in all material respects an adequate internal financial controls system over financial reporting and such internal financial controls system over financial reporting were operating effectively as on 31<sup>st</sup> March, 2017.

25.18 There are no contingent liabilities as on 31<sup>st</sup> March, 2017.

25.19 The Previous year's amounts are regrouped/reclassified/rearranged wherever necessary.

As per our report of even date

Sd/- **N. A. Shanbhag** (DIN: 07157128)

Chairman

Sd/- **B. Ganapathi Pai** (DIN: 07209943)

Sd/- **Madhu P.** (DIN: 07859447)

Sd/- **Sathish Kamath** (DIN: 07873847)

Directors

Sd/- **Gopalakrishna Bhat**

Chief Financial Officer

**For PAI NAYAK & ASSOCIATES**

Chartered Accountants

Firm Registration No.: 009090S

Sd/- **CA Ammunje Venkatesh Nayak**

Partner

Membership No.: 204685

Sd/- **T. Sunil Pal** (DIN: 00101564)

Executive Director

Place : Manipal

Date : 29<sup>th</sup> June, 2017

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2017

| Description   | As at 31.03.2017 |                | As at 31.03.2016 |                |
|---|------------------|----------------|------------------|----------------|
|   | Rs.              | Rs.            | Rs.              | Rs.            |
| <b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>                   |                  |                |                  |                |
| Net Profit before tax :   | 8,72,07,396      |                | 8,20,05,979      |                |
| <b>Adjustments for :</b>  |                  |                |                  |                |
| Depreciation  | 23,93,546        |                | 23,93,218        |                |
| Interest income from investments                                  | (16,09,425)      |                | (9,37,210)       |                |
| Interest expenses   | 29,51,24,301     |                | 29,41,01,359     |                |
| Dividend received   | (3,13,313)       |                | (3,16,743)       |                |
| (Profit)/Loss on sale of assets (net)                             | (10,292)         |                | (2,17,717)       |                |
| Provision for doubtful debts                                      | 49,26,510        |                | 32,68,931        |                |
| (Surplus)/Deficit from sale of Investments                        | (5,35,630)       |                | (31,936)         |                |
| Operating profit before working capital changes                   | 38,71,83,093     |                | 38,02,65,881     |                |
| <b>Adjustments for changes in working capital:</b>                |                  |                |                  |                |
| (Increase)/Decrease in Housing & Other Loans Granted              | (41,36,74,095)   |                | (23,89,20,821)   |                |
| (Increase)/Decrease in trade and other receivables                | 80,78,583        |                | (86,80,886)      |                |
| (Increase)/Decrease in inventories                                | 11,948           |                | (1,063)          |                |
| Increase/(Decrease) in trade and other payables                   | (9,33,688)       |                | (6,49,289)       |                |
| Cash Generated from operations (before payment of interest & tax) | (1,93,34,159)    |                | 13,20,13,822     |                |
| Interest paid   | (29,49,46,752)   |                | (29,35,43,485)   |                |
| Direct taxes (paid)/refund  | (2,58,65,027)    |                | (2,12,15,882)    |                |
| Cash Flow before extraordinary items                              | (34,01,45,938)   |                | (18,27,45,545)   |                |
| Extraordinary Items   | -                |                | -                |                |
| <b>NET CASH (USED IN)/FROM OPERATING ACTIVITIES</b>               |                  | (34,01,45,938) |                  | (18,27,45,545) |
| <b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>                     |                  |                |                  |                |
| Purchase/acquisition of Fixed Assets                              | (6,90,733)       |                | (22,45,195)      |                |
| Sale of Fixed Assets  | 10,292           |                | 2,68,451         |                |
| Purchase of Long Term Investments                                 | (97,40,625)      |                | -                |                |
| Sale/redemption of Long Term Investments                          | 38,59,921        |                | 8,22,714         |                |
| Interest Received   | 15,14,293        |                | 9,37,210         |                |
| Lease Deposit Refund Received                                     | 85,11,225        |                | -                |                |
| Dividend Received   | 3,13,313         |                | 3,16,743         |                |
| <b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>               |                  | 37,77,686      |                  | 99,923         |
| <b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>                     |                  |                |                  |                |
| Issue/(Redemption) of 7% Preference Shares                        | (84,46,000)      |                | -                |                |
| Increase/(Decrease) in Public Deposits                            | 2,93,48,806      |                | 2,94,55,851      |                |
| Increase/(Decrease) in Bank Borrowings                            | 33,55,56,386     |                | 13,54,98,606     |                |
| Dividend Paid on Equity Shares                                    | (33,02,271)      |                | (33,64,382)      |                |
| Interim Dividend Paid on Preference Shares                        | (10,14,864)      |                | (14,80,920)      |                |
| Dividend Distribution Tax Paid                                    | (9,74,543)       |                | (9,92,714)       |                |
| <b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>               |                  | 35,11,67,514   |                  | 15,91,16,441   |
| Net Increase in Cash and Cash Equivalents                         |                  | 1,47,99,262    |                  | (2,35,29,181)  |
| Opening Balance of Cash & Cash Equivalents                        |                  | 2,04,75,779    |                  | 4,40,04,960    |
| Closing Balance of Cash & Cash Equivalents                        |                  | 3,52,75,041    |                  | 2,04,75,779    |

- Note:** 1) Cash Flow Statement is prepared under Indirect Method as prescribed under Accounting Standard 3.  
2) The Company has incurred expenditure towards CSR Activities Rs.1,00,000/- during the year as given in Note 22. The details of expenses required to be spent for CSR Activities are disclosed in Note 25.15 of financial statement. This has been considered as operational activity.  
3) Previous year's amounts have been arranged, regrouped and reclassified wherever necessary.

Sd/- **N. A. Shanbhag** (DIN: 07157128)  
Chairman

Sd/- **B. Ganapathi Pai** (DIN: 07209943)  
Sd/- **Madhu P.** (DIN: 07859447)

As per our report of even date  
**For PAI NAYAK & ASSOCIATES**  
Chartered Accountants  
Firm Registration No.: 009090S

Sd/- **T. Sunil Pai** (DIN: 00101564)  
Executive Director

Sd/- **Sathish Kamath** (DIN: 07873847)  
Directors

Sd/- **Gopalakrishna Bhat**  
Chief Financial Officer

Sd/- **CA Ammunje Venkatesh Nayak**  
Partner  
Membership No.: 204685

Place : Manipal  
Date : 29<sup>th</sup> June, 2017



## DISCLOSURES REQUIRED BY THE NATIONAL HOUSING BANK

**Minimum Disclosures:**

The following additional disclosures have been given in terms of Notification No. NHB.HFC.CG.DIR.1/MD&CEO/2016 dated February 9, 2017 issued by the National Housing Bank.

**Summary of Significant Accounting Policies:**

The accounting policies regarding key areas of operations are disclosed as note 25.02 to the accounts.

**Disclosure:**
**Capital:**

(Rs. in Crore)

| Particulars  | Current Year | Previous Year |
|--|--------------|---------------|
| (i) CRAR (%)   | 20.23%       | 21.93%        |
| (ii) CRAR-Tier I Capital (%)                               | 19.07%       | 20.26%        |
| (iii) CRAR-Tier II Capital (%)                             | 1.06%        | 1.68%         |
| (iv) Amount of subordinated debt raised as Tier-II Capital | NIL          | NIL           |
| (v) Amount raised by issue of perpetual Debt Instruments   | NIL          | NIL           |

**Reserve Fund u/s 29C of NHB Act, 1987:**

(Rs. in Crore)

| Particulars  | Current Year | Previous Year |
|--|--------------|---------------|
| <b>Balance at the beginning of the year</b>  |              |               |
| a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987  |              |               |
| b) Amount of special reserve u/s 36(1) (viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987                                | 15.92        | 14.52         |
| c) Total   | 15.92        | 14.52         |
| <b>Addition/Appropriation/Withdrawal during the year</b>   |              |               |
| <b>Add:</b> a) Amount transferred u/s 29C of the NHB Act, 1987   |              |               |
| b) Amount of special reserve u/s 36(1) (viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987                                | 1.47         | 1.40          |
| <b>Less:</b> a) Amount appropriated from the Statutory Reserve u/s 29C of the NHB Act, 1987  | -            | -             |
| b) Amount withdrawn from the Special Reserve u/s 36(1) (viii) of Income Tax Act, 1961 taken into account which has been taken into account for the purpose of provision u/s 29C of the NHB Act, 1987 | -            | -             |
| <b>Balance at the end of the year</b>  |              |               |
| a) Statutory Reserve u/s 29C of the National Housing Bank Act, 1987  | -            | -             |
| b) Amount of special reserve u/s 36(1) (viii) of Income Tax Act, 1961 taken into account for the purposes of Statutory Reserve under Section 29C of the NHB Act, 1987                                | 17.39        | 15.92         |
| c) Total   | 17.39        | 15.92         |

**Investments:**

(Rs. in Crore)

| Particulars   | Current Year | Previous Year |
|---|--------------|---------------|
| <b>Value of Investments</b>   |              |               |
| (i) Gross Value of Investments  |              |               |
| (a) In India  | 2.47         | 1.83          |
| (b) Outside India   |              |               |
| (ii) Provision for Depreciation   |              |               |
| (a) In India  |              |               |
| (b) Outside India   |              |               |
| (iii) Net Value of Investments  |              |               |
| (a) In India  |              |               |
| (b) Outside India   |              |               |
| <b>Movement of provisions held towards depreciation on investments</b>  |              |               |
| (i) Opening balance   |              |               |
| (ii) Add Provisions made during the year                                |              |               |
| (iii) Less: Write-off/Written-back of excess provisions during the year |              |               |
| (iv) Closing Balance  | 2.47         | 1.83          |

**Derivatives:**
**Forward Rate Agreement (FRA) / Interest Rate Swap (IRS)**

The Company has not entered into any forward rate agreement (FRA)/Interest Rate Swap (IRS) during the year.

**Exchange Traded Interest Rate (IR) Derivative**

The Company has not undertaken any exchange traded interest rate derivative during the year.

**Disclosures on Risk Exposure in Derivatives**

The Company does not have any exposure in derivatives and hence there is no risk in this regard.

**Securitisation**

The Company did not enter in to any securitisation deal during the year.

**Details of Financial Assets sold to Securitisation/Reconstruction Company for Asset Reconstruction**

There was no sale of financial assets to Securitisation/Reconstruction company during the year.

**Details of Assignment transactions undertaken by HFCs**

There were no assignment transactions undertaken during the year.

**Details of non-performing financial assets purchased/sold**

There were no purchase/sale of non-performing assets during the year.

**Assets Liabilities Management (Maturity pattern of certain items of Assets Liabilities)**

(Rs. in Crore)

| Particulars                  | Up to 30/31 days (one month) | Over 1 month & up to 2 months | Over 2 months & up to 3 months | Over 3 months & up to 12 months | Over 1 year & up to 3 years | Over 3 years & up to 5 years | Over 5 years & up to 7 years | Over 7 years & up to 10 years | Over 10 years | Total  |
|------------------------------|------------------------------|-------------------------------|--------------------------------|---------------------------------|-----------------------------|------------------------------|------------------------------|-------------------------------|---------------|--------|
| <b>Liabilities</b>           |                              |                               |                                |                                 |                             |                              |                              |                               |               |        |
| Deposits                     | 2.33                         | 0.11                          | 0.12                           | 5.73                            | 7.94                        | 0.32                         | -                            | -                             | -             | 16.55  |
| Borrowings from Bank         | 3.14                         | 4.28                          | 5.40                           | 35.52                           | 91.70                       | 76.12                        | 60.81                        | 38.14                         | 0.22          | 315.33 |
| Market Borrowings            |                              |                               |                                |                                 |                             |                              |                              |                               |               |        |
| Foreign Currency Liabilities |                              |                               |                                |                                 |                             |                              |                              |                               |               |        |
| <b>Assets:</b>               |                              |                               |                                |                                 |                             |                              |                              |                               |               |        |
| Advances                     | 6.44                         | 1.54                          | 1.65                           | 19.45                           | 65.21                       | 41.45                        | 46.52                        | 82.00                         | 117.61        | 381.87 |
| Investments                  |                              |                               |                                |                                 |                             |                              |                              |                               | 2.47          | 2.47   |
| Foreign Currency Liabilities |                              |                               |                                |                                 |                             |                              |                              |                               |               |        |

**Exposure:**
**Exposure to Real Estate Sector:**

(Rs. in Crore)

|  | Current Year | Previous Year |
|--|--------------|---------------|
| <b>a) Direct Exposure:</b>   |              |               |
| <b>(i) Residential Mortgages:</b>  |              |               |
| Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; (Individual housing loans up to Rs.15 lakh may be shown separately)  | 306.40       | 280.65        |
| <b>(ii) Commercial Real Estate:</b>  |              |               |
| Lending secured by mortgages on commercial real estates (office buildings, retail space, multi-purpose commercial premises, multi-family residential building, multi-tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits |              |               |
| <b>(iii) Investments in Mortgage Backed securities (MBS) and other Securitised Exposures:</b>  |              |               |
| a) Residential   |              |               |
| b) Commercial Real Estate  |              |               |
| <b>b) Indirect Exposure:</b>   |              |               |
| Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)  |              |               |

**Exposure to Capital Market:**

(Rs. in Crore)

| Particulars   | Current Year | Previous Year |
|---|--------------|---------------|
| (i) Direct Investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;  | 0.46         | 0.76          |
| (ii) Advances against shares/bonds/debentures or other securities or on clean basis to individuals for investment in shares (including IPOs/ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;   |              |               |
| (iii) Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity-oriented mutual funds are taken as primary security;   |              |               |
| (iv) Advances for any other purposes to the extent secured by the collateral security of shares of convertible bonds or convertible debentures or units of equity oriented mutual funds i.e., where the primary security other than shares/convertible bonds/ convertible debentures/units of equity oriented mutual funds does not fully cover the advances; |              |               |
| (v) Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;   |              |               |
| (vi) Loans sanctioned to corporate against the security of shares/bonds/debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources  |              |               |
| (vii) Bridge loans to companies against expected equity flows/issues;   |              |               |
| (viii) All exposures to Venture Capital Funds (both registered and unregistered)  |              |               |
| <b>Total Exposure to Capital Market</b>   | <b>0.46</b>  | <b>0.76</b>   |

**Details of financing of parent company products:**

These details are not applicable since the Company is not a subsidiary of any company.

**Details of Single Borrower Limit (SGL)/Group Borrower Limit (GBL) exceeded by the HFC:**

The Company has not exceeded Single Borrower Limit (SGL)/Group Borrower Limit (GBL) during the financial year.

**Unsecured Advances:**

(Rs. in Crores)

| Particulars          | Amount |
|----------------------|--------|
| Inter-Corporate Loan | 1.25   |

**Miscellaneous:**
**Registration obtained from other financial sector regulators:**

| Regulator                           | Registration No. |
|-------------------------------------|------------------|
| Financial Intelligence Unit – India | FIHFC00035       |

**Disclosure of Penalties imposed by NHB and other regulators:**

There were no penalties imposed by NHB or any other regulators during the year.

**Related party Transactions:**

a) Details of all material transactions with related parties are disclosed in note 25.04.

b) Policy on dealing with Related Party Transactions.

This policy with regard to Related Party Transactions is adopted in terms of NHB directions on corporate governance vide Circular No.NHB(ND)/DRS/Policy Circular No.79/2016-17 dated 27.4.2017 and in line with the requirement of Section 188 of the Companies' Act 2013 read with the rules made thereunder and in conformity with applicable accounting standard.

**Objectives:** This policy seeks to serve the following objectives:

1. To regulate and control related party transactions as intended under Companies' Act/NHB Directions.
2. To ensure that there is a proper system of approval for related party transactions.
3. To ensure disclosure of the related party transactions entered between MHFSL and its related parties.
4. To ensure transparency regarding such transactions; and
5. To improve corporate governance by providing required disclosures of related party transactions.

**Definitions under the Policy:**

Key definitions of the terms used in this policy are as under:

- a) **"Board":** The 'Board' refers to the board of Directors of the Company.
- b) **"Audit Committee":** The 'Audit Committee' means the audit committee constituted by the Board under the provision of Section 177 of the Companies Act, 2013 and as per the directions of NHB vide Notification No. NHB.HFC.CG-DIR.1/MD&CEO/2016 dated 09.02.2017.
- c) Key managerial personnel in relation to the Company (MHFSL) cover Managing Director/CEO, Executive Director, Company Secretary, CFO and such other officers as may be prescribed under NHB Directions or Companies' Act, applicable accounting standard or policy adopted by the Board.
- d) **Related Party:** The term 'Related Party' has been defined under Section 2 (76) of the Companies' Act 2013 and the same is described under the head "Description of Related Party" here below:
- e) **"Arm's length transaction"** means transaction between two related or affiliated parties that is conducted as if they were unrelated so that there is no conflict of interest.

**Description of Related Party:**

Related Party with reference to a Company means:

- i) a Director or his relative.
- ii) a key managerial personnel or his relative.
- iii) a firm in which a Director, Manager or his relative is a partner.
- iv) a Private Company in which a Director or Manager is a director and holds along with his relative more than 2% of the Paid-up Capital of the said Company.
- v) any Body Corporate whose Board of Directors, Managing Director or Manager is accustomed to act in accordance with the advice, directions or instructions of a Director or Manager.

- vi) any person on whose advice, direction or instructions, a Director or Manager is accustomed to act. However, this will not apply to the advice given in a professional capacity.
- vii) any Company which is holding subsidiary or associate Company or a subsidiary of a holding Company to which it is also a subsidiary.
- viii) such other person as may be prescribed.

Rule 3 of the Companies (Specification of Definitions Details) Rules, 2014 provides that a Director or key managerial personnel of the holding Company or his relative with reference to a Company shall also be deemed to be a related party.

#### **Related Party Transactions:**

In terms of definition 'related party transaction' means a transfer of resources, services or obligations between a Company and a related party, regardless of whether a price is charged. "Related Party Transaction" shall have the same meaning as defined under Section 188 (1) of the Companies Act, 2013. Related party transactions their coverage and illustrations are provided elsewhere in this policy.

#### **Related Party Transactions considered Material:**

Related Party Transactions considered material include related party transactions where the aggregate value of transactions entered or likely to be entered into with related party during the current financial year is likely to exceed 10% of the annual consolidated turn over of the Company as per the last audited financial statement of the Company.

#### **Relative:**

In terms of Section 2 (77) of the Companies' Act 2013 read with the Companies (Specification of Definitions Details) Rules, 2014 a person is said to be a relative of another, if

- a) They are members of a Hindu undivided family;
- b) They are husband and wife;
- c) Father (including stepfather)
- d) Mother (including stepmother)
- e) Son (including stepson)
- f) Sons' Wife
- g) Daughter (including stepdaughter)
- h) Daughter's Husband
- i) Brother (including stepbrother)
- j) Sister (including stepsister)

#### **Identification of Potential Related Party Transaction:**

Every director and key managerial personnel is responsible for providing advance notice to the board or audit committee of any potential related party transaction involving himself or his relatives including any additional information about the transaction that the Board/Audit Committee may require. The Board/Audit Committee shall note the same and record disclosure of interest in this regard.

#### **Approval of Related Party Transactions:**

##### **OMNIBUS Approval:**

All related Party Transactions require approval of the audit committee/board/shareholders as stipulated in this policy. However, audit committee/board may grant omnibus approval for such transactions subject to following conditions:

1. Transactions which are repetitive in nature and transactions which conform to the criteria laid down for omnibus approval by the NHB/Companies' Act/Board.
2. If such omnibus approval is in the interests of the Company.
3. If need for related party transaction cannot be foreseen.
4. If value of such transaction does not exceed rupees 10 Lakh per transaction.

All related party transactions which are not under omnibus approval require specific approval by the approving authorities specified here below:

##### **Approving Authorities:**

All Related Party Transactions which are in the ordinary course of business and are on arm's length basis up to an amount equivalent to 10% of the annual consolidated turn over of the Company can be approved by the Audit Committee/Board. If the amount exceeds the said limit, then the same should come before the Board for consideration and the Board will take a view on the matter and make its recommendation to the shareholders and final approval will be by the shareholders in the Annual General Meeting through an ordinary resolution.

#### **Related Party Transactions - Coverage:**

##### **Related Party Transactions may cover transactions of following types as per applicable accounting standard:**

- a) Transfer of resources, services or obligations between the Company and a related party regardless of whether price is charged and a transaction with a related party shall be construed to include a single transaction or a group of transactions in the contract.
- b) Contracts or arrangements entered into with Related Party for the following:
  - i) Sale, purchase or supply of any goods or materials.
  - ii) Selling or otherwise disposing of or buying property any kind.
  - iii) Leasing of property of any kind or hire purchase arrangement.
  - iv) Availing or rendering of any services.
  - v) Transfer of research and development.
  - vi) Appointment of any agent for purchase or sale of goods, materials, services or property.
  - vii) Appointment of related party to any office or position of profit in the Company or its subsidiary or associate Company.
  - viii) License agreements.
  - ix) Finance arrangements including loan and equity contribution in cash or kind.
  - x) Guarantees and collaterals.
  - xi) Agency arrangements, management contracts including deputation of staff.
  - xii) Underwriting the subscription of any securities or derivatives thereof of the Company.
  - xiii) Any other item not specifically defined herein which shall have the same meaning as defined in the Companies' Act, 2013 or applicable accounting standards or, guidelines, directions and instructions issued by National Housing Bank, from time to time.

All Related Party Transactions other than those under OMNIBUS Approval, entered into in the ordinary course of business and transacted at arm's length pricing basis also require approval of Audit Committee/Board.

All the Related Party Transactions which are material require approval by Audit Committee and Board and Board may recommend the same to shareholders for final approval by means of a resolution. All types of transactions as listed above including selling of property and leasing of property amounting to 10 per cent or more of net worth of the Company or 10 per cent or more of turnover require approval by Board and shareholders. Also, availing of services amounting to 10 per cent or more of turnover of the Company require approval by Board and shareholders. These limits apply for transactions entered into individually and or aggregate of transactions during a financial year. In the case of appointment to an office of profit in the Company monthly remuneration/amount payable for service exceeding Rs.2.5 Lakhs in a financial year require approval of Board and shareholders.

#### **Procedure for granting of Omnibus approval by the Audit Committee/Board:**

The Audit Committee/Board may grant Omnibus approval in terms of this policy based on the following criteria:

- i. Frequency of the transactions based on either the past record of similar transactions, or anticipated frequency of such transactions during the current financial year;
- ii. Volumes of transactions undertaken with such related party. The maximum value per transaction shall not exceed Rs.10 Lakhs (Rupees Ten Lakhs) or in the aggregate shall not exceed 1% (one per cent) of the annual consolidated turn over of the Company.
- iii. Disclosure of the following matters to the Audit Committee at the time of seeking omnibus approval is necessary.
  - a. Projected growth rate in business with related party in the financial year for which omnibus approval is sought.
  - b. Contractual terms offered by other parties for similar transactions.
  - c. Adherence to any conditions on the contractual terms with such related parties, for instance, floor and cap on the pricing, credit terms, escalation in costs, quality checks, etc. The Audit Committee will carefully examine the proposal and satisfy itself the need for such omnibus approval and consider grant of such approval for the same in the interests of all development of business of MHFSL.

The Omnibus approval to be granted by the Audit Committee/Board will specify the following:

- i. Name of the related party, nature of transaction, period of transaction, maximum amount of transaction that can be entered into.
- ii. Indicative base price or current contracted price and the formula for variation in the price if any.
- iii. The maximum transaction value and/or maximum period for which the omnibus approval shall be valid.
- iv. Such other conditions as the Audit committee may deem fit.

Also, in circumstances where the need for a Related Party transaction cannot be foreseen or predicted, the Audit Committee may grant approval for such transaction also.

#### **Review of Omnibus Approval:**

The Omnibus approval granted for a particular financial year will be reviewed in the first Audit Committee Meeting to be held in the first quarter of the succeeding financial year and the fresh omnibus approval to be granted in that meeting will be valid for the next full financial year. Similarly, the review will take place every year thereafter in the first meeting to be held in the first quarter of the year.

#### **Related Party Transactions for which Audit Committee shall not grant omnibus approval:**

- Transactions which are not in the ordinary course of business and which are not on arm's length pricing basis.
- Transactions in respect of selling or disposing of the undertaking of the Company.
- Transactions which are not in the interest of the Company
- Such other transactions specified under applicable law from time to time/policy decisions of the Board taken from time to time/directions, guidelines and instructions issued by NHB from time to time, etc.

#### **Procedure for approval of related party transactions not covered under omnibus approval:**

- The Audit Committee shall review all potential/proposed related party transactions to ensure that no conflict of interest exists and evaluate from the angle of arm's length pricing.
- Any member of the Audit Committee who has an interest in the transaction under consideration shall abstain from voting on the approval of the related party transactions.
- The Audit Committee shall have all the rights to call for information/documents in order to understand the scope of the proposed related party transactions and recommend an effective control system for verification of supporting documents.

The Audit Committee shall grant approval for such related party transactions as are within its power/jurisdiction in terms of value per transaction/total amount/nature of transaction, etc. and refer all transactions which are not within its power to the Board for further consideration and decision.

#### **Related Party Transactions which are not approved by the Audit Committee/Board:**

If any related party transactions which are not approved come to the notice of the Company, the same has to be placed before the Audit Committee for review. The Audit Committee will examine the same and make its recommendation to the Board. The Board will take a view and evaluate all options which are available.

The options may include any of the following:

1. Ratification/approval
2. Revision and
3. Termination of the related party transaction.

#### **Review of the Policy:**

This policy will come into force with effect from 01.7.2017. This policy will be reviewed by the Audit Committee on an annual basis i.e., in its first meeting to be held in the first quarter of every financial year. Changes required if any in the light of the changes in the law, amendment to the Company's Act or NHB Directions and guidelines, etc., will be recommended by the audit committee to the board. The Board will examine the recommendation and revise/modify the policy wherever required.

#### **Dissemination of Information:**

MHFSL shall upload this approved policy on the Website of the Company and a weblink of the same will be provided in the Annual Report. Also, relevant details of related party transactions shall be disclosed in the Annual Report of the Company.

#### **Rating assigned by Credit Rating Agencies and migration of rating during the year:**

| Instrument                | Rating Agency                   | Rating assigned |
|---------------------------|---------------------------------|-----------------|
| Deposits                  | Credit Analysis & Research Ltd. | CARE BBB+       |
| Long term Bank Facilities | Credit Analysis & Research Ltd. | CARE BBB+       |

There were no changes in any of the ratings during the year.

#### **Remuneration of Directors:**

Details of Remuneration of Directors are disclosed as part of the Directors report.

#### **Management:**

#### **MANAGEMENT DISCUSSION AND ANALYSIS ON HOUSING SECTOR AND FINANCIAL PERFORMANCE**

Housing Finance Sector which happens to be one important part of overall financial sector with its forward and backward linkages to over 250 ancillary industries forms an important component of domestic economy.

##### **a. Industry Structure**

Housing Finance Industry comprises Banks and Housing Finance Companies which complement each other. Banks are capable of lending to the housing sector at very competitive rates of interest as they have low cost funds at their disposal in the form of current account deposits and savings bank deposits. Housing Finance Companies do not have such access to low cost funds. In spite of this, NHB registered housing finance companies numbering over sixty in the country play a significant role in financing housing sector including the affordable housing segment.

##### **b. Opportunities & Challenges**

There is huge shortage of housing units in India today both in the urban and rural sector in relation to the requirement. The launch of the housing for all by 2022 mission by the Union Government and the Smart City Programme and other recent urban housing initiatives will generate abundant opportunities for banks and HFCs for lending to the housing sector.

The RERA Act 2016 which has come into force from 01.5.2016 will go a long way in putting in place necessary operational rules and in creating required institutional infrastructure for protecting the interests of consumers and promoting the growth of real estate sector in an environment of trust and confidence. This Act will also help ensure completion of projects in a time bound manner.

All the same, housing sector may have to face several challenges in the days and years ahead. Absence of a level playing field with banks, absence of access to low cost funds, very low loan limit of Rs.10 Lakhs for indirect housing loans for being reckoned as priority sector loans, etc., are the issues which require to be addressed. In addition, there are local issues at municipal authority level such as inordinate delays in granting necessary permission for house construction, approval of plan issue of e-khata, etc. The twin issues of affordability and accessibility need to be addressed on a sustainable basis.

##### **c. Financial Performance**

The year 2016-17 that has rolled by has been a year of satisfactory performance for MHFSL.

The salient aspects of performance in key areas are brought out here below :

(Rs. in Crores)

| Product-wise performance      | Previous Year     | Current Year      | Increase in % |
|-------------------------------|-------------------|-------------------|---------------|
| Housing/Mortgage Loans        | 311.96            | 347.16            | 11.27         |
| Other loans                   | 28.54             | 34.71             | 21.69         |
| <b>Financial performance:</b> |                   |                   |               |
| <b>YEAR ENDED AS ON</b>       | <b>31-03-2016</b> | <b>31-03-2017</b> |               |
| Interest Income               | 42.14             | 43.37             |               |
| Other Income                  | 0.18              | 0.21              |               |
| Total Income                  | 42.32             | 43.58             |               |
| Interest Expended             | 29.8              | 29.73             |               |
| Net Interest Income           | 12.52             | 13.64             |               |
| Operating Expenses            | 3.77              | 4.45              |               |
| Provisions                    | 0.33              | 0.49              |               |
| PBT                           | 8.2               | 8.72              |               |
| PAT                           | 5.43              | 6.56              |               |
| Total Loans outstanding (Net) | 340.5             | 361.87            |               |

| Product-wise performance                     | Previous Year | Current Year  | Increase in % |
|--|---------------|---------------|---------------|
| <b>Tangible Net worth</b>                    | <b>45.3</b>   | <b>49.66</b>  |               |
| Capital Employed                             | 347.59        | 387.30        |               |
| Housing/Mortgage Loans                       | 311.96        | 347.16        |               |
| Jewel Loans                                  | 23.02         | 33.34         |               |
| <b>Total assets</b>                          | <b>354.93</b> | <b>396.72</b> |               |
| <b>Key Ratios %</b>                          |               |               |               |
| Net Interest Margin                          | 3.59          | 3.63          |               |
| Yield on Advances (%)                        | 12.83         | 12.01         |               |
| Interest/Borrowed funds (%)                  | 10.21         | 9.34          |               |
| Interest Spread (%)                          | 2.67          | 2.67          |               |
| Operating expenses/Avg. capital employed (%) | 1.12          | 1.21          |               |
| PAT Margin (%)                               | 12.82         | 15.05         |               |
| RONW (%)                                     | 12.7          | 13.82         |               |
| ROTA (%)                                     | 1.58          | 1.75          |               |
| Overall Debt/Equity Ratio (Times)            | 6.76          | 7.03          |               |
| Interest Coverage Ratio (Times)              | 1.18          | 1.22          |               |
| Capital Adequacy Ratio (CAR) (%)             | 21.93         | 20.23         |               |
| Tier 1 CAR                                   | 20.26         | 19.07         |               |
| Gross NPA (%)                                | 1.33          | 1.33          |               |
| Net NPA (%)                                  | 0.1           | 0.11          |               |
| Net NPA/ Net Worth (%)                       | 0.84          | 0.88          |               |

#### d. Future Outlook

Recent urban housing initiatives of the government particularly the launch of Pradhan Mantri Awas Yojana – CLSS for EWS, LIG & MIG under housing for all by 2022 million passage of RERA, draft National Rental Housing Policy and Smart Cities programme will unfold huge opportunities for Banks and HFCs. With these developments and new initiatives, the outlook for the future appears promising. If efforts are made at government level to address other issues mentioned elsewhere, the prospects of the sector will improve further.

The Indian economy is already one of the fastest growing economies. The GDP growth in 2017-18 is likely to be 7.30% which may further grow to 8 per cent in 2018-19 & beyond 8 per cent thereafter. The growth of the economy may further enhance the opportunities for the housing sector.

#### e. Risks & Concerns

However, there is an upward risk to inflation. Increasing global commodity prices particularly, crude oil prices will cause upside risks to inflation. Rate hike by US Federal Reserve, faster growth in China, etc., may cause diversion of foreign investments to other economies.

#### f. Internal Control System

MHFSL has put in place proper internal control system. There is a system of internal audit which is undertaken on an ongoing basis by a firm of Chartered Accountants. The internal audit covers all aspects of functioning and all transactions and accounts relating to loans, deposits, expenditure, purchases, fees, interest on deposits, borrowings from banks, investments, etc. Loan documents are verified by an experienced retired bank officer who had long credit exposure in a bank.

Branches are inspected by a team of officers every quarter. Prompt action is taken to rectify the observations made by internal auditors and inspectors. Audit Committee of the Board verifies the observations/items of findings which are pending for rectification in its quarterly meetings.

The present system of internal control is considered adequate having regard to the size of the Company and volume of business. The Company engages M/s. N. P. Pai & Co., Chartered Accountants, Udipi, (Firm Registration No.115271W/Membership No.039351) as its Internal Auditor.

#### g. Human Capital

Human Capital refers to the employees' competencies, talents, knowledge, expertise, experience, commitment and loyalty and capability to utilise the same for fulfilling the needs and expectations of stake holders. It also covers training programmes and development programmes organised for the benefit of employees.

The function of management of human capital is carried on by the HO personnel department. The Company has 101 employees as on 31.3.2017. There is cordial employee and industrial relation in the Company. Two employees were deputed to NHB training in 2016-17.

#### Net profit or loss for the period, prior period items and changes in accounting policies

There are no prior period items that have impact on the current year's profit and loss.

#### Revenue Recognition

There have been no instances in which revenue recognition has been postponed pending the resolution of significant uncertainties.

#### Accounting Standard 21 – Consolidated Financial Statements (CFS)

It is not applicable since there is no subsidiary to MHFSL.

#### Additional Disclosures:

#### Provisions and Contingencies

(Rs. in Crore)

| Break-up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account | Current Year | Previous Year |
|--|--------------|---------------|
| 1. Provisions for depreciation on investment   |              |               |
| 2. Provision made towards Income tax   | 2.42         | 2.34          |
| 3. Provision towards NPA   | 0.37         | 0.25          |
| 4. Provision for Standard Assets (with details like teaser loan, CRE, CRE-RH etc.)                     | 0.12         | 0.08          |
| 5. Other Provision and Contingencies (with details)  |              |               |

(Rs. in Crore)

| Break-up of Loan & Advances and Provisions thereon | Housing      |               | Non-Housing  |               |
|--|--------------|---------------|--------------|---------------|
|  | Current Year | Previous Year | Current Year | Previous Year |
| <b>Standard Assets</b>                             |              |               |              |               |
| a) Total Outstanding Amount                        | 301.40       | 276.20        | 75.39        | 59.78         |
| b) Provisions made                                 | 1.21         | 1.20          | 0.54         | 0.43          |
| <b>Sub-Standard Assets</b>                         |              |               |              |               |
| a) Total Outstanding Amount                        | 1.25         | 1.40          | -            | 0.01          |
| b) Provisions made                                 | 0.19         | 0.21          | -            | 0.001         |
| <b>Doubtful Assets–Category-I</b>                  |              |               |              |               |
| a) Total Outstanding Amount                        | 0.87         | 0.19          | 0            | 0.06          |
| b) Provisions made                                 | 0.22         | 0.05          | 0            | 0.02          |
| <b>Doubtful Assets–Category-II</b>                 |              |               |              |               |
| a) Total Outstanding Amount                        | 0.93         | 1.00          | 0.07         | 0             |
| b) Provisions made                                 | 0.51         | 0.40          | 0.03         | 0             |
| <b>Doubtful Assets–Category-III</b>                |              |               |              |               |
| a) Total Outstanding Amount                        | 1.96         | 1.86          | 0            | 0             |
| b) Provisions made                                 | 1.96         | 1.86          | 0            | 0             |

|                             |        |        |       |       |
|-----------------------------|--------|--------|-------|-------|
| <b>Loss Assets</b>          |        |        |       |       |
| a) Total Outstanding Amount | 0      | 0      | 0     | 0     |
| b) Provisions made          | 0      | 0      | 0     | 0     |
| <b>TOTAL</b>                |        |        |       |       |
| a) Total Outstanding Amount | 306.41 | 280.65 | 75.46 | 59.85 |
| b) Provisions made          | 4.00   | 3.72   | 0.57  | 0.45  |

**DrawDown from Reserves**

During Financial Year there was no drawdown from Reserves.

**Concentration of Public Deposits, Advances, Exposures and NPAs**
**Concentration of Public Deposits**

(Rs. in Crore)

| Particulars  | Current Year | Previous Year |
|--|--------------|---------------|
| Total Deposits of twenty largest depositors                                      | 15.82        | 12.84         |
| Percentage of Deposits of twenty largest depositors to Total Deposits of the HFC | 95%          | 94%           |

**Concentration of Loans and Advances**

(Rs. in Crore)

| Particulars   | Current Year | Previous Year |
|---|--------------|---------------|
| Total Loans & Advances to twenty largest borrowers                                      | 81.25        | 62.32         |
| Percentage of Loans & Advances to twenty largest borrowers to Total Advances of the HFC | 21%          | 18%           |

**Concentration of all Exposure (including off-balance sheet exposure)**

(Rs. in Crore)

| Particulars   | Current Year | Previous Year |
|---|--------------|---------------|
| Total Exposure to twenty largest borrowers/customers  | 81.25        | 62.32         |
| Percentage of Exposures to twenty largest borrowers/customers to Total Exposure of the HFC on borrowers/customers | 21%          | 18%           |

**Concentration of NPAs**

(Rs. in Crore)

| Particulars                            | Current Year | Previous Year |
|--|--------------|---------------|
| Total Exposure to top ten NPA accounts | 1.99         | 1.97          |

**Sector-wise NPAs**

(Rs. in Crore)

| Sl. No. | Sector                    | Percentage of NPAs to Total Advances in that Sector |
|---------|---------------------------|---|
| A       | <b>Housings Loans:</b>    |   |
| 1.      | Individuals               | 1.31  |
| 2.      | Builders/Project Loans    | 0   |
| 3.      | Corporates                | 0   |
| 4.      | Others (specify)          | 0   |
| B       | <b>Non-Housing Loans:</b> |   |
| 1.      | Individuals               | 0.02  |
| 2.      | Builders/Project Loans    | 0   |
| 3.      | Corporates                | 0   |
| 4.      | Others (specify)          | 0   |

**Movements of NPAs:**

(Rs. in Crore)

| Particulars  | Current Year | Previous Year |
|--|--------------|---------------|
| (i) Net NPAs to Net Advances (%)   | 0.11         | 0.10          |
| (ii) Movement of NPAs (Gross)  |              |               |
| a) Opening balance   | 4.52         | 4.60          |
| b) Additions during the year   | 1.25         | 1.40          |
| c) Reductions during the year  | 0.70         | 1.48          |
| d) Closing balance   | 5.07         | 4.52          |
| (iii) Movement of NPAs   |              |               |
| a) Opening balance   | 0.36         | 0.76          |
| b) Additions during the year   | 0.06         | 0             |
| c) Reductions during the year  | 0.00         | 0.40          |
| d) Closing balance   | 0.42         | 0.36          |
| (iv) Movement of provisions for NPAs (excluding provisions on standard assets) |              |               |
| a) Opening balance   | 2.52         | 2.29          |
| b) Provisions made during the year   | 0.39         | 0.23          |
| c) Write-off/write-back of excess provisions                                   | -            | -             |
| d) Closing balance   | 2.91         | 2.52          |

**Overseas Assets**

The Company did not have any overseas assets at any point of time during the year.

**Off-balance Sheet SPVs sponsored**

There were no Off-balance Sheet SPVs sponsored during the year.

**Customers Complaints**

| Particulars   | Current Year | Previous Year |
|---|--------------|---------------|
| a) No. of complaints pending at the beginning of the year | 0            | 0             |
| b) No. of complaints received during the year             | 1            | 0             |
| c) No. of complaints redressed during the year            | 1            | 0             |
| d) No. of complaints pending at the end of the year       | 0            | 0             |



## MANIPAL HOUSING FINANCE SYNDICATE LIMITED

REGISTERED OFFICE: MANIPAL HOUSE, MANIPAL – 576 104 (UDUPI)

### FORM NO. MGT-11

### PROXY FORM

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

Name of the Member(s) .....  
Registered Address .....  
E-mail Id ..... Folio No./Client ID ..... DP ID .....  
I/We, being the member(s) of ..... shares of the above named Company. Hereby appoint  
Name : ..... E-mail Id : .....  
Address: .....  
Signature, or failing him.....  
Name : ..... E-mail Id : .....  
Address: .....  
Signature, or failing him.....  
Name : ..... E-mail Id : .....  
Address: .....  
Signature, or failing him.....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 31<sup>st</sup> Annual General Meeting of the Company, to be held on Thursday, the 31<sup>st</sup> August, 2017 at 4.00 p.m. at Regd. Office: "Manipal House", Manipal – 576 104 and at any adjournment thereof in respect of such resolutions as are indicated below:

| Sl. No. | Resolution(s)   | Vote |         |
|---------|---|------|---------|
|         |   | For  | Against |
| 1.      | Adoption of statement of Profit & Loss, Balance Sheet, report of Director's and Auditor's for the financial year 31 <sup>st</sup> March, 2017                                   |      |         |
| 2.      | To confirm the payment of interim dividend on Cumulative Redeemable Preference Shares and to declare dividend on the Equity Shares for the Financial Year ended March 31, 2017. |      |         |
| 3.      | To appoint a Director in place of Sri B Ganapathi Pai, who retires by rotation, and being eligible offers himself for re-appointment.   |      |         |
| 4.      | Appointment of M/s. A. Krishna Kumar & Co., Chartered Accountants as Statutory Auditors & fixing their remuneration.  |      |         |

\* Applicable for investors holding shares in Electronic form.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2017

Affix  
Revenue  
Stamp

Signature of Shareholder

Signature of Proxy holder

Signature of the shareholder  
across Revenue Stamp

- Note:** 1) This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.  
2) The proxy need not be a member of the Company.

### ATTENDANCE SLIP

(To be handed over at the entrance of the meeting hall)

31<sup>st</sup> Annual General Meeting on Thursday, the 31<sup>st</sup> August, 2017 at 4.00 p.m.

Full name of the members attending .....  
(In block capitals)

Ledger Folio No./Client ID No. .... No. of shares held: .....

Name of Proxy .....

(To be filled in, if the proxy attends instead of the member)

I hereby record my presence at the 31<sup>st</sup> Annual General Meeting of the Company held on Thursday, the 31<sup>st</sup> August, 2017 at 4.00 p.m.

(Member's/Proxy's Signature)

- Note:** 1) Members are requested to bring their copies of the Annual Report to the meeting, since further copies will not be available.  
2) The Proxy, to be effective should be deposited at the Registered Office of the Company not less than FORTY EIGHT HOURS before the commencement of the meeting.  
3) A Proxy need not be a member of the Company.  
4) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by Proxy, shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of Members.  
5) The submission by a member of this form of proxy will not preclude such member from attending in person and voting at the meeting.

Printed Matter – BOOK-POST

**31st**  
**ANNUAL REPORT, 2016–17**

If undelivered, please return to:

Manipal Housing Finance Syndicate Ltd.  
Registered Office : Manipal House  
MANIPAL – 576 104