



## SAKTHI FINANCE LIMITED

Our Company was originally incorporated as "The Pollachi Credit Society Private Limited" on March 30, 1955 under the Indian Companies Act, 1913. The Company was later converted into a public limited company and the name of our Company was changed to "Sakthi Finance Limited" on July 27, 1967 vide a fresh Certificate of Incorporation obtained from Registrar of Companies, Madras. The **Corporate Identity Number of our Company is L65910TZ1955PLC000145**. For further details of changes in Registered Office of our Company, refer chapter titled "**History and Certain Corporate Matters**" beginning on page 102

Our Company is registered as a Non-Banking Financial Company under Section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) and has been classified as "Asset Finance Company- Deposit-Taking".

**Registered Office:** 62, Dr. Nanjappa Road, Post Box No. 3745, Coimbatore-641 018, Tamil Nadu  
**Tel No:** +91 422 2231471-474/4236200; **Fax No:** +91 422 2231915; **Website:** www.sakthifinance.com

**Company Secretary and Compliance Officer:** Mr. S. Venkatesh; **Tel No:** +91 (422) 4236207; **Email:** svenkatesh@sakthifinance.com

**PUBLIC ISSUE BY SAKTHI FINANCE LIMITED ("COMPANY" OR THE "ISSUER") OF RATED SECURED REDEEMABLE NON-CONVERTIBLE DEBENTURES AND UNSECURED REDEEMABLE NON-CONVERTIBLE DEBENTURES OF FACE VALUE OF ₹ 1,000 EACH ("NCDs") FOR AN AGGREGATE AMOUNT UP TO ₹ 10,000 LAKH AS BASE ISSUE (HEREINAFTER REFERRED TO AS THE "BASE ISSUE") WITH AN OPTION TO RETAIN OVER SUBSCRIPTION UP TO ₹ 5,000 LAKH AGGREGATING UP TO ₹ 15,000 LAKH (HEREINAFTER REFERRED TO AS THE "OVERALL ISSUE SIZE"). THE UNSECURED REDEEMABLE NON-CONVERTIBLE DEBENTURES WILL BE IN THE NATURE OF SUBORDINATED DEBT AND WILL BE ELIGIBLE FOR INCLUSION AS TIER II CAPITAL.**

**THE ISSUE IS BEING MADE PURSUANT TO THE PROVISIONS OF SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008, AS AMENDED (THE "DEBT REGULATIONS"), THE COMPANIES ACT, 2013 AND RULES MADE THEREUNDER, AS AMENDED TO THE EXTENT NOTIFIED.**

OUR PROMOTERS		
Dr. M. Manickam and Mr. Balasubramniam. For further details refer to the chapter " <b>Our Promoters</b> " on page 116		
COUPON RATE, COUPON PAYMENT FREQUENCY, MATURITY AMOUNT AND ELIGIBLE INVESTORS		
For Details relating to Coupon Rate, Coupon Payment frequency, Maturity amount and Redemption amount please refer Chapter titled " <b>Issue Structure</b> " beginning on Page 130 of this Draft Prospectus. For details relating to Eligible Investors, please refer the chapter titled " <b>The Issue</b> " on page 47 of this Draft Prospectus		
GENERAL RISKS		
Investors are advised to read the Risk Factors carefully before taking an investment decision in relation to this Issue. For taking an investment decision, investors must rely on their own examination of the Issuer and the Issue, including the risks involved. Specific attention of the investors is invited to the section titled " <b>Risk Factors</b> " from page 15 to page 32. This document has not been and will not be approved by any regulatory authority in India, including the Securities and Exchange Board of India ("SEBI"), the Reserve Bank of India ("RBI"), any Registrar of Companies or any stock exchange in India.		
ISSUER'S ABSOLUTE RESPONSIBILITY		
The Issuer, having made all reasonable inquiries, accepts responsibility for and confirms that this Draft Prospectus contains all information with regard to the Issuer and the Issue, which is material in the context of the Issue, that the information contained in this Draft Prospectus is true and correct in all material aspects and is not misleading in any material respect, that the opinions and intentions expressed herein are honestly held and that there are no other facts, the omission of which makes this Draft Prospectus as a whole or any of such information or the expression of any such opinions or intentions misleading in any material respect.		
CREDIT RATING		
The NCDs proposed to be issued by our Company have been rated by ICRA Limited ("ICRA"). ICRA has vide its letter no. RTG/Chen/109/18-19 dated February 11, 2019, assigned a rating of "[ICRA] BBB (Stable)" for an amount of up to ₹ 15,000 lakh for the NCDs. The rating of the NCDs by ICRA indicates moderate degree of safety regarding timely servicing of financial obligations and carry moderate credit risk. The rating provided by ICRA may be suspended, withdrawn or revised at any time by the assigning rating agency and should be evaluated independently of any other rating. This rating is not a recommendation to buy, sell or hold the NCDs and investors should take their own decisions. Please refer to <i>Annexure C</i> of this Draft Prospectus for rationale for the above ratings.		
PUBLIC COMMENTS		
This Draft Prospectus has been filed with BSE Limited ("BSE"), the Designated Stock Exchange pursuant to the provisions of the Debt Regulations. This Draft Prospectus is open for public comments for a period of 7 (seven) Working Days. All comments on this Draft Prospectus are to be forwarded to the attention of Mr. S. Venkatesh, Company Secretary and Compliance Officer, at the following address: 62, Dr. Nanjappa Road, Post Box No. 3745, Coimbatore 641018, Tamil Nadu. <b>Tel No:</b> + 91 (422) 2231471- 474 <b>Email :</b> svenkatesh@sakthifinance.com. All comments must be received by the Issuer within seven Working Days of hosting this Draft Prospectus on the website of the Designated Stock Exchange. Comments by post and email shall be accepted, however please note that all comments by post must be received by the Issuer by 5 p.m. on the seventh Working Day from the date on which this Draft Prospectus is hosted on the website of the Designated Stock Exchange.		
LISTING		
The NCDs offered through this Draft Prospectus are proposed to be listed on the BSE. Our Company has obtained 'in-principle' approval for the Issue from the BSE vide its letter dated [●]. For the purpose of the Issue, BSE shall be the Designated Stock Exchange.		
LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE	DEBENTURE TRUSTEE
<p><b>DALMIA SECURITIES PRIVATE LIMITED</b>  Khetan Bhavan, Room No. 17  2<sup>nd</sup> Floor, 198, Jamshedji Tata Road  Mumbai - 400 020  <b>Tel No:</b> +91 22 30272810/32/33  <b>Fax No:</b> +91 22 30272820  <b>Email :</b> sfl.ncd@dalmiasec.com  <b>Website:</b> www.dalmiasec.com  <b>Investor Grievance Email :</b> grievances@dalmiasec.com  <b>Contact person:</b> Mr. S. Jeyakumar  <b>Compliance Officer:</b> Ms. Piyali Deb  <b>SEBI Registration No:</b> INM000011476</p>	<p><b>S.K.D.C CONSULTANTS LIMITED</b>  "Kanapathy Towers", Third Floor  1391/A-1, Sathy Road, Ganapathy  Coimbatore - 641 006  <b>Tel No:</b> + 91 422 4958995, 2539835-36  <b>Fax No:</b> + 91 422 2539837  <b>Email :</b> sflncd@skdc-consultants.com  <b>Website:</b> www.skdc-consultants.com  <b>Investor Grievance Email :</b> sflncd@skdc-consultants.com  <b>Contact person:</b> Mr. K. Jayakumar  <b>Compliance Officer:</b> Mrs. Vijayalakshmi Narendra  <b>SEBI Registration No:</b> INR000000775</p>	<p><b>CATALYST TRUSTEESHIP LIMITED</b>  (Formerly known as GDA Trusteeship Limited)  "GDA House", First Floor, Plot No 85  S No 94 &amp; 95S, Bhusari Colony (Right), Kothrud  Pune - 411038  <b>Tel No:</b> + 91 20 25280081  <b>Fax No:</b> + 91 20 25280275  <b>Email :</b> dt@ctltrustee.com  <b>Website:</b> www.ctltrustee.com  <b>Investor Grievance Email :</b> dt@ctltrustee.com  <b>Contact person:</b> Ms. Rakhi Kulkarni  <b>Compliance Officer:</b> Ms. Rakhi Kulkarni  <b>SEBI Registration No:</b> IND000000034</p>
ISSUE PROGRAMME*		
ISSUE OPENS ON	[*]	ISSUE CLOSE ON

\*The Issue shall remain open for subscription on all working days from 10:00 a.m. till 5:00 p.m. (Indian Standard Time) for the period mentioned above, with an option for early closure or extension by such period as may be decided by the Board of Directors or a duly constituted committee thereof. In the event of such early closure or extension of the subscription list of the Issue, our Company shall ensure that public notice of such early closure or extension is published on or before the day of such early date of closure through advertisement/s in at least one leading national daily newspaper. On the Issue Closing Date, Application Forms will be accepted only from 10:00 a.m. till 3:00 p.m. (Indian Standard Time) and uploaded until 5:00 p.m. (Indian Standard Time) or such extended time as maybe permitted by BSE.

Catalyst Trusteeship Limited has, vide its letter dated February 4, 2019, given its consent for its appointment as Debenture Trustee to the Issue and for its name to be included in this Draft Prospectus and in all the subsequent periodical communications sent to the holders of the Debentures issued pursuant to this Issue.

A copy of the Draft Prospectus shall be filed with the Registrar of Companies, Tamil Nadu, Coimbatore ("RoC") in terms of section 26 of the Companies Act, 2013, along with the requisite endorsed / certified copies of all required documents. For more information, see the chapter titled "**Material Contracts and Documents for Inspection**" on page 220.

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## SECTION I : GENERAL

### DEFINITIONS AND ABBREVIATIONS

This Draft Prospectus uses certain definitions and abbreviations which, unless the context indicates or implies otherwise, have the meaning as provided below. References to any legislation, act or regulation, rules, guidelines, policies shall be to such term, as amended from time to time.

#### Company related terms

Term	Description
“Issuer”, “SFL”, “our Company”, “the Company” or “We”	Sakthi Finance Limited, a public limited company incorporated under the Indian Companies Act, 1913, registered as a Non-Banking Financial Company with the Reserve Bank of India under Section 45-IA of the RBI Act, 1934, and has been classified as Asset Finance Company – Deposit taking. Our Registered Office is at 62, Dr. Nanjappa Road, Post Box No. 3745, Coimbatore 641 018, Tamil Nadu
Articles / Articles of Association / AoA	Articles of Association of Sakthi Finance Limited, as amended
Board/ Board of Directors	Board of Directors of our Company or any committee duly authorized to act on their behalf
Director(s)	Director(s) on the Board of our Company
Equity Shares	Equity shares of our Company of face value of ₹ 10 each
Limited Review Financial Statements	The unaudited financial results of our Company for the three months period ended December 31, 2018, on which the Auditors have issued a limited review report
NBFC	Non-Banking Financial Company as defined under Section 45-IA of the RBI Act, 1934
NCD Issuance Committee	The committee constituted by our Board of Directors by a board resolution dated February 8, 2014
NPA	Non-Performing Asset
Preference Shares	10% or 9% Redeemable Cumulative Preference Shares of our Company of face value of ₹ 100 each, as the case may be
Promoters	The promoters of our Company, viz. Dr. M. Manickam and Mr. M. Balasubramaniam
Promoter Group	Entities that are promoted and controlled by Dr. M. Manickam and Mr. M. Balasubramaniam, including ABT Limited, ABT Finance Limited, ABT Foundation Limited, ABT Industries Limited, Sakthi Auto Component Limited, Sakthifinance Financial Services Limited, Sakthi Financial Services (Cochin) Private Limited, Sakthi Finance Holdings Limited, Sakthi Realty Holdings Limited, Sakthi Sugars Limited, Sri Chamundeswari Sugars Limited, Sri Sakthi Textiles Limited and The Gounder and Company Auto Limited
Memorandum/ Memorandum of Association/ MoA	Memorandum of Association of Sakthi Finance Limited, as amended
Restated Financial Statements	The restated statement of assets and liabilities of the Company as at September 30, 2018 and March 31, 2018, 2017, 2016, 2015 and 2014 and the related restated statement of profits and losses and the restated statement of cash flows for the half year ended September 30, 2018 and for the financial years ended March 31, 2018, 2017, 2016, 2015 and 2014, prepared on the basis of audited financial statements of the Company, as examined by our Company’s Statutory Auditors, M/s P K Nagarajan & Co, Chartered Accountants
Registered Office	The registered office of the Company situated at 62, Dr. Nanjappa Road, Post Box No. 3745, Coimbatore 641 018, Tamil Nadu
RoC	The Registrar of Companies, Tamil Nadu, Coimbatore
“₹” or “Rupees” or “Indian Rupees” or “Rs.”	The lawful currency of the Republic India
Statutory Auditors/Auditors	The statutory auditors of our Company, being M/s P K Nagarajan & Co, Chartered Accountants
Tier-I Capital	Tier I Capital means, owned fund as reduced by investment in shares of other NBFCs and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, 10% of the owned fund

Tier-II Capital	Tier-II Capital includes the following: (a) preference shares other than those which are compulsorily convertible into equity; (b) revaluation reserves at a discounted rate of 55%; (c) general provisions and loss reserves to the extent these are not attributable to actual diminution in value or identifiable potential loss in any specific asset and are available to meet unexpected losses, to the extent of 1.25% of risk weighted assets; (d) hybrid debt capital instruments; and (e) subordinated debt, to the extent the aggregate does not exceed Tier-I Capital
“We”, “us” and “our”	Our Company, unless the context otherwise requires

### Issue related terms

Term	Description
Abridged Prospectus	A memorandum containing the salient features of the Prospectus
Acknowledgement Slip	The slip or document issued by the Designated Intermediary to an Applicant as proof of registration of the Application Form
Allotment / Allot / Allotted	Unless the context otherwise requires, the allotment of the NCDs to the successful Applicants, pursuant to the Issue
Allotment Advice	The communication sent to the Allottee(s) conveying details of NCDs allotted to the Allottee(s) in accordance with the Basis of Allotment
Allottee(s)	A successful Applicant to whom the NCDs are being/have been allotted either in full or part pursuant to the Issue
Applicant/Investor	A person who applies for issuance of NCDs pursuant to the terms of the Prospectus and Application Form
Application	An application to subscribe to NCDs offered pursuant to the Issue by submission of a valid Application Form and payment of the Application Amount by any of the modes as prescribed under the Prospectus
Application Amount	The aggregate value of the NCDs applied for, as indicated in the Application Form
Application Form / ASBA Form	Form in terms of which an Applicant shall make an offer to subscribe to NCDs through the ASBA process and which will be considered as the Application for Allotment of NCDs and in terms of the Prospectus
“ASBA” or “Application Supported by Blocked Amount” / ASBA Application	An Application (whether physical or electronic) used by an ASBA Applicant to make an Application by authorizing the SCSB to block the Application Amount in the specified bank account maintained with such SCSB
ASBA Account	An account maintained with an SCSB which will be blocked by such SCSB to the extent of the Application Amount of an ASBA Applicant
ASBA Applicant	Any Applicant who applies for NCDs through the ASBA process
Banker(s) to the Issue / Collection Bank(s)	Collectively the Public Issue Account Banks and Refund Bank(s), as specified on page 36
Base Issue / Base Issue Size	Public Issue of NCDs by our Company aggregating up to ₹ 10,000 lakh
Basis of Allotment	The basis on which NCDs will be allotted to successful Applicants under the Issue and which is described in the Chapter titled “ <i>Issue Procedure-Basis of Allotment</i> ” on page 165
Business Days	All days excluding Saturdays, Sundays or a public holiday in India or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881
Bidding Centres / Collection Centres	Centres at which the Designated Intermediaries shall accept the Application Forms, i.e., Designated Branches of SCSB, Specified Locations for Members of the Syndicate, Broker Centres for Registered Brokers, Designated RTA Location for RTA and Designated CDP Locations for CDPs
Broker Centres	Broker Centres notified by the Stock Exchanges where Applicants can submit the ASBA Forms to a Registered Broker. The details of such Broker Centres, along with the names and contact details of the Trading Members are available on the website of the Stock Exchange at <a href="http://www.bseindia.com">www.bseindia.com</a>



Term	Description
Category I Investor	<p>Persons eligible to apply to the Issue includes:</p> <ul style="list-style-type: none"> <li>▪ Resident public financial institutions, scheduled commercial banks, Indian multilateral and bilateral development financial institutions;</li> <li>▪ State industrial development corporations;</li> <li>▪ Provident funds, pension funds with a minimum corpus of ₹ 2,500 lakh, superannuation funds and gratuity funds, authorized to invest in the NCDs;</li> <li>▪ Insurance companies registered with the IRDA;</li> <li>▪ National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of the GoI;</li> <li>▪ Mutual funds registered with SEBI;</li> <li>▪ Alternative Investment Funds registered with SEBI subject to investment conditions applicable to them under the SEBI AIF Regulations;</li> <li>▪ Resident Venture Capital Funds registered with SEBI;</li> <li>▪ Systemically Important Non-Banking Financial Company, a non-banking financial company registered with the Reserve Bank of India and having a net worth of more than ₹ 50,000 lakh as per the last audited financial statements; and</li> <li>▪ Insurance funds set up by and managed by the army, navy or air force of the Union of India or by the Department of Posts, GoI</li> </ul>
Category II Investor	<p>Persons eligible to apply to the Issue includes:</p> <ul style="list-style-type: none"> <li>▪ Companies within the meaning of section 2(20) of the Companies Act, 2013;</li> <li>▪ Statutory bodies/ corporations and societies registered under the applicable laws in India and authorised to invest in NCDs;</li> <li>▪ Co-operative banks, and regional rural banks incorporated in India</li> <li>▪ Trusts including public/private charitable/religious trusts settled and/or registered in India under applicable laws, which are authorized to invest in the NCDs;</li> <li>▪ Resident Indian scientific and/or industrial research organizations, authorized to invest in the NCDs;</li> <li>▪ Limited Liability Partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009), authorized to invest in the NCDs;</li> <li>▪ Partnership firms formed under applicable laws in India in the name of the partners, authorized to invest in the NCDs;</li> <li>▪ Association of Persons: and</li> <li>▪ Any other incorporated and/ or unincorporated body of persons</li> </ul>
Category III Investor	<ul style="list-style-type: none"> <li>▪ Resident Indian individuals and</li> <li>▪ Hindu Undivided Families applying through the Karta</li> </ul>
Client ID	Client identification number maintained with one of the Depositories in relation to the dematerialized account
CDP/ Collecting Depository Participant	Depository participant as defined under the Depositories Act, 2018 and registered with SEBI and who is eligible to procure Applications at the Designated CDP Locations
Collecting Registrar and Share Transfer Agents / CRTAs	Registrar and Share Transfer Agents registered with SEBI and eligible to procure Applications at the Designated RTA Locations in terms of the Debt Application Circular
Credit Rating Agency	The credit rating agency in connection with this Issue, namely ICRA Limited
Coupon Rate / Interest Rate	The aggregate rate of interest payable in connection with the NCDs in accordance with the Draft Prospectus. For further details, see <b>“Issue Structure”</b> on page 130
Dalmia Securities / DSPL	Dalmia Securities Private Limited
Debt Application Circular(s)	Circular No. CIR/IMD/DF-1/20/2012 issued by SEBI on July 27, 2012 as modified by Circular (No. CIR/IMD/DF/18/2013) dated October 29, 2013 issued by SEBI and Circular no. CIR/DDHS/P/121/2018 dated August 16, 2018 issued by SEBI
“Debentures” or “NCDs”	Secured and unsecured redeemable non-convertible debentures of our Company of face value of ₹ 1,000 each, proposed to be issued by our Company in terms of the Prospectus
“Debenture Certificate(s)” or “NCD Certificate(s)”	Certificate issued to the Debenture Holder(s) in case the Applicant has opted for physical NCDs based on request from the Debenture Holder(s) pursuant to rematerialisation
“Debenture Holder(s)” or “NCD Holder(s)”	Any debenture holder who holds the NCDs issued in this Issue and whose name appears on the beneficial owners list provided by the Depositories
Debt Regulations / SEBI Debt	SEBI (Issue and Listing of Debt Securities) Regulations, 2008, issued by SEBI,

<b>Term</b>	<b>Description</b>
Regulations	effective from June 06, 2008, as amended from time to time
Debenture Trustee / Trustee	Trustee for the NCD Holders, in this case being Catalyst Trusteeship Limited
Debenture Trustee Agreement	Agreement dated February 27, 2019 entered into between the Debenture Trustee and the Company wherein the appointment of the Debenture Trustee to the Issue, is agreed as between our Company and the Debenture Trustee
Debenture Trust Deed –Secured NCD Holders / Secured Debenture Trust Deed	Trust deed to be entered into between the Debenture Trustee and the Company, which shall be executed within the time limit prescribed by applicable statutory and/or regulatory requirements, for creating appropriate security, in favour of the Debenture Trustee for the Secured NCD Holders on the assets adequate to ensure 100% asset cover for the NCDs and the interest due thereon
Debenture Trust Deed – Unsecured NCD Holders/ Unsecured Debenture Trust Deed	Trust deed to be entered into between the Debenture Trustee and the Company, which shall be executed within the time limit prescribed by applicable statutory and / or regulatory requirements, for safeguarding the rights of the Unsecured NCD Holders for the NCDs and the interest due thereon
Deemed Date of Allotment	The Deemed Date of Allotment for the NCDs shall be the date on which the Board of Directors or duly authorized committee thereof approves the allotment of NCDs or such date as may be determined by the Board of our Company and / or a duly authorized committee thereof and notified to the Stock Exchange. All benefits under the NCDs including payment of interest will accrue to the NCD Holders from the Deemed Date of Allotment. The actual Allotment may occur on a date other than the Deemed Date of Allotment
Demographic Details	<p>On the basis of name of the Applicant, PAN details, Depository Participant's name, Depository Participant-Identification Number and Beneficiary Account Number provided by the Applicants in the Application Form, the Registrar to the Issue will obtain from the Depositories the demographic details of the investor such as address, PAN, bank account details for printing on refund instruments or used for refunding through electronic mode, as applicable.</p> <p>The above Demographic Details would be used for all correspondence with the Applicants including mailing of refund instrument/Allotment Advice and printing of bank particulars on refund/interest instrument and demographic details given by Applicant in the Application Form wouldn't be used for these purposes by Registrar</p>
Depositories Act	The Depositories Act 2018 as amended from time to time
Depository(ies)	National Securities Depository Limited (NSDL) and/or Central Depository Services (India) Limited (CDSL)
DP / Depository Participant	A depository participant as defined under the Depositories Act 2018
Designated Branches	Such branches of the SCSBs which shall collect the Application Forms, a list of which is available on the website of the SEBI at <a href="https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&amp;intmId=34">https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&amp;intmId=34</a> or at such other websites as may be prescribed by SEBI from time to time
Designated Date	The date on which the funds blocked by the SCSBs are transferred from the ASBA Accounts to the Public Issue Account and/or the Refund Account, as appropriate, after finalisation of the Basis of Allotment, in terms of this Prospectus following which the NCDs will be Allotted in the Issue
Designated CDP Locations	Such locations of the CDPs where Applicants can submit the Application Forms. The details of such Designated CDP Locations, along with names and contact details of the Collecting Depository Participants eligible to accept Application Forms are available on the website of the Stock Exchanges at <a href="http://www.bseindia.com">www.bseindia.com</a> , as updated from time to time
Designated Stock Exchange	BSE Limited
Designated Intermediary(ies)	Collectively, the Members of the Syndicate, sub-brokers, agents, SCSBs, Registered Brokers, CDPs and RTAs, who are authorised to collect Application Forms from the Applicants in the Issue
Designated RTA Locations	Such locations of the RTAs where Applicants can submit the Application Forms to RTAs. The details of such Designated RTA Locations, along with names and contact details of the RTAs eligible to accept ASBA Forms are available on the website of the Stock Exchange at <a href="http://www.bseindia.com">www.bseindia.com</a> , as updated from time to time)
Direct Online Application	The application made using an online interface enabling direct application by investors to a public issue of debt securities with an online payment facility through a recognized stock exchange. This facility is available only for dematerialised account

Term	Description
	holders who wish to hold the NCDs pursuant to the Issue in dematerialised form. Please note that the Applicants will not have the option to apply for NCDs under the Issue, through the direct online applications mechanism of the Stock Exchange
Draft Prospectus	This Draft Prospectus dated February 23, 2019 filed by our Company with the Designated Stock Exchange for receiving public comments in accordance with the provisions of the Debt Regulations
Equity Listing Agreement	The listing agreement entered into between our Company and the relevant stock exchange in connection with the listing of the Equity Shares of our Company
Fugitive Economic Offender	Fugitive Economic Offender means an individual who is declared a fugitive economic offender under Section 12 of the Fugitive Economic Offenders Act, 2018 (17 of 2018)
ICRA	ICRA Limited
Interest Payment Date / Coupon Payment Date	The dates on which interest/coupon on the NCDs shall fall due for payment which will be specified in the Draft Prospectus. Please see the section titled “ <b>Issue Structure – Interest and Payment of Interest</b> ” on page 143
Issue	Public issue by the Company of Secured Redeemable Non-Convertible Debentures and Unsecured Redeemable Non-Convertible Debentures of face value of ₹ 1,000 each, for an amount aggregating upto ₹ 10,000 lakh as the Base Issue with an option to retain over-subscription upto ₹ 5,000 lakh, aggregating to ₹ 15,000 lakh, on the terms and in the manner set out in the Draft Prospectus. The Unsecured, Redeemable, Non-convertible Debentures will be in the nature of subordinated debt and will be eligible for Tier II Capital
Issue Closing Date	[●] or such early or extended date as may be decided by the Board or the duly constituted committee of the Board
Issue Opening Date	[●]
Issue Period	The period between the Issue Opening Date and the Issue Closing Date inclusive of both days, during which prospective Applicants may submit their Application Forms as specified in the Draft Prospectus
Lead Broker(s)	[●]
Lead Manager/LM	Dalmia Securities Private Limited
Lead Manager MoU	Memorandum of Understanding dated February 27, 2019 executed between the Company and the Lead Manager
Lead Broker Agreement	Agreement dated [●] to be entered into amongst our Company, Lead Managers and Lead Brokers
Market Lot	1 (One) NCD
Maturity Amount	In respect of NCDs Allotted to NCD Holders, the repayment of the face value of the NCD along with interest that may have accrued as on the redemption date
Members of the Syndicate	Lead Manager and the Lead Brokers
Members of the Syndicate Bidding Centers	Members of the Bidding Centers established for acceptance of Application Forms
Options	An option of NCDs which are identical in all respects including, but not limited to terms and conditions, listing and ISIN number and as further stated to be an individual Option in the Draft Prospectus
Prospectus / Offer Document	The Prospectus dated [●] to be filed by the Company with the ROC, SEBI and Stock Exchange in accordance with the provisions of the Companies Act, 2013 and the Debt Regulations read with any addendum / corrigendum thereto
Public Issue Account	An account(s) opened with the Banker(s) to the Issue to receive monies from the ASBA Accounts on the Designated Date
Public Issue Account Agreement	Agreement dated [●], entered into amongst our Company, the Registrar, the Public Issue Account Bank, the Refund Bank and the Lead Manager for collection of the Application Amounts from ASBA Accounts and where applicable, refunds of the amounts collected from the Applicants on the terms and conditions thereof

Term	Description
Record Date	<p>The record date for payment of interest in connection with the NCDs or redemption of the NCDs, which shall be 15 (Fifteen) days prior to the date on which interest is due and payable, and/or the date of redemption. Provided that trading in the NCDs shall remain suspended between the aforementioned Record Date in connection with redemption of NCDs and the date of redemption or as prescribed by the Stock Exchange, as the case may be.</p> <p>In case the Record Date falls on a day when the Stock Exchange is having a trading holiday, the immediate subsequent trading day will be deemed or a date notified by the Company to the Stock Exchange, will be deemed as the Record Date as the Record Date</p>
Refund Account(s)	Account opened with the Refund Bank from which refunds, if any, of the whole or any part of the Application Amount shall be made
Refund Bank	The Banker to the Issue, with whom the Refund Account(s) will be opened, which shall be specified in the Draft Prospectus
Register of Debenture Holders/NCD Holders	The register of Debenture Holders maintained in accordance with the provisions of the Companies Act, 2013 and by the Depositories in case of Debenture(s) held in dematerialised form, which will be prepared and maintained by our Company/Registrar in terms of the applicable provisions of the Act
Resident Indian Individuals	Individual who is a person resident in India as defined under the Foreign Exchange Management Act, 1999
“Registrar to the Issue” or “Registrar”	S.K.D.C Consultants Limited
Registrar MoU	Memorandum of Understanding dated February 28, 2019 entered into between our Company and the Registrar to the Issue under the terms of which the Registrar has agreed to act as the Registrar to the Issue
“Self-Certified Syndicate Banks” or “SCSBs”	The banks which are registered with the SEBI under the Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994 and offer services in relation to ASBA, including blocking of an ASBA Account, a list of which is available at <a href="http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes">http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes</a> or such other website as may be prescribed by the SEBI from time to time
SEBI Listing Regulations/ Listing Regulations	Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as notified on September 2, 2015 and as enforced on December 1, 2015, as amended from time to time
Secured NCDs	NCDs offered under this Issue which are redeemable and will be secured by a charge on the assets of our Company, namely the NCDs issued under Option [●], Option [●], Option [●], Option [●], Option [●], Option [●]Option [●],Option [●] and Option [●] as detailed in the Prospectus.
Secured Debenture Holder(s) / Secured NCD Holder(s)	The holders of the Secured NCDs whose name appears in the database of the Depository and/or the register of Secured NCD Holders (if any) maintained by our Company if required under applicable law.
Specified Cities/ Specified Locations	Bidding Centres where the Member of the Syndicate shall accept Application Forms from Applicants a list of which is available on the website of the SEBI at <a href="https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes">https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes</a> and updated from time to time and at such other websites as may be prescribed by SEBI from time to time
Stock Exchange	BSE Limited
Subordinated Debt	<p>Subordinated Debt means a fully paid up capital instrument, which is unsecured and is subordinated to the claims of other creditors and is free from restrictive clauses and is not redeemable at the instance of the holder or without the consent of the supervisory authority of the NBFC. The book value of such instrument shall be subjected to discounting as provided hereunder:</p> <p>Remaining maturity of the instrument’s rate of discount:</p> <p>(a) up to one year 100%;</p> <p>(b) more than one year but up to two years 80%;</p> <p>(c) more than two years but up to three years 60%;</p> <p>(d) more than three years but up to four years 40% ;</p> <p>(e) more than four years but up to five years 20%;</p>

Term	Description
	to the extent such discounted value does not exceed fifty per cent of Tier I Capital
Syndicate ASBA	An Application submitted by an ASBA Applicant through the Members of the Syndicate and Trading Members only in the Syndicate ASBA Application Locations instead of the Designated Branches of the SCSBs
Syndicate ASBA Application Locations	Collection centers where the Designated Intermediaries shall accept Application Forms from Applicants, a list of which is available on the website of the SEBI at <a href="https://www.sebi.gov.in">https://www.sebi.gov.in</a> and at such other websites as may be prescribed by SEBI from time to time
Syndicate SCSB Branches	In relation to ASBA Applications submitted to a Member of the Syndicate or Trading Members, such branches of the SCSBs at the Syndicate ASBA Application Locations named by the SCSBs to receive deposits of the Application Forms from the Members of the Syndicate, and a list of which is available on <a href="http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries">http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries</a> or at such other website as may be prescribed by SEBI from time to time
Tenor	Tenor shall mean the tenor/period of the NCDs as specified in the Prospectus
Trading Members	Intermediaries registered with as a lead broker or a sub-broker under the SEBI (Stock Brokers and Sub Brokers) Regulations, 1992 and/or with the Stock Exchange under the applicable bye-laws, rules, regulations, guidelines, circulars issued by Stock Exchange from time to time and duly registered with the Stock Exchanges for collection and electronic upload of Application Forms on the electronic application platform provided by Stock Exchange
“Transaction Registration Slip” or “TRS”	The slip or document issued by any of the Members of the Syndicate, the SCSBs, or the Trading Members as the case may be, to an Applicant upon demand as proof of registration of his application for the NCDs
Tripartite Agreements	Agreements entered into between the Issuer, Registrar and each of the Depositories under the terms of which the Depositories agree to act as depositories for the securities issued by the Issuer
Unsecured NCDs	NCDs offered under this Issue which are redeemable and are not secured by any charge on the assets of our Company, namely the NCDs issued under Option [●], Option [●] and Option [●] which will be in the nature of Subordinated Debt and will be eligible for Tier II Capital, as detailed in this Draft Prospectus.
Unsecured Debenture Holder / Unsecured NCD Holder(s)	The holders of the Unsecured NCDs whose name appears in the database of the Depository and/or the register of Unsecured NCD Holders (if any) maintained by our Company and if required under applicable law
Uniform Listing Agreement	The uniform listing agreement to be entered between the Stock Exchange and our Company, pursuant to the Listing Regulations and SEBI Circular No. CIR/CFD/CMD/6/2015 dated October 13, 2015, in relation to the listing of the NCDs on the Stock Exchange
Wilful Defaulter	A Person or a company categorized as a wilful defaulter by any bank or financial institution or consortium thereof, in accordance with the guidelines on wilful defaulters issued by the RBI and includes a company whose director or promoter is categorized as such.
Working Days	Working Days means all days excluding Sundays or a holiday for commercial banks in Mumbai, except with reference to Issue Period, where Working Days shall mean all days, excluding Saturdays, Sundays and public holidays in India. Furthermore, for the purpose of post Issue Period, <i>i.e.</i> period beginning from Issue Closing Date to listing of the NCDs, Working Days shall mean shall mean all trading days of Stock Exchanges excluding Sundays and bank holidays in Mumbai. During the tenor of the NCDs, interest / redemption payments shall be made only on the days when the money market is functioning in Mumbai

## Conventional and general terms or abbreviations

Term/Abbreviation	Description/ Full Form
AADHAR	AADHAR is a 12 digit unique number which the Unique Identification Authority of India (UIDAI) will issue for all residents of India
AGM	Annual General Meeting
AS	Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules, 2006, as amended from time to time
BSE	BSE Limited
CAGR	Compounded Annual Growth Rate
CDR	Corporate Debt Restructuring
CDSL	Central Depository Services (India) Limited
Companies Act, 2013	Companies Act, 2013 (to the extent notified) read with rules framed by the Ministry of Corporate Affairs, Government of India
CSR	Corporate Social Responsibility
DIN	Director Identification Number
DRR	Debenture Redemption Reserve
EGM	Extraordinary General Meeting
EPS	Earnings Per Share
FDI	Foreign Direct Investment
FDI Policy	Consolidated FDI policy dated August 28, 2017 issued by DIPP and the applicable regulations (including the applicable provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017) made by the RBI prevailing on that date in relation to foreign investments in our Company's sector of business as amended from time to time
FEMA	Foreign Exchange Management Act, 1999, as amended from time to time
FEMA Regulations	Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended from time to time.
FIIs/FII	Foreign Institutional Investors as defined under the Securities and Exchange Board of India (Foreign Institutional Investors) Regulations, 1995 and registered with SEBI under applicable laws in India
Financial Year/ Fiscal/ FY	Period of 12 months ended March 31st of that particular year
GDP	Gross Domestic Product
GoI or Government	Government of India
HUF	Hindu Undivided Family
ICAI	The Institute of Chartered Accountants of India
IFSC	Indian Financial System Code
Indian GAAP	Generally Accepted Accounting Principles in India
Income Tax Act/IT Act	Income Tax Act, 1961
IRDA	Insurance Regulatory and Development Authority
IREDA	The Indian Renewable Energy Development Agency Limited
ISIN	International Securities Identification Number
IST	Indian Standard Time
LIC	Life Insurance Corporation of India
LLP	Limited Liability Partnership registered under the Limited Liability Partnership Act, 2008
MICR	Magnetic Ink Character Recognition
MoU	Memorandum of Understanding
MoF	Ministry of Finance, GoI
MCA	Ministry of Corporate Affairs, GoI
SRTOs/MRTOs	Small / Medium Road Transport Operators
MSE	Madras Stock Exchange Limited
NSE	National Stock Exchange of India Limited
NECS	National Electronic Clearing System
NEFT	National Electronic Fund Transfer
NRIs	Persons resident outside India, who are citizens of India or persons of Indian origin, and shall have the meaning ascribed to such term in the Foreign Exchange Management (Deposit) Regulations, 2008

<b>Term/Abbreviation</b>	<b>Description/ Full Form</b>
NR or “Non-resident”	A person resident outside India, as defined under FEMA
OCB	Overseas Corporate Body
p.a.	Per annum
PAN	Permanent Account Number
PAT	Profit After Tax
PF	Provident Fund
QFI(s)	Qualified Foreign Investors, as defined under the RBI A.P. (DIR Series) Circular No. 8 dated August 9, 2011 issued by the RBI
RBI	Reserve Bank of India
RBI Act	Reserve Bank of India Act, 1934, as amended from time to time
Resident Indian individuals	An individual who is a person resident in India as defined in the FEMA
RTGS	Real Time Gross Settlement
SARFAESI Act	The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002
SCRA	Securities Contracts (Regulation) Act, 1956, as amended from time to time
SCRR	The Securities Contracts (Regulation) Rules, 1957, as amended from time to time
SEBI	Securities and Exchange Board of India constituted under the Securities and Exchange Board of India Act, 1992
SEBI Act	Securities and Exchange Board of India Act, 1992 as amended from time to time
SEBI AIF Regulations	Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012, as amended from time to time
SEBI (ICDR) Regulations	Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended from time to time
TDS	Tax Deducted at Source
UPI	Unified Payment Interface
USA	United States of America
USD	US Dollar

#### **Business / Industry related terms**

<b>Term/Abbreviation</b>	<b>Description/ Full Form</b>
AFC	Asset Finance Company
ALCO	Asset Liability Management Committee
ALM	Asset Liability Management
CER	Certified Emission Reduction
CERC	The Central Electricity Regulatory Commission
CFO	Chief Financial Officer
CRAR	Capital to Risk Adjusted Ratio
CRR	Cash Reserve Ratio
CSO	Central Statistical Office
CV	Commercial Vehicle
ECGC	Export Credit Guarantee Corporation of India Limited
HP	Hire Purchase
IC	Investment Companies
IIBI	Industrial Investment Bank of India Ltd
Kw	kilo Watt
KYC	Know Your Customer Guidelines
LC	Loan Companies
LCV	Light Commercial Vehicles
LTV	Loan to value
NBFC	Non-Banking Financial Company.
NABARD	National Bank for Agriculture and Rural Development
NBFC-D	Non-Banking Financial Company- Deposit Taking
NBFC-AFC	Non-Banking Financial Company- Asset Finance Company
NHB	National Housing Bank
SIAM	Society of Indian Automobile Manufacturers
SIDBI	Small Industries Development Bank of India

Term/Abbreviation	Description/ Full Form
SLR	Statutory Liquidity Ratio
TFCI	Tourism Finance Corporation of India Limited
UV	Utility Vehicles

**Notwithstanding the foregoing:**

1. In the section titled “*Risk Factors*” beginning on page 15, defined terms have the meaning given to such terms in that section.
2. In the chapter titled “*Statement of Tax Benefits*” beginning on page 61, defined terms have the meaning given to such terms in that chapter.
3. In the chapter titled “*Our Business*” beginning on page 87, defined terms have the meaning given to such terms in that chapter.
4. In the chapter titled “*Financial Statements*” beginning on page 221, defined terms have the meaning given to such terms in that chapter.
5. In the paragraph titled “*Disclaimer Clause of SEBI*” on page 179 and “*Disclaimer Clause of BSE*” on page 180 in the chapter “*Other Regulatory and Statutory Disclosures*” beginning on page 179 defined terms shall have the meaning given to such terms in those paragraphs.
6. In the chapter titled “*Pending Proceedings and Statutory Defaults*” beginning on page 171, defined terms have the meaning given to such terms in that chapter.
7. In the chapter titled “*Key Regulations and Policies*” beginning on page 190, defined terms have the meaning given to such terms in that chapter.
8. In the chapter titled “*Main Provisions of Articles of Association of the Company*” beginning on page 203 defined terms have the meaning given to such terms in that chapter.



## CERTAIN CONVENTIONS, USE OF FINANCIAL, INDUSTRY AND MARKET DATA AND CURRENCY OF PRESENTATION

### Certain conventions

In this Draft Prospectus, unless otherwise specified or the context otherwise indicates or implies the terms, all references to “SFL”, “Issuer”, “we”, “us”, “our” and “our Company” are to Sakthi Finance Limited.

All references to “India” are to the Republic of India and its territories and possessions and all references to the “Government” or the “State Government” are to the Government of India, Central or State, as applicable.

Unless stated otherwise, all references to page(s)/page number(s) in this Draft Prospectus are to the page numbers of this Draft Prospectus.

### Financial data

Our Company publishes its financial statements in Rupees. Our Company’s financial statements are prepared in accordance with Indian GAAP, the Companies Act, 1956/the Companies Act, 2013, to the extent applicable.

The Restated Financial Statements are included in the Draft Prospectus. The examination report on the Restated Financial Statements as issued by our Company’s Statutory Auditors, M/s P K Nagarajan & Co, Chartered Accountants, is included in the chapter titled “**Financial Statements**” beginning at page 221. Unless stated otherwise, the financial data in this Draft Prospectus is derived from (i) our audited financial statements, prepared in accordance with Indian GAAP, the applicable provisions of Companies Act, 1956 and the Companies Act 2013, as applicable, for the half year ended September 30, 2018 and for the financial years ended March 31, 2018, 2017, 2016, 2015 and 2014.

In this Draft Prospectus, any discrepancies in any table between the total and the sums of the amounts listed are due to rounding off. All decimals have been rounded off to two decimal points.

Our financial year commences on April 1 and ends on March 31 of the next year, so all references to particular “financial year”, “fiscal year” and “fiscal” or “FY”, unless stated otherwise, are to the 12 months period ended March 31 of that year.

There are significant differences between Indian GAAP, US GAAP and IFRS. We urge you to consult your own advisors regarding such differences and their impact on our financial data. Accordingly, the degree to which the Indian GAAP financial statements included in this Draft Prospectus will provide meaningful information is entirely dependent on the reader’s level of familiarity with Indian accounting practices. Any reliance by persons not familiar with Indian accounting practices on the financial disclosures presented in this Draft Prospectus should accordingly be limited.

### Industry and market data

Unless stated otherwise, industry and market data used throughout this Draft Prospectus has been obtained from the ICRA Reports prepared by ICRA and from publicly available data prepared by providers of industry information, government sources and multilateral institutions. Such publications generally state that the information contained in those publications has been obtained from sources believed to be reliable but that their accuracy and completeness are not guaranteed and their reliability cannot be assured. Accordingly, no investment decision should be made on the basis of such information. Although, our Company believes that industry data used in this Draft Prospectus is reliable, it has not been independently verified. Also, data from these sources may not be comparable. Similarly, internal reports, while believed by us to be reliable, have not been verified by any independent sources. The extent to which the market and industry data used in this Draft Prospectus is meaningful depends on the reader’s familiarity with and understanding of the methodologies used in compiling such data.

### Currency and unit of presentation

In this Draft Prospectus, references to “₹”, “Indian Rupees”, “INR”, “Rs.” and “Rupees” are to the legal currency of India. Except where stated otherwise in this Draft Prospectus, for the purposes of this Draft Prospectus, data will be given in ₹ lakh. In this Prospectus, any references to “US\$”, “USD”, and “U.S. Dollars” are to the legal currency of the United States of America, as amended from time to time.

### Exchange rates at end of the period

Currency	Sept 28, 2018	March 28, 2018	March 31, 2017	March 31, 2016	March 31, 2015	March 28, 2014
1 US\$	72.55	65.04	64.84	66.33	62.59	61.61

(Source: [www.rbi.org.in](http://www.rbi.org.in) and [www.fbil.org.in](http://www.fbil.org.in))

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this Draft Prospectus that are not statements of historical fact constitute “forward-looking statements”. Investors can generally identify forward-looking statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “objective”, “plan”, “potential”, “project”, “pursue”, “shall”, “seek”, “should”, “will”, “would”, or other words or phrases of similar import. Similarly, statements that describe our strategies, objectives, plans or goals are also forward-looking statements. All statements regarding our expected financial conditions, results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include statements as to our business strategy, revenue and profitability, new business and other matters discussed in this Draft Prospectus that are not historical facts. All forward-looking statements are subject to risks, uncertainties and assumptions about us that could cause actual results to differ materially from those contemplated by the relevant forward-looking statements. Important factors that could cause actual results to differ materially from our expectations include, among others:

- *any volatility in interest rates which could cause our net interest income to decline and adversely affect our return on assets and profitability;*
- *any disruption in funding sources would have a material adverse effect on our liquidity, financial condition and/or cash flows;*
- *inability to manage the level of NPAs in our loan assets would adversely affect our financial position, results of operations and cash flows;*
- *any adverse developments on commercial vehicle segment would adversely affect our results of operations;*
- *inability to accurately appraise or recover the full value of collateral or amounts which are sufficient to cover the outstanding amounts due under defaulted loans;*
- *inability to compete effectively in an increasingly competitive industry;*
- *inability to successfully implement our strategy, our growth and expansion plans and technological changes;*
- *inability to attract and retain qualified personnel;*
- *inability to respond to any adverse changes in regulatory policies;*
- *any changes in connection with statutory provisions, regulations and/or RBI directions in connection with NBFCs, including laws that impact our lending rates and our ability to enforce our collateral; and*
- *other factors discussed in this Draft Prospectus, including in the section titled “Risk Factors” on page 15*

For further discussion of factors that could cause our actual results to differ from our expectations, please refer to the section titled “**Risk Factors**” and chapters titled “**Industry Overview**” and chapters titled “**Our Business**” beginning on pages 15, 74, and 87 respectively.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could materially differ from those that have been estimated. Forward-looking statements speak only as on the date of this Draft Prospectus. The forward-looking statements contained in this Draft Prospectus are based on the beliefs of management, as well as the assumptions made by, and information currently available to, management. Although we believe that the expectations reflected in such forward-looking statements are reasonable at this time, we cannot assure investors that such expectations will prove to be correct. Given these uncertainties, investors are cautioned not to place undue reliance on such forward-looking statements. If any of these risks and uncertainties materialize, or if any of our underlying assumptions prove to be incorrect, our actual results of operations or financial condition could differ materially from that described herein as anticipated, believed, estimated or expected. All subsequent forward-looking statements attributable to us are expressly qualified in their entirety by reference to these cautionary statements.

Neither our Company or the Lead Manager, nor any of their respective affiliates have any obligation to, and do not intend to, update or otherwise revise any statements reflecting circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition. Our Company and Lead Manager will ensure that Investors are informed of material developments until the time of the grant of listing and trading permission by the Stock Exchange.

## SECTION II : RISK FACTORS

*An investment in NCDs involves a certain degree of risk. Prospective investors should carefully consider the risks and uncertainties described below, in addition to the other information contained in this Draft Prospectus before making any investment decision relating to the NCDs. The risk factors set out below do not purport to be complete or comprehensive in terms of all the risk factors that may arise in connection with our business or any decision to purchase, own or dispose of the NCDs. If any of the following risks or other risks that are not currently known or are now deemed immaterial, actually occur, our business, financial condition, results of operation and cash flows could suffer, the trading price of the NCDs could decline and you may lose your all or part of your interest and / or redemption amounts. Unless otherwise stated in the relevant risk factors set out below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned below. The ordering of the risk factors is intended to facilitate ease of reading and reference and does not in any manner indicate the importance of one risk factor over another.*

*This Draft Prospectus contains forward-looking statements that involve risk and uncertainties. Our Company's actual results could differ materially from those anticipated in these forward-looking statements as a result of several factors, including the considerations described below and elsewhere in this Draft Prospectus. Unless the context otherwise requires, the financial information used in this section is derived from and should be read in conjunction with the Restated Financial Statements of our Company. Investors are advised to read the following risk factors carefully before making an investment in the NCDs offered in this Issue. You must rely on your own examination of our Company and this Issue, including the risks and uncertainties involved.*

### INTERNAL RISK FACTORS

#### Risks relating to our Company and its Business

- 1. Our company is involved in certain legal proceedings and any adverse outcome of any proceedings being unsuccessful, it may have an adverse effect on the performance of the Company.***

Our Company is involved in certain legal proceedings, including civil suits, consumer cases and tax disputes which typically arise in the normal course of business. These legal proceedings are pending at various levels of adjudication before various courts/ forum, regulatory authorities and tribunals. Our Company has been incurring cost in defending these proceedings. Any adverse orders in these proceedings may have an adverse effect on our financial condition. For the details, please refer to chapter titled “*Pending Proceedings and Statutory Defaults*” beginning on page 171 of our Draft Prospectus.

- 2. Our Company's promoter directors are promoter directors of a group company, whose liabilities to two of its operational creditors are in default. Both these operational creditors have filed petitions before the National Company Law Tribunal for recovery of their dues out of which one has been compromised and another is being contested. A financial creditor has also filed a Petition, but the same has been withdrawn based on assurance of payment.***

The promoter directors of our Company are also Promoter Directors in Sakthi Sugars Limited (SSL), one of the group companies listed in BSE and NSE. SSL has as on September 30, 2018 loan outstanding to the Banks / FI / Asset Reconstruction Companies aggregating to ₹ 71,324.17 lakh (Principal) and ₹ 28,025.61 lakh (Interest). The loans are secured, *inter alia*, by personal guarantees of the Promoter Directors of our Company.

In past, separate applications were filed by Devendran Coal Private Limited; Punjab National Bank and Jain irrigation Limited before Hon'ble NCLT, Chennai Bench for admission of SSL into Insolvency and Bankruptcy Code 2016. The applications were either withdrawn by the Creditors on account of compromise entered into or disposed of by NCLT. Any default in the compromise settlement may lead to the Operational Creditor initiating action against SSL.

- 3. Our Company's promoter directors are promoters of Group Company in which two of their creditors have filed petitions before the Debt Recovery Tribunal for recovery of their dues. Any Adverse outcome on any of the applications before DRT for recovery of dues may have an impact on the financials of our promoter directors.***

O.A.No. 9/2018 has been filed before DRT, Chennai by IFCI Limited acting as an agent of Sugar Development Fund in respect of SDF Loans claiming a sum of ₹ 6806.80 lakhs from SSL. SSL has filed a written statement and is contesting the same. It also informs that representations have been made by the Tamil Nadu Sugar Mills Association to Government of India, of which it is a member, seeking relief and withdrawal of legal proceedings, explaining the various factors which have affected the sugar industry in Tamil Nadu.

O.A.No. 414/2018 has been filed by Punjab National Bank (PNB) before DRT, Coimbatore, claiming a sum of ₹ 5,751.13 lakh. SSL has requested for restructuring and withdrawal proceedings. This has been accepted by the PNB and PNB has instructed its counsel vide e-mail dated September 07, 2018 to withdraw the application. Any adverse

outcome on the said petitions would have an impact on the financials of SSL and on the Promoter Directors of our Company.

- 4. One of our group companies has defaulted in payment to the bond holders of the Foreign Currency Convertible Bonds (FCCB). The Bondholders and the Trustee to the Bondholders have filed a winding up petition before the Hon'ble High Court of Madras. In the event of the petitions getting admitted against the group company, the same shall have an impact on the financials of our promoter directors, which in turn, may have an impact on our company.**

SSL has issued Foreign Currency Convertible Bonds in two tranches, aggregating USD 60 Million comprising USD 20 Million in Series A Bonds and USD 40 Million in Series B Bonds. Series A Bonds have been fully settled except for unclaimed bonds.

Bondholders holding USD 1 Million FCCBs under Series B had initially filed Company Petitions in C.P.No.19 of 2012 and C.P. No.212 of 2012 before the Hon'ble High Court of Madras for winding up of the Company on the ground that the Company is unable to pay its debts, which petition is yet to be admitted by the Hon'ble High Court. There was a compromise reached with the petitioning bondholders for payment of the principal sum due together with future interest thereon,

In C.P. No.19/2012 filed by a FCCB holder of the company before the Hon'ble High Court of Madras, consent order has been passed for payment of USD 1,167,900 with interest at 8.5% p.a. from January 31, 2017 subject to approval of RBI. RBI has granted its approval on August 07, 2017 and the Company has informed that it has since paid USD 200,000 and is taking efforts to pay the same. Failure to make payment can lead to admission of the Petition and consequential orders.

In C.P.No.212/2012 filed by a FCCB holder of the company, a compromise was concluded with the holder for payment of USD 778,000 with interest @ 8.5% p.a. from February 01, 2017 and consent order has been passed by the Hon'ble High Court of Madras on January 30, 2019 directing the Company to apply for permission of RBI and subject to receiving consent from RBI, make payment thereof. The Company is in the process of making application to RBI for its approval.

In the event of the failure of the above said settlement and the admission of the winding up petition in this regard, might have an impact on the financial position of SSL, which in turn, will have an impact on the financials of our promoter directors and our Company.

- 5. Two of our promoter Group companies have defaulted in payment of interest and principal dues to some of its creditors. The creditors have invoked the security and further any adverse action taken by them could affect the financial condition of our promoters and the company.**

In the event of the failure of the above said settlement and the admission of the winding up petition in this regard, might have an impact on the financial position of SSL, which in turn, will have an impact on the financials of our promoter directors and our Company.

The promoter directors of our Company are also Promoter Directors in Shri Chamundeswari Sugars Limited one of the group companies which has, as on September 30, 2018, loan outstanding to the Banks/FIs aggregating to ₹ 3,295.88 lakh (Principal), and ₹ 1,239.99 lakh (Interest). The loans are secured, *inter alia*, by personal guarantees of the Promoter Directors of our Company. In the event of failure of Shri Chamundeswari Sugars Limited, to clear the dues to the banks and institutions, the lenders might initiate legal course of action for recovery, which will have an impact on the financial position of the promoter directors and the Company.

One of our promoter group companies, ABT Investments (India) Private Limited (ABTII) has issued senior secured redeemable non-convertible debentures aggregating ₹ 100 crore on private placement basis to Edelweiss Group on August 29, 2016 redeemable in two years in 4 tranches. The last tranche had fallen due on August 31, 2018. These debentures are secured, by way of mortgage of certain immovable properties of ABTII and pledge of 5.94 crore equity shares of Sakthi Sugars Limited held by ABTII (promoters of Sakthi Sugars Limited).

ABTII has defaulted in servicing of interest since November 30, 2017 and the principal amount of debenture has also not been redeemed on the respective due dates. The debenture holders have, invoked the pledge of shares through the debenture trustee and it is reported that the trustee have sold 6.4 lakh of the equity shares (appx. 0.54% of the paid-up share capital) of Sakthi Sugars Limited held by ABTII.

In the case of ABTII not clearing the dues, the secured creditors would continue the sale of the shares of SSL pledged to them, as also take any other legal recourse for the recovery of their dues. This will have an adverse impact on the financial position of our promoter directors.

**6. *We have been subject to RBI inspection and any adverse findings may affect our business and operations.***

Our Company was subjected to RBI's inspection under section 45N of the RBI Act, 1934 for the financial position as on March 31, 2018. RBI vide its letter nos DNBS (Che)N/716/13.18.028/2017-18 dated December 01, 2017, (for FY 2016-17), DNBS (Che) No / 1104/13.18.028/2016-17 dated January 19, 2017 (for FY 2015-16) and DNBS(Che) No /3003/13.18.028/2014-15 dated June 23, 2015 (For FY 2014-15) reported certain observations which, *inter alia* includes non-maintenance of liquid assets as prescribed under Section 45-IB of RBI Act, shortfall in provisioning for diminution in value of investment in associates companies, granting of secured loans against security of its debentures, non-conformity with guidelines for Fair Practices Code (FPC), delay in filing /uploading statutory returns and non-adherence to KYC/AML standards. Our Company vide its letters dated January 9, 2018, March 08, 2017 and July 20, 2015 respectively has replied, to the said RBI letters, indicating various remedial measures taken / proposed by the Company on the observations. Any further action, if taken by RBI, would affect our business and operations.

In certain of its past inspection reports, the RBI has made observations in relation to, among other (i) discrepancies on assessed risk weighted assets (ii) Acceptance of public deposits (iii) closure of Branches (iv) Accounting treatment of hypothecated used vehicles (v) Divergence in asset classification (vi) Fair Practices Code (FPC) (vii) Charging of interest on advance EMIs and elongation of loan tenor (viii) Regulatory compliance (ix) discrepancy in respect of reporting of off-balance sheet exposures (x) Loan policy in respect of borrower limits, for single / group exposure; concentration norms; Real estate exposure; overall exposure ceiling for used vehicle finance cases; credit norms for appraisal; post sanction monitoring; restructuring of loans; internal credit rating of borrowers; sanction of fresh loans for closure of existing loans; pricing of loans etc.

While we believe we have responded satisfactory to the RBI's observations, in some instances, the RBI has asked us to resubmit certain responses on the grounds of these not being sufficiently comprehensive or detailed. The RBI has also repeated in successive inspections that we have failed to address certain observations in the year they were first made. While we have submitted revised responses in these instances and believe we have appropriately addressed all observations and concerns raised by the RBI, we cannot assure you that the RBI or any other regulatory authority will not make similar or additional observations in future or that we will be able to respond to all such queries to the satisfaction of the RBI or such other authorities.

We have received the annual inspection report of the RBI for FY 2016-17 and we have replied to the specific observations of the RBI. In the event we are unable to satisfactorily address the observations of the RBI or are unable to comply with any specified RBI requirements for any reason, we may be subject to monetary penalties and may also be restricted in our ability to conduct our business. In the event, we are unable to resolve the observation of the RBI regarding our AFC status, we may be subject to regulatory actions by the RBI including the levy of penalties and /or the cancellation of our license to operate as an NBFC-AFC. Any such outcome would have a material and adverse effect on our business, financial condition and reputation.

**7. *RBI inspection and based on the supervisory inspection for the year ended March 31, 2017, we have received a Show Cause Notice (SCN), under Section 58(G) of RBI Act 1934 vide letter DNBS (Che) 258/13.18.028/2018-19 dated August 31, 2018 proposing to impose penalty for violation of Fair Practices Code (FPC) Guidelines***

Based on the supervisory inspection for the year ended march 31,2017 the SCN has been issued alleging the following violations: (i) Charging of interest higher than one disclosed in our loan agreements and sanction letters by way of deducting the first EMI up front and charging of interest for longer than repayment schedule (ii) non-review of the FPC by the Board after 2013 (iii) The Annual Financial Inspection for FY 2015-16 had observed that FPC was not displayed at the Branches of our Company and we were advised to confirm having displayed the FPC at all our branches. During inspection visit to our branches, the RBI officials have observed that FPC was not displayed in the premises of two of our branches viz. Pollachi and Coimbatore (South).

We replied to the above observations of RBI on January 9, 2018 and held discussions with the RBI officials in March 2018 and replied to the subsequent correspondence of RBI dated May 08, 2018 on May 18, 2018. RBI, further replied that our reply dated May 18, 2018 was not satisfactory and indicated that our company has failed to comply with the direction given or order made by RBI under the provisions of Chapter III(B) of the RBI Act, 1934, which is an offence, punishable under clause (aa) of sub-section (5) of Section 58(B) of the Act. Accordingly, RBI vide its letter DNBS (Che) 258/13.18.028/2018-19 dated August 31, 2018, has called upon our company to show-cause, in writing, as to why a penalty of ₹ 15.00 lakh (₹ 5 lakh for each violation) or twice the amount involved in such contravention or default, where the amount is quantifiable, whichever is more, cannot be levied.

Our Company vide Letter SFL/F&A/RBI/ 0148/ 2018-19 dated September 19, 2018 furnished explanations / clarifications for the issues raised in the above said show cause notice issued by RBI. Further, RBI, H.O. has given an opportunity for a personal hearing during March 2019. RBI may or may not accept our clarifications / assurances and may still impose the prescribed penalty. This could have an impact on our Company's operations.

**8. *Our Company has delayed in filing / uploading statutory returns with RBI, that are required to be submitted under regulations and guidelines issued by the RBI. Any adverse action taken by RBI would affect our business and operations.***

As a deposit-taking NBFC, we are required to submit/upload various returns with RBI such as Quarterly Returns - details of assets and liabilities, quarterly statements of capital fund, risk assets, assets classification *etc.* Monthly Returns on capital market exposure, Assets Liability Management Returns, branch info return, *etc.* For the period ended June 30, 2016, there was a delay of 28 days in filing the returns. The RBI also in its annual inspection report for the financial year 2016-17 observed the delay in filing / uploading statutory returns. Any adverse action taken by RBI in this regard would affect our business and operations.

**9. *We have contingent liabilities; in the event these contingent liabilities materialize, our financial condition may be adversely affected.***

For the period ended September 30, 2018, we had contingent liabilities not provided for, amounting to ₹ 9.83 lakh towards Income Tax issues are pending before Commissioner of Income Tax (Appeals), Coimbatore and ₹ 1,328.29 lakh towards Service Tax (since stayed by the Hon'ble High Court of Madras) with Commissioner of Customs, Central Excise and Service Tax. In the event that these contingent liabilities materialize, our financial condition may be adversely affected.

**10. *Our financial performance is highly sensitive to interest rate volatility, which could impact our net interest income to decline and adversely affect our return on assets and profitability.***

Our results of operations are substantially dependent upon the level of our net interest margins. A significant component of our income is derived from hire purchase finance operations, which comprise more than 90% of our total revenue for FY 2018, 2017 and 2016.

We borrow funds on both fixed and floating rates. A majority of our liabilities, such as our secured / unsecured redeemable non-convertible debentures, subordinated debt, fixed deposits and term loan from financial institutions carry fixed rates of interest and the remaining borrowings from banks are linked to the respective bank's benchmark prime lending rate / base rates. As on September 30, 2018, around 76.15% of our total borrowings were at fixed rates of interest. We are exposed to interest rate risks as a result of lending to customers predominantly at fixed interest rates and, in amounts and for periods which may differ from our funding sources. Volatility in interest rates can materially and adversely affect our financial performance and cash flows. In a rising interest rate environment, if the yield on our interest-earning assets does not increase correspondingly with or to the same extent as our cost of funds, or, in a declining interest rate environment, if our cost of funds does not decline simultaneously or to the same extent as the yield on our interest-earning assets, our net interest income and net interest margin would be adversely impacted.

Accordingly, our operations are vulnerable to fluctuations in interest rates. Interest rates are highly volatile and fluctuations thereof are dependent upon many factors which are beyond our control, including the monetary policies of the RBI, de-regulation of the financial services sector in India, domestic and international economic and political conditions, inflation and other factors. Rise in inflation, and consequent changes in bank rates, repo rates and reverse repo rates by the RBI has led to an increase in interest rates on loans provided by banks and financial institutions, and market interest rates in India have been volatile in recent periods.

There can be no assurance that we will be able to adequately manage our interest rate risk. If we are unable to address the interest rate risk, it could have an adverse effect on our net interest margin, thereby adversely affecting our business and financial condition.

**11. *Our business requires raising substantial funds by the way of borrowing, and any disruption in funding sources would have a material adverse effect on our liquidity, financial condition and/or cash flows.***

As an asset finance company, our liquidity and on-going profitability, in large part, depend upon our timely access to, and the costs associated with, raising funds. Our funding requirements historically have been met from a combination of loans from banks and financial institutions, issuance of secured redeemable non-convertible debentures on public / private placement basis, public deposits and the issue of subordinated debt. Thus, our business depends and will continue to depend on our ability to access diversified funding sources. Our ability to raise funds on acceptable terms and at competitive rates continues to depend on various factors including our credit ratings, the regulatory environment and policy initiatives in India, developments in the international markets affecting the Indian economy, investors' and/or lenders' perception of demand for debt and equity securities of NBFCs and our current and future results of operations and financial condition.

The RBI in its Master Direction Non-Banking Financial Company-Systemically Important Non-Deposit-Taking Company and Deposit-Taking Company (Reserve Bank) Directions, 2016 vide DNBR.PD.008/03.10.119/2016-17 September 01, 2016 (updated as on May 31, 2018) issued certain guidelines with respect to raising money through private placement by NBFCs in the form of non-convertible debentures (Refer Annexure XXI- Guidelines on Private Placement of NCDs (maturity more than 1 year) by NBFCs).

These guidelines include restrictions on the minimum subscription amount for a single investor at ₹ 20,000, the issuance of private placement of NCDs shall be in two separate categories, those with a maximum subscription of less than ₹ 1 crore and those with a minimum subscription of ₹ 1 crore and above, the restriction of number of investors in an issue to 200 investors for a maximum subscription of less than ₹ 1 crore which shall be fully secured, there is no limit on the number of subscribers in respect of issuances with a minimum subscription of ₹ 1 crore and above while the option to create security in favour of such subscribers will be with the issuers and such unsecured debentures shall not be treated as public deposits, restriction on NBFCs for issuing debentures only for deployment of funds on its own balance sheet, etc. This has resulted in limiting the Company's ability to raise fresh debentures on private placement basis.

As on September 30, 2018, out of the total outstanding non-convertible debentures of ₹ 28,871.48 lakh, ₹ 7,263.08 lakh is from privately placed non-convertible debentures. The privately placed NCDs form around 8.01% of the total outstanding debt of ₹ 90,669.05 lakh as on September 30, 2018.

Further RBI, vide its Master Direction DNBR.PD.002/03.10.119/2016-17 dated August 25, 2016 (last updated October 5, 2018) issued certain guidelines about the limit for acceptance of deposits across the sector, restricting it to 1.5 times of Net Owned Funds ("NoF") and also with minimum investment grade credit rating from the credit rating agencies. As on September 30, 2018, our Company has public deposit amounting to ₹ 18,724 lakh, being 1.20 times of NoF. Our Fixed Deposits are rated as MA- (stable) as rated by ICRA Limited.

This has resulted in limiting the company's ability to accept fresh deposits or renewal of existing deposits. As a result of the above circulars, our Company has reduced the dependence on raising the funds through privately placed non-convertible debentures and fixed deposits and will have to depend on other sources which could be more expensive, and might have an impact on the cost of funds and profitability.

Changes in economic and financial conditions or continuing lack of liquidity in the market could make it difficult for us to access funds at competitive rates. As an NBFC, we also face certain restrictions on our ability to raise money from international markets which may further limit our ability to raise funds at attractive rates. Any disruption in our primary funding sources at competitive rates would have a material adverse effect on our liquidity and financial condition.

***12. If we are unable to control or reduce the level of NPAs in our loan assets, our financial position, results of operations and cash flows may suffer.***

Our gross NPAs as a percentage of total loan assets were 5.72%, 5.11%, 4.28% and 1.80% as at September 30, 2018, March 31, 2018, March 31, 2017 and March 31, 2016 respectively, while our net NPAs as a percentage of loan assets were 3.70%, 3.32%, 3.00% and 0.89% as at September 30, 2018, March 31, 2018, March 31, 2017 and March 31, 2016, respectively. We cannot be sure that we will be able to improve our collections and recoveries in relation to our NPAs, or otherwise adequately control or reduce our level of NPAs in future. Moreover, as our loan portfolio increases, we may experience greater defaults in principal and/or interest repayments. Further, in certain cases where a customer has delayed payments but has demonstrated the ability to continue servicing the relevant loan in near future, we do not enforce the security and seize the vehicle, and allow the loan to continue without restructuring the same. Such cases affect the position of our asset quality and NPA provisioning. There can also be no assurance that in such cases the customer would not continue to delay / default in making payments, which could adversely affect our profitability and cash flows. Thus, if we are not able to control or reduce our level of NPAs, the overall quality of our loan portfolio may deteriorate and our results of operations and/or cash flows may be adversely affected.

***13. Our customer portfolio mainly consists of Small / Medium Road Transport Operator ("SRTOs/MRTOs") who are generally more likely to be affected by declining economic conditions than large corporate borrowers. Any adverse change in economic condition impacting on the target customers could affect our business, financial conditions, results of operations and/or cash flows.***

Our primary business involves lending money to commercial vehicle owners and operators in India with focus on financing pre-owned commercial vehicle, and we are subject to customer default risks including default or delay in repayment of principal or interest on our loans. Customers may default on their obligations to us as a result of various factors including bankruptcy, lack of liquidity, lack of business and operational failure. If borrowers fail to repay loans in a timely manner or at all, our financial condition, results of operations and / or cash flows will be adversely affected.

Our customer portfolio principally consists of SRTOs / MRTOs with underdeveloped banking habits generally are less financially resilient than larger corporate borrowers and as a result, they can be more adversely affected by declining economic conditions. The owners and / or operators of commercial vehicles financed by us often do not have any credit history supported by tax returns and other related documents which would enable us to assess their credit worthiness. In addition, we may not receive updated information regarding any change in the financial condition of our customers or may receive inaccurate or incomplete information as a result of any fraudulent misrepresentation on the part of our customers. Furthermore, unlike several developed economies, a nationwide credit bureau has only recently become operational in India. Accordingly, there is less financial information available about the creditworthiness of individuals, particularly our client segment who are mainly from the low income group and who typically have limited access to other financing sources. It is, therefore, difficult to carry out precise credit risk analysis on our clients. Although we

follow certain procedures to evaluate the credit profile of our customers at the time of sanctioning a loan, we generally rely on the referrals from the local trucking community/existing customers and value of the commercial vehicle provided as underlying collateral rather than on a stringent analysis of the credit profile of our customers. Although we believe that our risk management controls are sufficient, we cannot be certain that they will continue to be sufficient or that additional risk management policies for individual borrowers will not be required. Failure to continuously monitor the loan contracts, particularly of borrowers, could adversely affect our credit portfolio which could have a material and adverse effect on our results of operations, financial condition and/or cash flows.

***14. We may not be able to recover, on a timely basis or at all, the full value of collateral or amounts which are sufficient to cover the outstanding amounts due under defaulted loans which could adversely affect our business, financial condition, results of operations and/or cash flows.***

As a security for the financing facilities provided by us to our customers, the vehicles purchased by our customers are secured by lien, on the assets financed, in our favour. The value of the vehicle, however, is subject to depreciation, deterioration, and/or reduction in value on account of other extraneous reasons, over the course of time. Consequently, the realizable value of the collateral for the credit facility provided by us, when liquidated, may be lower than the outstanding loan from such customers. Any default in repayment of the outstanding credit obligations by our customers may expose us to losses. Furthermore, in the case of a default, we typically repossess the commercial vehicles financed and sell such vehicles. The hypothecated vehicles, being movable property, may be difficult to locate or seize in the event of any default by our customers. There can also be no assurance that we will be able to sell such vehicles provided as collateral at prices sufficient to cover the amounts under default. In addition, there may be delays associated with such process. A failure or delay to recover the expected value from sale of collateral security could expose us to a potential loss. Any such losses could adversely affect our financial condition, results of operations and/or cash flows. Furthermore, enforcing our legal rights by litigating against defaulting customers is generally long-drawn and potentially expensive process in India. Accordingly, it may be difficult for us to recover amounts owed by defaulting customers in a timely manner or we may not recover at all. The recovery of monies from defaulting customers may be further compounded by the fact that we do not generally insist on, or receive post-dated cheques as security towards the timely repayment of dues from customers to whom we have provided loans. Further, if we are unable to sell any repossessed vehicles provided as security for such loans, at commercially favourable prices, in a timely manner or at all, we may not recover the costs of maintaining such repossessed vehicles and our operations, cash flows and profitability could be adversely affected.

***15. Our collections in cash are in reasonably large quantum and consequently, we face the risk of misappropriation or fraud by our employees.***

Our branches collect and deposit approximately one-third of our customers' payments in cash. The cash collections may be exposed to the risk of fraud, misappropriation or unauthorized transactions by employees responsible for dealing with such cash collections. Although, there has been no reported past history of misappropriation or fraud, and we have taken insurance policies and coverage for cash in safe and adequate measures to prevent any unauthorized transaction, fraud or misappropriation by our employees, officers and representatives, any such instances may adversely affect our cash flow, profitability and our reputation.

***16. Our significant indebtedness and the conditions and restrictions imposed by our financing arrangements could restrict our ability to conduct our business and operations in the manner we desire.***

As at September 30, 2018, we had a total outstanding debt of ₹ 90,669.05 lakh, and we will continue to incur additional indebtedness in future. Most of our borrowings are secured by our immovables, hire purchase receivables and other assets. Our significant indebtedness could have several important consequences, including but not limited to the following:

- a portion of our cash flow may be used towards repayment of our existing debt, which will reduce the availability of our cash flow to fund working capital, capital expenditures, acquisitions and other general corporate requirements;
- our ability to obtain additional financing in future at reasonable terms may be restricted or our cost of borrowings may increase due to sudden adverse market conditions, including decreased availability of credit or fluctuations in interest rates;
- fluctuations in market interest rates may affect the cost of our borrowings, as some of our indebtedness are at variable interest rates;
- there could be a material adverse effect on our business, financial condition, results of operations and/or cash flows, if we are unable to service our indebtedness or otherwise comply with financial and other covenants specified in the financing agreements; and
- we may be more vulnerable to economic down-turn, may be limited in our ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions.

Moreover, some of our borrowings may be recalled by our lenders at any time. If any of these lenders recall their loans, our cash position, business and operations may be adversely affected.



***17. Our financing arrangements contain restrictive covenants that may adversely affect our business and operations.***

Some of our financing agreements also include various conditions and covenants that require us to obtain lenders consent prior to carrying out certain activities and entering into certain transactions. Failure to meet these conditions or obtain these consents could have significant consequences on our business and operations. Specifically, under some of our financing agreements, we require, and may be unable to obtain, consents from the relevant lenders for, among others, the following matters: entering into any scheme of merger; spinning-off of a business division; selling or transferring all or a substantial portion of our assets; making any change in ownership or control or constitution of our Company; making amendments in our Memorandum and Articles of Association; creating any further security interest on the assets upon which the existing lenders have a prior charge and raising funds by way of any fresh capital issue etc. For further details on the restrictive covenants under the financing arrangement, refer chapter titled “**Financial Indebtedness**” on page 120 of this Draft Prospectus.

Such covenants may restrict or delay certain actions or initiatives that we may propose to take from time to time. A failure to observe the covenants under our financing arrangements or to obtain necessary consents required thereunder may lead to the termination of our credit facilities, acceleration of recovery of all amounts due under such facilities and the enforcement of any security provided therefor. Any acceleration of amounts due under such facilities may also trigger cross default provisions under our other financing agreements. If the obligations under any of our financing documents are accelerated, we may have to allocate a substantial portion of our cash flow from operations to make payments under such financing documents, thereby reducing the availability of cash for our working capital requirements and other general corporate purposes. Further, during any period in which we are in default, we may be unable to raise, or face difficulties in raising further finance. Any of these circumstances could adversely affect our business, credit rating, financial condition, results of operations and/or cash flows. Moreover, any such action initiated by our lenders could result in the market price of our NCDs being adversely affected.

***18. Our company has availed working capital limits with various banks. The working capital limits are to be annually renewed. As on date of this draft prospectus, we are yet to receive renewal from 3 of our banks.***

Our Company has an aggregate sanctioned limit of ₹ 19,680 lakh of which ₹ 15,384.07 lakh is outstanding as at September 30, 2018. Indian Overseas Bank, Central Bank of India and Canara Bank are yet to issue the communication in respect of the renewal of the limits. Refusal of renewal of the limits from any of the aforementioned banks, if any, will have an adverse impact on our operations and financial position.

***19. We face increasing competition in our business which may result in declining margins, if we are unable to compete effectively.***

We primarily provide vehicle finance to SRTOs / MRTOs. Our primary competition, historically, has been with private unorganized financiers who principally operate in the local market. However, the significant growth in the commercial vehicle finance segment in recent periods has resulted in various banks and NBFCs increasing their focus on this sector. In addition, interest rate de-regulation and other liberalization measures affecting the commercial vehicle finance sector, together with increased demand for capital by SRTOs / MRTOs, have resulted in increased competition.

All of these factors have resulted in us facing increased competition from other lenders in the commercial vehicle finance sector, including commercial banks and other NBFCs. Our ability to compete effectively will depend, to some extent, on our ability to raise low-cost funding in future. Furthermore, as a result of increased competition in the commercial vehicle finance sector, vehicle finance products are becoming increasingly standardized and variable interest rate and payment terms and lower processing fees are becoming increasingly common. There can be no assurance that we will be able to react effectively to these or other market developments or compete effectively with new and existing players in the increasingly competitive commercial vehicle finance industry. Increasing competition may have an adverse effect on our net interest margin and other income, and, if we are unable to compete successfully, our operating volume may decline.

***20. Our operation has regional concentration in Southern India and, therefore we are dependent on the general economic conditions and activities in these areas. Any adverse economic conditions in the area or a sustained change in consumer preferences in those regions would have impact on our business operation, financial position and cash flow.***

We have been operating in vehicle financing segment through our branch network spread mainly across Southern region of India. At present, we originate around 90% of our business from the States of Tamil Nadu and Kerala and balance from other States namely, Karnataka, Andhra Pradesh and Union Territory of Puducherry. Further, we believe that there is still good potential and growth available in Southern region of India from our existing as well as new customers and, intend to strategically expand our reach in target markets only. Our concentration in the Southern States exposes us to any adverse geological, ecological, economic and/or political circumstances in that region as compared to other NBFCs that have a pan India presence. If there is a sustained down-turn in the economy of South India or a sustained change in consumer preferences in those regions, our financial position may be adversely affected.

**21. We may not be able to successfully sustain our growth strategy.**

In recent years, we have experienced stable growth. Our growth strategy includes growing our loan book and expanding our customer base. There can be no assurance that we will be able to sustain our growth strategy successfully. If we grow our loan book too rapidly or fail to make proper assessments of credit risks associated with new borrowers, a higher percentage of our loans may become non-performing, which would have a negative impact on the quality of our assets and our financial condition. We also face a number of operational risks in executing our growth strategy. We have experienced stable growth in our commercial vehicle finance business, our branch network has expanded gradually, and we are entering into new, smaller towns and cities within Southern part of India as part of our growth strategy. Our growth strategy exposes us to a wide range of increased risks, including business risks, such as the possibility that number of our impaired loans may grow faster than anticipated, as well as operational risks, fraud risks and regulatory and legal risks. It will also place significant demands on our management, financial and other resources and will require us to continuously develop and improve our operational, financial and internal controls. Moreover, our ability to sustain our rate of growth depends significantly upon our ability to manage key issues such as selecting and retaining key managerial personnel, maintaining effective risk management policies, continuing to offer products which are relevant to our target base of clients, developing managerial experience to address emerging challenges and ensuring a high standard of client service. We will need to recruit new employees, who will have to be trained and integrated into our operations. We will also have to train existing employees to adhere properly to internal controls and risk management procedures. Failure to train our employees properly may result in an increase in employee attrition rates, require additional hiring, erode the quality of customer service, divert management resources, increase our exposure to high-risk credit and impose significant costs on us.

**22. Any downgrade of our credit ratings would increase borrowing costs and constrain our access to capital and lending markets and, as a result, would adversely affect our net interest margin and our business.**

The cost and availability of capital is also dependent on our short-term and long-term credit ratings. Ratings reflect a rating agency's opinion of our financial strength, operating performance, strategic position, and ability to meet our obligations. The following table sets out certain information with respect to our credit ratings:

Rating Agency	Instruments	Rating	Limit (₹ lakh)
ICRA Limited	Non-convertible debenture (proposed)	[ICRA] BBB (Stable)	15,000
ICRA Limited	NCD	[ICRA] BBB (Stable)	22,716
ICRA Limited	Fund Based Term Loan	[ICRA] BBB (Stable)	4,881
ICRA Limited	Fund Based Long Term Facilities from Banks- Cash Credit (CC)	[ICRA] BBB (Stable)	14,895
ICRA Limited	Fund Based Interchangeable	[ICRA] BBB (Stable) / [ICRA] A2	2,895
ICRA Limited	Short Term Facilities from Banks- WCDL	[ICRA] A2	6,700
ICRA Limited	Fixed Deposits	MA- (Stable)	-

Any downgrade of our credit ratings would increase borrowing costs and constrain our access to capital and debt markets and, as a result, would adversely affect our business and net interest margin. In addition, downgrades of our credit ratings could increase the possibility of additional terms and conditions being added to any financing or refinancing arrangements in future.

**23. A decline in our capital adequacy ratio could restrict our future business growth.**

We have demonstrated stable growth in our business and in our profitability. Our assets under management have increased by a Compounded Annual Growth Rate, or CAGR, of 4.70% from ₹ 75,035.05 lakh as at March 31, 2014 to ₹ 90,161.19 lakh as at March 31, 2018.

Pursuant to RBI notification dated February 17, 2011, all deposit-taking NBFCs have to maintain a minimum capital adequacy ratio, consisting of Tier I and Tier II Capital, which shall not be less than 15% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items *w.e.f.* March 31, 2012. Further, pursuant to RBI circular dated November 10, 2014, all NBFCs-D, shall maintain minimum Tier I Capital of 10% (*w.e.f.* March 31, 2017). Our capital adequacy ratio computed on the basis of applicable RBI requirements was 17.22% and 16.27% as at March 31, 2018 and September 30, 2018, with Tier I Capital at 13.20% and 13.02%, respectively. If we continue to grow our loan portfolio and asset base, we will be required to raise additional Tier I and Tier II Capital in order to continue to meet applicable capital adequacy ratios with respect to our business. There can be no assurance that we will be able to raise adequate additional capital in future on terms favorable to us or at all, and this may adversely affect the growth of our business.

**24. System failures or inadequacy and security breaches in computer systems may affect our business.**

Our business is increasingly dependent on our ability to process, on a daily basis, a large number of transactions. Our financial, accounting or other data processing systems may fail to operate adequately or become disabled as a result of events that are wholly or partially beyond our control, including a disruption of electrical or communication services.

Our ability to operate and remain competitive will depend in part on our ability to maintain and upgrade our information technology systems on a timely and cost-effective basis. The information available with us and received by our management through our existing systems may not be timely and sufficient to manage risks or to plan for and respond to changes in market conditions and other developments in our operations. We may experience difficulties in upgrading, developing and expanding our systems quickly enough to accommodate our growing customer base and branch network. Our operations also rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks. Our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses or other malicious code and other events that could compromise data integrity and security. Any failure to effectively maintain or improve or upgrade our management information systems in a timely manner could materially and adversely affect our competitiveness, financial position and results of operations. Moreover, if any of these systems do not operate properly or are disabled or if there are other shortcomings or failures in our internal processes or systems, it could affect our operations or result in financial loss, disruption of our businesses, regulatory intervention or damage to our reputation. In addition, our ability to conduct business may be adversely impacted by a disruption in the infrastructure that supports our businesses and the localities in which we operate.

**25. We may face asset-liability mismatch which could affect our liquidity and consequently may affect our operations, profitability and/or cash flows.**

We face potential liquidity risks due to varying periods over which our assets and liabilities mature. As it is typical for NBFCs, a portion of our funding requirements is met through short-term funding sources such as bank loans, working capital demand loans, cash credit and short term loans. However, a large portion of our loan assets mature over a medium term. Consequently, our inability to obtain additional credit facilities or renew our existing credit facilities, in a timely and cost-effective manner or at all, may lead to mismatches between our assets and liabilities, which in turn, may adversely affect our operations, financial performance and/or cash flows. Further, mismatches between our assets and liabilities are compounded in case of pre-payments of the financing facilities we grant to our customers.

**26. We have had negative net cash flows in the past and may have negative cash flows in future.**

The following table sets out our cash flow for the periods indicated:

Particulars	Half Year Ended September 30, 2018	For the Year Ended March 31, (₹ lakh)		
		2018	2017	2016
Net cash from / (used in) Operating activities	2633.79	9202.40	(2805.29)	(9869.95)
Net cash from / (used in) Investing activities	227.75	487.81	178.66	(946.15)
Net cash from / (used in) Financing activities	(2390.09)	(9040.61)	3013.43	464.38
Cash and cash equivalents at the beginning of the period / year	3764.70	3115.10	2728.30	13080.02
Cash and cash equivalents at the end of the period / year	4236.15	3764.70	3115.10	2728.30

For further details, please see “**Financial Information**” on page 221 of this Draft Prospectus. We cannot assure you at our net cash flows will be positive in future.

**27. We may be unable to adequately protect our intellectual property rights since our logo and/or tagline are currently not registered and therefore do not enjoy any statutory protection. Furthermore, we may be subject to claims alleging breach of third party intellectual property rights.**

Our logo and tag line of our Company have not been registered under Trade Marks Act, 1999. Since our logo and tag line are not registered, we do not enjoy any statutory protection of our intellectual property rights. We may need to litigate in order to determine the validity of any claims and the scope of the proprietary rights of others. Any such litigation could be time consuming, costly and the outcome cannot be guaranteed. We may not be able to detect any unauthorized use or take appropriate timely steps to enforce or protect our intellectual property rights. Furthermore, we may be subject to claims alleging breach of third party intellectual property rights.

***28. Our ability to assess, monitor and manage risks inherent in our business differs from the standards of some of our peers in India and in some developed countries.***

We are exposed to a variety of risks, including liquidity risk, interest rate risk, credit risk, operational risk and legal risk. The effectiveness of our risk management is limited by the quality and timeliness of available data. Our risk management techniques may not be fully effective in mitigating our risks in all market environments or against all types of risk, including risks that are unidentified or unanticipated. Some methods of managing risks are based upon observed historical market behavior. As a result, these methods may not predict future risk exposures, which could be greater than the historical measures indicated. Other risk management methods depend upon an evaluation of information regarding markets, customers or other matters. This information may not in all cases be accurate, complete, current, or properly evaluated. Management of operational, legal or regulatory risk requires, among other things, policies and procedures to properly record and verify a number of transactions and events. Although we have established these policies and procedures, they may not be fully effective. Our future success will depend, in part, on our ability to respond to new technological advances and evolving NBFC and vehicle finance sector standards and practices on a cost-effective and timely basis. The development and implementation of such technology entails significant technical and business risks. There can be no assurance that we will successfully implement new technologies or adapt our transaction-processing systems to customer requirements or evolving market standards.

***29. We may not be able to appropriately assess the credit worthiness of our customers before extending credit facilities to them. Unavailability of adequate information or inaccurate and/or incomplete information provided by our customers may adversely affect our operations and profitability.***

In deciding whether to extend credit or enter into other transaction with customers, we rely on the information furnished to us by or on behalf of our customers. We may not, in certain instances, receive information regarding any change in the financial condition of our customers, or in certain cases our customers may provide inaccurate or incomplete information to us for whatever reason on their part. The lack of availability of information in connection with our customers may make it difficult for us to take an informed decision with regard to providing financial facilities to such persons and the attendant risk exposure in this regard. This may increase the likelihood of an increase in the level of NPAs, which would adversely affect our operations and profitability.

***30. We are dependent on the expertise of our senior management team and our key technical and managerial personnel.***

We are dependent on our senior management team for setting our strategic direction and managing our business, both of which are crucial to our success. Given the substantial experience of our senior management team, if any or all of them leave or are unable to continue to work with us, it may be difficult to find suitable replacements in a timely manner or at all. Our ability to retain experienced personnel as well as senior management will also in part, depend on us maintaining appropriate staff remuneration and associated benefits. We cannot be sure that the remuneration and benefits we have in place will be sufficient to retain the services of our senior management and skilled people. The loss of any of the members of our senior management or other key personnel may adversely affect our business, financial condition and results of operations.

***31. Our promoters and promoter group owns 64.21% of our equity share capital and accordingly has the ability to exercise significant influence over the outcome of matters submitted to shareholders for approval, and their interests may differ from those of other holders of Equity Shares.***

As at September 30, 2018, our promoters and promoter group own in aggregate 64.21% of our equity share capital. So long as the promoters and promoter group hold a majority of our Company's Equity Shares, they will be able to control most of the matters affecting our Company, including the appointment and removal of directors, business strategy and policies, any determinations with respect to mergers, business combinations and acquisitions, dividend payout and financing. Further, the extent of promoters and promoter group shareholding may result in delay or prevention of a change of management or control of our Company, even if such a transaction may be beneficial to the Company.

***32. Some of our Directors and Key Management Personnel may have business interests in our Company other than reimbursement of expenses incurred and normal remuneration or benefits.***

Some of our Directors and Key Management Personnel may be regarded as having business interests in our Company other than reimbursement of expenses incurred, normal remuneration or benefits. Some of our Directors may be deemed to be interested to the extent of Equity Shares held by them, as well as to the extent of any dividends, bonuses or other distributions on such Equity Shares. We cannot assure you that our Directors and our Key Management Personnel will exercise their rights as shareholders to the benefit and best interests of our Company. For further details, please see "*Capital Structure*" and "*Our Management*" on pages 49 and 106 respectively of this Draft Prospectus.

**33. Our Company has entered into related party transactions. Any transaction with related parties may involve conflict of interest.**

Our Company has entered into certain transactions with promoters, promoter group companies/ entities and directors. While we believe that all our related party transactions are on arm's length basis only, we cannot assure that we could not have achieved more favorable terms had such transactions been entered into with unrelated parties. Furthermore, it is likely that our Company may enter into related party transactions in future. Any future transactions with our related parties could potentially involve conflict of interest. For details regarding the related party transactions, refer to chapter titled "**Financial Statements - Related Party Disclosures**" on page 261 of this Draft Prospectus.

**34. Some of our Group Companies have incurred losses in the recent past.**

Some of our major Group Companies have incurred losses in recent fiscals as indicated below:

(₹ lakh)

Name of Group Company	Details of Profit / (Loss)		
	FY 2018	FY 2017	FY 2016
Sakthi Sugars Limited	(17696.64)**	2865.97**	(5507.11)
Sri Chamundeswari Sugars Limited	(628.54)**	(874.10)**	112.85

**\*\*IND AS is the basis of Accounting for computation of profit for FY 2017-18 and 2016-17**

There can be no assurance that these or any of our other Group Companies will not incur losses in future periods or that there will not be an adverse effect on our Company's reputation or business as a result of such losses.

**35. Our inability to obtain, renew or maintain our statutory and regulatory permits and approvals required to operate our business may have a material adverse effect on our business.**

We require certain statutory and/or regulatory permits and approvals for our business. In future, we will be required to renew such permits and approvals and obtain new permits and approvals for any proposed operations. There can be no assurance that the relevant authorities will issue any of such permits or approvals in a timely manner or at all, and/or on favorable terms and conditions. Failure by us to comply with the terms and conditions to which such permits or approvals are subject, and/or to renew, maintain or obtain the required permits or approvals may result in the interruption of our operations and may have a material adverse effect on our business, financial condition and results of operations.

**36. We may have to comply with strict regulations and guidelines issued by regulatory authorities in India particularly rules and regulations prescribed by the RBI as a deposit-taking NBFC and any changes in rules and regulations governing us could adversely affect our business.**

We are principally governed by the RBI's rules and regulations on financial sector. We are also subject to corporate, taxation and other laws in India. The RBI's guidelines on financial regulation of NBFCs regulate, *inter alia*, capital adequacy, exposure and other prudential norms. The RBI also regulates the credit flow by banks to NBFCs and provides guidelines to commercial banks with respect to their investment and credit exposure norms for lending to NBFCs. The laws and regulations governing the banking and financial services industry in India have become increasingly complex and cover a wide variety of issues, such as interest rates, liquidity, securitization, investments, ethical issues, money laundering and privacy. In some cases, there are overlapping regulations and enforcement agencies. Further, the RBI, from time to time, amends the regulatory framework governing NBFCs to address, *inter alia*, concerns arising from certain divergent regulatory requirements for banks and NBFCs.

Further, compliance with many of the regulations applicable to our operations in India, including any restrictions on investments, lending and other activities currently being carried out by our Company, involves a number of risks, particularly in areas where applicable regulations may be subject to varying interpretations. If the interpretation of the regulators and authorities varies from our interpretation, we may be subject to penalties and our business could be adversely affected.

We are also subject to changes in Indian laws, regulations and accounting principles and practices. There can be no assurance that the laws governing the Indian financial services sector will not change in future or that such changes or the interpretation or enforcement of existing and future laws and rules by governmental and regulatory authorities will not adversely affect our business and future financial performance.

**37. Our ability to borrow from various banks may be restricted on account of guidelines issued by the RBI imposing restrictions on banks in relation to their exposure to NBFCs. Any limitation on our ability to borrow from such banks may increase our cost of borrowing, which could adversely impact our growth, business and financial condition.**

Under the RBI Master Circular on bank finance to NBFCs issued on July 01, 2015, the exposure (both lending and investment, including off-balance sheet exposures) of a bank to a single NBFC-AFC (Asset Financing Companies) should not exceed 15% of the bank's capital funds as per its last audited balance sheet. Banks may, however, assume exposures on such a single NBFC-AFC up to 20% of their capital funds provided the exposure in excess of 15% is on

account of funds on-lent by the NBFC-AFC to the infrastructure sector. This limits the exposure that banks may have on NBFCs such as ours, which may restrict our ability to borrow from such banks and may increase our cost of borrowing, which could adversely impact our growth, business and financial condition.

***38. Our insurance coverage may not adequately protect us against all potential losses to which we may be subject. Any liability in excess of our insurance claim could have a material adverse effect on our results of operations and financial position.***

We maintain such insurance coverage that we believe is adequate for our operations. We maintain insurance cover, for our free-hold real estate and tangible properties and infrastructure at all owned and leased premises, which provide insurance cover against loss or damage by fire, earthquake, electrical and machinery break-down. Further, we maintain insurance cover for cash in safe and cash in transit policy which provides insurance cover against loss or damage by employee theft, burglary, house breaking etc.

Our insurance policies, however, may not provide adequate coverage in certain circumstances and are subject to certain deductibles, exclusions and limits on coverage. We cannot, however, assure that the terms of our insurance policies will be adequate to cover any damage or loss suffered by us or that such coverage will continue to be available on reasonable terms or will be available in sufficient amounts to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. A successful assertion of one or more large claims against us that exceeds our available insurance coverage or changes in our insurance policies, including premium increases or the imposition of a larger deductible or co-insurance requirement, could adversely affect our business, financial condition and results of operations.

***39. The land on which our registered office is built is on lease basis and not owned by us.***

The land on which our registered office is built was acquired by our Company on lease basis from Sri M. Srinivaasan, Director of our Company in terms of a lease agreement executed on March 31, 1986 for a period of 30 years which ended on February 29, 2016. As on the date of this Draft Prospectus, the lease has been renewed by way of an agreement entered into between our Company and Sri. M. Srinivaasan on March 7, 2018 for a period of 11 months commencing from April 1, 2018, with a provision for renewal thereafter on mutually agreed terms and conditions. If the owner of the land, in future does not renew aforesaid lease agreement at all or on terms and conditions acceptable to us, we may suffer a disruption in administration, till we identify and shift to another location, which could adversely affect our business, financial condition and results of operations.

***40. We do not own majority of our branch premises. Any termination of arrangements for lease of our branches or our failure to renew the same in a favourable, timely manner, or at all, could adversely affect our business and results of operations.***

Except for 2 branch offices, which are located in owned premises, all our branches and customer service points are located on leased premises that we occupy pursuant to lease agreements/premise sharing agreements. If any of the owners of these premises do not renew an agreement under which we occupy the premises or if any of the owners seek to renew an agreement on terms and conditions unfavorable to us, we may suffer disruption in our operations or increased costs, or both, which may adversely affect our business and results of operation.

Further, some of our lease agreements with our Lessors may not be adequately stamped or duly registered. Unless such documents are adequately stamped or duly registered, such documents may be rendered as inadmissible as evidence in a Court in India, may not be authenticated by any public officer, or attract penalty as prescribed under applicable law, which impact our ability to enforce these agreements effectively, which may result in a material adverse effect on the continuance of the operations and business of our Company.

***41. Non obtention of certain renewals/ licenses for operation of our owned/ leased offices.***

While we have obtained significant number of approvals/ licenses, registrations and permits from the relevant authorities, we are yet to receive or apply for few approvals/ licenses/ registrations and permits. We cannot assure you that we will receive these approvals and clearances in time or at all. There can be no assurance that the relevant authority will issue an approval or renew expired approvals within the applicable time period or at all. Any delay/ non-receipt would adversely affect our related operations. Furthermore, under such circumstances the relevant authorities may restrain our operations, impose penalty / fine or initiate legal actions for our inability to comply with such renewals and / or approvals.

**42. Our results of operations could be adversely affected by any disputes with our employees.**

As on December 31, 2018, we have 478 employees on our rolls. While we believe that we maintain good relationships with our employees, there can be no assurance that we will not experience future disruptions to our operations due to disputes or other problems with our work force, which may adversely affect our business and results of operations.

**43. Our ability to pay dividends in future will depend on our earnings, financial condition, cash flows, capital adequacy requirements, capital expenditures and restrictive covenants of our financing arrangements.**

Our ability to pay dividends in future will depend on our earnings, financial condition, cash flows, capital adequacy requirements, capital expenditure and restrictive covenants of our financing arrangements. Any future determination as to the declaration and payment of dividends will be at the discretion of our Board of Directors and subsequent approval of shareholders and will depend on factors that our Board of Directors and shareholders deem relevant, including among others, our future earnings, financial condition, cash flows, capital adequacy requirements, capital expenditures, business prospects and restrictive covenants under our financing arrangements. We may decide to retain all of our earnings to finance the development and expansion of our business and, therefore, may not declare dividends on our Equity Shares. We cannot assure you that we will be able to pay dividends at any point in future. For details of dividend paid by our Company in the past, please see “*Other Regulatory and Statutory Disclosures*” on page 179 of this Draft Prospectus.

**44. Our Company, our Promoter and some of our Group Companies have availed or may avail of certain loans that are recallable by lenders, at any time, which may affect our Company’s reputation.**

Our Company, our Promoter and some of our Group Companies have availed or may avail of loans that are repayable on demand at any time by the relevant lenders. Any such unexpected demand for immediate repayment may have a material adverse effect on the business, cash flows and financial condition of the entity against which repayment is sought.

**45. The Insolvency and Bankruptcy Code, 2016 (Bankruptcy Code) in India may affect our rights to recover loans from borrowers.**

The Insolvency and Bankruptcy Code, 2016 (“**Bankruptcy Code**”) was notified on August 5, 2016. The Bankruptcy Code offers a uniform and comprehensive insolvency legislation encompassing all companies, partnership firms (including LLPs) and individuals (other than financial firms). It allows creditors to assess the viability of a debtor as a business decision and agree upon a plan for its revival or a speedy liquidation. The Bankruptcy Code creates a new institutional framework, consisting of a regulator, insolvency professionals, information utilities and adjudicatory mechanisms, which will facilitate a formal and time-bound insolvency resolution and liquidation process.

In case insolvency proceedings are initiated against a debtor to our Company, we may not have complete control over the recovery of amounts due to us. Under the Bankruptcy Code, upon invocation of an insolvency resolution process, a committee of creditors is constituted by the interim resolution professional, wherein each financial creditor is given a voting share proportionate to the debts owed to it. Any decision of the committee of creditors must be taken by a vote of not less than 75% of the voting share of all financial creditors. Any resolution plan approved by committee of creditors is binding upon all creditors, even if they vote against it.

In case a liquidation process is opted for, the Bankruptcy Code provides for a fixed order of priority in which proceeds from the sale of the debtor’s assets are to be distributed. Before sale proceeds are distributed to a secured creditor, they are to be distributed for the costs of the insolvency resolution and liquidation processes, debts owed to workmen and other employees, and debts owed to unsecured creditors. Further, under this process, dues owed to the Central and State Governments rank at par with those owed to secured creditors. Moreover, other secured creditors may decide to opt out of the process, in which case they are permitted to realise their security interests in priority.

Accordingly, if the provisions of the Bankruptcy Code are invoked against any of the borrowers of our Company, it may affect our Company’s ability to recover our loans from the borrowers and enforcement of our Company’s rights will be subject to the Bankruptcy Code.

**Risks relating to the utilization of Issue proceeds**

**1. We have not entered into any definitive agreement to utilise a substantial portion of the net proceeds of the Issue. Further the fund requirement and deployment mentioned in the Objects of the Issue have not been appraised by any bank or financial institution.**

We intend to use the net proceeds for the purposes described in “*Objects of the Issue*” on page 59 of Draft Prospectus. Our management will have broad discretion to use the net proceeds and you will be relying on the judgment of our management regarding the application of these net proceeds. Our funding requirements are based on current conditions and are subject to change in light of changes in external circumstances or in our financial condition, business or strategy.

Our management, in response to the competitive and dynamic nature of the industry, will have the discretion to revise its business plan from time to time. Any such change in our plans may require rescheduling of our current plans or discontinuing existing plans and an increase or decrease in the fund requirements for the objects, at the discretion of the management. Pending utilisation for the purposes described above, we intend to temporarily invest the funds in interest-earning liquid instruments including deposits with banks and investments in liquid (not equity) mutual funds. Such investments would be in accordance with the investment policies approved by our Board from time to time.

Further, the fund requirement and deployment is based on internal management estimates and has not been appraised by any bank or financial institution. The management will have significant flexibility in applying the proceeds received by us from the Issue. Further, as per the provisions of the Debt Regulations, we are not required to appoint a monitoring agency and therefore no monitoring agency has been appointed for this Issue.

## **Risks relating to the NCDs**

### ***1. There is no guarantee that the NCDs issued pursuant to this Issue will be listed on BSE in a timely manner, or at all.***

In accordance with Indian law and practice, permissions for listing and trading of the NCDs issued pursuant to this Issue will not be granted until after the NCDs have been issued and allotted. Approval for listing and trading will require all relevant documents authorising the issuing of NCDs to be submitted and carrying out of necessary procedures with the Stock Exchange. There could be a failure or delay in listing the NCDs on the Stock Exchange. If permission to deal in and for an official quotation of the NCDs is not granted by the Stock Exchange, our Company will immediately repay, without interest, all monies received from the Applicants in accordance with prevailing law in this context, and pursuant to this Draft Prospectus. Any failure or delay in obtaining the approval would restrict an investor's ability to trade in the NCDs. There is no assurance that the NCDs issued pursuant to this Issue will be listed on Stock Exchange in a timely manner, or at all.

### ***2. Changes in interest rates may affect the price of our NCDs.***

All securities where a fixed rate of interest is offered, such as our NCDs, are subject to price risk. The price of such securities will vary inversely with changes in prevailing interest rates, *i.e.* when interest rates rise, prices of fixed income securities fall and when interest rates drop, the prices increase. The extent of fall or rise in the prices is a function of the existing coupon, days to maturity and the increase or decrease in the level of prevailing interest rates. Increased rates of interest, which frequently accompany inflation and/or a growing economy, are likely to have a negative effect on the price of our NCDs.

### ***3. Investors may not be able to recover, on a timely basis or at all, the full value of the outstanding amounts and/or the interest accrued thereon in connection with the NCDs.***

Our ability to pay interest accrued on the NCDs and/or the principal amount outstanding from time to time in connection therewith would be subject to various factors, *inter alia*, including our financial condition, profitability and the general economic conditions in India and in the global financial markets. We cannot assure that we would be able to repay the principal amount outstanding from time to time on the NCDs and / or the interest accrued thereon in a timely manner or at all. Although our Company will create appropriate security in favour of the Debenture Trustee for the NCD Holders on the assets adequate to ensure 100% asset cover for the NCDs, which shall be free from any encumbrances, the realizable value of the assets charged as security, when liquidated, may be lower than the outstanding principal and/or interest accrued thereon in connection with the NCDs. Any failure or delay to recover the expected value from a sale or disposition of the assets charged as security in connection with the NCDs could expose Investors to a potential loss.

### ***4. Payments to be made on the NCDs will be subordinated to certain tax and other liabilities preferred by law.***

The NCDs will be subordinated to certain liabilities preferred by law such as the claims of the Government on account of taxes, and certain liabilities incurred in the ordinary course of our business. In particular, in the event of bankruptcy, liquidation or winding-up, our Company's assets will be available to pay obligations on the NCDs only after all of those liabilities that rank senior to these NCDs have been paid as per section 327 of the Companies Act, 2013. In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining to pay amounts due on the NCDs.

### ***5. Failure to comply with the requirements in connection with creation of adequate Debenture Redemption Reserve ("DRR"), for the NCDs issued pursuant to this Draft Prospectus and/or failure to deposit or invest the required proportion of the value of the NCDs maturing every year until all NCDs issued and allotted pursuant to the Issue mature or are redeemed.***

Section 71 of the Companies Act, 2013, read with Rule 18 made under Chapter IV to the Companies Act, 2013, requires any company that intends to issue debentures must create a DRR for the purpose of redemption of debentures, in accordance with the following conditions: (a) the DRR shall be created out of the profits of the company available for payment of dividend, (b) the DRR shall be equivalent to at least 25% of the amount raised through public issue of debentures in accordance with the Debt Regulations in case of NBFCs registered with the RBI and no DRR is required



in the case of privately placed debentures. Accordingly, our Company is required to create a DRR of 25% of the value of the NCDs allotted through this Issue. In addition, as per Rule 18(7)(e) under Chapter IV to the Companies Act, 2013, the amounts credited to DRR shall not be utilised by our Company except for the redemption of the NCDs. Every company required to create or maintain a DRR shall before the 30th day of April of each year, deposit or invest, as the case may be, a sum which shall not be less than 15% of the amount of its debentures maturing during the year ending on the 31st day of March following, in any one or more of the following methods: (a) in deposits with any scheduled bank, free from charge or lien; (b) in unencumbered securities of the Central Government or of any State Government; (c) in unencumbered securities mentioned in clauses (a) to (d) and (ee) of section 20 of the Indian Trusts Act, 1882; (d) in unencumbered bonds issued by any other company which is notified under clause (f) of section 20 of the Indian Trusts Act, 1882. The amount deposited or invested, as the case may be, shall not be utilized for any purpose other than for the repayment of debentures maturing during the year referred to above, provided that the amount remaining deposited or invested, as the case may be, shall not at any time fall below 15% of the amount of debentures maturing by 31st day of March of that year. This may have a bearing on the timely redemption of the NCDs by our Company.

**6. Any downgrading in credit rating of our NCDs may affect the value of NCDs and thus our ability to raise further debts.**

The NCDs proposed to be issued by our Company have been rated by ICRA Limited ("ICRA"). ICRA has vide its letter RTG/Chen/109/18-19 dated February 11, 2019 assigned, a rating of "[ICRA] BBB (Stable)" for an amount up to ₹ 15,000 lakh for the NCDs. The rating of the NCDs by ICRA indicates moderate degree of safety regarding timely servicing of financial obligations and carry moderate credit risk. Any downgrade of our credit ratings would increase borrowing costs and restrict our access to capital and debt markets and, as a result, would negatively affect our net interest margin and our business. The ratings provided by ICRA may be suspended, withdrawn or revised at any time by the assigning rating agency and should be evaluated independently of any other rating. These ratings are not a recommendation to buy, sell or hold securities and investors should take their own decisions. Please refer to Annexure C for the rationale for the above rating.

**7. There is no active market for the NCDs on the capital markets segment of the Stock Exchange. As a result, the liquidity and market prices of the NCDs may fail to evolve and may adversely affect the liquidity and market price.**

There can be no assurance that an active market for the NCDs will evolve. If an active market for the NCDs fails to evolve or be sustained, the liquidity and market prices of the NCDs may be adversely affected. The market price of the NCDs would depend on various factors, *inter alia*, including (i) the interest on similar securities available in the market and the general interest rate scenario in the country; (ii) the market price of our Equity Shares; (iii) the market for listed debt securities; (iv) general economic conditions; and (v) our financial performance, growth prospects and results of operations. Therefore, these factors may adversely affect the liquidity and market price of the NCDs, which may trade at a discount to the price at which the NCDs are purchased and /or relatively illiquid.

**8. There may be a delay in making refunds to Applicants.**

We cannot assure that the monies refundable, on account of (a) withdrawal of applications, (b) our failure to receive minimum subscription in connection with the Issue, (c) withdrawal of the Issue, or (d) failure to obtain the final approval from the BSE for listing of the NCDs, will be refunded in a timely manner. We, however, shall refund such monies, with the interest due and payable thereon as prescribed under applicable statutory and/or regulatory provisions.

**9. This Draft Prospectus includes certain unaudited financial information, which has been subjected to limited review, in relation to our Company. Reliance on such information should, accordingly, be limited.**

This Draft Prospectus includes certain unaudited financial information in relation to our Company, for the quarter ended December 31, 2018, in respect of which the Statutory Auditors of our Company have issued their Limited Review Report dated February 12, 2019. As this financial information has been subject only to limited review as required by Regulation 33 of the Listing Regulations and as described in Standard on Review Engagements (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India, and not to an audit, any reliance by prospective investors on such unaudited financial information should accordingly, be limited. Moreover, our financial results for any given fiscal quarter or period, including the quarter ended December 31, 2018, may not be directly comparable with our financial results for any full fiscal or for any other fiscal quarter or period. Accordingly, prospective investors to the Issue are advised to read such unaudited financial information in conjunction with the audited financial information provided elsewhere in this Draft Prospectus.

**10. Payments made on the Unsecured NCDs will be subordinated to payments to secured and unsecured creditors and certain tax and other liabilities preferred by law.**

The Unsecured NCDs will be subordinated to all secured creditors of our Company as well as certain liabilities preferred by law such as to claims of the GoI on account of taxes, and certain liabilities incurred in the ordinary course of our transactions. In particular, in the event of bankruptcy, liquidation or winding-up, our assets will be available to pay

obligations on the NCDs only after all of those liabilities that rank senior to these NCDs have been paid. In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining, after paying amounts relating to these proceedings, to pay amounts due on the NCDs. Further, there is no restriction on the amount of debt securities that we may issue in future, that may rank above the NCDs. The issue of any such debt securities may reduce the amount recoverable by investors in the NCDs on our bankruptcy, winding-up or liquidation.

***11. The NCDs are subject to the risk of change in law.***

The terms and conditions of the NCDs are based on Indian law in effect as of the date of issue of the relevant NCDs. No assurance can be given as to the impact of any possible judicial decision or change to Indian law or administrative practice after the date of issue of the relevant NCDs and any such change could materially and adversely impact the value of any NCDs affected by it.

***12. There are certain risks in connection with the Unsecured NCDs.***

The Unsecured NCDs will be in the nature of Subordinated Debt and hence the claims of the holders thereof will be subordinated to the claims of other secured and other unsecured creditors of our Company. Further, since no charge upon the assets of our Company would be created in connection with the Unsecured NCDs, in the event of default in connection therewith, the holders of Unsecured NCDs may not be able to recover their principal amount and/or the interest accrued thereon in a timely manner, for the entire value of the Unsecured NCDs held by them or at all. Accordingly, in such a case the holders of the Unsecured NCDs may lose all or a part of their investment therein. Further, the payment of interest and the repayment of the principal amount before the due maturity in connection with the Unsecured NCDs would be subject to the requirements of RBI, which may also require our Company to obtain prior approval from the RBI in certain circumstances.

**EXTERNAL RISK FACTORS**

***1. Our business is primarily dependent on the automobile and transportation industry in India.***

Our business to a large extent depends on the continued growth in the automobile and transportation industry in India, which is influenced by a number of extraneous factors which are beyond our control, *inter alia*, including (a) the macroeconomic environment in India, (b) the demand for transportation services, (c) natural disasters and calamities, and (d) changes in regulations and policies in connection with motor vehicles. Such factors may result in a decline in the sales or value of new and pre-owned Commercial Vehicles (“CV”). Correspondingly, the demand for availing finance for new and pre-owned commercial vehicles may decline, which in turn may adversely affect our financial condition and the results of our operations. Further, the ability of CV owners and/or operators to perform their obligations under existing financing agreements may be adversely affected if their businesses suffer as a result of the aforesaid factors.

***2. Increase in competition from our peer group in the CV finance sector may result in reduction of our operation, which in turn may adversely affect our profitability.***

Our Company mainly provides loans to pre-owned CV owners and/or operators in semi-urban and rural areas in India. We have been facing increasing competition from domestic and foreign banks and NBFC's operating in the CV finance segment of the industry. Some of our competitors are very aggressive in underwriting credit risk and pricing their products and may have access to funds at a lower cost, wider networks and greater resources than our Company. Our financial condition and results of operations are dependent on our ability to obtain and maintain low cost funds and to provide prompt and quality services to our customers. If our Company is unable to access funds at a cost comparable to or lower than our competitors, we may not be able to offer loans at competitive interest rates to our customers. While our Company believes that it has historically been able to offer competitive interest rates on the loans extended to our customers, there can be no assurance that our Company will be able to continue to do so in future. An increase in competition from our peer group may result in a decline in our operation, which may in turn result in reduced incomes from our operations and may adversely affect our profitability.

***3. Our growth depends on the sustained growth of the Indian economy. An economic slow-down in India and global conditions could have a direct impact on our operations and profitability.***

Macroeconomic factors that affect the Indian economy and the global economic scenario have an impact on our business. The quantum of our disbursements is driven by the growth in demand for CVs. Any slow-down in the Indian economy may have a direct impact on our disbursements and a slow-down in the economy, as a whole, can increase the level of defaults which may affect our Company's profitability, asset quality and growth plans.

***4. Political instability or changes in the government could delay further liberalization of the Indian economy and adversely affect economic conditions in India generally, which could impact our business.***

The GoI and various state governments over a period of time have been pursuing economic policies including encouraging private sector participation by relaxing restriction. There can be no assurance that these policies will

continue in future as well. The rate of economic liberalization could change, and specific laws and policies affecting financial services companies, foreign investment, currency exchange rates and other matters affecting investments in Indian companies could change as well. A significant slow-down in India's economic liberalization and deregulation policies could disrupt business and economic conditions in India, thus affecting our business. Any political instability in the country, including any change in the Government, could materially impact our business adversely.

**5. *Civil unrest, terrorist attacks and war would affect our business.***

Terrorist attacks and other acts of violence, war or conflicts, particularly those involving India, as well as the United States of America, the United Kingdom, Singapore and the European Union, may adversely affect Indian and global financial markets. Such acts may negatively impact business sentiment, which could adversely affect our business and profitability. India has from time to time experienced, and continues to experience, social and civil unrest, terrorist attacks and hostilities with neighbouring countries. Also, some of India's neighbouring countries have experienced, or are currently experiencing internal unrest. This, in turn, could have a material adverse effect on the Indian economy and in turn may adversely affect our operations and profitability and the market for the NCDs.

**6. *Our business may be adversely impacted by natural calamities or unfavorable climatic changes.***

India, Bangladesh, Pakistan, Indonesia, Japan and other Asian countries have experienced natural calamities such as earthquakes, floods, droughts and a tsunami in recent years. These economies could be affected by the extent and severity of such natural disasters and pandemics may affect the financial services sector, of which our Company is a part. Prolonged spells of abnormal rainfall, drought and other natural calamities may have an adverse impact on the economy, our business and the price of our NCDs.

**7. *Any downgrading of India's sovereign rating by any of the international rating agencies may affect our business and our liquidity to a great extent.***

Any adverse revision to India's credit rating for domestic and international debt by any of the international rating agencies may adversely impact our ability to raise additional finances at favorable interest rates and other commercial terms. This could have an adverse effect on our growth, financial performance and our operations.

**8. *Trade deficits could adversely affect our business***

India's trade relationships with other countries and its trade deficit may adversely affect Indian economic conditions. In the fiscal year 2018, India experienced a trade deficit of USD 162,202.10 million, which has increased from trade deficit of USD 108,504.60 million in fiscal year 2017 as per press release of RBI dated September 15, 2018. If trade deficits increase or are no longer manageable, the Indian economy suffers, and therefore our business and our financial performance could be adversely affected.

**9. *Financial difficulty and other problems in certain financial institutions in India could adversely affect our business.***

As an Indian NBFC, we are exposed to the risks of the Indian financial system which may be affected by the financial difficulties faced by certain Indian financial institutions because the commercial soundness of many financial institutions may be closely related as a result of credit, trading, clearing or other relationships. This risk, which is sometimes referred to as "systemic risk", may adversely affect financial intermediaries, such as clearing agencies, banks, securities firms and exchanges with whom we interact on a daily basis and who may default on their obligations due to bankruptcy, lack of liquidity, operational failure or other reasons. Any such difficulties or instability of the Indian financial system in general could create an adverse market perception about Indian financial institutions and banks and hence adversely affect our business. As the Indian financial system operates within an emerging market, it faces risks of a nature and extent not typically faced in more developed economies, including the risk of deposit runs notwithstanding the existence of a national deposit insurance scheme.

**10. *Companies operating in India are subject to a variety of central and state government taxes and levies. Any increase in tax rates could adversely affect our business and results of operations.***

Tax and other levies imposed by the central and state governments in India that affect our tax liability include Central and State Taxes and other levies, Income Tax, GST, Stamp Duty and other special taxes and surcharges which are introduced on a temporary or permanent basis from time to time. Moreover, the Central and State Tax Scheme in India is extensive and subject to change from time to time. The Statutory Corporate Income Tax in India, which includes a tax, an education cess on the tax and the surcharge, is currently 29.12%. The Central or State Government may in future increase the corporate income tax it imposes. Any such future increases or amendments may affect the overall tax efficiency of companies operating in India and may result in significant additional taxes becoming payable. Any additional tax exposure could adversely affect our business and results of operations.

***11. A decline in India's foreign exchange reserves may affect liquidity and interest rates in the Indian economy, which could adversely impact us.***

According to the weekly statistical supplement released by the RBI, India's foreign exchange reserves totaled USD 371,379.40 Million as on January 11, 2019 (*Source: RBI Website as on January 18, 2019*). A decline in India's foreign exchange reserves could impact the valuation of the Rupee and could result in reduced liquidity and higher interest rates which could adversely affect our financial condition.

***12. MCA vide press release dated January 18, 2016 has announced Ind AS road map for scheduled commercial banks, insurance companies and non-banking financial companies. Currently, this is not applicable to our company. On application of Ind AS, in future, we may be affected by this transition.***

MCA vide press release dated January 18, 2016 has announced Indian Accounting Standards ("Ind AS") road map for scheduled commercial banks, insurance companies and non-banking financial companies. As per the aforesaid press release, the same has become applicable for NBFCs with effect from April 1, 2018 in phases. Accordingly, listed NBFCs and having Networth of ₹ 25,000 lakh and above will be mandatorily covered under Ind AS with effect from April 1, 2019.

We have not determined with any degree of certainty the impact that such adoption will have on our financial reporting. Additionally, Ind AS has fundamental differences with the existing accounting standards and therefore, financial statements prepared under Ind AS may differ substantially from financial statements prepared under the existing framework of accounting standards. There can be no assurance that our financial condition, results of operation, cash flows or changes in shareholders' equity will not appear materially different under Ind AS and Indian GAAP. On adoption of Ind AS reporting, we may encounter difficulties in the on-going process of implementing and enhancing our management information systems. There can be no assurance that on adoption of Ind AS, will not affect our reported results of operations, financial condition and failure to successfully adopt Ind AS in accordance with prescribed statutory and/ or regulatory requirements within the timelines as may be prescribed may have an adverse effect on our financial position and results of operations.

***13. Trading of the NCDs may be limited by temporary exchange closures, broker defaults, settlement delays, strikes by brokerage firm employees and disputes.***

The Indian stock exchanges have experienced temporary exchange closures, broker defaults, settlement delays and strikes by brokerage firm employees. In addition, the governing bodies of the Indian stock exchanges have from time to time-imposed restrictions on trading in certain securities, limitations on price movements and margin requirements. Furthermore, from time to time, disputes have occurred between listed companies and stock exchanges and other regulatory bodies, which in some cases may have had a negative effect on market sentiment.

## **PROMINENT NOTES**

1. This is a public issue of NCDs by our Company up to ₹ 10,000 lakh with an option to retain over-subscription up to ₹ 5,000 lakh, aggregating to ₹ 15,000 lakh.
2. For details on the interest of our Company's Directors, please refer to the chapter titled "***Our Management***" and "***Capital Structure***" beginning on page 106 and 49 of this Draft Prospectus, respectively.
3. Our Company has entered into certain related party transactions, within the meaning of AS 18 as notified by the Companies (Accounting Standards) Rules, 2006, (as amended) as disclosed in the chapter titled "***Financial Statements***" beginning on page 221 of this Draft Prospectus.
4. Any clarification or information relating to the Issue shall be made available by the Lead Manager and our Company to the investors at large and no selective or additional information would be available for a section of investors in any manner whatsoever.
5. Investors may contact the Registrar to the Issue, Company Secretary and Compliance Officer, and /or the Lead Manager for any complaints pertaining to the Issue. In case of any specific queries on allotment / refund, Investor may contact the Registrar to the Issue.
6. In the event of over-subscription to the Issue, allocation of NCDs will be as per the "***Basis of Allotment***" set out in page 166 of this Draft Prospectus.
7. Our Equity Shares are presently listed on the BSE.
8. Our previous public issues of secured redeemable non-convertible debentures are currently listed on the BSE.
9. Our Company has contingent liabilities amounting to ₹ 1,338.12 lakh as on September 30, 2018.
10. For further information relating to certain significant legal proceedings that we are involved in, refer Chapter titled "***Pending Proceedings and Statutory Defaults***" beginning on page 171 of this Draft Prospectus.

## SECTION III : INTRODUCTION

### GENERAL INFORMATION

#### **Sakthi Finance Limited**

Our Company was originally incorporated as “The Pollachi Credit Society Private Limited” on March 30, 1955 under the Indian Companies Act, 1913. Our Company was later converted into a public limited company and the name of our Company was changed to Sakthi Finance Limited on July 27, 1967 and a fresh Certificate of Incorporation was obtained from Registrar of Companies, Madras.

#### **NBFC Registration**

Our Company holds a certificate of registration dated April 17, 2007 (issued in lieu of earlier certificate dated May 08, 1998) bearing registration no. 07-00252 issued by the RBI to carry on the activities of an NBFC under Section 45IA of the RBI Act as an Asset Finance Company - Deposit Taking.

#### **Registered Office**

62, Dr. Nanjappa Road  
Post Box No. 3745  
Coimbatore - 641018, Tamil Nadu  
**Tel No:** +91 (422) 2231471- 474/4236200  
**Fax No:** +91 (422) 2231915  
**Email :** sakthif\_info@sakthifinance.com; investors@sakthifinance.com  
**Website:** [www.sakthifinance.com](http://www.sakthifinance.com)

For details of change in Registered Office, refer to the chapter titled “*History and Certain Corporate Matters*” on page 102

#### **Registration Details**

Company Registration Number with RoC: **000145**  
Corporate Identity Number: **L65910TZ1955PLC000145**  
NBFC Registration Certificate Number under Section 45IA of the RBI Act: **07-00252**

#### **Chief Executive Officer**

**Dr. S. Veluswamy**  
Sakthi Finance Limited  
62, Dr. Nanjappa Road  
Post Box No. 3745  
Coimbatore - 641018, Tamil Nadu  
**Tel No:** +91 (422) 4236206  
**Email :** sveluswamy@sakthifinance.com

#### **Chief Financial Officer**

**Mr. M K Vijayaraghavan**  
Sakthi Finance Limited  
62, Dr. Nanjappa Road  
Post Box No. 3745  
Coimbatore – 641018, Tamil Nadu  
**Tel No:** +91 (422) 2231471-74/ 4236210  
**Email :** mkvraghavan@sakthifinance.com

#### **Company Secretary and Compliance Officer**

**Mr. S. Venkatesh**  
Sakthi Finance Limited  
62, Dr. Nanjappa Road  
Post Box No. 3745  
Coimbatore - 641018, Tamil Nadu  
**Tel No:** +91 (422) 4236207  
**Fax No:** +91 (422) 2231915  
**Email :** svenkatesh@sakthifinance.com

Applicants or prospective investors may contact the Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems, such as non-receipt of allotment advice, credit of allotted NCDs in beneficiary accounts, refund instruments, interest on the Application Amounts *etc.*

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, Application Form number, address of the Applicant, number of NCDs applied for, amount paid on Application, Depository Participant name and Client Identification Number and the collection centre of the Members of the Syndicate where the Application was submitted.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue with a copy to either (a) the relevant Designated Branch of the SCSB where the Application Form was submitted by the ASBA Applicant, or (b) the Member of the Syndicate concerned and the relevant Designated Branch of the SCSB in the event of an Application submitted by an ASBA Applicant at any of the Syndicate ASBA Location, giving full details such as name, address of Applicant, Application Form number, number of NCDs applied for, amount blocked on Application.

All grievances arising out of Applications for the NCDs made through Trading Members may be addressed directly to the BSE.

#### **Lead Manager to the Issue**

##### **Dalmia Securities Private Limited**

“Khetan Bhavan”

Room No. 17, Second Floor

198, Jamshedji Tata Road

Mumbai - 400020

**Tel No:** + 91 (22) 30272829/32/33

**Fax No:** +91 (22) 30272820

**Email :** [sfl.ncd@dalmiasec.com](mailto:sfl.ncd@dalmiasec.com)

**Website:** [www.dalmiasec.com](http://www.dalmiasec.com)

**Investor Grievance Email :** [grievances@dalmiasec.com](mailto:grievances@dalmiasec.com)

**Contact person:** Mr. S. Jeyakumar

**Compliance Officer:** Ms. Piyali Deb

**SEBI Registration No:** INM000011476

#### **Debenture Trustee**

##### **Catalyst Trusteeship Limited**

“GDA House”

First Floor, Plot No 85

S No 94 & 95S, Bhusari Colony (Right), Kothrud

Pune - 411038

**Tel No:** +91 (20) 25280081

**Fax No:** +91 (20) 25280275

**Email :** [dt@ctltrustee.com](mailto:dt@ctltrustee.com)

**Website:** [www.catalysttrustee.com](http://www.catalysttrustee.com)

**Investor Grievance Email :** [dt@ctltrustee.com](mailto:dt@ctltrustee.com)

**Contact person:** Ms. Rakhi Kulkarni

**Compliance Officer:** Ms. Rakhi Kulkarni

**SEBI Registration No:** IND000000034

The Debenture Trustee by its letter dated 4th February, 2019 has consented to act as a Debenture Trustee in relation to the Issue under regulation 4(4) of the Debt Regulation. See **Annexure D** on page 312 for the consent letter of the Debenture Trustee.

#### **Registrar to the Issue**

##### **S.K.D.C Consultants Limited**

“Kanapathy Towers”

Third Floor 1391/A-1, Sathy Road, Ganapathy

Coimbatore – 641 006

**Tel No:** +91 (422) 4958995, 2539835-36

**Fax No:** +91 (422) 2539837

**Email :** [sflncd@skdc-consultants.com](mailto:sflncd@skdc-consultants.com)

**Website:** [www.skdc-consultants.com](http://www.skdc-consultants.com)

**Investor Grievance Email :** [sflncd@skdc-consultants.com](mailto:sflncd@skdc-consultants.com)

**Contact Person:** Mr. K. Jayakumar

**Compliance Officer:** Mrs. Vijayalakshmi Narendra

**SEBI Registration No:** INR 000000775

**Statutory Auditors****M/s P K Nagarajan & Co**

Chartered Accountants

No. 33 Desabandu Street

Ramnagar

Coimbatore - 641009

**Tel No:** +91 (422) 2231416**Email :** [pknagarajanandco@gmail.com](mailto:pknagarajanandco@gmail.com)**Firm Registration No:** 016676S**Legal Counsel to the Issue****M/s Ramani & Shankar****Advocates**

“Brindavan”

152 Kalidas Road

Ramnagar

Coimbatore - 641009

**Tel No:** +91 (422) 2231955/2232179**Fax No:** +91 (422) 2233175**Email :** [legal@ramanishankar.com](mailto:legal@ramanishankar.com)**Lenders to our Company:**

<b>Banks</b>	
<b>State Bank of India</b> Commercial Branch Krishna Towers No 1087/ A-F, Avinashi Road Coimbatore - 641018 <b>Tel:</b> +91 (422) 2663321 <b>Fax:</b> +91 (422) 2663333 <b>Email:</b> <a href="mailto:sbi.07536@sbi.co.in">sbi.07536@sbi.co.in</a>	<b>The Karnataka Bank Limited</b> 52, Ground Floor, Oppanakkara Street Coimbatore- 641001 <b>Tel:</b> + 91 (422) 2398548 <b>Fax:</b> +91 422 2391025 <b>Email:</b> <a href="mailto:coimbatore@ktkbank.com">coimbatore@ktkbank.com</a>
<b>Central Bank of India</b> 1603, BMH Srinivasa Towers, Trichy Road Coimbatore - 641018 <b>Tel:</b> +91 (422) 2305966 <b>Email:</b> <a href="mailto:bmcoim1269@centralbank.co.in">bmcoim1269@centralbank.co.in</a>	<b>The Lakshmi Vilas Bank Limited</b> No 1, Head Quarters Road, First Floor, Uppilpalayam Coimbatore - 641018 <b>Tel:</b> +91 (422) 2300630 / 2300643 <b>Email:</b> <a href="mailto:upplipalayam_bm@lvbank.in">upplipalayam_bm@lvbank.in</a>
<b>Bank of India</b> Coimbatore Main Branch Star House, 324, Oppanakara Street Coimbatore 641001 <b>Tel:</b> +91 (422) 2380215 / 2396271 / 2396272 <b>Email:</b> <a href="mailto:coimbatore.coimbatore@bankofindia.co.in">coimbatore.coimbatore@bankofindia.co.in</a>	<b>Indian Overseas Bank</b> Large Corporate Branch No. 10 Kannusamy Street, R S Puram Coimbatore 641002 <b>Tel:</b> + 91 (422) 2544212; <b>Fax:</b> + 91 (422) 2544213 <b>Email:</b> <a href="mailto:job2670@iob.in">job2670@iob.in</a>
<b>Canara Bank</b> 330, Cross Cut Road, Gandhipuram Coimbatore 641012 <b>Tel:</b> + 91 (422) 2236107 / 2236950 <b>Email:</b> <a href="mailto:managercbe1206@canarabank.co.in">managercbe1206@canarabank.co.in</a>	

Other Financial Institutions	
<b>Hinduja Leyland Finance Limited</b> Corporate Office 27A, Developed Industrial Estate, Guindy Chennai - 600032 <b>Tel:</b> + 91 (44) 39252525 <b>Fax:</b> + 91 (44) 39252553 <b>Email:</b> <a href="mailto:compliance@hindujaleylfinance.com">compliance@hindujaleylfinance.com</a>	<b>Sundaram Finance Limited</b> 21, Patullos Road Chennai - 600 002 <b>Tel:</b> + 91 (44) 2852 1181 <b>Email:</b> <a href="mailto:jp@sundaramfinance.in">jp@sundaramfinance.in</a>
<b>AU Small Bank Finance Bank Limited</b> 19-A, Dhuleshwar Garden, Ajmer Road Jaipur -302001, Rajasthan <b>Tel :</b> +91 (141) 6610925 <b>Fax:</b> +91 (141) 410090 <b>Email:</b> <a href="mailto:manmohan.parnami@aubank.in">manmohan.parnami@aubank.in</a>	<b>Northern Arc Capital Limited</b> 10 <sup>th</sup> Floor, Phase 1, IIT – Madras Research Park Kanagam Village, Taramani Chennai- 600113 <b>Tel:</b> + 91 (44) 66687381 <b>Fax:</b> +91 (44) 66687010 <b>Email:</b> <a href="mailto:urmila.khatri@northernarc.com">urmila.khatri@northernarc.com</a>

### Credit Rating Agency

#### ICRA Limited

Building No. 8, Second Floor  
Tower A, DLF Cyber City, Phase II  
Gurgaon 122002

**Tel No:** +91 (124) 4545300

**Fax No:** +91 (124) 4545300

**Email :** [info@icraindia.com](mailto:info@icraindia.com)

**Website:** [www.icra.in](http://www.icra.in)

**Investor Grievance Email :** [icra.compliance@icraindia.com](mailto:icra.compliance@icraindia.com)

**Contact person:** Mr. Jayanta Chatterjee

**Contact person:** Mr. Jayanta Chatterjee

**Compliance Officer:** Praman Preet Singh Gujral

**SEBI Registration No:** IN/CRA/008/2015

### Credit Rating and Rationale

The NCDs proposed to be issued by our Company have been rated by ICRA Limited (“ICRA”). ICRA has *vide* its letter no. RTG/Chen/109/18-19 dated February 11, 2019 assigned a rating of “[ICRA] BBB (Stable)” for an amount up to ₹ 15,000 lakh for the proposed NCDs. Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk. Please refer to **Annexure C** of this Draft Prospectus for rationale for the above ratings.

### Disclaimer Clause of ICRA Limited

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA’s current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website [www.icra.in](http://www.icra.in) or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided ‘as is’ without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.

*\*ICRA Ratings Limited received a notice from SEBI on December 18, 2018, for conduct of adjudication proceedings in relation to credit ratings assigned to Infrastructure Leasing & Financial Services Limited and one of its subsidiaries, IL&FS Financial Services Limited under the SEBI (Procedure for Holding Enquiry and Imposing Penalties by Adjudication Officer) Rules 1995. These proceedings are under Chapter VI-A of the SEBI Act, 1992, which deals with potential imposition of monetary penalty.*

### Public Issue Account Banks

[●]



**Refund Bank**

[•]

**Lead Broker(s) to the Issue**

[•]

**Underwriting**

The Issue is not underwritten.

**Arrangers to the Issue**

There are no arrangers to the Issue.

**Self-Certified Syndicate Banks**

The banks which are registered with SEBI under Securities and Exchange Board of India (Bankers to an Issue) Regulations, 1994 and offer services in relation to ASBA, including blocking of an ASBA Account, a list of which is available at <http://www.sebi.gov.in> or at such other website as may be prescribed by SEBI from time to time.

**Syndicate SCSB Branches**

In relation to Applications submitted to a member of the Syndicate, the list of branches of the SCSBs at the Specified Locations named by the respective SCSBs to receive deposits of Application Forms from the members of the Syndicate is available on the website of the SEBI (<http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes>) and updated from time to time or any such other website as may be prescribed by SEBI from time to time. For more information on such branches collecting Application Forms from the Syndicate at Specified Locations, see the website of the SEBI <http://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes> as updated from time to time or any such other website as may be prescribed by SEBI from time to time.

**Broker Centres / Designated CDP Locations/ Designated RTA Locations**

In accordance with SEBI Circular No. CIR/CFD/14/2012 dated October 4, 2012 and CIR/CFD/POLICYCELL/11/2015 dated November 10, 2015, Applicants can submit the Application Forms with the Registered Brokers at the Broker Centres, CDPs at the Designated CDP Locations or the RTAs at the Designated RTA Locations, respective lists of which, including details such as address and telephone number, are available at the websites of the Stock Exchange at [www.bseindia.com](http://www.bseindia.com). The list of branches of the SCSBs at the Broker Centres, named by the respective SCSBs to receive deposits of the Application Forms from the Registered Brokers will be available on the website of the SEBI ([www.sebi.gov.in](http://www.sebi.gov.in)) and updated from time to time.

**Impersonation**

As a matter of abundant precaution, attention of the investors is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, 2013, relating to punishment for fictitious applications, which is reproduced below:

*“Any person who:*

- (a) makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for its securities; or*
- (b) makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or*
- (c) otherwise induces directly or indirectly, a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name,*  
*shall be liable for action under section 447 of the Companies Act, 2013”.*

The liability prescribed under Section 447 of the Companies Act 2013 for fraud involving an amount of at least ₹ 10 lakh or 1.00% of the turnover of the Company, whichever is lower, includes imprisonment for a term which shall not be less than six months extending up to 10 years (provided that where the fraud involves public interest, such term shall not be less than three years) and fine of an amount not less than the amount involved in the fraud, extending up to three times of such amount.

In case the fraud involves (i) an amount which is less than ₹ 10 lakh or 1.00% of the turnover of the Company, whichever is lower; and (ii) does not involve public interest, then such fraud is punishable with an imprisonment for a term extending up to five years or a fine of an amount extending up to ₹ 50 lakh or with both.

**Minimum Subscription**

In terms of the SEBI Debt Regulations, for an issuer undertaking a public issue of debt securities, the minimum subscription for public issue of debt securities shall be 75% of the Base Issue. If our Company does not receive the minimum subscription of 75% of the Base Issue, i.e. ₹ 7,500 lakh, within the prescribed timelines under Companies Act, 2013, and any rules thereto or such other period as may be prescribed by SEBI, the entire Application Amount shall be unblocked in

the relevant ASBA Account(s) of the Applicants within 6 (six) working days from the Issue Closing Date provided wherein, the Application Amount has been transferred to the Public Issue Account from the respective ASBA Accounts, such Application Amount shall be refunded from the Refund Account to the relevant ASBA Account(s) of the Applicants within 6 (six) working days from the Issue Closing Date, failing which the Company will become liable to refund the Application Amount along with interest at the rate of 15 (fifteen) per cent per annum for the delayed period.

Under Section 39(3) of the Companies Act, 2013, read with Rule 11(2) to the Companies (Prospectus and Allotment of Securities) Rules, 2014, if the stated minimum subscription amount is not received within the specified period, the application money received is to be credited only to the bank account from which the subscription was remitted. To the extent possible, where the required information for making such refunds is available with the Company and/or Registrar, refunds will be made to the account prescribed. However, where the Company and/or Registrar does not have the necessary information for making such refunds, the Company and/or Registrar will follow the guidelines prescribed by SEBI in this regard.

### Utilisation of Issue proceeds

Our Board of Directors/ Committee of Directors, as the case may be, will confirm that:

- a. all monies received out of the Issue shall be credited/transferred to a separate bank account other than the bank account referred to in sub-section (3) of Section 40 of the Act;
- b. details of all monies utilised out of the issue of NCDs, referred to in sub-item (a), shall be disclosed under an appropriate separate head in our balance sheet indicating the purpose for which such monies have been utilized along with details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue;
- c. details of all unutilised monies out of issue of NCDs, if any, referred to in sub-item (a) shall be disclosed under an appropriate separate head in our balance sheet indicating the form in which such unutilised monies have been invested;
- d. the details of all utilized and unutilised monies out of the monies collected in the previous issue made by way of public offer shall be disclosed and continued to be disclosed in the balance sheet till the time any part of the proceeds of such previous issue remains unutilized indicating the purpose for which such monies have been utilized, and the securities or other forms of financial assets in which such unutilized monies have been invested
- e. we shall utilize the Issue proceeds only on (a) receipt of minimum subscription; (b) completion of Allotment and refund process in compliance with Section 40 of the Companies Act, 2013; (c) creation of security; and (d) obtaining Listing and Trading approval as stated in this Draft Prospectus in the section titled “**Issue Structure**” beginning on page 130.
- f. the issue proceeds shall not be utilized towards full or part consideration for the purchase or any other acquisition, *inter alia*, by way of a lease, of any immovable property or in the purchase of any business or in the purchase of an interest in any business; and
- g. the issue proceeds shall not be utilized for providing loan to or acquisition of shares of any person who is part of the same group or who is under the same management.

For details on utilization of Issue Proceeds, please refer to Chapter titled “**Objects of the Issue**” on page 59.

### ISSUE PROGRAMME

<b>ISSUE OPENS ON</b>	[●]
<b>ISSUE CLOSES ON*</b>	[●]

*The Issue shall remain open for subscription from 10:00 a.m. till 5:00 p.m. (Indian Standard Time) for the period mentioned above, with an option for early closure or extension by such period as may be decided by the Board of Directors or a duly constituted committee thereof. In the event of such early closure or extension of the subscription list of the Issue, our Company shall ensure that public notice of such early closure is published on or before the day of such early date of closure or extended date of closure through advertisement/s in at least one leading national daily newspaper.*

*Further please note that Application shall be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time, “IST”) (“Bidding Period”) during the Issue Period as mentioned above by the Members of the Syndicate, Registered Brokers at the Broker Centres, CDPs at the Designated CDP Locations or the RTAs at the Designated RTA Locations, and designated branches of SCSBs as mentioned on the Application Form, except that on the Issue Closing Date when Applications shall be accepted only between 10.00 a.m. and 3.00 p.m. (IST) and shall be uploaded until 5.00 p.m. (IST) or such extended time as permitted by Stock Exchange(s). It is clarified that the Applications not uploaded in the Stock Exchange(s) Platform would be rejected.*

*Due to limitation of time available for uploading the Applications on the Issue Closing Date, the Applicants are advised to submit their Applications one day prior to the Issue Closing Date and, in any case, no later than 3.00 p.m. (IST) on the Issue Closing Date. All times mentioned in this Draft Prospectus are Indian Standard Time. Applicants are cautioned that in the event a large number of Applications are received on the Issue Closing Date, as is typically experienced in public*

*offerings, some Applications may not get uploaded due to lack of sufficient time. Application Forms will only be accepted on Working Days during the Issue Period.*

*Such Applications that cannot be uploaded will not be considered for allocation under the Issue. Applications will be accepted only on Working Days, i.e., Monday to Friday (excluding any public holiday). Neither our Company, nor the Lead Managers, nor any Member of the Syndicate, Registered Brokers at the Broker Centres, CDPs at the Designated CDP Locations or the RTAs at the Designated RTA Locations or designated branches of SCSBs are liable for any failure in uploading the Applications due to faults in any software/hardware system or otherwise. Please note that, within each category of investors, the Basis of Allotment under the Issue will be on date priority basis except on the day of oversubscription, if any, where the Allotment will be proportionate.*

## SUMMARY OF BUSINESS

Our Company was incorporated in the year 1955 and has a track record of nearly four decades in commercial vehicle financing segment. We are registered with RBI, Department of Non-Banking Supervision, Chennai, as a Deposit-Taking NBFC to carry on asset financing activities under section 45-IA of the Reserve Bank of India Act, 1934. We are part of “**Sakthi Group**” of companies based in Coimbatore, South India, and a reputed and well-known Industrial conglomerate having major presence in sugar, industrial alcohol, automobile distribution, auto components, dairy, co-generation, wind energy and transportation.

We are an asset finance company with primary focus on financing pre-owned commercial vehicles. We also provide finance for purchasing infrastructure, construction equipment, multi-utility vehicles, cars, jeeps and other machinery. The finances provided are secured by lien on the assets financed. Our target customers predominantly comprise Small / Medium Road Transport Operators (**SRTOs / MRTOs**) and primarily hail from rural/semi-urban area. The SRTOs / MRTOs looks for speedy disposal of finance at competitive rates. We have identified this opportunity and positioned ourselves between the organized banking sector and local money lenders by offering the finance at competitive rate with flexible and speedy lending services to our customers. We operate primarily in the Southern region of the country mainly in the States of Tamil Nadu and Kerala through our branch network and customer service points. We have network of 47 branches, located in Tamil Nadu, Kerala, Andhra Pradesh, Karnataka, Maharashtra, Haryana and Union Territory of Puducherry. In addition to finance business, we generate power from windmills and sell the same to Tamil Nadu Electricity Board and Gujarat Urja Vikas Nigam Limited. At present, we have 17 windmills with an aggregate capacity of 5150 kW located in the States of Tamil Nadu and Gujarat.

As on September 30, 2018, we have an AUM (*i.e.* Stock on Hire) of ₹ 92,385.67 lakh. Our AUM has grown from ₹ 75,035.05 lakh as at March 31, 2014 to ₹ 90,161.19 lakh as at March 31, 2018 at a CAGR of 4.70%. The income from hire purchase business constitutes about 94% of operating income of the Company. The income from hire purchase business increased to ₹ 15,708.40 lakh for FY 2018 from ₹ 12,644.05 lakh for FY 2014 at a CAGR of 5.58%. As on September 30, 2018, the gross NPAs as a percentage of loan assets is 5.72% and Net NPAs as a percentage of loan assets is 3.70%. The Gross NPA as a percentage of loan assets was 5.11% and 4.28% as on March 31, 2018 and March 31, 2017 respectively. The Net NPA as a percentage of net loan assets was 3.32% and 3.00%, as on March 31, 2018 and March 31, 2017 respectively.

The capital adequacy ratio, computed on the basis of applicable RBI requirements, as on September 30, 2018 is 16.27%. The capital adequacy ratio as on March 31, 2018 and March 31, 2017 were 17.22% and 19.73% respectively.

## SUMMARY OF OUR KEY OPERATIONAL AND FINANCIAL PARAMETERS

A summary of our key operational and financial parameters as at and for the half year ended September 30, 2018 and the last three completed financial years are as follows:

(₹ lakh)

Particulars	As at and for half year ended September 30, 2018	As at and for the FY ended March 31,		
		2018	2017	2016
		(Audited)		
Net worth*	15,563.77	15,095.78	14,507.38	13,405.31
Total Debt of which				
Non-Current Maturities of Long term borrowing	40,457.25	45,749.87	59,222.37	44,248.98
Non-Current Maturities of Short term borrowing	22,012.86	18,870.10	13,790.74	24,570.86
Current maturities of long term borrowing**	28,198.95	24,343.56	15,222.15	19,638.32
Net Property Plant and Equipment (including Capital Work in Progress and intangible assets)	6,278.89	6,351.33	6,473.37	6,634.50
Total Non-current assets	10,027.04	9,988.74	10,096.16	9,065.04
Cash and cash equivalents	5,943.55	5,202.88	3,566.42	3,751.17
Current Investments	136.31	136.31	-	110.99
Total Current assets	1,01,889.25	99,361.44	97,817.30	98,711.11
Total Current Liabilities	53,953.86	46,428.16	31,883.87	47,578.67

Particulars	As at and for half year ended September 30, 2018	As at and for the FY ended March 31,		
		2018	2017	2016
		(Audited)		
Assets Under Management <sup>#</sup>	92,385.67	90,161.19	90,366.43	92,178.98
Off Balance Sheet assets	-	-	-	-
Income from hire purchase operations	7,507.23	15,708.40	15,796.44	16,029.61
Interest expenses	4,880.83	9,993.28	10,346.56	10,261.07
Provisioning and write-offs <sup>\$</sup>	329.42	651.09	687.41	699.61
Profit after tax	686.54	1,192.63	1,599.70	1,328.43

\* Net worth as defined in Section 2(57) of the Companies Act, 2013 means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation.

\*\* Current maturities of long term borrowing also includes interest accrued on debentures, deposits, subordinated debts and cash credit and unclaimed deposits and debentures.

# Asset under management means the stock on hire.

\$ Include contingent provision against standard assets.

The following table sets out, as on the dates indicated, data regarding our NPAs and Capital Adequacy Ratios:

Particulars	As at and for Half Year ended September 30, 2018	As at and for the FY ended March 31,		
		2018	2017	2016
		(Audited)		
Gross NPA (₹ lakh)	5,345.87	4,689.02	3,952.44	16,78.99
Net NPA (₹lakh)	3,386.87	2,993.24	2,737.69	821.17
Total loan assets /gross credit exposure (₹ lakh)	93,397.45	91,736.29	92,347.47	93,363.21
*Net loan assets/net credit exposure (₹ lakh)	91,438.45	90,040.52	91,132.72	92505.39
% of gross NPA to total loan assets	5.72	5.11	4.28	1.80
% of net NPA to net loan assets	3.70	3.32	3.00	0.89
<b>Capital Adequacy Ratio (%)</b>	<b>16.27</b>	<b>17.22</b>	<b>19.73</b>	<b>19.42</b>
Tier I Capital Adequacy Ratio (%)	13.02	13.20	12.60	11.54
Tier II Capital Adequacy Ratio (%)	3.25	4.02	7.13	7.88

\* Net loan assets/net credit exposure = Total loan assets less provision for non-performing assets.

Provision for non-performing assets = Gross NPA-Net NPA

## OUR STRENGTH

### Unique Business Model

We are an asset finance company with primary focus on financing pre-owned commercial vehicles. Our target customers comprise SRTOs / MRTOs, primarily hailing from rural/semi-urban area. These SRTOs / MRTOs generally find difficulty in obtaining finance from banks on account of their limited credit history and inability to meet the lending covenants of the banks. At the same time, local money lenders offer speedy and flexible finance however, at an extensively high rate. We identified this opportunity and positioned ourselves between banks and local money lenders to service this population. We have adopted a prompt loan approval and simple documentation procedures, set our offer rates between those of the banks and the money lenders. We believe that we, among the few financial institutions in the organized sector, satisfy the need of the target customers.

### Effective origination, credit appraisal and collection processes

We have nearly four decades of experience in the asset financing business. We have established an effective process for origination, monitoring and collecting receivables which enabled us to generate the stable growth with control over asset quality.

Our target customers mainly hail from rural/semi-urban area. For such customer segment, the knowledge of local culture and long relationship with the customers play a key role for growth in the operation. We have adopted distinguished and cost effective business originate part of on policy, where we originate the business through our branch networks in association with marketing officers termed as Customer Service Points (**CSPs**). These CSPs are local residents of the area and have the domain knowledge of that area. They identify potential customers in defined area and maintain long term relationship with the existing customers. Further, this business model also enables us to be proactive and develop future products for our customers. Moreover, we find that the CSP arrangement is cost effective as they function from Small Office Home Office (**SOHO**) provided by our Company without being a formal branch set-up.

We have designed stringent evaluation process and credit policies to ensure the asset quality of our loans and the security provided for such loans. Our credit policy comprises classification of target customers in terms of track record, classification of assets, differentiated loan to value ratio for different class of customers and assets, limits on customer exposure *etc.* Further, in order to build quality assets and reduce NPA level, we have developed a culture of accountability by making our marketing officers responsible for loan administration, monitoring as well as recovery of the loans they originate. With our long- standing understanding and experience in the pre-owned vehicle finance segment, we have developed expertise in valuation of pre-owned vehicles which enables us to accurately determine a recoverable loan amount for commercial vehicle. We believe our Company has established a tested valuation technique for the assets which acts as a crucial entry barrier for others seeking to enter our market segment.

Our entire recovery and collection operation is administered in-house and we do not outsource loan recovery and collection operations. We believe that our loan recovery procedure is particularly well-suited to our target market in the commercial vehicle financing industry, as reflected by our high loan recovery ratios compared to others in the financial services industry, and we believe that this knowledge and relationship based recovery procedure is difficult to replicate in the short to medium term.

#### ***Long-standing presence in southern regional market***

We have been operating in vehicle financing Industry for nearly four decades focusing on Southern part of India particularly in the States of Tamil Nadu and Kerala. We have a network of 47 branches with more than 90% branches located in Tamil Nadu and Kerala. We believe that our continuous focus and presence in the concentrated regional market enabled us to understand customers' requirements and create long and trust-worthy relationship with them by providing quality service and support as per the requirements from proximate locations. At present 50% - 60% of our total business comes from the existing customers only.

#### ***Experienced senior management team***

Our Board consists of 7 (seven) Directors, with wide experience in the automotive and/or financial services sectors. Our senior and middle management personnel have extensive experience, expertise and in-depth knowledge of industry. Majority of our senior management team have grown with our Company and have more than 15 years of experience with us. We believe that the industry knowledge and loyalty of our management and professionals provide us with a distinct competitive advantage.

#### ***Association with Sakthi Group***

We are part of "**Sakthi Group**" of companies based in Coimbatore, South India. The Sakthi Group is a well-known and reputed Industrial conglomerate having presence in finance, sugar, industrial alcohol, automobile distribution, auto components, dairy, co-generation, wind energy, transportation, IT Services, education, health care etc.

We benefit from the association with Sakthi Group as it provides us with a large pool of customers who believe and trust Sakthi Group.

## SUMMARY FINANCIAL INFORMATION

The following tables present an extract of Restated Financial Statements. The Restated Financial Statements should be read in conjunction with the examination report thereon issued by our Statutory Auditors and statement of significant accounting policies and notes to accounts on the Restated Financial Statements contained in the chapter titled “*Financial Statements*” beginning on page 221

### RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

(₹ Lakh)

Particulars	As at September 30, 2018	As at March 31,				
		2018	2017	2016	2015	2014
<b>EQUITY AND LIABILITIES</b>						
<b>Shareholders' Funds</b>						
Share Capital	6,500.00	6,137.45	6,050.00	6,050.00	6,057.25	6,000.00
Reserves and Surplus	10,873.90	10,790.14	10,332.43	9,309.83	9,106.57	8,294.01
	<b>17,373.90</b>	<b>16,927.59</b>	<b>16,382.43</b>	<b>15,359.83</b>	<b>15,163.82</b>	<b>14,294.01</b>
<b>Non-Current Liabilities</b>						
Long-Term Borrowings	40,457.25	45,749.87	59,222.37	44,248.98	32,988.20	16,379.84
Deferred Tax Liabilities (net)	131.28	244.56	424.79	588.67	664.39	923.48
	<b>40,588.53</b>	<b>45,994.43</b>	<b>59,647.16</b>	<b>44,837.65</b>	<b>33,652.59</b>	<b>17,303.32</b>
<b>Current Liabilities</b>						
Short-Term Borrowings	22,012.86	18,870.10	13,790.74	24,570.86	34,211.77	45,824.81
Other Current Liabilities	29,344.27	25,202.54	16,425.25	21,031.89	31,202.09	11,312.13
Short-Term Provisions	2,596.73	2,355.52	1,667.88	1,975.92	2,032.70	1,482.32
	<b>53,953.86</b>	<b>46,428.16</b>	<b>31,883.87</b>	<b>47,578.67</b>	<b>67,446.56</b>	<b>58,619.26</b>
<b>Total</b>	<b>111,916.29</b>	<b>109,350.18</b>	<b>107,913.46</b>	<b>107,776.15</b>	<b>116,262.97</b>	<b>90,216.59</b>
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
<i>Property, Plant and Equipment</i>						
- Tangible Assets	5,874.16	5,917.46	6,005.11	5,956.76	5,518.93	5,689.77
- Intangible Assets	388.42	359.00	462.83	577.26	328.63	319.59
- Capital Work-in-Progress	16.31	74.87	5.43	100.48	10.84	4.50
Non-Current Investments	2,667.39	2,566.44	2,604.90	2,236.35	2,093.92	1,296.14
Long-Term Loans and Advances	1,080.76	1,070.97	1,017.89	194.19	641.18	240.46
	<b>10,027.04</b>	<b>9,988.74</b>	<b>10,096.16</b>	<b>9,065.04</b>	<b>8,593.50</b>	<b>7,550.46</b>
<b>Current Assets</b>						
Current Investments	136.31	136.31	-	110.99	312.07	115.98
Stock on Hire	92,385.67	90,161.19	90,366.43	92,178.98	87,982.60	75,035.05
Trade Receivables	177.53	123.65	136.12	148.81	132.02	88.74
Cash and Bank Balances	5,943.55	5,202.88	3,566.42	3,751.17	14,244.16	3,030.83
Short-Term Loans and Advances	3,040.62	3,578.94	3,508.88	2,361.14	4,629.52	4,116.46
Other Current Assets	205.57	158.47	239.45	160.02	369.10	279.07
	<b>101,889.25</b>	<b>99,361.44</b>	<b>97,817.30</b>	<b>98,711.11</b>	<b>107,669.47</b>	<b>82,666.13</b>
<b>Total</b>	<b>111,916.29</b>	<b>109,350.18</b>	<b>107,913.46</b>	<b>107,776.15</b>	<b>116,262.97</b>	<b>90,216.59</b>

**RESTATED SUMMARY STATEMENT OF PROFIT AND LOSS**
**(₹ Lakh)**

Particulars	For half year ended September 30, 2018	For the year ended March 31,				
		2018	2017	2016	2015	2014
<b>Revenue from Operations</b>						
Income from Operations	8,032.09	16,597.86	16,781.20	16,802.56	14,678.99	13,183.32
Other Income	164.51	258.11	274.20	404.16	382.89	627.34
<b>Total Revenue from Operations</b>	<b>8,196.60</b>	<b>16855.97</b>	<b>17,055.40</b>	<b>17,206.72</b>	<b>15,061.88</b>	<b>13,810.66</b>
<b>Expenses</b>						
Employee Benefits Expense	1,079.54	2,373.06	2,084.86	1,933.09	1,772.77	1,701.00
Finance Costs	4,880.83	9,993.28	10,346.56	10,261.07	9,031.73	7,863.72
Depreciation and Amortization Expense	170.78	331.92	321.71	285.05	241.21	245.55
Other Expenses	827.69	1,652.67	1,579.18	1,479.99	1,319.69	1,178.45
Provisions and Write off	327.42	607.05	655.51	647.16	533.32	522.36
Contingent Provision against Standard Assets	2.00	44.04	31.90	52.45	34.20	20.92
<b>Total Expenses</b>	<b>7,288.25</b>	<b>15002.02</b>	<b>15,019.72</b>	<b>14,658.81</b>	<b>12,932.92</b>	<b>11,532.00</b>
<b>Profit before Exceptional and Extraordinary Items and Tax</b>	<b>908.34</b>	<b>1,853.95</b>	<b>2,035.68</b>	<b>2,547.91</b>	<b>2,128.96</b>	<b>2,278.66</b>
Exceptional Items	-	-	-	432.12	-	-
<b>Profit before Extraordinary Items and Tax</b>	<b>908.34</b>	<b>1,853.95</b>	<b>2,035.68</b>	<b>2,115.79</b>	<b>2,128.96</b>	<b>2,278.66</b>
Extraordinary Items			-	-	-	-
<b>Profit before Tax</b>	<b>908.34</b>	<b>1,853.95</b>	<b>2,035.68</b>	<b>2,115.79</b>	<b>2,128.96</b>	<b>2,278.66</b>
<b>Tax Expense:</b>	<b>221.80</b>	<b>661.32</b>	<b>435.98</b>	<b>787.36</b>	<b>544.32</b>	<b>862.93</b>
- Current Tax	335.08	839.28	599.84	863.07	806.18	780.17
- Deferred Tax	(113.28)	(180.23)	(163.88)	(75.71)	(259.09)	82.76
- Provision for Taxation- earlier years	-	2.27	0.02	-	(2.77)	-
<b>Profit for the year / half year ended</b>	<b>686.54</b>	<b>1,192.63</b>	<b>1,599.70</b>	<b>1,328.43</b>	<b>1,584.64</b>	<b>1,415.73</b>
<b>Surplus for the year carried to Balance Sheet</b>	<b>686.54</b>	<b>1,192.63</b>	<b>1,599.70</b>	<b>1,328.43</b>	<b>1,584.64</b>	<b>1,415.73</b>
<b>Earnings per Equity Share</b>						
Par Value per Equity Share (₹)	<b>10.00</b>	10.00	10.00	10.00	10.00	10.00
Basic (₹)	<b>1.24</b>	2.12	2.95	2.41	2.93	2.60
Diluted (₹)	<b>1.24</b>	2.12	2.95	2.41	2.93	2.60



**RESTATED CASH FLOW STATEMENT**

(₹ Lakh)

Particulars	For half year ended September 30, 2018	For the year ended March 31,				
		2018	2017	2016	2015	2014
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>						
Net profit before tax	908.34	1,853.95	2,035.68	2,115.79	2,128.96	2,278.66
Adjustments for:						
Add: Finance cost	4,880.83	9,993.28	10,346.56	10,261.07	9,031.73	7,863.72
Depreciation and Amortizations expense	170.78	331.92	321.71	285.05	241.21	245.55
Increase / (Decrease) in diminution in value of Investments	0.00	93.16	19.35	(129.92)	154.23	0.00
Increase / (Decrease) in provision against Non-Performing Assets	263.22	481.03	356.93	164.25	174.38	126.78
Increase / (Decrease) in provision against Standard Assets	2.00	44.04	31.90	52.45	34.20	20.92
Loss / (Profit) on sale of assets	(0.27)	0.36	0.00	431.56	0.00	(271.10)
Loss / (Profit) on sale and redemption of long term investments	0.00	0.00	0.00	0.00	(73.39)	1.40
Interest received	(426.77)	(795.91)	(596.80)	(581.65)	(673.75)	(477.65)
Dividend Received	0.00	0.00	0.00	(1.35)	(2.60)	(3.05)
Operating profit before working capital changes	5,798.13	12,001.83	12,515.33	12,597.25	11,014.97	9,785.23
Adjustments for (Increase) / Decrease in Operating Activities						
Stock on Hire	(2,224.48)	205.24	1,812.55	(4,196.38)	(12,947.55)	(5,759.47)
Trade receivables	(53.88)	12.47	12.69	(16.79)	(43.28)	284.00
Cash and Bank Balances	(269.22)	(986.86)	571.55	141.27	(537.79)	(509.73)
Short Term Loans and Advances	538.32	(70.06)	(1,120.36)	2,268.38	(709.74)	(2,178.23)
Long Term Loans and Advances	(9.79)	(53.08)	(851.08)	447.00	(400.72)	-
Other Current Assets	(47.10)	80.98	(79.43)	209.09	106.65	-
Other Current Liabilities	4117.71	8,846.71	(4,720.12)	(10,195.63)	19,939.79	3,307.33
Cash generated from operations	7,849.69	20,037.23	8,141.13	1,254.19	16,422.33	4,929.13
Finance costs	(4,880.82)	(9,993.28)	(10,346.56)	(10,261.07)	(9,031.73)	(7,863.72)
Direct taxes paid	(335.08)	(841.55)	(599.86)	(863.07)	(803.41)	676.00
Net cash from / (used in) Operating Activities (A)	2,633.79	9,202.40	(2,805.29)	(9,869.95)	6,587.19	(2,258.59)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>						
Capital Expenditure on Fixed Assets	(98.49)	(211.28)	(160.58)	(1,745.02)	(135.11)	(146.60)
Sale of fixed Assets	0.42	1.03	0.00	157.22	0.00	305.49
Purchase of Investments	(100.95)	(97.85)	(257.56)	58.65	(920.48)	(464.61)
Sale / redemption of Long Term Investments		0.00	0.00	0.00	0.00	176.00
Interest received	426.77	795.91	596.80	581.65	673.75	477.65
Dividend received		0.00	0.00	1.35	2.60	3.05
Net cash from / (used in) Investing Activities (B)	227.75	487.81	178.66	(946.15)	(379.24)	350.98
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from issue of Share Capital	362.55	87.45	0.00	(7.25)	57.25	-
NCD Public issue expenses transferred to Securities Premium Reserve		0.00	(450.72)	(302.70)	0.00	0.00
Increase / (Decrease) in Long Term Borrowings	(5,292.62)	(13,472.50)	14,972.44	11,263.54	16,608.36	0.00
Increase / (Decrease) in Short Term Borrowings	3,142.76	5,079.36	(10,780.12)	(9,640.91)	(11,613.04)	0.00
Proceeds from Long and Short Term		0.00	0.00	0.00	0.00	2,486.76

Borrowings						
Dividend and Tax on Dividend Paid	(602.78)	(734.92)	(728.17)	(848.30)	(584.98)	(701.97)
<b>Net Cash from/ (used in)Financing Activities (C)</b>	<b>(2,390.09)</b>	<b>(9,040.61)</b>	<b>3,013.43</b>	<b>464.38</b>	<b>4,467.59</b>	<b>1,784.79</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>471.45</b>	<b>649.60</b>	<b>386.80</b>	<b>(10,351.72)</b>	<b>10,675.54</b>	<b>(122.82)</b>
Cash and cash equivalents at the beginning of the period	<b>3,764.70</b>	<b>3,115.10</b>	<b>2,728.30</b>	<b>13,080.02</b>	<b>2,404.48</b>	<b>2,527.30</b>
Cash and cash equivalents at the end of the period	<b>4,236.15</b>	<b>3,764.70</b>	<b>3,115.10</b>	<b>2,728.30</b>	<b>13,080.02</b>	<b>2,404.48</b>
<b>Components of cash and cash equivalents at the end of the period:</b>						
Cash on hand	862.08	839.68	845.18	858.02	502.39	1,328.89
Balance with Banks						
- cheques, drafts on hand	2,291.34	2,070.60	1,652.03	1,065.84	1,063.24	766.64
- in current accounts	1,082.73	854.42	617.89	804.44	883.37	308.95
- in escrow accounts	0.00	0.00	0.00	0.00	10,631.02	0.00

## THE ISSUE

The following is a summary of the Issue. This summary should be read in conjunction with, and is qualified in its entirety by, more detailed information in the chapter titled “**Terms of the Issue**” beginning on page 136.

### COMMON TERMS FOR ALL OPTIONS OF NCDs\*

<b>Issuer</b>	Sakthi Finance Limited
<b>Lead Manager</b>	Dalmia Securities Private Limited
<b>Debenture Trustee</b>	Catalyst Trusteeship Limited
<b>Registrar to the Issue</b>	S.K.D.C Consultants Limited
<b>Issue</b>	Public issue by Sakthi Finance Limited of Secured Redeemable Non-Convertible Debentures and Unsecured Redeemable Non-Convertible Debentures of face value of ₹ 1,000 each, for an aggregate amount of up to ₹ 10,000 lakh as Base Issue with an option to retain over subscription up to ₹ 5,000 lakh, aggregating to ₹ 15,000 lakh. The Unsecured Redeemable Non-Convertible Debentures will be in the nature of subordinated debt and will be eligible for Tier II Capital. The Secured NCDs and Unsecured NCDs will be issued and allotted up to the Overall Issue Size either individually or collectively.
<b>Base Issue</b>	₹ 10,000 lakh
<b>Option to retain Over-subscription Amount</b>	Up to ₹ 5,000 lakh
<b>Overall Issue Size</b>	Up to ₹ 15,000 lakh
<b>Minimum Subscription</b>	₹ 7,500 lakh
<b>Type and Nature of instrument</b>	Secured NCDs and / or Unsecured NCDs of face value of ₹ 1,000/- each
<b>Mode of issue</b>	Public Issue
<b>Face Value (in ₹ / NCD)</b>	₹ 1,000.00
<b>Issue Price (in ₹ / NCD)</b>	₹ 1,000.00
<b>Minimum application size and in multiples of NCDs thereafter</b>	₹ 10,000 (10 NCDs) collectively across all options and in multiples of ₹ 1,000 (one NCD) thereafter across all options.
<b>Seniority</b>	The claims of the Secured NCD Holders shall be superior to the claims of any unsecured creditors including the Unsecured NCDs, subject to applicable statutory and/or regulatory requirements). The Secured NCDs would constitute secured obligations of ours and shall rank <i>pari passu inter se</i> , to the claims of other creditors of Company having same security. No security will be created for Unsecured NCDs, which are in the nature of Subordinated debt
<b>Stock Exchange proposed for listing of the NCDs</b>	BSE Limited (“BSE”). The NCDs shall be listed within 6 Working Days of Issue Closing Date. For more information, see “ <b>Other Regulatory and Statutory Disclosures – Listing</b> ” on page 179
<b>Mode of Allotment</b>	In dematerialised form only
<b>Mode of Trading**</b>	NCDs will be traded only in dematerialised form
<b>Trading Lot</b>	One NCD
<b>Depositories</b>	NSDL and CDSL
<b>Security</b>	<p>The principal amount of the Secured NCDs to be issued in terms of the Draft Prospectus together with all interest due on the Secured NCDs, as well as all costs, charges, all fees, remuneration of Debenture Trustee and expenses payable in respect thereof shall be secured by way of first and exclusive charge in favour of the Debenture Trustee on specific current assets, loans and advances, cash and bank balance, book debts and receivable (including hire purchase receivables), both present and future, and mortgage over an identified immovable property of our Company, as may be mutually agreed between our Company and the Debenture Trustee, to ensure 100% asset cover for the Secured NCDs plus interest accrued thereon, which shall be free from any encumbrances. Security will be created in accordance with the terms of the Debenture Trust Deed.</p> <p>For further details, please refer to the chapter titled “<b>Issue Structure-Security</b>” on page 130. No security will be created for Unsecured NCDs which are in the nature of Subordinated Debt</p>

## SPECIFIC TERMS AND CONDITIONS IN CONNECTION WITH EACH OPTION OF NCDs

The NCDs being issued are in the form of Secured / Unsecured, Redeemable, Non-Convertible Debentures of face value of ₹ 1,000 each. The principal terms of each option of NCDs are set out below:

Options	I <sup>#</sup>	II <sup>@</sup>	III	IV <sup>#</sup>	V <sup>@</sup>	VI	VII <sup>#</sup>	VIII <sup>@</sup>	IX	X <sup>#</sup>	XI <sup>@</sup>	XII
Frequency of interest payment	Mont hly	Annu ally	Cumu lative	Mont hly	Annu ally	Cumul ative	Month ly	Annually	Cumul ative	Monthly	Annual ly	Cumulat ive
Nature of Instruments	Secured NCD									Unsecured NCD		
Category of investor who can apply	All categories of Investors (I, II III and IV)											
Minimum application	₹10,000 (10 NCDs) (for all options of Unsecured NCDs, namely option X, option XI, option XII, either taken individually or collectively)											
In multiples of	₹ 1,000 (1 NCD) after minimum application											
Face value of Secured / Unsecured NCDs (₹)	₹1,000											
Issue Price (₹) Secured / Unsecured NCD)	₹1,000											
Tenor from Deemed Date of Allotment (in months)	24	24	24	36	36	36	48	48	48	61	61	61
Coupon (%) for all Category of Investor(s)	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]
Effective Yield (per annum) for all Category of Investor(s)	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]
Mode of interest payment*	Through various options available											
Amount (₹) Secured/ Unsecured NCD) on maturity for all Category of Investor(s) *	1,000	1,000	[.]	1,000	1,000	[.]	1,000	1,000	[.]	1,000	1,000	[.]
Maturity Date (from Deemed Date of Allotment) (in months)	24	24	24	36	36	36	48	48	48	61	61	61

<sup>#</sup> With respect to Options where interest is to be paid on a monthly basis, relevant interest will be calculated from the first day till the last date of every month during the tenor of such NCDs, and paid on the first day of every subsequent month. For the first interest payment for NCDs under the monthly options, interest from the Deemed Date of Allotment till the last day of the subsequent month will be clubbed and paid on the first day of the month next to that subsequent month.

<sup>@</sup> With respect to Options where interest is to be paid on an annual basis, the relevant interest will be calculated on quarterly compounding basis and will be paid on each anniversary of the Deemed Date of Allotment on the face value of the NCDs. The last interest payment under annual Options will be made at the time of redemption of the NCDs.

\* Subject to applicable tax deducted at source, if any

Please refer to Schedule A for details pertaining to the cash flows of the Company in accordance with the SEBI circular bearing number CIR/IMD/DF/18/2013 dated October 29, 2013

## CAPITAL STRUCTURE

### Details of share capital

The share capital of our Company as on December 31, 2018 is set out below:

Share capital	Amount (₹ lakh)
<b>Authorised share capital</b>	
7,00,00,000 Equity Shares of ₹ 10 each	7,000.00
30,00,000 Redeemable Cumulative Preference Shares of ₹ 100 each	3,000.00
<b>Total</b>	<b>10,000.00</b>
<b>Issued, subscribed and paid-up share capital</b>	
5,00,00,000 Equity Shares of ₹ 10 each	5,000.00
15,00,000 9% Redeemable Cumulative Preference Shares of ₹ 100 each	1,500.00
<b>Total</b>	<b>6,500.00</b>
<b>Securities premium</b>	<b>801.07</b>

The Issue will not result in any change in the paid up capital of our Company.

### Notes to capital structure

**1. Changes in the authorised share capital of our Company for the last five years preceding the date of this prospectus as on December 31, 2018**

The details of changes in the authorised share capital of our Company during the last five years as on December 31, 2018 are:

Date of shareholders meeting	Particulars of change	AGM / EGM
September 24, 2016	The authorised share capital of our Company was increased from ₹ 7,500 lakh divided into 5,50,00,000 equity shares of ₹ 10 each and 20,00,000 redeemable cumulative preference shares of ₹100 each to ₹10,000 lakh divided into 7,00,00,000 equity shares of ₹ 10 each and 30,00,000 redeemable cumulative preference shares of ₹ 100 each	AGM

**2. Equity Share capital history of our Company for the last five years preceding the date of this Draft Prospectus**

There has not been any change in issued, subscribed and paid-up equity share capital during the last five years from the date of this Draft Prospectus.

**3. Preference Share capital history of our Company for the last five years preceding the date of this Draft Prospectus**

*10% Redeemable Cumulative Preference Shares redeemable at par at the end of 3 years*

Date of allotment/ Redemption	No. of Preference Shares allotted/ (redeemed)	Face value (₹)	Issue/ (Redem- ption) price (₹)	Nature of consideration	Nature of allotment	Cumulative No. of Preference Shares	Cumulative Paid-up Preference Shares Capital (₹ lakh)	Cumulative Preference Shares Premium (₹ lakh)
<b>Opening Balance as on April 1, 2014</b>						10,00,000	1,000.00	-
March 27, 2015	4,29,550	100	100	Cash	Private Placement	14,29,550	1,429.55	-
March 30, 2015	3,18,000	100	100	Cash	Private Placement	17,47,550	1,747.55	-
March 31, 2015	(6,90,300)	100	(100)	Cash	NA	10,57,250	1,057.25	-
April 25, 2015	(1,71,250)	100	(100)	Cash	NA	8,86,000	886.00	-
May 18, 2015	2,07,000	100	100	Cash	Private Placement	10,93,000	1,093.00	-
June 16, 2015	32,500	100	100	Cash	Private Placement	11,25,500	1,125.50	-
July 06, 2015	23,000	100	100	Cash	Private Placement	11,48,500	1,148.50	-
July 06, 2015	(1,20,700)	100	(100)	Cash	NA	10,27,800	1,027.80	-
August 31, 2015	21,100	100	100	Cash	Private	10,48,900	1,048.90	-

Date of allotment/ Redemption	No. of Preference Shares allotted/ (redeemed)	Face value (₹)	Issue/ (Redem ption) price (₹)	Nature of consideration	Nature of allotment	Cumulative No. of Preference Shares	Cumulative Paid-up Preference Shares Capital (₹ lakh)	Cumulative Preference Shares Premium (₹ lakh)
					Placement			
September 07, 2015	(17,750)	100	(100)	Cash	NA	10,31,150	1,031.15	-
September 25, 2015	18,850	100	100	Cash	Private Placement	10,50,000	1,050.00	-
March 27, 2018	(4,29,550)	100	100	Cash	NA	620,450	620.45	-
March 30, 2018	(3,18,000)	100	100	Cash	NA	302,450	302.45	-
May 18, 2018	(2,07,000)	100	100	Cash	NA	95,450	95.45	-
June 16, 2018	(32,500)	100	100	Cash	NA	62,950	62.95	-
July 06, 2018	(23,000)	100	100	Cash	NA	39,950	39.95	-
August 31, 2018	(21,100)	100	100	Cash	NA	18,850	18.85	-
September 25, 2018	(18,850)	100	100	Cash	NA	NIL	NIL	-

**9% Redeemable Cumulative Preference Shares redeemable at par at the end of 3 years**

Date of allotment/ Redemption	No. of Preference Shares allotted/ (redeemed)	Face value (₹)	Issue/ (Redem ption) price (₹)	Nature of consideration	Nature of allotment	Cumulative No. of Preference Shares	Cumulative Paid-up Preference Shares Capital (₹ lakh)	Cumulative Preference Shares Premium (₹ lakh)
March 1, 2018	8,35,000	100	100	Cash	Private Placement	8,35,000	835.00	-
April 20, 2018	6,65,000	100	100	Cash	Private Placement	1,50,000	1500.00	-

*The above allotments of Redeemable Cumulative Preference Shares made to persons other than promoters and promoter group of the Company.*

**4. Equity Shares / Preference Shares issued by our Company for a consideration other than cash**

Our Company has not issued any Equity Shares/ Preference Shares for a consideration other than cash.

**5. Details of any acquisition or amalgamation in the last one year**

Our Company has not made any acquisition or amalgamation in the last one year.

**6. Details of any reorganization/ reconstruction in the last one year**

Our Company has not made any reorganization/ reconstruction in the last one year.

7. There is no instance of purchase or selling of any securities of our Company by (a) the member of promoters and promoter group; (b) the directors of company who are promoters of our Company; and (c) the Directors of our Company and their relatives, within six months immediately preceding the date of filing the Draft Prospectus.

8. Our Company does not have any outstanding borrowings taken / debt securities issued where taken/issued (i) for consideration other than cash, whether in whole or part, (ii) at a premium or discount, or (iii) in pursuance of an option.

9. Our Company does not have any employee stock option scheme.

10. Our Company does not have any outstanding warrants as on date of this Draft Prospectus.

**11. Shareholding pattern of our Company as on December 31, 2018**

Sl No	Category of shareholder	Nos. of share-holders	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	No. of shares under lying Depository Receipts	Total no of shares held	Share holding as a % of total no. of shares (calcul - ated as per SCRR, 1957) As a % of (A+B+C2)	Number of Voting Rights held in each class of securities (IX)				No. of Shares Under lying Outstanding convertible security ties (inclu ding Warrants)	Shareholding , as a % assuming full conversion of convertible securities ( as a percentage of diluted share capital)	Number of Locked in shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
								No of Voting rights			Total as a % of (A+B+ C)			No.		As a % of total Shares held		
								Class: Equity	Class: NA	Total								
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)= (IV)+(V)+(VI)	(VIII)	(IX)				(X)	(XI)= (VII)+(X) As a % of (A+B+C2)	(XII)		(XIII)		(XIV)
A	Promoter & Promoter Group *	18	32107125	0	0	32107125	64.21	32107125	0	32107125	64.21	NA	64.21	0	0.00	0	NA	32107125
B	Public	11114	17892875	0	0	17892875	35.79	17892875	0	17892875	35.79	NA	35.79	0	0.00	0	NA	11223335
C	Non Promoter Non Public	0	0	0	0	0	0.00	0	0	0	0.00	NA	0	0	0.00	0	NA	0
C1	Shares Underlying DRs	0	0	0	0	0	0.00	0	0	0	0.00	NA	0	0	0.00	0	NA	0
C2	Shares held by Employees Trust	0	0	0	0	0	0.00	0	0	0	0.00	NA	0	0	0.00	0	NA	0
	<b>Total (A+B+C)</b>	11132	50000000	0	0	50000000	100	50000000	0	50000000	100	NA	100	0	0.00	0	NA	43330460

**12.Shareholding pattern of the Promoter and Promoter Group as on December 31, 2018**

Sl No	Category of shareholder	Nos. of share-holders	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	No. of shares under lying Depository Receipts	Total nos. shares held	Share holding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2)	Number of Voting Rights held in each class of securities (IX)				No. of Shares Underlying Outstanding convertible securities (including Warrants)	Shareholding , as a % assuming full conversion of convertible securities ( as a percentage of diluted share capital)	Number of Locked in shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
								No of Voting rights			Total as a % of (A+B+ C)			No. (a)	As a % of total Shares held (b)	No. (a)	As a % of total Shares held (b)	
								Class: Equity	Class: NA	Total								
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)= (IV)+(V)+(VI)	(VIII)	(IX)				(X)	(XI)= (VII)+(X) As a % of (A+B+C2)	(XII)		(XIII)		(XIV)
(1)	Indian																	
(a)	Individuals/ HUF	4	543668	0	0	543668	1.09	543668	0	543668	1.09	NA	1.09	0	0.00	0	NA	543668
	Dr. M Manickam	1	92813	0	0	92813	0.19	92813	0	92813	0.19	NA	0.19	0	0.00	0	NA	92813
	Sri M Balasubramaniam	1	192000	0	0	192000	0.38	192000	0	192000	0.38	NA	0.38	0	0.00	0	NA	192000
	Karunambal Vanavarayar	1	7500	0	0	7500	0.02	7500	0	7500	0.02	NA	0.02	0	0.00	0	NA	7500
	Sri M Srinivaasan	1	251355	0	0	251355	0.50	251355	0	251355	0.50	NA	0.50	0	0.00	0	NA	251355
(b)	Central / State Govt.	0	0	0	0	0	0.00	0	0	0	0.00	NA	0.00	0	0.00	0	NA	0
(c)	FI/ Banks	0	0	0	0	0	0.00	0	0	0	0.00	NA	0.00	0	0.00	0	NA	0
(d)	Any Other (specify)	14	31563457	0	0	31563457	63.13	31563457		31563457	63.13	NA	63.13	0	0.00	0	NA	31563457
	ABT Industries Ltd.	1	919926	0	0	919926	1.84	919926	0	919926	1.84	NA	1.84	0	0.00	0	NA	919926
	ABT Finance Ltd.	1	131162	0	0	131162	0.26	131162	0	131162	0.26	NA	0.26	0	0.00	0	NA	131162
	ABT Foundation Ltd.	1	2475000	0	0	2475000	4.95	2475000	0	2475000	4.95	NA	4.95	0	0.00	0	NA	2475000
	ABT Investments (India) Pvt. Ltd.	1	8727400	0	0	8727400	17.45	8727400	0	8727400	17.45	NA	17.45	0	0.00	0	NA	8727400
	Sakthi Finance Financial Services Ltd.	1	8110000	0	0	8110000	16.22	8110000	0	8110000	16.22	NA	16.22	0	0.00	0	NA	8110000
	Sakthi Realty Holdings Ltd.	1	2475000	0	0	2475000	4.95	2475000	0	2475000	4.95	NA	4.95	0	0.00	0	NA	2475000
	Sri Chamundeswari Sugars Ltd.	1	24000	0	0	24000	0.05	24000	0	24000	0.05	NA	0.05	0	0.00	0	NA	24000
	Sakthi Sugars Ltd.	1	1040000	0	0	1040000	2.08	1040000	0	1040000	2.08	NA	2.08	0	0.00	0	NA	1040000
	Sakthi Logistic Services Ltd.	1	5700	0	0	5700	0.01	5700	0	5700	0.01	NA	0.01	0	0.00	0	NA	5700
	Sakthi Financial Services (Cochin) Private Ltd.	1	3411246	0	0	3411246	6.82	3411246	0	3411246	6.82	NA	6.82	0	0.00	0	NA	3411246
	Sri Sakthi Textiles Ltd.	1	7000	0	0	7000	0.01	7000	0	7000	0.01	NA	0.01	0	0.00	0	NA	7000
	The Gounder and Company Auto Ltd.	1	3925000	0	0	3925000	7.85	3925000	0	3925000	7.85	NA	7.85	0	0.00	0	NA	3925000



Sl No	Category of shareholder	Nos. of share-holders	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	No. of shares under lying Depository Receipts	Total nos. shares held	Share holding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2)	Number of Voting Rights held in each class of securities (IX)				No. of Shares Underlying Outstanding convertible securities (including Warrants)	Shareholding , as a % assuming full conversion of convertible securities ( as a percentage of diluted share capital)	Number of Locked in shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
								No of Voting rights			Total as a % of (A+B+ C)			No.	As a % of total Shares held (b)	No.	As a % of total Shares held (b)	
								Class: Equity	Class: NA	Total								
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)= (IV)+(V)	(VIII)	(IX)				(X)	(XI)= (VII)+(X) As a % of (A+B+C2)	(XII)		(XIII)		(XIV)
	Estate of Late Dr. N Mahalingam	1	276023	0	0	276023	0.55	276023	0	276023	0.55	NA	0.55	0	0.00	0	NA	276023
	Estate of late Mrs. M Mariammal	1	36000	0	0	36000	0.07	36000	0	36000	0.07	NA	0.07	0	0.00	0	NA	36000
	<b>Sub Total 1</b>	<b>18</b>	<b>32107125</b>	<b>0</b>	<b>0</b>	<b>32107125</b>	<b>64.21</b>	<b>32107125</b>		<b>32107125</b>	<b>64.21</b>	<b>NA</b>	<b>64.21</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	NA	<b>32107125</b>
	Foreign	0	0	0	0	0	0.00	0	0	0	0.00	NA	0.00	0	0.00	0	NA	0
	Individuals (Non-resident individuals/ Foreign Individuals)	0	0	0	0	0	0.00	0	0	0	0.00	NA	0.00	0	0.00	0	NA	0
	Government	0	0	0	0	0	0.00	0	0	0	0.00	NA	0.00	0	0.00	0	NA	0
	Institutions	0	0	0	0	0	0.00	0	0	0	0.00	NA	0.00	0	0.00	0	NA	0
	Foreign Portfolio Investor	0	0	0	0	0	0.00	0	0	0	0.00	NA	0.00	0	0.00	0	NA	0
	Any Other (specify)	0	0	0	0	0	0.00	0	0	0	0.00	NA	0.00	0	0.00	0	NA	0
	<b>Sub Total 2</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>NA</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	NA	<b>0</b>
	<b>Total Shareholding of Promoter and Promoter Group (1) + (2)</b>	<b>18</b>	<b>32107125</b>	<b>0</b>	<b>0</b>	<b>32107125</b>	<b>64.21</b>	<b>32107125</b>		<b>32107125</b>	<b>64.21</b>	<b>NA</b>	<b>64.21</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>NA</b>	<b>32107125</b>

### 13. PUBLIC SHAREHOLDING PATTERN

Sl No	Category of shareholder	Nos. of share-holders	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	No. of shares underlying Depository Receipts	Total nos. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2)	Number of Voting Rights held in each class of securities (IX)				No. of Shares Underlying Outstanding convertible securities (including Warrants)	Shareholding , as a % assuming full conversion of convertible securities ( as a percentage of diluted share capital)	Number of Locked in shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
								No of Voting rights			Total as a % of (A+B+ C)			No. (a)	As a % of total Shares held (b)	No. (a)	As a % of total Shares held (b)	
								Class: Equity	Class: NA	Total								
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)= (IV)+(V)+(VI)	(VIII)	(IX)				(X)	(XI)= (VII)+(X) As a % of (A+B+C2)	(XII)		(XIII)		(XIV)
1)	Institutions																	
(a)	Mutual Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(b)	Venture Capital Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(c)	Alternate Investment Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(d)	Foreign Venture Capital Investors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(e)	Foreign Portfolio Investors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(f)	Financial Institutions / Banks	2	900	-	-	900	0.00	900	-	900	0.00	NA	0.00	0	0.00	0.00	0.00	0
(g)	Insurances Companies	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(h)	Provident Funds / Pension Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(i)	Any Other (Specify)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Sub-Total(B)(I)	2	900	-	-	900	0.00	900	-	900	0.00	NA	0.00	0	0.00	0.00	0.00	0
2)	Central Government(s)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3)	Non Institutions																	
(a)	Individuals - (i) Individual shareholders holding nominal	10810	3816561	-	-	3816561	7.63	3816561	-	3816561	7.63	NA	7.63	0	0.00	0.00	0.00	2782323

SI No	Category of shareholder	Nos. of share-holders	No. of fully paid up equity shares held	No. of Partly paid-up equity shares held	No. of shares underlying Depository Receipts	Total nos. shares held	Shareholding as a % of total no. of shares (calculated as per SCRR, 1957) As a % of (A+B+C2)	Number of Voting Rights held in each class of securities (IX)				No. of Shares Underlying Outstanding convertible securities (including Warrants)	Shareholding , as a % assuming full conversion of convertible securities ( as a percentage of diluted share capital)	Number of Locked in shares		Number of Shares pledged or otherwise encumbered		Number of equity shares held in dematerialized form
								No of Voting rights			Total as a % of (A+B+ C)			No. (a)	As a % of total Shares held (b)	No. (a)	As a % of total Shares held (b)	
								Class: Equity	Class: NA	Total								
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)= (IV)+(V)+(VI)	(VIII)	(IX)				(X)	(XI)= (VII)+(X) As a % of (A+B+C2)	(XII)		(XIII)		(XIV)
	share capital up to ₹ 2 lakhs,																	
(b)	ii)Individual shareholders holding nominal share capital in excess of ₹ 2 lakhs	17	1110495	-	-	1110495	2.22	1110495	-	1110495	2.22	NA	2.22	0	0.00	0.00	0.00	867345
(c)	NBFCs registered with RBI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(d)	Employee Trust	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(e)	Overseas Depositories (holding DRs) (balancing figure)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(f)	Any Other Specify	285	12964919	-	-	12964919	25.93	12964919	-	12964919	25.93	NA	25.93	0	0.00	0.00	0.00	7573667
	Sub Total (B)(3)	11112	17891975	-	-	17891975	35.78	17891975	-	17891975	35.78	NA	35.78	0	0.00	0.00	0.00	11223335
	Total Public Shareholding (B) = (B)(1)+(B)(2)+(B)(3)	11114	17892875	-	-	17892875	35.79	17892875	-	17892875	35.79	NA	35.79	0	0.00	0.00	0.00	11223335

**14. Top ten equity shareholders of our Company as on December 31, 2018**

Sl No	Name of shareholder	No. of Equity Shares of face value of ₹ 10 each	No of Equity shares in dematerialized form	Total shareholding as a % of total no of equity shares
1	ABT Investments (India) Private Limited	8727400	8727400	17.455
2	Sakthifinance Financial Services Limited	8110000	8110000	16.220
3	Avdhoot Finance and Investment Private Limited	5624208	5624208	11.248
4	Bridgewater Investment Corporation Limited.	4450000	4450000	8.900
5	The Gounder and Company Auto Limited	3925000	3925000	7.850
6	Sakthi Financial Services (Cochin) Private Limited	3411246	3411246	6.822
7	Sakthi Realty Holdings Limited	2475000	2475000	4.950
8	ABT Foundation Limited	2475000	2475000	4.950
9	Sakthi Management Services (Coimbatore) Limited	1135434	1134594	2.269
10	Sakthi Sugars Limited	1040000	1040000	2.080
	<b>Total</b>	<b>41372448</b>	<b>41372448</b>	<b>82.744</b>

**15. Top ten preference shareholders of our Company as on December 31, 2018**

Sl No	Name of Shareholder	No. of Preference Shares of face value of ₹ 100 each	Total shareholding as a % of total no of Preference Shares
1	S Natarajan	70000	4.667
2	S Kalidhas	50000	3.333
3	Karpakavalli K	50000	3.333
4	Gayatri Kumar Hariharan	44000	2.933
5	R Ramachandran	41000	2.733
6	R Lalitha	26000	1.733
7	Padma Natarajan	20000	1.333
8	R Padma	15000	1.000
9	M Nalayani	14000	0.933
10	S Umamaheswari	12000	0.800
	<b>Total</b>	<b>342000</b>	<b>22.798</b>

**16. Top ten holders of Secured Redeemable Non-Convertible Debentures as on December 31, 2018**

**(a) Unlisted Secured Redeemable Non- Convertible Debentures (₹ 1 each) issued on private placement basis (retail)**

Sl No	Name of debenture holder	Aggregate Amount (₹ lakh)
1	Manoharan P	450.00
2	Jansi Rani Ramaswamy	203.00
3	Jayanth Balakrishna	146.50
4	Jayashree Jayanth	146.50
5	Eswaramurthy K	100.00
6	Geetha Balachander	100.00
7	Natarajan S	70.00
8	Neelaveni S	65.00
9	Brahmavidyanayaki K	60.00
10	Pavithra R	56.00
	<b>Total</b>	<b>1397.00</b>

**(b) Unlisted Secured Redeemable Non- Convertible Debentures (₹ 1,000 each) issued on private placement basis**

Sl No	Name of debenture holder	Aggregate Amount (₹ lakh)
1	Suganthi M	225.00
2	Raghupathy Swaminathan	125.00
3	Natarajan S	100.00
4	Brinda Magalingam	80.00
5	Ramaswamy M	80.00
6	Jansi Rani Ramaswamy	77.00
7	Mullai R	75.00
8	Sudhir V V	71.00
9	Tarla H Malani	70.00
10	Thiruvvasagam P	70.00
	<b>Total</b>	<b>973.00</b>

**(c) Listed Secured Redeemable Non-Convertible Debentures: Public Issue 2015**

SI No	Name of debenture holder	Aggregate Amount (₹ lakh)
1	Ganesan K	50.00
2	Muralidharan V	36.00
3	K.R. Thangavelu	31.60
4	A Kumaravelu	30.30
5	R Ramachandran	25.00
6	Srividya	25.00
7	Minor V R Sowmiyaa	20.50
8	V Thilagavathi	17.00
9	Jothi Bai E	17.00
10	Kala Rao	15.00
<b>Total</b>		<b>267.40</b>

**(d) Listed Secured Redeemable Non-Convertible Debentures: Public Issue 2016**

SI No	Name of debenture holder	Aggregate Amount (₹ lakh)
1	Eswaramurthy K	100.00
2	Jansi Rani Ramaswamy	72.00
3	Raghupathy Swaminathan	60.00
4	Hariharan Gayatri Kumar	54.00
5	Sockalingam Kalidhas	50.00
6	Kumaravelu A	35.00
7	Trichi Chandrasekara Muthukalyani	31.00
8	Sridharan R	30.00
9	Revathy Swaminathan	30.00
10	Devaraj Soundararajan	30.00
<b>Total</b>		<b>492.00</b>

**17. Top ten holders of privately placed Subordinated Debt (I) instrument as on December 31, 2018**

SI No	Name of debt instrument holder	Aggregate Amount (₹ lakh)
1	Nirmala Devi J	17.38
2	Rajasekar K.	16.56
3	Srividya Rammohan	15.00
4	Vignesh S	15.00
5	Karthika S	15.00
6	Baskaran D (HUF)	15.00
7	Mullai R	12.50
8	Swaminathan Vasudevan	12.00
9	R V Subramanian	12.00
10	Swathanthra Ramaiah	12.00
<b>Total</b>		<b>143.44</b>

**18. Top ten holders of privately placed Subordinated Debt (II) instrument as on December 31, 2018**

SI No	Name of debt instrument holder	Aggregate Amount (₹ lakh)
1	Mohanlingam T.S	25.00
2	Selvaganapathy R	25.00
3	Rama S	21.00
4	Muthukumar G	20.00
5	Suseela P	20.00
6	Sumathi V	19.00
7	Mrs.B.Anupama	19.00
8	Sayee Nagavadeivel R	15.00
9	Ramakrishnan N	15.00
10	Vijayarahini Venugopal	15.00
<b>Total</b>		<b>194.00</b>

## 19. Debt-equity ratio:

The debt-equity ratio of our Company, prior to the Issue is based on a total outstanding debt of ₹ 90,669.06 lakh and shareholder funds amounting to ₹ 15,616.38 lakh as at September 30, 2018.

(₹Lakh)

Particulars	Prior to the Issue (as on September 30, 2018)	Post Issue
<b>Debt:</b>		
Short Term Debt	50211.81	50211.81
Long Term Debt	40457.25	55457.25
<b>Total Debt (A)</b>	<b>90669.06</b>	<b>105669.06</b>
<b>Shareholders' Funds:</b>		
Share Capital	6500.00	6500.00
Reserves and Surplus less Revaluation Reserve	9116.38	9116.38
<b>Total Shareholders' Funds (B)</b>	<b>15616.38</b>	<b>15616.38</b>
<b>Long Term Debt to Equity Ratio (Number of times)</b>	<b>2.59</b>	<b>3.55</b>
<b>Debt Equity Ratio (Number of times) (A/B)</b>	<b>5.81</b>	<b>6.77</b>

Notes:

- (1) Short term debt also includes;
  - a) Interest accrued on debentures, deposits, subordinated debts and cash credit
  - b) Current maturity of long term debt
  - c) Unclaimed deposits debentures and sub-ordinated debt
- (2) The long term debt also includes interest accrued on debentures, deposits, and subordinated Debts.
- (3) The debt-equity ratio and long term debt to Equity Ratio, post issue is indicative and is on account of assumed inflow of ₹ 15,000 lakh from the proposed Issue as at March 31, 2019. The actual debt-equity ratio/ Long Term Debt to Equity Ratio post issue would depend upon the actual position of debt and equity on the date of allotment.

*For details of the outstanding borrowings of our Company, please refer the chapter titled “Financial Indebtedness” on page 120*

## OBJECTS OF THE ISSUE

### ISSUE PROCEEDS

Our company proposes to make a public issue of secured redeemable non-convertible debentures and unsecured redeemable non-convertible debentures of face value of ₹ 1,000 each for an aggregate amount up to ₹ 10,000 lakh as base issue with an option to retain over subscription up to ₹ 5,000 lakh, aggregating up to ₹ 15,000 lakh. The unsecured redeemable non-convertible debentures will be in the nature of subordinated debt and will be eligible for Tier II Capital.

The issue is being made pursuant to the provisions of the SEBI Debt Regulations, the Companies Act and rules made thereunder as amended to the extent notified. The details of the Net Proceeds are set out in the following table:

Particulars	Estimated Amount (₹ lakh)
Gross Issue Proceeds	15,000
*Less: Issue related expenses	[●]
Net Issue Proceeds after deducting the Issue related expenses	[●]

*\*The above Issue related expenses are indicative and are subject to change depending on the actual level of subscription to the Issue, the number of allottees, market conditions and other relevant factors.*

The Net Proceeds raised through this Issue will be utilized for following purposes in the ratio provided as below:

Sl No	Objects of the fresh issue	(%) of amount proposed to be financed from Net Issue proceeds
1	For the purpose of on-ward lending, financing and for repayment/prepayment of principal and interest of existing borrowings (including redemption of NCDs which would become due for redemption) of the Company	at least 75
2	For general corporate purposes*	Up to 25

*\* The Net Proceeds will be first utilized towards the objects mentioned above. The balance is proposed to be utilized for general corporate purposes, subject to such utilization not exceeding 25% of the amount raised in the Issue, in compliance with the Debt Regulations*

The objects clause of the Memorandum of Association of our Company permits our Company to undertake its existing activities as well as the activities for which the funds are being raised through this Issue.

#### Details of use of proceeds

#### I. For the purpose of on-ward lending, financing, and for repayment/ prepayment of interest and principal of existing borrowings of the Company (including redemption of NCDs outstanding which would become due for redemption)

We are an Asset Finance Company- Deposit-taking, with activities such as acceptance of deposits, issuance of non-convertible debentures (both Private Placement and Public Issues), hire purchase financing of commercial vehicles, machinery *etc.* with its main focus on financing of pre-owned commercial vehicles. The Net Issue Proceeds from this Issue will be utilized for the on-ward lending for hire purchase financing / other lending activities of the Company and for repayment of principal and payment of interest on existing borrowings of the Company.

#### II. General corporate purposes

Our Company may use a part of proceeds of the Issue for general corporate purposes including strategic initiatives, brand building exercises, strengthening of our marketing capabilities and meeting exigencies, which our Company in the ordinary course of business may face, or any other purposes as approved by our Board. Further, the total amount earmarked for "**General Corporate Purposes**", shall not exceed 25% of the amount raised by our Company through this Issue.

#### III. Issue Expenses

The total issue expenses payable by our Company are estimated at ₹ [●] lakh and the entire costs would be financed from issue proceeds. The Issue expenses consists of fees payable to the Lead Manager, Registrar, Legal Counsel to the Issue, Bankers, Statutory Auditor, printing and stationery, advertising and marketing, listing fees and other expenses. For further information on Issue Expenses, please refer to chapter titled "**Other Regulatory and Statutory Disclosures**" on page 179 of this Draft Prospectus.

#### Funding plan

NA

**Summary of the project appraisal report**

NA

**Schedule of implementation of the project**

NA

**Interim use of proceeds**

Subject to applicable law, the management of our Company, in accordance with the policies formulated by it from time to time, will have flexibility in deploying the proceeds received from the Issue. Pending utilisation for the purposes described above, we intend to temporarily invest the funds in high quality interest earning liquid instruments including deposits with banks and investments in liquid (not equity) mutual funds or temporarily deploy the funds in investment grade interest-earning securities, as may be approved by the Board, and/or any duly constituted committee of Directors of our Company, as the case may be. Such investments would be in accordance with the investment policies approved by our Board from time to time.

**Monitoring of utilization of funds**

There is no requirement for appointment of a monitoring agency in terms of the Debt Regulations. The Board of Directors shall monitor the utilisation of the proceeds of the Issue. Our Company will disclose in our Company's financial statements for the relevant financial year, the utilisation of the proceeds of the Issue under a separate head along with details, if any, in relation to all such proceeds of the Issue that have not been utilised thereby also indicating investments, if any, of such unutilised proceeds of the Issue.

**Other Confirmation**

In accordance with the Debt Regulations, our Company will not utilise the proceeds of the Issue for providing loans to or for acquisitions of shares of any person who is a part of the same group as our Company or who is under the same management of our Company.

The Issue proceeds shall not be utilized towards full or part consideration for the purchase or any other acquisition, *inter alia*, by way of a lease, of any property. The Issue proceeds shall not be used for buying, trading or otherwise dealing in equity shares of any other listed company.

No part of the proceeds from this Issue will be paid by us as consideration to our promoters and person in control of our Company, our Directors, key managerial personnel, or companies promoted by our promoters except in the ordinary course of business.

Our Company confirms that it will not use the proceeds of the Issue for the purchase of any business or in the purchase of any interest in any business whereby our Company shall become entitled to the capital or profit or losses or both in such business exceeding 50% thereof, directly or indirectly in the acquisition of any immovable property or acquisition of securities of any other body corporate.

Further, our Company undertakes that Issue proceeds, if any, from NCDs allotted to banks, shall not be used for any purpose, which may be in contravention of the RBI guidelines on bank financing to NBFCs including those relating to classification as capital market exposure or any other sectors that are prohibited under the RBI regulations.

**Variation in terms of contract or objects**

The Company shall not, in terms of Section 27 of the Companies Act, 2013, at any time, vary the terms of the objects for which this Draft Prospectus is issued, except as may be prescribed under the applicable laws and under Section 27 of the Companies Act, 2013.



## STATEMENT OF TAX BENEFITS

**P. K. Nagarajan & Co.**  
Chartered Accountants

No. 33, Desabandhu Street  
Ramnagar, Coimbatore - 641 009  
E-mail : pknagarajanandco@gmail.com  
Mobile : +91 93829 75577

Ref. No. : \_\_\_\_\_

Date : \_\_\_\_\_

### STATEMENT OF TAX BENEFITS

To  
Board of Directors  
Sakthi Finance Limited  
62, Dr. Nanjappa Road  
Post Box No. 3745  
Coimbatore 641 018, Tamil Nadu.

Dear Sirs,

Sub: Statement of Possible Tax Benefits available to the debenture holders of Sakthi Finance Limited ("the company") in connection with the proposed Public Issue of Secured Redeemable Non-Convertible Debentures and Unsecured Redeemable Non-Convertible Debentures ("NCDs") of face value of Rs. 1,000 each for base issue up to Rs.100 Crore with an option to retain over-subscription up to Rs. 50 Crore, aggregating to Rs. 150 Crore ("Issue").

We, M/s P.K.Nagarajan & Co., (ICAI Reg. No.016676S ), Coimbatore, hereby report that the enclosed statement states the possible tax benefits available to the Debenture holders of the Company under the Income-tax Act,1961 presently in force in India. Several of these benefits are dependent on the Company or its Debenture holders fulfilling the conditions prescribed under the relevant provisions of the statute. Hence, the ability of its Debenture holders to derive the tax benefits is dependent upon fulfillment of such conditions, which based on business imperatives, the Company faces in the future, the company and its debenture holders may or may not choose to fulfill.

We are informed that the debentures of the Company will be listed on a recognized stock exchange in India. The Statement has been prepared on that basis.

The benefits discussed in the enclosed statement are not exhaustive. This statement is only intended to provide general information to the investors and is neither designed nor intended to be a substitute for professional tax advice. In view of the individual nature of the tax consequences and the changing tax laws, each investor is advised to consult his or her own tax consultant with respect to the specific tax implications arising out of their participation in the issue.

We do not express any opinion or provide any assurance as to whether:

- (i) the Company or its Debenture holders will continue to obtain these benefits in future; or
- (ii) the conditions prescribed for availing the benefits have been/would be met with.



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#### Pune Branch Address

559, A6 Flat No. 18 Poonam Terrace, Maharshi Nagar, Pune PIN Code - 411 037  
Mobile : +91 94204 81028 E-mail : rpkanalia@gmail.com

**P. K. Nagarajan & Co.**  
Chartered Accountants


No. 33, Desabandhu Street  
Ramnagar, Coimbatore - 641 009  
E-mail : pknagarajanandco@gmail.com  
Mobile : +91 93829 75577

Ref. No. : \_\_\_\_\_

Date : \_\_\_\_\_

The contents of the enclosed statement are based on information, explanations and representations obtained from the Company and on the basis of our understanding of the business activities and operations of the Company.

For P.K. Nagarajan & Co.,  
Chartered Accountants  
Firm Regn. No.: 016676S

  
CA P. K. Nagarajan  
Partner

Membership Number: 025679  
Place : Coimbatore  
Date : 12/01/2019

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**■ Pune Branch Address ■**

559, A6 Flat No. 18 Poonam Terrace, Maharshi Nagar, Pune PIN Code - 411 037  
Mobile : +91 94204 81028 E-mail : rpkanalia@gmail.com

Ref. No. : \_\_\_\_\_

Date : \_\_\_\_\_

**STATEMENT OF POSSIBLE TAX BENEFITS AVAILABLE TO THE DEBENTURE HOLDER(S)**

Under the existing provisions of law, the following tax benefits, *inter alia*, will be available to the Debenture Holder(s). The tax benefits are given as per the prevailing tax laws and may vary from time to time in accordance with amendments to the law or enactments thereto including retrospective amendments or enactments. The information given below lists out the possible benefits available to the Debenture Holder(s) of an Indian company in which public are substantially interested, in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the subscription, ownership and disposal of the debenture.

The Debenture Holder is advised to consider in his own case, the tax implications in respect of subscription to the Debentures after consulting his tax advisor as alternate views are possible. We are not liable to the Debenture Holder in any manner for placing reliance upon the contents of this statement of tax benefits.

**A. IMPLICATIONS UNDER THE INCOME TAX ACT, 1961 ('INCOME TAX ACT')**

***1. To the Resident Debenture Holder***

**Interest Income**

1. Interest on NCD received by Debenture Holder(s) would be subject to tax at the normal rates of tax in accordance with and subject to the provisions of the Income Tax Act and such tax would need to be withheld at the time of credit/payment as per the provisions of Section 193 of the Income Tax Act. However, no income tax is deductible at source in respect of the following:

- a. On any security issued by a company in a dematerialized form and is listed on recognized stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 and the rules made thereunder (*w.e.f.* 01.06.2008).
- b. In case the payment of interest on debentures to a resident individual or a Hindu Undivided Family ('HUF'), Debenture Holder does not or is not likely to exceed ₹ 5,000 in the aggregate during the Financial Year and the interest is paid by an account payee cheque.
- c. When the Assessing Officer issues a certificate on an application by a Debenture Holder on satisfaction that the total income of the Debenture Holder justifies no/lower deduction of tax at source as per the provisions of Section 197(1) of the Income Tax Act; and that certificate is filed with the Company before the prescribed date of closure of books for payment of debenture interest.
- d. (i) When the resident Debenture Holder with Permanent Account Number ('PAN') (not being a company or a firm) submits a declaration as per the provisions of section 197A (1A) of the Income Tax Act in the prescribed Form 15G verified in the prescribed manner to the



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effect that the tax on his estimated total income of the financial year in which such income is to be included in computing his total income will be NIL. However under section 197A(1B) of the I.T.Act, "Form 15G cannot be submitted nor considered for exemption from tax deduction at source if the aggregate dividend income referred to in section 194, interest on securities, interest, withdrawal from NSS and income from units of mutual fund or of Unit Trust of India as the case may be or the aggregate of the amounts of such incomes credited or paid or likely to be credited or paid during the previous year in which such income is to be included exceeds the maximum amount which is not chargeable to income tax".

(ii) Senior citizens, who are 60 or more years of age at any time during the financial year, enjoy the special privilege to submit a self-declaration in the prescribed Form 15H for non-deduction of tax at source in accordance with the provisions of section 197A (1C) of the Income Tax Act even if the aggregate income credited or paid or likely to be credited or paid exceeds the maximum amount not chargeable to tax, provided that the tax due on total income of the person is Nil.

(iii) In all other situations, tax would be deducted at source as per prevailing provisions of the Income Tax Act.

Form No.15G with PAN / Form No.15H with PAN / Certificate issued u/s 197(1) has to be filed with the Company before the prescribed date of closure of books for payment of debenture interest without any tax withholding.

2. In case where tax has to be deducted at source while paying debenture interest, the Company is not required to deduct surcharge, education cess and secondary and higher education cess.

**Capital Gain:**

3. As per the provisions of section 2(29A) of the IT Act, read with section 2(42A) of the Income Tax Act, a listed debenture is treated as a long term capital asset if the same is held for more than 12 months immediately preceding the date of its transfer.

As per section 112 of the Income Tax Act, capital gains arising on the transfer of long term capital assets being listed securities are subject to tax at the rate of 20% of capital gains calculated after reducing indexed cost of acquisition or 10% of capital gains without indexation of the cost of acquisition. The capital gains will be computed by deducting expenditure incurred in connection with such transfer and cost of acquisition/indexed cost of acquisition of the debentures from the sale consideration.



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However as per the third proviso to section 48 of Income Tax Act, benefit of indexation of cost of acquisition under second proviso of section 48 of Income Tax Act, is not available in case of bonds and debenture, except capital indexed bonds issued by the Government and sovereign gold bond issued by the RBI. Accordingly, long term capital gains arising out of listed debentures, would be subject to tax at the rate of 10%, computed without indexation.

In case of an individual or HUF, being a resident, where the total income as reduced by such long-term capital gains is below the maximum amount which is not chargeable to income-tax, then, such long-term capital gains shall be reduced by the amount by which the total income as so reduced falls short of the maximum amount which is not chargeable to income-tax and the tax on the balance of such long term capital gains shall be computed at the rate mentioned above.

4. Short-term capital gains on the transfer of listed debentures, where debentures are held for a period of not more than 12 months would be taxed at the normal rates of tax in accordance with and subject to the provisions of the Income Tax Act. The provisions relating to maximum amount not chargeable to tax described at para 3 above would also apply to such short-term capital gains.

5. In case the debentures are held as stock in trade, the income on transfer of debentures would be taxed as business income or loss in accordance with and subject to the provisions of the Income Tax Act.

## *II. To the Non-Resident Debenture Holder*

1. A non-resident Indian has an option to be governed by Chapter XII-A of the Income Tax Act, subject to the provisions contained therein which are given in brief as under:

(a) Under section 115E of the Income Tax Act, interest income from debentures acquired or purchased with or subscribed to in convertible foreign exchange will be taxable at 20%, whereas, long term capital gains on transfer of such Debentures will be taxable at 10% of such capital gains without indexation of cost of acquisition. Short-term capital gains will be taxable at the normal rates of tax in accordance with and subject to the provisions contained therein.

(b) Under section 115G of the Income Tax Act, it shall not be necessary for a non-resident Indian to file a return of income under section 139(1) of the Income Tax Act, if his total income consists only of investment income as defined under section 115C and/or long term capital gains earned on transfer of such investment acquired out of convertible foreign exchange, and the tax has been deducted at source from such income under the provisions of Chapter XVII-B of the Income Tax Act in accordance with and subject to the provisions contained therein.

(c) Under section 115H of the Income Tax Act, where a non-resident Indian becomes a resident in India in any subsequent year, he may furnish to the Assessing Officer a declaration in



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writing along with return of income under section 139 for the assessment year for which he is assessable as a resident, to the effect that the provisions of Chapter XII-A shall continue to apply to him in relation to the investment income (other than on shares in an Indian Company) derived from any foreign exchange assets in accordance with and subject to the provisions contained therein. On doing so, the provisions of Chapter XII-A shall continue to apply to him in relation to such income for that assessment year and for every subsequent assessment year until the transfer or conversion (otherwise than by transfer) into money of such assets.

2. In accordance with and subject to the provisions of section 115I of the Income Tax Act, a Non-Resident Indian may opt not to be governed by the provisions of Chapter XII-A of the Income Tax Act. In that case,

(a) Long term capital gains on transfer of listed debentures would be subject to tax at the rate of 10% computed without indexation.

(b) Investment income and Short-term capital gains on the transfer of listed debentures, where debentures are held for a period of not more than 12 months preceding the date of transfer, would be taxed at the normal rates of tax in accordance with and subject to the provisions of the Income Tax Act

3. Under Section 195 of the Income Tax Act, the applicable rate of tax deduction at source is 20% on investment income and 10% on any long-term capital gains as per section 115E, and for Short Term Capital Gains at the normal rates for of tax in accordance with and subject to the provisions of the Income Tax Act if the payee Debenture Holder is a Non Resident Indian.

4. The income tax deducted shall be increased by a surcharge and Cess as under:

- a) In case of non-resident Indian, surcharge at the rate of 10% of such tax, where total income exceeds fifty lakh rupees but does not exceed one crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds fifty lakh rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of fifty lakh rupees by more than the amount of income that exceeds fifty lakh rupees)
- b) Surcharge at the rate of 15% of such tax where the total income exceeds one crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds one crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees).
- c) In case of foreign companies, where the income paid or likely to be paid exceeds ` 1,00,00,000 but does not exceed ` 10,00,00,000 a surcharge of 2% of such tax liability



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is payable and when such income paid or likely to be paid exceeds ` 10,00,00,000, surcharge at 5% of such tax is payable.

- d) Further, the amount of income tax is increased by 2% education cess and 1% secondary and higher education cess on the total income (including surcharge if applicable) irrespective of the quantum of total income.

5. As per section 90(2) of the Income Tax Act read with the Circular no. 728 dated October 30, 1995 issued by the Central Board of Direct Taxes ('CBDT'), in the case of a remittance to a country with which a Double Taxation Avoidance Agreement (DTAA) is in force, the tax should be deducted at the rate provided in the Finance Act of the relevant year or at the rate provided in the DTAA, whichever is more beneficial to the assessee. However, submission of Tax Residency Certificate ('TRC') is a mandatory condition for availing benefits under any DTAA. Further, such non-resident investor would also be required to furnish Form 10F along with TRC, if such TRC does not contain information prescribed by the CBDT vide its Notification No. 57/2013 dated 01.08.2013.

In terms of Chapter XA of the Income Tax Act, General Anti Avoidance Rules may be invoked which provides that any arrangement entered into by an assessee may be declared to be impermissible avoidance arrangement as defined in that Chapter and the consequence in relation to tax of the arrangement would be *inter alia* denial of tax benefit. This shall be applicable with effect from 01.04.2017 as per CBDT circular no.7 of 2017 dated 27.01.2017. The GAAR provisions can be said to be not applicable in certain circumstances viz. the main purpose of arrangement is not to obtain a tax benefit etc. including circumstances enumerated in CBDT Notification no. 75/2013 dated 23rd September, 2013.

6. Alternatively, to ensure non-deduction or lower deduction of tax at source, as the case may be, the Debenture Holder should furnish a certificate under section 197(1) of the Income Tax Act, from the Assessing Officer before the prescribed date of closure of books for payment of debenture interest. However, an application for the issuance of such certificate would not be entertained in the absence of PAN as per the provisions of section 206AA.

7. Where, debentures are held as stock in trade, the income on transfer of debentures would be taxed as business income or loss in accordance with and subject to the provisions of the Income Tax Act.

### **III. To the Foreign Institutional Investors (FIIs)**

1. In accordance with and subject to the provisions of section 115AD of the Income Tax Act, long term capital gains on transfer of debentures by FIIs are taxable at 10% (plus applicable surcharge and education and secondary and higher education cess) without the benefit of cost indexation and short-term capital gains are taxable at 30% (plus applicable surcharge and education and secondary and higher education cess). Further, benefit of provisions of the first proviso of section 48 of the I.T. Act will not apply.



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2. Income other than capital gains arising out of debentures is taxable at 20% in accordance with and subject to the provisions of Section 115AD.
3. As per section 194LD of Income Tax Act provides for lower rate of withholding tax at the rate of 5% on payment by way of interest paid by an Indian company to FIs and Qualified Foreign Investor in respect of rupee denominated bond of an Indian company between June 1, 2013 and July 1, 2020 provided such rate does not exceed the rate as may be notified by the Government.
4. In accordance with and subject to the provisions of section 196D(2) of the Income Tax Act, no deduction of tax at source is applicable in respect of capital gains arising on the transfer of debentures by FIs.
5. The CBDT has issued a Notification No. 9 dated 22.01.2014 which provides that Foreign Portfolio Investors (FPI) registered under SEBI (Foreign Portfolio Investors) Regulations, 2014 shall be treated as FI for the purpose of Section 115AD of the Income Tax Act.
6. The provisions at para II (4, 5 and 6) above would also apply to FIs.

#### *IV. To the other Eligible Institutions*

All mutual funds registered under Securities and Exchange Board of India or set up by public sector banks or public financial institutions or authorized by the Reserve Bank of India are exempt from tax on all their income, including income from investment in Debentures under the provisions of Section 10(23D) of the Income Tax Act subject to and in accordance with the provisions contained therein. Further, as per the provisions of section 196 of the Income Tax Act, no deduction of tax shall be made by any person from any sums payable to mutual funds specified under Section 10(23D) of the Income Tax Act, where such sum is payable to it by way of interest or dividend in respect of any securities or shares owned by it or in which it has full beneficial interest, or any other income accruing or arising to it.

#### *VI. Exemption under 54EE, 115F and 54F of the Income Tax Act*

1. As per provisions of Section 54EE, long term capital gains arising to the Debenture Holder(s) on transfer of their debentures in the company shall not be chargeable to tax to the extent such capital gains are invested in long term specified asset (a unit or units issued before 01.04.2019) as notified by central government within six months after the date of transfer. If only part of the capital gain is so invested, the exemption shall be proportionately reduced. However, if the said notified units are transferred within a period of three years from their date of acquisition, the amount of capital gains exempted earlier would become chargeable to tax as long-term capital gains in the year in which units are transferred. Further, in case where loan or advance on the security of such notified is availed, such notified units shall be deemed to have been transferred on the date on



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which loan or advance is taken. However, the amount of exemption with respect to the investment made in the aforesaid notified units during the financial year in which the debentures are transferred and the subsequent financial year, should not exceed Rs. 50 lacs.

2. Under section 115F of the Income Tax Act, long term capital gains arising to a non-resident Indian from transfer of debentures acquired or purchased with or subscribed to in convertible foreign exchange will be exempt from capital gains tax if the net consideration is invested within six months after the date of transfer of the debentures in any specified asset or in any saving certificates referred to in section 10(4B) of the Income Tax Act in accordance with and subject to the provisions contained therein.
3. As per the provisions of section 54F of the Income Tax Act, any long-term capital gains on transfer of debentures arising to a Debenture Holder who is an individual or Hindu Undivided Family, is exempt from tax if the entire net sales consideration is utilized, within a period of one year before, or two years after the date of transfer, in purchase of one residential house or for construction of residential house within three years from the date of transfer. If part of such net sales consideration is invested within the prescribed period in a residential house, then such gains would be chargeable to tax on a proportionate basis.

**Conditions:**

This exemption is available, subject to the condition that the Debenture Holder does not own more than one residential house at the time of such transfer. If the residential house in which the investment has been made is transferred within a period of three years from the date of its purchase or construction, the amount of capital gains tax exempted earlier would become chargeable to tax as long term capital gains in the year in which such residential house is transferred. Similarly, if the Debenture Holder purchases within a period of two years or constructs within a period of three years after the date of transfer of capital asset, another residential house (other than the new residential house referred above), then the original exemption will be taxed as capital gains in the year in which the additional residential house is acquired.

***VII. Requirement to furnish PAN under the Income Tax Act***

**1. Sec 139A (5A)**

Section 139A(5A) requires every person from whose income tax has been deducted at source under Chapter VII-B of the Income Tax Act to furnish his PAN to the person responsible for deduction of tax at source.



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2. Sec 206AA

(a) Section 206AA of the Income Tax Act requires every person entitled to receive any sum, on which tax is deductible under Chapter XVIIIB ('deductee') to furnish his PAN to the deductor, failing which tax shall be deducted at the highest of the following rates:

- (i) at the rate specified in the relevant provision of the Income Tax Act; or
- (ii) at the rate or rates in force; or
- (iii) at the rate of twenty per cent.

b) A declaration under Section 197A (1) or 197A(1A) or 197A(1C) shall not be valid unless the person furnishes his PAN in such declaration and the deductor is required to deduct tax as per Para (a) above in such a case.

(c) Where a wrong PAN is provided, it will be regarded as non-furnishing of PAN and Para (a) above will apply.

***VIII. Taxability of Gifts received for nil or inadequate consideration***

As per section 56(2)(x)(c) of the Income Tax Act, where any person receives debentures from any person on or after 1<sup>st</sup> April, 2017:

- (i) without any consideration, aggregate fair market value of which exceeds fifty thousand rupees, then the whole of the aggregate fair market value of such debentures or;
- (ii) for a consideration which is less than the aggregate fair market value of the debenture by an amount exceeding fifty thousand rupees, then the aggregate fair market value of such debentures as exceeds such consideration;

shall be taxable as the income of the recipient at the normal rates of tax.

However, this provision would not apply to any receipt:

- a) From any relative; or
- b) On the occasion of the marriage of the individual; or
- c) Under a will or by way of inheritance; or
- d) In contemplation of death of the payer or donor, as the case may be; or
- e) From any local authority as defined in Section 10(20) of the Income Tax Act; or
- f) From any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in Section 10(23C); or
- g) From any trust or institution registered under section 12A or section 12AA.
- h) By any fund or trust or institution or any university or other educational institution or any hospital or other medical institution referred to in sub-clause (iv)/(v)/(vi)/(via) of clause (23C) of section 10; or
- i) By way of transaction not regarded as transfer under clause (i)/(vi)/(via)/(vii)/(viii)/(vib)/(vic)/(vica)/(vicb)/(vid)/(vii) of section 47; or



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- j) From any individual by a trust created or established solely for the benefit of relative of the individual.

***IX. Where the Debenture Holder is a person located in a Notified Jurisdictional Area ('NJA') under section 94A of the Income Tax Act***

Where the Debenture Holder is a person located in a NJA at present, Cyprus has been notified as NJA], as per the provisions of section 94A of the Income Tax Act -

- All parties to such transactions shall be treated as associated enterprises under section 92A of the Income Tax Act and the transaction shall be treated as an international transaction resulting in application of transfer pricing regulations including maintenance of documentations, benchmarking, etc.
- No deduction in respect of any payment made to any financial institution in a NJA shall be allowed under the Income Tax Act unless the assessee furnishes an authorization in the prescribed form authorizing the Central Board of Direct Taxes or any other income-tax authority acting on its behalf to seek relevant information from the said financial institution [Section 94A(3)(a) read with Rule 21AC and Form 10FC].
- No deduction in respect of any expenditure or allowance (including depreciation) arising from the transaction with a person located in a NJA shall be allowed under the I. T. Act unless the assessee maintains such documents and furnishes such information as may be prescribed [Section 94A(3)(b) read with Rule 21AC]. Notification No. 86/2013, dated 1 November, 2013 published in Official Gazette through SO 4625 GI/13.
- If any assessee receives any sum from any person located in a NJA, then the onus is on the assessee to satisfactorily explain the source of such money in the hands of such person or in the hands of the beneficial owner, and in case of his failure to do so, the amount shall be deemed to be the income of the assessee [Section 94A(4)].
- Any sum payable to a person located in a NJA shall be liable for withholding tax at the highest of the following rates:
  - (i) at the rate of rates in force;
  - (ii) at the rate specified in the relevant provision of the Income Tax Act; or
  - (iii) at the rate of thirty per cent.

***X. General Tax Rates (relevant for computing tax on short term capital gains)***

Rates applicable to different categories of assesses:

- (a) The slab rates applicable to individuals/HUF/Association of Persons (AOP)/Body of Individuals (BOI)/ Artificial Juridical Person are as under:



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Slabs	% of Income Tax
Up to Rs. 2.5 lakhs (Basic exemption limit)	NIL
From Rs. 2.5 lakhs to Rs. 5 lakhs	5% of the amount by which the total income exceeds Rs. 2.5 lakhs
From Rs. 5 lakhs to Rs. 10 lakhs	Rs. 12,500 plus 20% of the amount by which the total income exceeds Rs. 5
Above Rs. 10 lakhs	Rs. 1,12,500 plus 30% of the amount by which the total income exceeds Rs. 10

Basic exemption limit for resident senior citizens of 60 years but below 80 years of age is Rs. 3 lakhs and for resident senior citizens of 80 years of age or more is Rs. 5 lakhs.

An individual resident, whose total income does not exceed Rs. 500,000 (Rs. 3,50,000 w.e.f. 1 April 2018), shall be eligible for a rebate of amount of income-tax payable on the total income for any assessment year or Rs 2500, whichever is less.

(b) Rates applicable to other categories of assesses:

Assessee	% of Income
Partnership	30%
Indian	30%*
Foreign	40%

\*The Finance Act, 2018, provides that where the total turnover or the gross receipt of the domestic company does not exceed Rs. 250 crores in the previous year 2016-17, the rate of income tax is 25%.

#### **Surcharge and cess**

The rates of surcharge applicable to various assessees are provided as under:

Particulars	If total income does not exceed Rs. 50 lakh	If total income exceeds Rs. 50 lakh but doesn't exceed Rs. 1 crore	If total income exceeds Rs. 1 crore
Individuals/HUF/ AOP/ BOI/ Artificial Juridical Person	Nil	10%	15%
Domestic Company	Nil	7%	12%
Other than Domestic Companies	Nil	2%	5%

In case of Firms [including Limited Liability Partnership ('LLP')] and Local Authority, surcharge will be applicable at the rate of 12% if income exceeds Rs. 1 crore.

Over and above the surcharge, 'Health and Education Cess' at the rate of 4% on tax including surcharge is payable by all taxpayers



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**Notes**

1. The above statement sets out the provisions of law in a summary manner only and is not a complete analysis or listing of all potential tax consequences of the purchase, ownership and disposal of debentures/bonds.
2. The above statement covers only certain relevant benefits under the Income-tax Act, 1961 and does not cover benefits under any other law.
3. Further, several of these benefits are dependent on the Debenture Holder fulfilling the conditions prescribed under the relevant provisions.
4. This statement is intended only to provide general information to the Debenture Holder(s) and *is neither designed nor intended to be a substitute for professional tax advice*. In view of the individual nature of tax consequences, each Debenture Holder is advised to consult his/her/its own tax advisor with respect to specific tax consequences of his/her/its holding in the debentures of the Company.
5. The stated benefits will be available only to the sole/first named holder in case the debenture is held by joint holders.
6. In respect of non-residents, the tax rates and consequent taxation mentioned above will be further subject to any benefits available under the relevant tax treaty, if any, between India and the country in which the non-resident has fiscal domicile.
7. In respect of non-residents, taxes paid in India could be claimed as a credit in accordance with the provisions of the relevant tax treaty.
8. No assurance is given that the revenue authorities/courts will concur with the views expressed herein. Our views are based on the existing provisions of law and its interpretation, which are subject to changes from time to time based on judicial pronouncement. We do not assume responsibility to update the views consequent to such changes. We shall not be liable to any claims, liabilities or expenses relating to this assignment except to the extent of fees relating to this assignment, as finally judicially determined to have resulted primarily from bad faith or intentional misconduct. We will not be liable to any other person in respect of this statement.
9. Interest on application money would be subject to tax at the normal rates of tax in accordance with and subject to the provisions of the Income Tax Act and such tax would need to be withheld at the time of credit/payment as per the provisions of Section 194A/195 of the Income Tax Act.



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## SECTION IV : ABOUT THE THE INDUSTRY AND THE ISSUER COMPANY

### INDUSTRY OVERVIEW

*The information presented in this chapter has been obtained from publicly available information from various sources including stock exchanges, industry websites, from publications and government and company estimates. The data may have been re-classified by us for the purpose of presentation.*

*The information in this section has not been independently verified by us, the Lead Manager or any of our or their respective affiliates or advisors. The information may not be consistent with other information compiled by third parties within or outside India. Industry sources and publications generally state that the information contained therein has been obtained from sources generally believed to be reliable but their accuracy, completeness and underlying assumptions are not guaranteed and their reliability cannot be assured. Further, there is no assurance that the basis of the data included in the said report or the findings thereof are completely accurate or reliable. Industry and government publications are also prepared based on information as on specific dates and may no longer be current or reflect current trends. Industry and government sources and publications may also base their information on estimates, forecasts and assumptions which may prove to be incorrect. Accordingly, investment decisions should not be based on such information.*

*The chapter also contains certain information, data and statistics extracted from the report prepared by research services of ICRA Limited viz. "Indian Retail Non-Banking Finance Market FY 2018 Performance-Update and Industry Outlook", "Retail-NBFC Credit Trends Q1FY2019 Performance - Update and Industry Outlook. All such information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.*

*Further the industry chapter may be updated from time to time subject to availability of updated data from websites, reports and other documents referenced in this chapter.*

### OVERVIEW OF THE INDIAN ECONOMY

India, with a Gross Domestic Product (GDP) in terms of Gross Value Added {GVA} of ₹ 130,10,843 crore (PE) (at constant price on new series 2011-12 base) [Source: Government of India, Ministry of Statistics & Programme Implementation press note dated May 31, 2018 ] at the end of financial year 2018, is the sixth largest economy in the world after USA, China, Japan, Germany and UK.

With the change in base from 2004-05 level to new series of 2011-12 and change in the concept of GDP to GVA, the growth parameters in terms of GVA over last three years can be considered to be reasonable and the GDP growth for the year 2017-18 at Current Prices (PE) was reported to be 10%. The provisional estimates for the FY 2017-18 the GDP in terms of GVA was ₹119,76,155 crore (at constant price on new series 2011-12 base.)

(Source: Government of India, Ministry of Statistics & Programme Implementation Press release dated May 31, 2018)

After registering a GDP growth of over 7 per cent for the third year in succession in 2016-17, the Indian economy is headed for somewhat slower growth, estimated to be 6.5 per cent in 2017-18. This is slightly lower than the range of 6.5 per cent to 6.75 per cent being currently projected based on recent developments. Even with this lower growth for 2017-18, GDP growth has averaged 7.3 per cent for the period from 2014-15 to 2017-18, which is the highest among the major economies of the world. That this growth has been achieved in a milieu of lower inflation, improved current account balance and notable reduction in the fiscal deficit to GDP ratio makes it all the more creditable. In addition to the introduction of GST, the year also witnessed significant steps being undertaken towards resolution of problems associated with non-performing assets of the banks, further liberalization of FDI, etc., thus strengthening the momentum of reforms.

A snapshot on the sectoral growth of GDP for the last three years at constant price (at constant price on new series 2011-12 prices) with provisional estimates for FY 2017-18 is furnished below:

YoY Growth (%)	2015-16	2016-17	2017-18 (PE)
GVA (At constant prices new series 2011-12 base ₹ Cr)	105,03,348	112,47,629	119,76,155
Growth over previous years (%)	8.1	7.1	6.5
Net Taxes On Products (₹ Cr)	8,82,797	9,48,376	10,34,688
Growth over previous years (%)	8.9	7.4	9.1
I. Agriculture, Forestry & Fishing (%)	0.6	6.3	3.4
II. Industry (%)	9.8	6.8	5.5
Mining & Quarrying (%)	13.8	13.0	2.9
Manufacturing (%)	12.8	7.9	5.7
Electricity, Gas & Water Supply (%)	4.7	9.2	7.2
Construction (%)	3.7	1.3	5.7
III. Services (%)	9.6	7.5	7.9
Trade, Hotels, Transport, communication and services related to broadcasting (%)	10.3	7.2	8.0
Financial, Real Estate & Professional services (%)	10.9	6.0	6.6
Public Administration, Defence and other services (%)	6.1	10.7	10.0
GDP at market prices (Current Prices) [INR Cr]	137,64,037	152,53,714	167,73,145

Source: (GOI MoS&PI Press notes dated May 31, 2018 and National Account Statistics Report for the Figures of Sectoral growth for 2015-16 over 2014-15)

However, with world growth likely to witness moderate improvement in 2018, expectation of greater stability in GST, likely recovery in investment levels, and on-going structural reforms, among others, should be supporting higher growth. On balance, country's economic performance should witness an improvement in 2018-19. Additionally, average crude oil (Indian basket) prices have risen by around 14 per cent so far in 2017-18 (mid-January 2018) *vis-à-vis* 2016-17. Going by the recent trends, the average crude oil prices could be in the vicinity of US\$ 56-57 per barrel in the current financial year and could rise further by another 10-15 per cent in 2018-19. Some of these factors could have dampening effect on GDP growth in the coming year.

The Gross Domestic Product (GDP) growth is around 4 percentage points higher than global growth average of last 3 years and nearly 3 percentage points more than the average growth achieved by emerging market and developing economies. Further other measures like introduction of certain reforms in Foreign Direct Investment (e.g. 100% in railway Infrastructure, financial services provided by NBFCs and also investment in Asset Reconstruction Companies), passing of the Insolvency and Bankruptcy Code 2016, recapitalization of Public sector banks will also lead to improvement in the growth of Indian Economy in medium and long term, notwithstanding certain short term aberrations.

### **Global Prospect and Indian Economy**

The IMF World Economic Outlook October 2018 updates has stated the Global growth is projected to reach 3.7 per cent in 2018 and 2019, tad lower than the forecast of the April 2018 World Economic Outlook (WEO), due to recently announced trade measures, including the tariffs imposed on \$200 billion of US imports from China. Growth projections have been marked down for the euro area and the United Kingdom, following surprises that suppressed activity in early 2018. Among emerging market and developing economies, the growth prospects of many energy exporters have been lifted by higher oil prices, but growth was revised down for Argentina, Brazil, Iran, and Turkey, among others, reflecting country-specific factors, tighter financial conditions, geopolitical tensions, and higher oil import bills. China and a number of Asian economies are also projected to experience somewhat weaker growth in 2019 in the aftermath of the recently announced trade measures. US growth will decline as fiscal stimulus begins to unwind in 2020, at a time when the monetary tightening cycle is expected to be at its peak. Growth in China will remain strong but is projected to decline gradually, and prospects remain sub-par in some emerging market and developing economies, especially for per capita growth, including in commodity exporters that continue to face substantial fiscal consolidation needs or are mired in war and conflict.

Growth in advanced economies will remain well above trend at 2.4 per cent in 2018, before softening to 2.1 per cent in 2019. In Advanced economy, economic activity lost some momentum in the first half of 2018 after peaking in the second half of 2017. Outcomes fell short of projections in the euro area and the United Kingdom; growth in world trade and industrial production declined; and some high-frequency indicators moderated.

The Indian economy is expected to perform better than the global economy over the next few years. Growth in the ASEAN-5 group of economies is expected to stabilize at around 5.3 per cent as domestic demand remains healthy and exports continue to recover. While US is expected to grow at 2.9 per cent in 2018 and 2.5 per cent in 2019. Growth in the euro area economy is projected to slow gradually from 2.4 per cent in 2017 to 2.0 per cent in 2018 and to 1.9 per cent in 2019. EU, Japan and China were expected to see a marginal decline in GDP growth. In comparison, India's growth rate is expected to rise from 6.7 per cent in 2017 to 7.3 per cent in 2018 and 7.4 per cent in 2019, as drags from the currency exchange initiative and the introduction of the goods and services tax fade. As per IMF, India is the sixth largest economy.

Country/Group	2017	2018P	2019P
China	6.9	6.6	6.2
ASEAN-5	5.3	5.3	5.2
Euro	2.4	2.0	1.9
<b>India</b>	<b>6.7</b>	<b>7.3</b>	<b>7.4</b>
Japan	1.7	1.1	0.9
United Kingdom	1.7	1.4	1.5
United States	2.2	2.9	2.5
World	3.7	3.7	3.7

## NON-BANKING FINANCIAL COMPANIES (NBFCs)

### Overview

Non-Banking Financial Companies (NBFCs) are an integral part of the country's financial system, catering to a large market of niche customers, and have emerged as one of the major purveyors of retail and SME credit in India. Non-Banking Financial Institutions (NBFIs) are an important alternative channel of finance for the commercial sector in India's bank dominated financial sector. Their role in promoting financial inclusion and catering to the needs of small businesses and specialised segments is an additional dimension of their relevance in the Indian context. It is a heterogeneous group of institutions (other than commercial and co-operative banks) performing financial intermediation in a variety of ways, such as accepting deposits, making loans and advances, providing leasing/hire purchase services, among others. Regulations relating to governing Non-Banking Financial Companies (NBFCs) are being increasingly harmonised with those of banks to forge the right balance for financial stability while encouraging them to focus on specialised areas. The RBI defines an NBFC as a company registered under the Companies Act 1956 and 2013 and engaged in the business of loans and advances, acquisition of shares, stock, bonds, debentures, and securities issued by the GoI or local government authorities, or other securities of like marketable nature, leasing, hire-purchase, insurance business, chit business. However, this excludes institutions whose principal business is in the agricultural or industrial sector, or in the sale, purchase and construction of immovable property. A non-banking entity that has as its principal line of business the receipt of deposits, under any scheme or arrangement, or the extension of loans, in any manner, is also considered an NBFC.

Gradually, NBFCs have become recognized as complementary to the banking sector due to their customer-oriented services, simplified procedures, and attractive rates of return on deposits, flexibility and timeliness in meeting the credit needs of specified sectors, among other reasons. NBFCs have traditionally extended credit across the country through their widespread geographical presence, with NBFCs supplying credit in segments such as equipment leasing, hire purchase, and consumer finance. These are areas which warrant infusion of financing due to the existing demand-supply gap. NBFCs have provided a more flexible source of financing and have been able to disburse funds to a gamut of clientele, from local individual customers to a variety of corporate clientele. NBFCs can be divided into deposit taking NBFCs, i.e., those which accept deposits from the public and non-deposit taking NBFCs being those which do not accept deposits from the public.

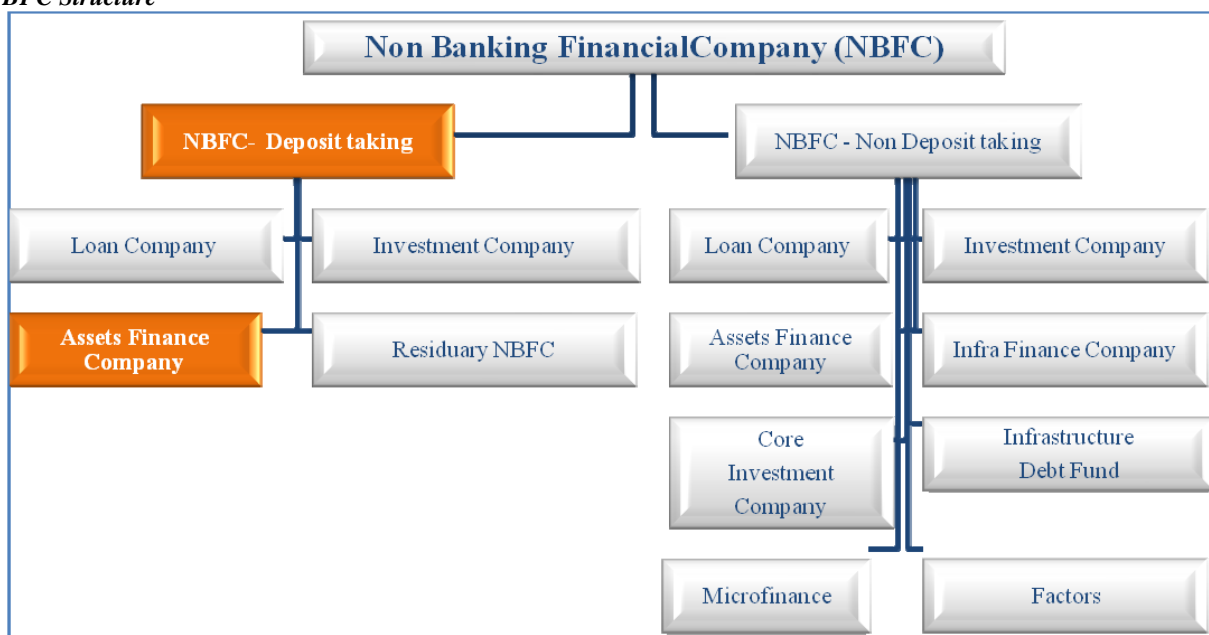
The activities carried out by NBFCs in India can be grouped in fund based and fee based activities. Fund based activities include Equipment Leasing, Hire Purchase, Bill Discounting, Loans / Investments, Venture Capital, Factoring, Equity Participation, Short Term Loans, Inter Corporate Loans and Fee based activities are Investment Banking, Portfolio Management, Wealth Management, Corporate Consulting, and Project Consulting. Apart from commercial banks and cooperative credit institutions (urban and rural), the financial system in India consists of a wide variety of NBFIs, such as Non-Banking Financial Companies (NBFCs), financial institutions and primary dealers. NBFCs, the largest component of NBFIs, can be distinguished from banks with respect to the degree and nature of regulatory and supervisory controls. First, the regulations governing these institutions are relatively lighter as compared to banks. Secondly, they are not subject to certain regulatory prescriptions applicable to banks. For instance, NBFCs are not subject to Cash Reserve Requirement (CRR) like banks. They are, however, mandated to maintain 15 per cent of their public deposit liabilities in Government and other approved securities as Statutory Liquidity Ratio (SLR). Thirdly, they do not have deposit insurance coverage and refinance facilities from the Reserve Bank. Fourthly, NBFCs do not have cheque issuing facilities and are not part of the payment and settlement system. Finally, NBFCs cannot accept demand based deposit. (Source: [www.rbi.gov.in](http://www.rbi.gov.in)).

Initially, the NBFCs registered with the RBI could only operate as equipment leasing companies, hire purchase companies, loan companies and investment companies. Efforts have been made to integrate NBFCs into the mainstream financial sector by strengthening the prudential guidelines relating to income recognition, asset classification and provisioning. A number of measures to enhance the regulatory and supervisory standards of NBFCs in order to put them on par with commercial banks



were undertaken by the RBI over a period of time including the alignment of interest rates, allowing diversification of businesses e.g. issuance of co-branded cards and distribution of mutual fund and insurance products, regulation of systemically important NBFCs and introduction of a fair practices code and corporate governance. Further the spectrum of Non-Banking Financial Institutions has been classified as NBFCs, AIFIs and Primary Dealers.

#### **NBFC Structure**



**RBI classified the NBFCs into 12 categories based on their activities, as per details as under:**

Sl No	Type of NBFC	Activity
1	Asset Finance Company (AFC)	Financing of physical assets supporting productive / economic activities, including automobiles, tractors and generators
2	Loan Company	Providing of finance whether by making loans or advances or otherwise for any activity other than its own but does not include an asset finance company
3	Investment Company	Acquiring securities for the purpose of selling
4	NBFC- Infrastructure Finance Company (NBFC-IFC)	Providing infrastructure loans
5	NBFC-Systemically Important Core Investment Company (CIC-ND-SI)	Acquiring shares and securities for investment mainly in equity market
6	Infrastructure Debt Fund-NBFC (IDF-NBFC)	For facilitating flow of long-term debt into infrastructure projects
7	NBFC-Micro Finance Institution (NBFC-MFI)	Extending credit to economically disadvantaged groups
8	NBFC-Factor	Undertaking the business of acquiring receivables of an assignor or extending loans against the security interest of the receivables at a discount
9	NBFC- Non-Operative Financial Holding Company (NOFHC)	For permitting promoters / promoter groups to set up a new bank
10	Mortgage Guarantee Company (MGC)	Undertaking mortgage guarantee business
11	NBFC-Account Aggregator (NBFC-AA)	Collecting and providing information about a customer's financial assets in a consolidated, organised and retrievable manner to the customer or others as specified by the customer
12	NBFC-Peer to Peer Lending Platform (NBFC-P2P)	Providing an online platform to bring lenders and borrowers together to help mobilise funds

**\*(RBI vide its circular RBI/2018-19/130 dated February 22, 2019 has reclassified the NBFCs, as per which AFC is termed as NBFC-Investment and Credit Company (NBFC-ICC))**

While loan companies and investment companies have traditionally been the two core categories of the NBFC sector, newer categories have been added to this sector over time in recognition of the growing diversification of financial intermediation and the need for better regulatory oversight. Illustratively, in 2006, ‘hire purchase’ and ‘equipment leasing’ categories were merged and categorised as Asset Finance Companies (AFCs) – the third major category the NBFC sector. Infrastructure Finance Companies (NBFC-IFC) were defined as a separate category in 2010. NBFC-IDFs were set up in 2011 to increase long-term debt financing of infrastructure projects as well as to alleviate asset liability mismatches arising out of financing such projects. They were envisaged to take over loans provided for infrastructure projects based on Public Private Partnership (PPP) route which had completed one year of commercial operation. NBFCs-MFI were also set up in 2011 in order to serve the needs of the micro finance sector and the underserved segments more effectively. The focus of the regulations was more on strengthening the lending and recovery practices in the sector, especially with regard to the pricing of credit and multiple lending operations leading to over borrowing. NBFC-Factors were notified in accordance with the Factoring Act, 2011 as they were required to be registered with the Reserve Bank as NBFCs to commence their operations.

#### **Number of different types of NBFCs in India**

<b>As at March 31</b>	<b>NBFC-D</b>	<b>NBFC-ND-SI</b>	<b>NBFC-ND</b>	<b>Total</b>
2012	273	375	12,010	12,658
2013	254	418	11,553	12,225
2014	241	465	11,323	12,029
2015	220	420	11,202	11,842
2016	202	209	11,271	11,682
2017	178	218	11,126	11,522
2018	168	230	11,004	11,402
2018*	108	276	9,806	10,190

(Source: Reserve Bank of India, *Non-Banking Finance Companies in India's Financial Landscape, October 2017* and *Report on Trend & Progress of Banking in India 2017-18* by RBI)

\* As on September 30, 2018

#### **Shares of NBFCs classified by activities in total assets of the NBFC sector: end-March position**

(Per cent)

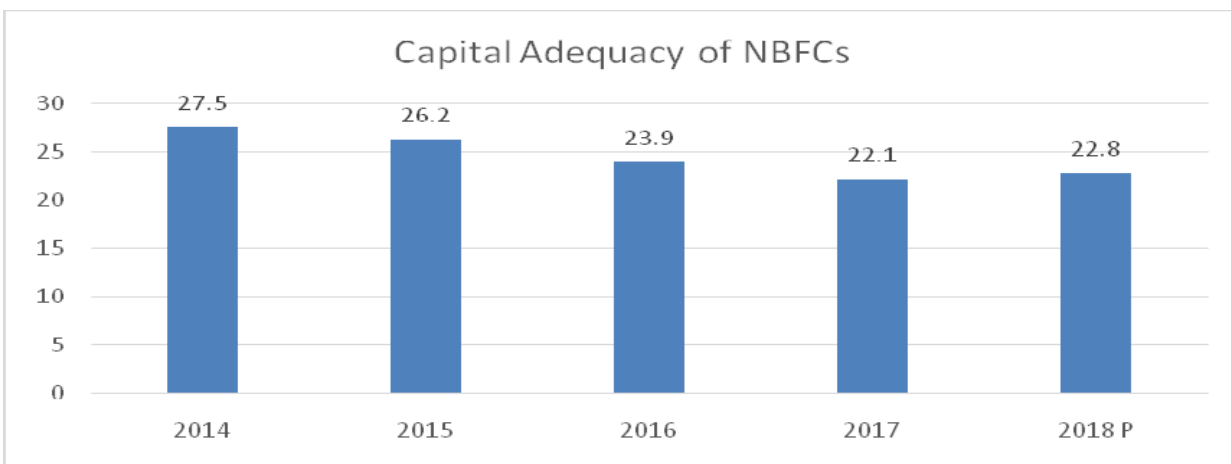
<b>Sl No</b>	<b>Category</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>
1	Loan companies	31.2	28.9	28.6	28	33.2	36.2
2	NBFCs-IFC	30.8	32.1	34	35.4	27.1	31.5
3	AFCs	12.6	14.2	14.3	13.9	13.2	13.7
4	Investment companies	22.3	21.4	19.7	17.7	22.4	12.6
5	NBFCs-MFI	1.6	1.9	1.9	2.4	2.8	3
6	CICs-ND-SI	1	1.2	1.2	2.2	0.9	2.2
7	NBFCs-Factor	0.5	0.3	0.3	0.2	0.2	0.1
8	IDF-NBFCs	0	0	0	0.1	0.3	0.6
	<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

(Source: Reserve Bank of India, *Non-Banking Finance Companies in India's Financial Landscape, October 2017*)

Loan companies are one of the largest components of the NBFC ND-SI sector with a share of 38.5 per cent in credit. The balance sheet of infrastructure finance companies (NBFCs-IFC), the other major category of NBFCs-NDSI, grew at a higher rate in 2017-18 and 2018-19 (up to September), because of expansion in loans and advances to industries. On the other hand, the balance sheet of NBFCs-microfinance institutions (NBFCs-MFI) shrank due to conversion of a few large ones into small finance banks. On the other hand, the balance sheet of NBFCs-microfinance institutions (NBFCs-MFI) shrank due to conversion of a few large ones into small finance banks.

#### **Capital Adequacy**

NBFCs are generally well capitalised, with the system level capital to risk-weighted assets ratio (CRAR) remaining well above the stipulated norm of 15 per cent. During 2017-18, the NBFC sector's CRAR improved further. In 2018-19 (up to September), however, their capital positions moderated somewhat due to the increase in non-performing assets.



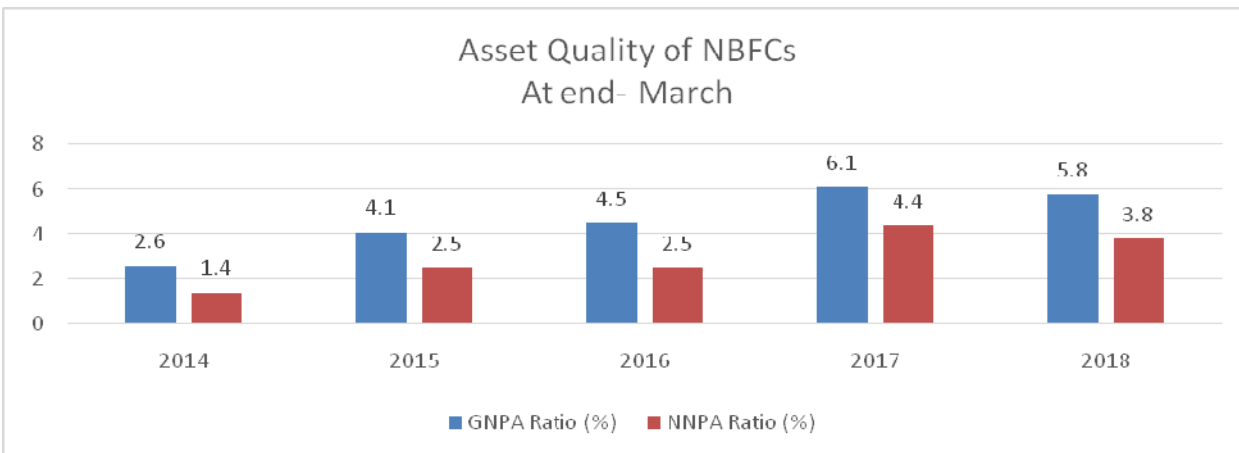
### Key indicators of NBFCs

NBFCs' profitability indicators - returns on equity (RoE) and returns on assets (RoA) - were higher during 2017-18 than a year ago, although the net interest margin (NIM) decreased, reflecting higher interest expenses.

(₹ in Billions)

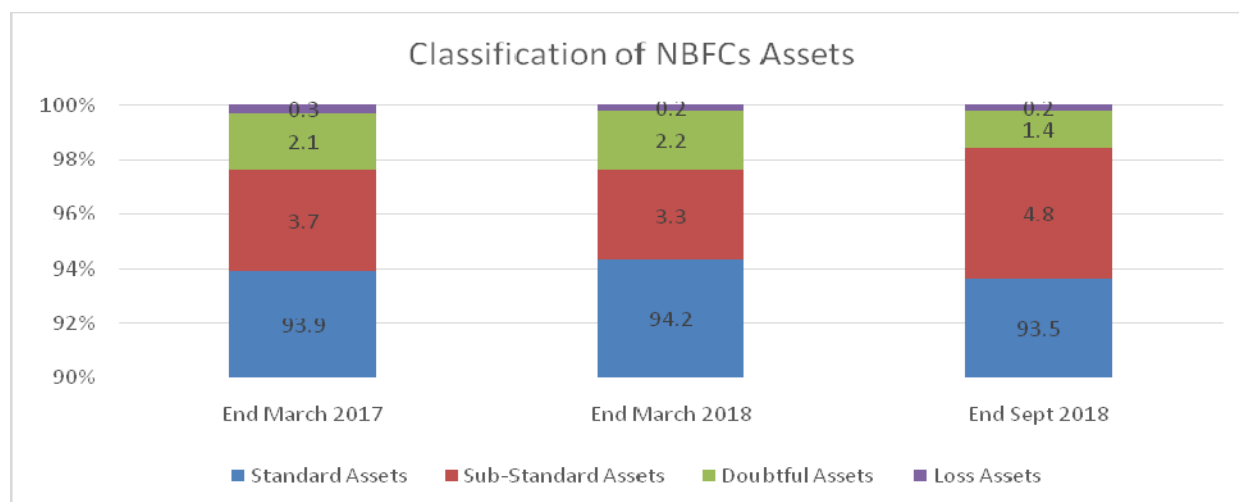
Items	2014	2015	2016	2017	2018
A. Income	1,713	2,009	2,142	2,310	2,515
B. Expenditure	1,279	1,495	1,628	1,822	1,958
C. Net profit	313	365	367	314	386
D. Total assets	14,499	17,284	17,231	19,797	22,760
E. Financial ratios (as per cent of total assets)					
(i) Income	11.8	11.6	12.4	11.7	11.0
(ii) Expenditure	8.8	8.6	9.4	9.2	8.6
(iii) Net profit	2.2	2.1	2.1	1.6	1.7
F. Cost to income ratio	74.6	74.4	76	78.9	77.9
G. ROE	9.1	8.7	9.7	6.9	7.5
H. ROA	2.2	1.9	2.1	1.6	1.7
<b>Source:</b> RBI Supervisory Returns.					

### Asset Quality of NBFC's



Source: The Reserve Bank's supervisory returns.

Since November 2014, the asset classification norms of NBFCs have been incrementally aligned with those of banks, leading to higher NPA recognition. During 2017-18, however, there has been an improvement in asset quality, with a part of the portfolio of assets classified as NPAs in 2016-17 being upgraded to standard assets. As a result, both the gross non-performing assets (GNPAs) ratio and the net non-performing assets (NNPAs) ratio declined during 2017-18.



### Deposit Taking NBFCs

NBFCs-D accounted for 15.2 per cent of total assets and 17.6 per cent of the total credit deployed by NBFCs at the end of March 2018. Non-government companies dominate this segment, accounting for 87.5 per cent of assets of all NBFCs-D. The Reserve Bank has been striving to wean away NBFCs from collecting public deposits as alluded to earlier. A revised regulatory framework was issued in November 2014 mandating that only rated NBFCs-D shall accept and maintain public deposits. These guidelines also permitted AFCs to raise public deposits up to a limit of 1.5 times the NOF only, unlike 4 times the NOF allowed earlier.

### Major Components of Liabilities and Assets of NBFCs-D - Asset Finance Companies

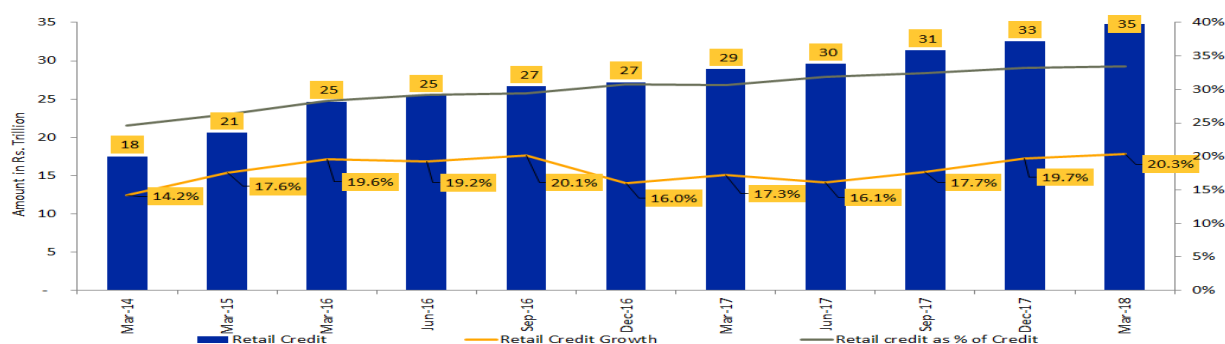
Particulars (End-March)	(Amount in ₹ billion)				
	2014	2015	2016	2017	2018
No. of companies	166	159	137	90	98
Deposits	24	60	68	113	177
Borrowings	759	841	932	1,059	1,320
Total liabilities / assets	<b>1,020</b>	<b>1,172</b>	<b>1,313</b>	<b>1,471</b>	<b>1,757</b>
Total advances	796	961	1,136	1,304	1,576
Investments	52	59	49	58	58

Source: RBI Supervisory Returns

### RETAIL FOCUSED NBFCs

#### Indian Retail Credit Market - Overall retail credit growth to be driven by HFCs and NBFCs

#### Retail Credit Growth



[Source: ICRA Report on Indian Retail Non-Banking Finance Market, FY 2018 Performance- Update and Industry Outlook]

The Indian retail credit market stood at ~Rs. 34.8 trillion as on March 31, 2018 registering a YoY growth of about 20%; growth trend has been on an upswing since Q2/Q3FY2018. While revival was witnessed in all key categories, impetus was largely from HFCs and NBFCs during FY2018, as SCB growth continued to remain range-bound. Supported by revival in

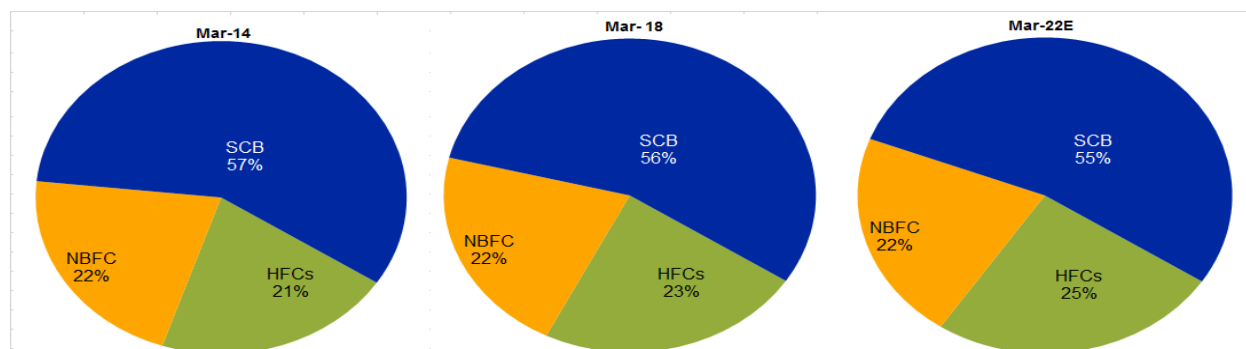
growth, share of retail credit in the overall credit (SCB+NBFC+HFC) improved to 33% as compared with ~31% in December 2016 (32% in September 2017).

ICRA expects retail credit growth to be about 18-20% in FY2019 as growth witnessed in the key asset segments in NBFCs, namely - CV, SME and unsecured/ microfinance during FY2018 is likely to hold up while HFC and bank credit growth is expected to expand at about 20-22% and 17-19% respectively. Growth in HFC's credit is likely to be supported by strong growth expectation in the housing (20-22%) and non-housing (24-28%), while slow credit off-take in the corporate/ institutional segment would drive banks retail growth in FY2019.

Competitive pressures for retail-focussed NBFCs to intensify going forward, especially in the large ticket size loan categories like M&HCV and mortgage in an increasing interest rate scenario. Nonetheless, ICRA expects NBFCs' niche positioning, differentiated product offering, good market knowledge and large customer outreach to enable them to continue to tap opportunities and grow their retail book. Share of (NBFCs + HFCs), driven by healthy a growth in HFCs, would expand to 46-47% of the total retail credit by March 2022 from about 44-45% in March 2018.

[Source:ICRA Report on Indian Retail Non-Banking Finance Market, FY 2018 Performance- Update and Industry Outlook]

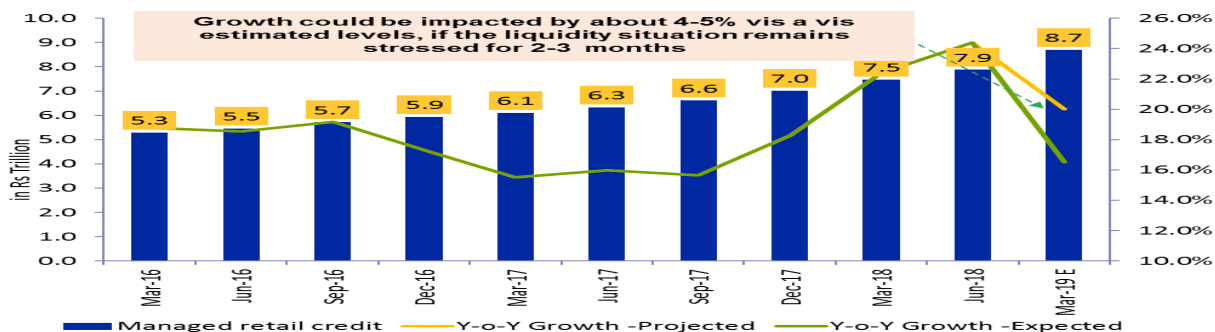
### Retail Credit Share



[Source:ICRA Report on Indian Retail Non-Banking Finance Market, FY 2018 Performance- Update and Industry Outlook]

### Retail NBFC Credit

#### Retail NBFC Credit Growth



[Source: ICRA Report on Retail NBFC Credit Trends, Q1 FY 2019 Performance- Update and Industry Outlook]

Retail-NBFCs registered a healthy credit growth of 22% in FY2018, which was the highest in the last 4-5 years. The strong growth trend continued in Q1 FY2019, during which credit growth was about 24% YoY. Retail-NBFC credit stood at Rs. 7.9 trillion as on June 30, 2018. The growth uptrend was witnessed more strongly from Q3 FY2018 as the impact of GST implementation and the spill-over effects of demonetisation, on some key asset segments, waned. Key segments contributing to overall growth were LAP+SME4, commercial vehicle (CV), personal credit (unsecured including consumer durable) and microfinance, which, in total, accounted for 63% of the total Retail-NBFC credit.

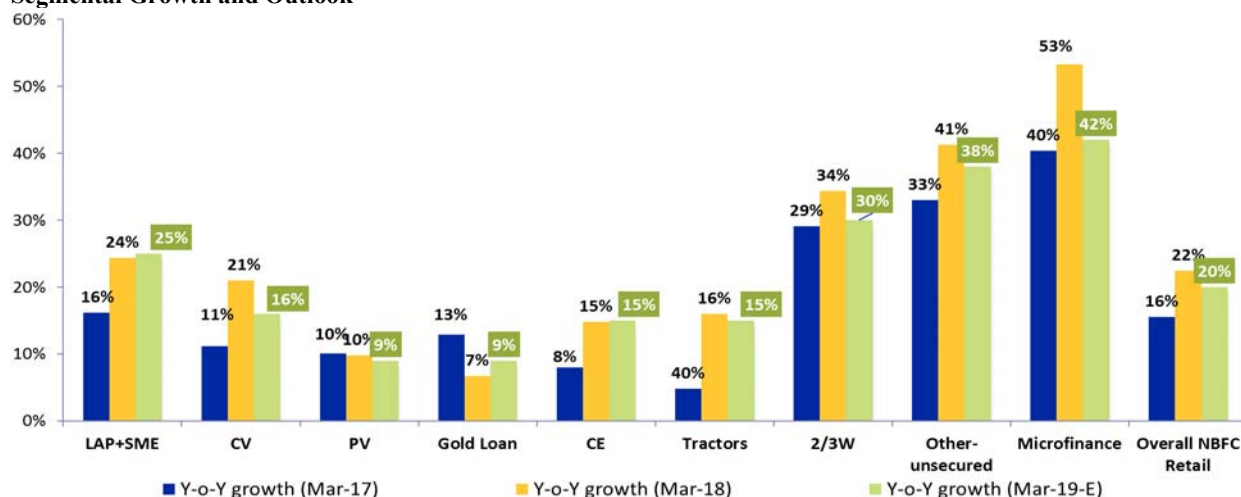
While growth drivers (vehicular demand, SME credit and personal credit, etc) are in place, the shrinkage in funding avenues, more importantly following the developments witnessed in September 2018, has brought about a level of uncertainty regarding the timely availability of funding, at least in the near term (3 months). NBFCs are expected to shore up liquidity and create adequate on-balance sheet buffers in the wake of the above and thus slow down their business

growth to an extent. Further, the sharp increase in the cost of funds is making NBFCs less competitive in some key asset classes (new, medium & heavy CVs, PVs, CE and higher-ticket LAP/SME finance or business loans).

ICRA expects the impact of these recent developments, regarding funding availability, to normalise to a certain extent in the next 2-3 months. However, growth in the current fiscal would be impacted as Q3, being a festive season, generally witnesses healthy credit demand. Thus, in view of the above, ICRA expects the growth rate of FY2019 to moderate to 16-18% *vis-à-vis* the previously anticipated levels of 19-21%. Over the medium to term also, we could expect growth to remain under pressure *vis-à-vis* the 18-19% CAGR witnessed over the last 3-4 years unless some diversification in funding is witnessed from the current level.

[Source: ICRA Report on Retail NBFC Credit Trends, Q1 FY 2019 Performance- Update and Industry Outlook]

### Segmental Growth and Outlook



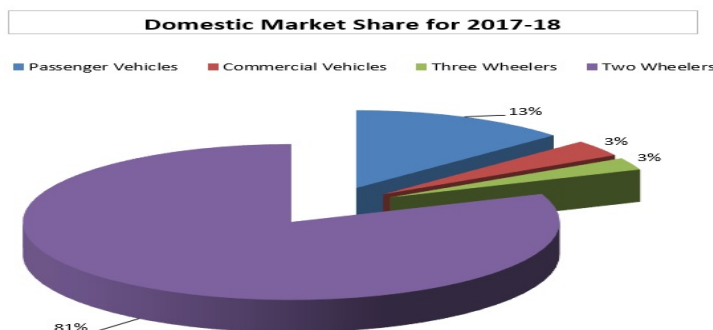
[Source: ICRA Report on Indian Retail Non-Banking Finance Market, FY 2018 Performance- Update and Industry Outlook]

## COMMERCIAL VEHICLE INDUSTRY

### Trends

The industry produced a total 29,075,605 vehicles including Passenger Vehicles, Commercial Vehicles, Three Wheelers, Two Wheelers and Quadricycle in April-March 2018 as against 25,330,967 in April-March 2017, registering a growth of 14.78 per cent over the same period last year. The overall Commercial Vehicles segment grew by 19.94 per cent in April-March 2018 as compared to the same period last year. Medium & Heavy Commercial Vehicles (M&HCVs) grew by 12.48 per cent and Light Commercial Vehicles grew by 25.42 per cent in April-March 2018 over the same period last year.

Category	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Production	8,32,649	6,99,035	6,98,298	7,86,692	8,10,253	894551
Sales	7,93,211	6,32,851	6,14,948	6,85,704	7,14,082	8,56,453



(Source: SIAM website)

### Outlook for Commercial Vehicles Industry

It is expected that industry will find its momentum back a) aided by increased thrust on infrastructure and rural sectors in the recent budget, b) potential implementation of fleet modernization or scrappage program and c) higher demand from consumption-driven sectors and e-commerce logistic service providers, especially for LCVs and ICVs. Given these

considerations, it expected the domestic CV industry is likely to register a growth of 6-8% in FY 2018. The sustained economic growth, easy availability of finance and subdued interest rates, good monsoon season, government's strong focus on infrastructure development and urban infrastructure, increased freight movement due to the expected increase in activity in sectors such as agriculture, e-commerce, mining etc will be the key factors that will drive growth and expansion of the CV industry in the coming years.

### ***Policy and Regulatory Led Growth***

#### **Stricter clamp-down on overloading vehicles**

Starting 2016, NHAI authorized toll operators to charge 10x more toll on overloaded vehicles. This has resulted in stricter implementation of the law and has already resulted in a shift to higher tonnage vehicles (which imply higher value for financiers too). Fleet operators were given time till Mar 2018 to comply with the above regulations.

#### **Migration to BS VI norms**

In order to curb pollution, government has fast-tracked the migration of newer vehicles to BS VI regime by April 2020, four years earlier than prior schedule time, thus leapfrogging the entire BS V emission norm. This will ensure that pre-buying starts a little earlier in 2019.

#### **Implementation of the vehicle scrappage policy**

In its bid to curb pollution, the road transport ministry has recently announced its scrappage scheme, intended to be implemented over a three-year period (2018-21). To incentivize scrapping of vehicles, the government will offer rebates on road tax as well as vehicle tax, which will reduce the purchase price of new CV by approximately 20%.

While the fine print is yet to be out, some industrial reports suggest that this policy can translate into incremental sales of 440,000 heavy CVs over FY19-21. Also, an additional 200,000 CVs will be naturally replaced over this period and we could be looking at growth rates in excess of 50% over FY19-21E.

Within the CV space, the M&HCV (Truck) has grown by 19.4% in volume terms aided by pent-up demand post GST implementation, stricter implementation of overloading norms in select states as well as healthy demand for HCVs (from select industries like car carriers, petroleum products, container traffic). Likewise, the LCV (Truck) segment has also witnessed a strong growth of 29.5% in volume terms driven by replacement cycle, improving financing environment and pick-up rural demand. While truck sales have picked-up sharply, demand for bus has weakened considerably (down 13.7% in FY 2018) owing to weak orders from both SRTUs and private segment.

The increased thrust on infrastructure projects as visible in the recent budget, higher demand from consumption-driven sectors and e-commerce logistic service providers, especially for LCVs and ICVs will continue to support demand for CVs into FY 2019. However, we expect the growth momentum would see some moderation, especially in the M&HCV segment owing sizeable capacity addition, especially in tonnage terms during FY 2018. Accordingly, we expect M&HCV Trucks to register a growth of 4-6% in volume terms in FY2019. Nonetheless, if Government's plans (although delayed) on phasing out old diesel vehicles through proposed vehicle modernization program materialize, growth could be higher. ICRA believes that the LCV segment is on a structural uptrend and has witnessed swift recovery with improvement in liquidity situation.

### **CV Industry-Trends and Outlook**

The domestic Commercial Vehicle (CV) industry maintained its strong growth momentum in 6MFY2019 with 38% growth in sales on a YoY basis. Structural factors including infrastructure pick-up and overall healthy demand from freight generating sectors continued to drive sales growth.

Post a year of strong growth in domestic volumes, the Indian commercial vehicle industry has commenced the new fiscal on a strong footing, with a robust 38% increase in domestic volumes during 6MFY2019 over the corresponding previous period. In addition to the low base effect of the last year when disruptions related to GST and supply constraints post BS-IV implementation had impacted the sales volumes significantly, growth continues to be driven by the positive underlying momentum in the economy as well. Pent-up demand post demonetization and GST implementation, macro-economic recovery and stricter enforcement of overloading restrictions in some regions, have all contributed to the healthy growth. Furthermore, there has been healthy pick-up in execution of infrastructure projects, particularly in the roads, urban infrastructure and affordable housing segments, which have bolstered demand for haulage trucks and tippers. Additionally, sectors like auto carriers, 3PL players, cement, steel and oil tankers have also contributed to growth.

Despite the sizeable capacity addition reported by the industry in the previous fiscal, and rising pressure on earnings of small fleet operators due to rising fuel costs, ICRA expects the strong growth momentum to continue in the current fiscal, supported by these factors. Although confusions related to the new axle load norm implementation has potential to impact

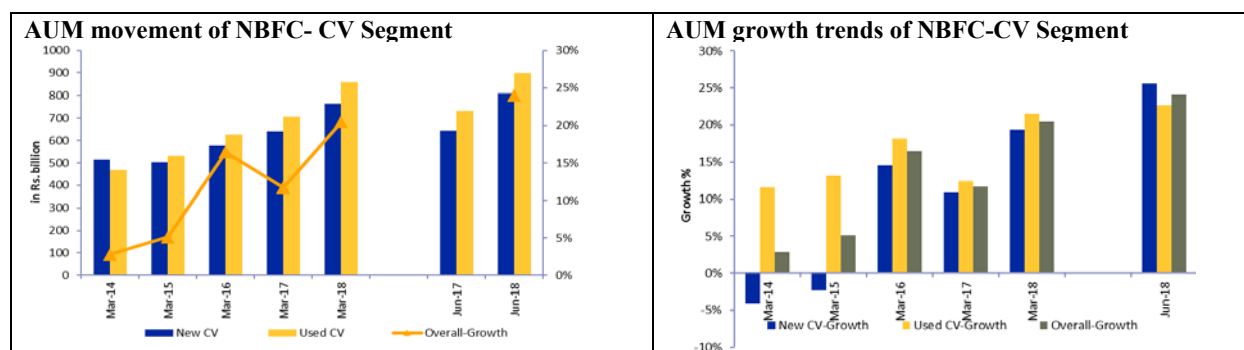
the M&HCV (Truck) domestic volumes over the near term, the same is expected to be transitional, and pent-up demand would continue to keep the growth healthy at about 18-20% in the current fiscal.

The LCV segment is expected to benefit over the near term from demand from consumption-driven sectors, E-commerce and Express Cargo focused logistic companies, in addition to rural demand. ICRA believes that the LCV segment is on a structural uptrend and has witnessed swift recovery with improvement in liquidity situation. Accordingly, ICRA expects the LCV (Truck) segment to register a growth 18-20% in FY 2019. Over the medium-term, the segment would also benefit from roll-out of GST and its impact on logistics sector and preference for hub-and-spoke model.

Although bus volumes had contracted sharply during FY 2018 because of lower orders inflows from SRTUs, ICRA expects volumes to recover in FY 2019 with 12-14% growth, aided by replacement-led demand post a year of slow-down. Over the medium term, the segment would continue to benefit from the Government's focus on improving urban as well as rural transportation and initiatives such as smart cities, in addition to healthy demand from relatively new segments like online aggregators and staff carriers. In addition to these, segments like schools and college buses remain a stable source of bus market in India. ICRA research indicates that fleet replacement cycle is gradually reducing with rising customer expectations for comfortable journey. This is likely to reduce average fleet age and spur replacement-led demand as well.

[Source: ICRA Report on Retail NBFC Credit Trends, Q1 FY 2019 Performance- Update and Industry Outlook]

## COMMERCIAL VEHICLE FINANCING



[Source: ICRA Report on Retail NBFC Credit Trends, Q1 FY 2019 Performance- Update and Industry Outlook]

The total NBFC credit to this segment stood at about Rs. 1.7 trillion as on June 30, 2018, registering a growth of about 24%, on a YoY basis. This is the highest growth registered in the last 4-5 years, driven by growth in new vehicle sales and healthy used CV financing trend. NBFC credit to the new CV segment registered a 25% YoY growth, while the used CV segment grew at a healthy pace of about 23% in June 2018.

The increased thrust on infrastructure projects as visible in the recent budget, higher demand from consumption-driven sectors and e-commerce logistic service providers will continue to support demand for new CVs in FY2019. However, the tightening in liquidity and, increase in the interest rates and fuel price could impact near-term sales as more than 90% of the vehicles are financed. NBFCs account for the major share of the total vehicle financed (new +used). While NBFCs are expected to witness some erosion in their competitive position in the new CV segment as cost of funding increased, entities are expected to partly shift focus to the higher yielding used CV financing to bolster the overall business returns. ICRA expects NBFC CV portfolio to expand by about 14-16% in FY2019.

[Source: ICRA Report on Retail NBFC Credit Trends, Q1 FY 2019 Performance - Update and Industry Outlook]

### Used CV Industry and NBFC Financing

The Used CV Industry growth was boosted by the modest credit growth during FY2017 because of demonetisation and improved realisation on used CV sales post implementation of BS-IV from April 2017. Used CV financing is largely extended by NBFCs and they earn a healthy yield of 15-20% (average) per annum. Most vehicles sold during FY2012-FY2013 would have come to the market for sale or refinancing by now. Demonetisation impacted the ability of borrowers to contribute margins for used CV purchases during H2 FY2017. Also, the availability of vehicles was lower in anticipation of a price increase post April 2017. This resulted in a lower growth in this segment during FY2017 (12% compared to 17% in FY2016). We expect more vehicles of FY2012/13 vintage to be available for refinancing / sales in FY2019, which would support credit growth. Further, the proposed scrappage policy is less likely to have an impact on used vehicle realisations. ICRA expects NBFC CV portfolio to expand by about 14-16% in FY2019.

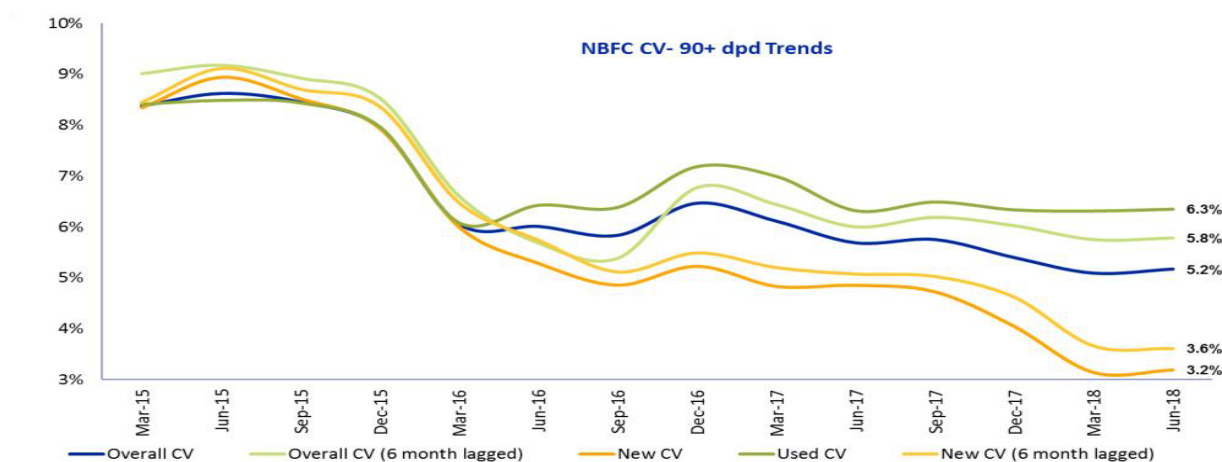
[Source: ICRA Report on Retail NBFC Credit Trends, Q1 FY 2019 Performance- Update and Industry Outlook]



## Key Success factors in the used commercial vehicle finance

<b>Valuation</b>	The lack of a transparent pricing mechanism makes valuation a challenge. Good quality appraisers and trained staff, however, can be mitigating factors.
<b>Credit Appraisal</b>	Borrowers often do not have income tax returns or documentation. In addition, 75% of buyers own less than three trucks. Mitigating factors include requiring the personal guarantee of customer and guarantor, checking moveable and immoveable property of the customer and the guarantor, and having power of the attorney signed by the customer in the name of the company for repossession in case of default.
<b>Collection Recovery</b>	Since assets and borrowers are both mobile, and 40% to 50% of collection is through cash, collection recovery remains a challenge. Locals who are comfortable dealing with transport operators need to be employed, and collection should multiple times a month.

## Overall delinquencies of Commercial Vehicles Segment- 90+ dpd Movement in CV segment



Source: ICRA Sample of select NBFCs and ICRA research

[Source: ICRA Report on Retail NBFC Credit Trends, Q1 FY 2019 Performance- Update and Industry Outlook]

Delinquencies in the CV segment improved in FY2018 and remained stable in Q1 FY2019 with the overall NBFC-CV segment's 90+dpd being 5.1-5.2% compared to 6.1% in March 2017. The improvement was supported, to an extent, by sharp growth in the portfolio. This is evident from the relatively moderate improvement in the 6-month lagged 90+dpd of 5.7-5.8% in March 2018 compared to 6.4% in March 2017. The sharp increase in fuel prices, which account for close to 60% of the total operating expenses of transporters, has impacted their operating margins. The operating viability of the borrowers, especially small fleet operators and FTUs/FTBs who are dependent on larger fleet operators or on market load availability, are likely to feel the squeeze on their already thin operating margins as fuel costs increased steeply.

Feedback from financiers and load operators indicate that the increase in the cost of operations and finance costs is impacting operator margins, which could affect near-term demand and, has resulted in some build-up in overdues in the shorter buckets for financiers, over the recent past. However, good load availability because of structural factors, even in a lean demand quarter (July-September), bolsters expectations that the load demand would be healthy in the second half of the year as well. However, this, along with performance of the operators, remains to be seen. Notwithstanding the above, delinquencies are expected to build up slowly, considering the cyclical nature of the industry, which is witnessing one of the lowest levels of overdues.

(Source: ICRA Report on Retail NBFC Credit Trends, Q1 FY 2019 Performance-Update and Industry Outlook)

## CONSTRUCTION EQUIPMENT

The Mining and Construction Equipment (MCE) industry set to deliver another strong year in CY2018, supported largely by government-backed projects and despite the limited private sector participation in infrastructure development across sectors. ICRA expects MCE demand to grow by 17-20% during CY2018. Demand for excavators and backhoes (which account for over 65% of industry volumes) grew by ~35-40% demand growth during H1 CY2018.

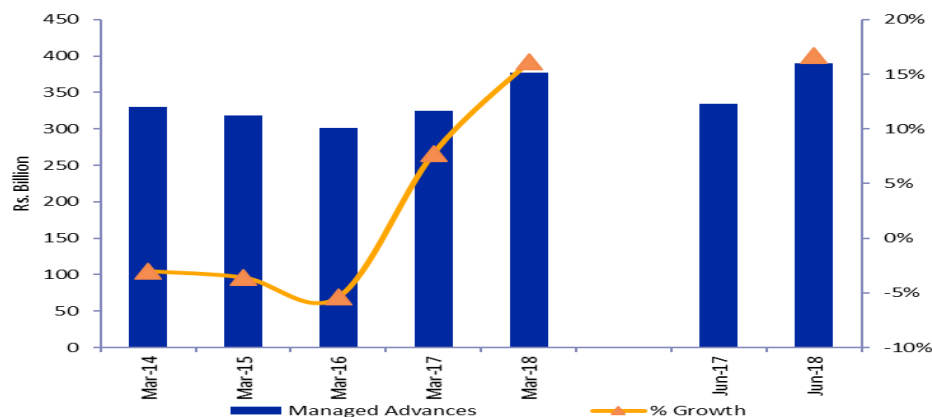
After a relatively muted road project awards until Dec-17 (4,163 kms YTD Dec-17), strong pick-up in national highway (NH) work awards by the GoI during Q4FY2018, lead to an all-time high of 17,055 kms being awarded (7% growth) during FY2018. While ICRA expects MCE demand to moderate during Q2 CY2019 (general elections), the decline is expected to be limited to the election quarter, with demand picking up again in Q3CY2019—contingent on the formation of a stable government at the centre. ICRA expects MCE demand to grow by 8% in CY2019, followed by a stronger 12% plus growth

during CY2020. ICRA's channel check across industry participants reinforces this trend. This robust demand growth is expected to strengthen the credit profile of all CE majors in the country.

Total NBFC credit to the construction equipment (CE) segment stood at about Rs. 390 billion as on June 30, 2018, registering an year on year growth of about 17% *vis a vis* the 10% growth witnessed in FY2017. Infrastructure investments in sectors like roads, irrigation and railways and metro drive demand. Increasing scale of projects has pushed up demand for larger equipment like excavators, which have posed strong volume growth in the recent past.

Banks, especially private sector banks, offer fine prices and are competitive in this segment; while, NBFCs remained cautious because of the past delinquency build-up in this segment. ICRA expects the NBFC credit to this segment to grow at a 12-14% in FY2019 *vis a vis* 17% in Q1FY2019 as the increase in the interest rates is expected to dampen demand to some extent and, as NBFCs faced with pressures on liquidity are expected to slow incremental credit.

(Source: ICRA Report on Retail NBFC Credit Trends, Q1 FY 2019 Performance-Update and Industry Outlook)



(Source: ICRA research, company/company investor presentations)

(Source: ICRA Report on Retail NBFC Credit Trends, Q1 FY 2019 Performance- Update and Industry Outlook)

## OUR BUSINESS

*Some of the information in the following section, especially information with respect to our plans and strategies, contains forward-looking statements that involve risks, assumptions, estimates and uncertainties. This section should be read in conjunction with the sections “Forward Looking Statements”, “Risk Factors”, and “Financial Information” on pages, 14, 15 and 221, respectively, of this Draft Prospectus. Unless stated otherwise, the financial data used in this chapter, taken from Restated Financial information furnished on beginning from page no 221 of the draft prospectus.*

Our Company was incorporated in the year 1955 and has a track record of nearly four decades in commercial vehicle financing segment. We are registered with RBI, Department of Non-Banking Supervision, Chennai, as a deposit-taking NBFC to carry on asset financing activities under section 45-IA of the Reserve Bank of India Act, 1934. We are part of “**Sakthi Group**” of companies based in Coimbatore, South India, a reputed and well-known Industrial conglomerate having major presence in sugar, industrial alcohol, automobile distribution, auto components, dairy, co-generation, wind energy and transportation.

We are an asset finance company with primary focus on financing pre-owned commercial vehicles. We also provide finance for purchasing infrastructure construction equipment, multi-utility vehicles, cars, jeeps and other machinery. The finances provided are secured by lien on the assets financed. Our target customers predominantly comprise Small / Medium Road Transport Operators (**SRTOs / MRTOs**) and primarily hail from rural/semi-urban area. The SRTOs / MRTOs look for speedy disposal of finance at competitive rates. We have identified this opportunity and positioned ourselves between the organized banking sector and local money lenders by offering the finance at competitive rate with flexible and speedy lending services to our customers. We operate primarily in the Southern region of the country mainly in the States of Tamil Nadu and Kerala through our branch network and customer service points. We have network of 47 branches, located in Tamil Nadu, Kerala, Andhra Pradesh, Karnataka, Maharashtra, Haryana and Union Territory of Puducherry. In addition to finance business, we generate power from windmills and sell the same to Tamil Nadu Electricity Board and Gujarat UrjaVikas Nigam Limited. At present, we have 17 windmills with an aggregate capacity of 5,150 kW located in the States of Tamil Nadu and Gujarat.

As on September 30, 2018, we have an Assets Under Management (**AUM**) (*i.e.* Stock on Hire) of ₹ 92,385.67 lakh. Our AUM has grown from ₹ 75,035.05 lakh as at March 31, 2014 to ₹ 90,161.19 lakh as at March 31, 2018 at CAGR of 4.70%.

The income from hire purchase business constitutes about 94% of operating income of the Company. The income from hire purchase business increased to ₹ 15,708.40 lakh for FY 2018 from ₹ 12,644.05 lakh for FY 2014 at a CAGR of 5.58%.

As on September 30, 2018, the gross NPAs as a percentage of loan assets is 5.72% and Net NPAs as a percentage of loan assets is 3.70%. The Gross NPA as a percentage of loan assets was 5.11% and 4.28% as on March 31, 2018 and March 31, 2017, respectively. The Net NPA as a percentage of net loan assets was 3.32% and 3.00%, as on March 31, 2018 and March 31, 2017, respectively.

The capital adequacy ratio, computed on the basis of applicable RBI requirements, as on September 30, 2018 is 16.27%. The capital adequacy ratio as on March 31, 2018 and March 31, 2017, were 17.22% and 19.73%, respectively.

## SUMMARY OF OUR KEY OPERATIONAL AND FINANCIAL PARAMETERS

A summary of our key operational and financial parameters as at and for half year ended September 30, 2018 and the last three completed financial years are as follows:

(₹lakh)

Particulars	As at and for half year ended September 30, 2018	As at and for the FY ended March 31,		
		2018	2017	2016
		(Audited)		
Net worth*	15,563.77	15,095.78	14,507.38	13,405.31
Total Debt of which				
Non-Current Maturities of Long term borrowing	40,457.25	45,749.87	59,222.37	44,248.98
Non-Current Maturities of Short term borrowing	22,012.86	18,870.10	13,790.74	24,570.86
Current maturities of long term borrowing**	28,198.95	24,343.56	15,222.15	19,638.32
Net Property Plant and Equipment (including Capital Work in Progress and intangible assets)	6,278.89	6,351.33	6,473.37	6,634.50
Total Non-current assets	10,027.04	9,988.74	10,096.16	9,065.04
Cash and cash equivalents	5,943.55	5,202.88	3,566.42	3,751.17
Current Investments	136.31	136.31	-	110.99
Total Current assets	1,01,889.25	99,361.44	97,817.30	98,711.11
Total Current Liabilities	53,953.86	46,428.16	31,883.87	47,578.67
Assets Under Management <sup>#</sup>	92,385.67	90,161.19	90,366.43	92,178.98
Off Balance Sheet assets	-	-	-	-
Income from hire purchase operations	7,507.23	15,708.40	15,796.44	16,029.61
Interest expenses	4,880.83	9,993.28	10,346.56	10,261.07
Provisioning and write-offs <sup>\$</sup>	329.42	651.09	687.41	699.61
Profit after tax	686.54	1,192.63	1,599.70	1,328.43

\* Net worth as defined in Section 2(57) of the Companies Act, 2013 means the aggregate value of the paid-up share capital and all reserves created out of the profits and securities premium account, after deducting the aggregate value of the accumulated losses, deferred expenditure and miscellaneous expenditure not written off, as per the audited balance sheet, but does not include reserves created out of revaluation of assets, write-back of depreciation and amalgamation

\*\* Current maturities of long-term borrowing also includes interest accrued on debentures, deposits, subordinated debts and cash credits and unclaimed deposits and debentures.

# Asset under management means the stock on hire.

\$ Include contingent provision against standard assets.

The following table sets out, as on the dates indicated, data regarding our NPAs and Capital Adequacy Ratios:

Particulars	As at and for half year ended September 30, 2018	As at and for the FY ended March 31,		
		2018	2017	2016
		(Audited)		
Gross NPA (₹ lakh)	5,345.87	4,689.02	3,952.44	16,78.99
Net NPA (₹ lakh)	3,386.87	2,993.24	2,737.69	821.17
Total loan assets /gross credit exposure (₹ lakh)	93,397.45	91,736.29	92,347.47	93,363.21
*Net loan assets/net credit exposure (₹ lakh)	91,438.45	90,040.52	91,132.72	92505.39
% of gross NPA to total loan assets	5.72	5.11	4.28	1.80
% of net NPA to net loan assets	3.70	3.32	3.00	0.89

Particulars	As at and for half year ended September 30, 2018	As at and for the FY ended March 31,		
		2018	2017	2016
		(Audited)		
Capital Adequacy Ratio (%)	16.27	17.22	19.73	19.42
Tier I Capital Adequacy Ratio (%)	13.02	13.20	12.60	11.54
Tier II Capital Adequacy Ratio (%)	3.25	4.02	7.13	7.88

\* *Net loan assets/net credit exposure = Total loan assets less provision for non-performing assets*

*Provision for non-performing assets = Gross NPA minus Net NPA*

*(Source: Returns filed by SFL for relevant periods)*

## OUR STRENGTHS

### *Unique Business Model*

We are an asset finance company with primary focus on financing pre-owned commercial vehicles. Our target customers comprise SRTOs/ MRTOs, primarily hailing from rural/semi-urban area. These SRTOs/ MRTOs generally find difficulty in obtaining finance from banks on account of their limited credit history and inability to meet the lending covenants of the banks. At the same time, local money lenders offer speedy and flexible finance however at extensively high rate. We identified this opportunity and positioned ourselves between banks and local money lenders to service this population. We have adopted a prompt loan approval and simple documentation procedures, set our offer rates between those of the banks and the money lenders. We believe that we, among the few financial institutions in the organized sector, satisfy the need of the target customers.

### *Effective origination, credit appraisal and collection processes*

We have nearly four decades of experience in the asset financing business. We have established an effective process for origination, monitoring and collecting receivables which enabled us to generate the stable growth with control over asset quality.

Our target customers mainly hail from rural/semi-urban area. For such customer segment, the knowledge of local culture and long relationship with the customers play a key role for growth in the operation. We have adopted a distinguished and cost effective business origination policy, where we originate the business through our branch networks in association with marketing officers termed as Customer Service Points (CSPs). These CSPs are local residents of the area and have the domain knowledge of that area. They identify potential customers in defined area and maintain long term relationship with the existing customers. Further, this business model also enables us to be proactive and develop future products for our customers. Moreover, we find that the CSP arrangement is cost effective as they function from Small Office Home Office (SOHO) provided by our Company without being a formal branch set-up.

We have designed stringent evaluation process and credit policies to ensure the asset quality of our loans and the security provided for such loans. Our credit policy comprises classification of target customers in terms of track record, classification of assets, differentiated loan to value ratio for different class of customers and assets, limits on customer exposure *etc.* Further, in order to build quality assets and reduce NPA level, we have developed a culture of accountability by making our marketing officers responsible for loan administration, monitoring as well as recovery of the loans they originate. With our long-standing understanding and experience in the pre-owned vehicle finance segment, we have developed expertise in valuation of pre-owned vehicles which enables us to accurately determine a recoverable loan amount for commercial vehicle. We believe our Company has established a tested valuation technique for the assets which acts as a crucial entry barrier for others seeking to enter our market segment.

Our entire recovery and collection operation is administered in-house and we do not outsource loan recovery and collection operations. We believe that our loan recovery procedure is particularly well-suited to our target market in the commercial vehicle financing industry, as reflected by our high loan recovery ratios compared to others in the financial services industry, and we believe that this knowledge and relationship based recovery procedure is difficult to replicate in the short to medium term.

### *Long-standing presence in Southern Regional market*

We have been operating in vehicle financing Industry for nearly four decades focusing on Southern part of India particularly in the States of Tamil Nadu and Kerala. We have a network of 47 branches with more than 90% branches located in Tamil Nadu and Kerala. We believe that our continuous focus and presence in the concentrated regional market enabled us to understand customer's requirements and create long and trust-worthy relationship with them by providing quality service and support as per the requirements from proximate locations. At present 50% - 60%, of our total business comes from the existing customers only.

### ***Experienced senior management team***

Our Board consists of 7 (seven) Directors, with wide experience in the automotive and/or financial services sectors. Our senior and middle management personnel have extensive experience, expertise and in-depth knowledge of industry. Majority of our senior management team have grown with our Company and have more than 15 years of experience with us. We believe that the industry knowledge and loyalty of our management and professionals provide us with a distinct competitive advantage.

### ***Association with Sakthi Group***

We are part of “Sakthi Group” of companies based in Coimbatore, South India. The Sakthi Group is a well-known and reputed Industrial conglomerate having presence in finance, sugar, industrial alcohol, automobile distribution, auto components, dairy, cogeneration, wind energy, transportation, IT Services, education, health-care etc. We benefit from the association with Sakthi Group as it provides us with a large pool of customers who believe and trust Sakthi Group.

### ***Positive long-term industry prospects***

The growth momentum in domestic commercial vehicle industry will have direct positive impact on the segment in which we operate. We believe that Commercial Vehicle (CV) industry will find its growth momentum back aided by increased thrust on infrastructure and rural sectors in the recent budget, potential implementation of fleet modernization or scrappage program and higher demand from consumption-driven sectors and e-commerce logistic service providers, especially for LCVs and ICVs. The sustained economic growth, easy availability of finance and subdued interest rates, good monsoon season, government's strong focus on infrastructure development and urban infrastructure, increased freight movement due to the expected increase in activity in sectors such as agriculture, e-commerce, mining etc. are the key factors that will drive growth and expansion of the CV industry in the coming years.

The domestic commercial vehicle (CV) industry led by truck segment has been on a recovery phase since the beginning of Q2FY2018. In FY2018, the domestic CV sales grew by 19.9%, primarily driven by healthy growth in the LCV (Truck) and M&HCV (Truck) segment, while bus sales have contracted sharply on the back of weak SRTU orders. Within the CV space, the M&HCV (Truck) has grown by 19.4% in volume terms aided by pent-up demand post GST implementation, stricter implementation of overloading norms in select states as well as healthy demand for HCVs (from select industries like car carriers, petroleum products, container traffic). Likewise, the LCV (Truck) segment has also witnessed a strong growth of 29.5% in volume terms driven by replacement cycle, improving financing environment and pick-up in rural demand. While truck sales have picked-up sharply, demand for bus has weakened considerably (down 13.7% in FY 2018) owing to weak orders from both SRTUs and private segment. The increased thrust on infrastructure projects as visible in the recent budget, higher demand from consumption-driven sectors and e-commerce logistic service providers, especially for LCVs and ICVs will continue to support demand for CVs into FY 2019. Used CV growth was uplifted by the modest credit growth during FY2017 on account of demonetisation and improved realisation on used CV sales post implementation of BS-IV from April 2017. Used CV financing is largely extended by NBFCs and they earn a healthy yield of 15-20% (average) per annum. Most vehicles sold during FY2012-2013 would have come to the market for sales or refinance in H2FY2017 and FY2018. Demonetisation impacted the ability of borrowers to contribute margins for used CV purchases during H2FY2017, also availability of vehicles was lower in the anticipation of a price increase post April 2017; this resulted in a lower growth in this segment during FY2017 (12% as compared with 17% in FY2016). We expect more vehicles of FY2012/13 vintage to be available for refinance/sales FY2019, which would support credit growth, further, the proposed scrappage policy is less likely to have an impact on the used vehicle realisation considering the 20-year vehicle vintage. ICRA expects new CV portfolio to expand by 13-15% and used CV portfolio to grow by 16-18% in FY2019 supported by healthy growth in sales volumes over the all-time high sales volume witnessed in FY2018.

The above growth driving factors will boost sale in commercial vehicle that will benefit the entire ecosystem particularly the commercial vehicle financiers. As per ICRA Report, NBFC credit to the new CV segment registered a 20% YoY growth, while the used CV segment grew at a faster pace of about 22%.

## **BUSINESS STRATEGIES**

### ***Expanding our reach in Southern Region of India***

We have been operating in commercial vehicle financing segment through our branch network spread mainly in Southern Region of India. At present, we originate 90% of our business from the States of Tamil Nadu and Kerala and balance from other States viz. Karnataka, Andhra Pradesh and Union Territory of Puducherry. We believe that there is still good potential and growth available in Southern Region of India from our existing as well as new customers. We intend to strategically maintain and expand our reach in target market only by establishing additional branches and CSPs in the Southern Region particularly in Tamil Nadu and Kerala. In addition to the States of Tamil Nadu and Kerala, we also intend to gradually explore additional business opportunity in other parts of Southern region. Our customer origination and servicing efforts strategically focus on building long-term relationships with our existing customers and address specific issues in local business requirements of potential customers in the Southern region of India.

### ***Attract and retain talented professionals***

We believe that the experience and knowledge of our senior and middle management have played significant role in the growth of our Company. We have been successful in attracting and retaining a team of professionals with experience in credit evaluation, risk management, technology and marketing. We believe, we have created the right balance of performance and other economic incentives for our employees so that they will be motivated to develop business, achieve profitability targets and control risk. We will, from time to time, review our systems and procedures to enable us to respond effectively to changes in the business environment and enhance our overall performance.

### ***Improvement in credit rating to reduce cost of funding***

We meet our funding requirements through several sources viz. secured/ unsecured non-convertible debentures on private placement basis, fixed deposit from retail investors, terms loan and working capital loan from banks/financial institutions, public issue of non-convertible debenture and private placement of subordinated debt. The RBI vide its circular RBI/2014-15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 (also mentioned vide RBI's Master Direction DNBR.PD.002/03.10.119/2016-17 dated August 25, 2016 updated as on October 05, 2018) placed certain restrictions on raising money by NBFCs through private placement in the form of non-convertible debentures and acceptance of fixed deposit. Previous to the RBI Circular, majority of our fund requirements had been met through private placement of non-convertible debentures and fixed deposit from retail investors. Accordingly, in view of the restrictions placed vide RBI circular, we have been concentrating and exploring alternate sources of fund viz. long term loan from banks/financial institution funding or public issue of non-convertible debentures or issue of rated secured/unsecured senior non-convertible debentures on private placement basis. The mobilization of funds from the alternate sources at competitive cost would need to maintain /upgrade the credit rating of our Company. Hence, we intend to improve our credit rating which assists in raising the fund at competitive rate and enhancement in profitability and financial position of the Company.

### ***Upgrade infrastructure and office equipment by incorporating the state of the art information technology system***

We believe that information technology is a strategic tool for our business operations to gain competitive advantage and to improve overall productivity and efficiency of the organization. All our technology initiatives are aimed at enhancing our service levels/customer convenience and improving loan administration and recovery while minimizing costs. We continue to implement technology led processing systems to make our appraisal and collection processes more efficient, facilitate rapid delivery of credit to our customers and augment the benefits of our relationship based approach. We believe deployment of strong technology systems enable us to respond to market opportunities and challenges swiftly, improve the quality of services to our customers, and improve our risk management capabilities.

## **BUSINESS PROCESS**

We have classified our business process in three parts as under:

### ***1) Customer Acquisition and Retention (CARE)***

We primarily focus on retaining existing customers along with soliciting new customers in target business segment. We originate our business through branch network in association with marketing officer known as Customer Service Point ("CSP"). As on the date of Draft Prospectus, we have network of 47 branches located in the States of Tamil Nadu, Kerala, Karnataka, Andhra Pradesh and Union Territory of Puducherry. Each of our branches is associated with 3-4 CSPs. The CSPs are marketing officers belonging to local residence having the domain knowledge of that area which enable us in acquiring and retaining of customers. This will facilitate faster credit delivery to customer and maintain good relationship with customers. The CSPs identify the business opportunity in terms of business policy of the Company and link the same to the branch concerned for further process.

**Origination:** We have developed effective sourcing and customer origination initiatives specifically targeted at SRTOs / MRTOs through establishing connection with various transports and other association for procurement of database for scouting the new customers, publishing advertisements in print media and conducting the road show in the target market. Further, our existing customers/guarantors are also good source of business generation. We develop and maintain long-term personalized relationship with our existing customers, which enable us to generate business from same customers or through referral business.

### ***2) Customer Appraisal Process (CAP)***

On identifying suitable opportunity, the CSPs report the same to the branch concerned for pre-appraisal process along with necessary documents and information. The CSPs and the cluster head / branch manager pre-appraise the business proposal in terms of the credit policy of the Company and verify customer profile, credit history, vehicular records, value of vehicle and KYC documents. They also conduct visit and inspect the vehicle, take chassis number pencil print / photo to determine genuineness and value of the asset to be financed.

The branch sends the proposal / report and recommendation along with all physical documents including inspection report to the credit appraisal team at Head Office. The appraisal process is centralized at Head Office and all the branches are linked through web which expedites appraisal process. The credit appraisal team examines independently profiles of all intended borrowers / guarantors, capacity and intention to repay the loan, vehicle inspection report and other relevant documents. External and Internal Dedupe Checks form part of our appraisal. In case a new entrant client in SFLs book, investigation is done by Field Investigation (FI) department of our Company which works independently. It collects information about prospective borrowers / guarantors, verify the facts and submit a report before sanctioning the loan to enable the credit department in taking suitable decision. On completion of evaluation process, the proposals along with field investigation report, if applicable, placed before the sanctioning authority for their approval. On approval by the sanctioning official or otherwise, the decision will be communicated to the cluster / CSPs. On fulfillment of the terms and conditions of such approval, the files are sent to Risk Containment Unit (RCU) and to payment section. For better risk management, Risk Containment Unit (RCU) department re-verify genuineness of various documents, particularly vehicle records, insurance policy, chassis number genuineness etc. to eliminate risk at the nip itself, to facilitate genuine customers getting into our books by liaising with various departments like RTO, Insurance etc. and to have 'Trust but verify' mechanism. After re-verification by RCU department, the payment will be made to the borrower with suitable intimation to the branch concerned.

### **Credit Policy**

We have designed a stringent credit policy to maintain our asset quality of hire purchase and the security provided for such loans. Our credit policy briefly includes:

<b>Classification of Assets</b>	We have classified assets under normal, negative and low profile category depending upon vehicle model, liquidity in market, market perception, nature etc. All assets coming under goods vehicle, passenger vehicle and infrastructure having income generating capacity which reduce our credit risk comes under normal category. Other than normal category, assets have been classified under low and negative profile, which are not eligible for finance. We typically extend loans to vehicles that are not more than 10 years but age limit may vary as per usability in specific geographies.
<b>Classification of Customers</b>	We primarily provide the vehicle finance to FTC / SRTOs / MRTOs and LFOs. To mitigate the credit risk, we classify customers under normal, low and negative profile depending upon their nature of occupation, business activities etc. We do not extend finance to customers coming under purview of negative /low profile category.
<b>Grading of Customers</b>	We segregate the eligible target customers into three categories on the basis of their credit track record viz. (a) Excellent Track Record (ETR) (b) Good Track Record (GTR) and (c) Acceptable Track Record (ATR). We adopt very stringent credit criteria with respect to Loan to Value ratio, interest rate, guarantors etc. Further our credit policy categorise customers as First Time Customer (FTC) who are new entrants. The exposure limit and loan to value ratio, depend upon category of customers.
<b>Differentiable Loan to Value (LTV) Ratio</b>	As a part of Credit Policy, we have pre-determined market value matrix for all eligible assets (including commercial / constructions / infrastructure vehicles). Further, we reckon customer category i.e. ETR / GTR / ATR, to arrive Loan to Value ratio. Further, our Credit Policy stipulates strict criteria of Loan to Value ratio for customers categories under first time use funding policy. For arriving at valuation matrix, we follow the basis viz. (i) Market value as gathered from peers in the industry, sales details, etc., (ii) Opinion from authorized valuer for unregistered, non-routine assets, (iii) Insured Declared Value for unregistered, non-routine assets and (iv) Market value of the vehicles can be approved / altered, if required, within the financial year after getting approval from the Credit Committee.
<b>Defined Geographical Concentration</b>	As per the Policy, the Company will focus on the 4 Southern States i.e. Tamil Nadu, Kerala, Karnataka and Andhra Pradesh. The Policy also stipulates volume of business from each State and concentration of sector in respect of each State viz. transport, agriculture, construction equipment and others.
<b>Ceiling on Exposure</b>	As per the Policy, the Company will focus on the 4 Southern States i.e. Tamil Nadu, Kerala, Karnataka and Andhra Pradesh. The Policy also stipulates volume of business from each State and concentration of sector in respect of each State viz. transport, construction equipment agriculture and others. We stipulate exposure in terms of Loan to Value (LTV) percentage of the asset on the basis of customer profile, repayment culture and other relevant factors. Lending to single borrower is linked to profile, span of relationship, repayment culture and inherent strength of the customer/ group. Lending to single borrower is restricted to 15% of net owned funds of the Company or 25% to single group of borrowers. We have delegated sanctioning power to various grades of sanctioning authority depending upon the exposure to a particular



	customer/group. We have also stipulated exposure limit for a particular customer / group customer, above which the transaction will be forwarded to Credit Committee.
<b>Collateral and Guarantor requirement</b>	Loans must be secured by the personal guarantee of the borrower as well as at least one third party guarantor. The guarantor must be a commercial vehicle owner, preferably persons engaged in similar line, having ETR / GTR / ATR repayment record, having immovable properties and having good reputation.
<b>Vehicle Insurance</b>	The vehicle should have mandatory comprehensive insurance valid for at least 2 months.
<b>Key processes</b>	The policy stipulates key processes to be followed at various levels / departments in the organization for evaluation of credit worthiness of customer, tele-verification check, physical verification and CIBIL check report. As per the KYC Policy of the Company, all applicants have to provide copies of Valid Passport/ Driving License / PAN Card / Voter ID / Letter issued by the National Population Register containing details of name and address. A certified copy of an Officially Valid Document (OVD) containing details of photo identity and address.

### ***Disbursement***

We disburse the advance amount on receipt of approval from sanctioning authority and submission of all necessary documents by the customers as per the terms and conditions of approval. The sanctioning officer retains evidence of the applicant's acceptance of the terms and conditions of the loan as part of the loan documentation. Prior to the loan disbursement, the sanctioning officer ensures that a Know Your Customer checklist is completed by the applicant. The sanctioning officer verifies such information provided and includes such records in the relevant loan file. The sanctioning officer is also required to ensure that the contents of the loan documents are explained in detail to the borrower and guarantor either in English or in the local language of them and a statement to that effect is included as part of the loan documentation. The borrower is provided with a copy of the loan documents / agreements executed by him. Although our customers have the option of making payments by cash or cheque, we may require the applicant to submit post-dated cheques prior to any loan disbursement. For used vehicles, an endorsement on the registration certificate as well as the insurance policy must be executed in our favour.

### **3) *Customer and Asset Management Process (CAMP)***

The critical success factor of an NBFC is its ability to manage the advance portfolio and recover the money lent on due dates. There is a team at Head Office, which continuously monitor the recovery and offers support to branches and CSPs on exceptional accounts which pose collection problems.

The loan documentation, administration and monitoring plays a crucial role in maintaining asset quality by initiating desirable action at appropriate time. On intimation of sanctioning the finance, branch concerned takes care of execution of loan agreement/hire purchase agreement with the borrower and guarantor and other relevant documents. The loan re-payment schedule is attached to the agreement. We hand over a copy of loan agreement / hire purchase agreement, repayment schedule and terms and conditions of hire purchase agreement to customers for their record. As a service to our customers, the CSP offers to visit the customers on the payment date to collect the instalments due. We monitor the track record of our customers regularly on monthly basis covering outstanding tenure and amount of loan, number of instalments due and default committed.

With view to enhance the operational efficiency, we have clearly defined area as well as limit on number of loan accounts to be evaluated and monitored by each branch office and CSP. Each branch operates within the radius of 100 km and CSP operates within a radius of 40 km under the relevant branch jurisdiction. Each branch administers and monitors 500 to 1000 accounts. Each CSP administers and monitors 150 to 250 customers and in the event of a CSP reaching the mark of 150 customers, we provide the assistance of one or two support officers, depending upon the number of further accounts operated by him to assist in the loan monitoring process. Once a CSP reaches the level of 300 customers mark, the CSP is converted into a full-fledged Branch with necessary infrastructure and information system.

We have also clearly defined authority level to monitor in the event of delay in making the payment of loan instalments. For instances, any delay between (a) 30-90 days monitored by branch manager (b) 90-180 days by collection specialists (c) 180-270 days by CAMP officer and (d) more than 270 days by the Head Office through its CAMP department and legal department.

### ***Collection and Recovery***

In case of delay in payment, we personally visit the customer place, interact and find out the reason for delay and genuineness. In case, we are satisfied with the difficulty of customer, we restructure the loan payment schedule accordingly. We also issue notice to the customers as well as guarantors about delay in making payment. In the event of delay or non-payment of dues, we repossess the vehicle and liquidate the same and recover balance outstanding

dues. If the amount recovered from liquidating vehicle is not sufficient to clear our dues, we take legal recourse against the borrowers and guarantors.

## WINDMILL OPERATION

In addition to finance business, we generate power from windmills and sell the same to Tamil Nadu Electricity Board and Gujarat Urja Vikas Nigam Limited. At present, we have 17 windmills with aggregate capacity of 5,150 kW located in the States of Tamil Nadu and Gujarat. The details of our windmills are given as under:

Location	Number of windmills	Total capacity (kW)	Land area (Acre)
Ponnapuram Village, Dharapuram Taluk, Tirupur Dist.	3	675	20.00
Munduvellampatti Village, Dharapuram Taluk, Tirupur Dist.	3	750	5.10
Veppilankulam Village, Tirunelveli Dist.	8	1,800	4.73
Panathampatti, Mettrathi Village, Udumalpet Taluk, Tirupur Dist.	1	225	1.97
Mouje Village, Mota Gunda, Bhavnad Taluk, Jamnagar Dist*	2	1,700	4.94*
<b>Total</b>	<b>17</b>	<b>5,150</b>	<b>36.74</b>

\* All the above lands are owned by us except for the piece of the lands occupied at Jamnagar for windmill operation is on lease basis for a period of 30 years with effect from January 31, 2011.

## SELECTED FINANCIAL INFORMATION

### Disbursals

We have disbursed the loan for the FY 2018 of ₹ 54,964.07 lakh as against ₹ 48,628.52 lakh for FY 2014, achieving a CAGR of 3.10% during the period under consideration. The break-up of disbursals across our business operations are as under:

Disbursement	For HY September 30, 2018		For FY March 31,									
			2018		2017		2016		2015		2014	
	₹ lakh	%	₹ lakh	%	₹ lakh	%	₹ lakh	%	₹ lakh	%	₹ lakh	%
Commercial Vehicle Finance	22,341.93	96.29	52,995.76	96.42	47,471.71	88.25	47,638.49	90.63	44,630.83	88.79	41,862.30	86.09
Infrastructure Equipment Finance	554.14	2.39	1,180.17	2.15	1,622.82	3.02	1,316.82	2.51	1,801.52	3.58	2,856.89	5.87
Others	307.23	1.32	788.14	1.43	4,696.16	8.73	3,606.60	6.86	3,833.85	7.63	3,909.25	8.04
<b>Total</b>	<b>23,203.30</b>	<b>100.00</b>	<b>54,964.07</b>	<b>100.00</b>	<b>53,790.69</b>	<b>100.00</b>	<b>52,561.91</b>	<b>100.00</b>	<b>50,266.20</b>	<b>100.00</b>	<b>48,628.44</b>	<b>100.00</b>

### Asset Classification

Asset quality plays a crucial role in indicating the financial performance of an NBFC. We maintain our asset quality through implementation of stringent credit appraisal process, prudential lending norms and regular monitoring and recovery of assets. Our established information collection and management system enable us to review and take quick decision in recovery and collection process. Further, hire purchase receivables are secured by hypothecation of assets financed which entail the adequate asset cover to maintain low gross and net NPA levels. The following table sets out details regarding the classification of our credit exposure into different class of assets.

Assets	As on September 30, 2018		As on March 31,									
			2018		2017		2016		2015		2014	
	₹ lakh	%	₹ lakh	%	₹ lakh	%	₹ lakh	%	₹ lakh	%	₹ lakh	%
<b>Standard Assets</b>	88,051.58	94.28	87,047.27	94.89	88,395.03	95.72	91,684.22	98.20	88,242.26	98.59	78,589.46	98.86
<b>Gross NPA of which:</b>	5,345.87	5.72	4,689.02	5.11	3,952.44	4.28	1,678.99	1.80	1,266.48	1.41	909.81	1.14
<b>Sub-standard</b>	1,115.48	1.19	2,258.58	2.46	3,121.48	3.38	907.19	0.98	1,011.07	1.13	697.34	0.88
<b>Doubtful</b>	3,351.95	3.59	2,054.78	2.24	742.92	0.80	694.16	0.74	255.41	0.29	174.61	0.22
<b>Loss</b>	878.44	0.94	375.66	0.41	88.04	0.10	77.64	0.08	0.00	0.00	37.86	0.05
<b>Total loan assets / gross credit exposure</b>	<b>93,397.45</b>	<b>100</b>	<b>91,736.29</b>	<b>100</b>	<b>92,347.47</b>	<b>100</b>	<b>93,363.21</b>	<b>100</b>	<b>89,508.74</b>	<b>100</b>	<b>79,499.27</b>	<b>100</b>

<b>Calcification of Assets</b>	<b>Meaning</b>				
	<b>FY 2018</b>	<b>FY 2017</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2014</b>
<b>Standard Asset means</b>	<i>The Asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem or carry more than normal risk attached to the business.</i>				
<b>Sub-standard asset means an asset that has been classified as NPA</b>	<i>for a period not exceeding 12 months</i>	<i>for a period not exceeding 14 months</i>	<i>for a period not exceeding 16 months</i>	<i>for a period not exceeding 18 months</i>	<i>for a period not exceeding 18 months</i>
<b>Doubtful asset means an asset that has remained sub-standard</b>	<i>for a period exceeding 12 months</i>	<i>for a period exceeding 14 months</i>	<i>for a period exceeding 16 months</i>	<i>for a period exceeding 18 months</i>	<i>for a period exceeding 18 months</i>
<b>Loss asset means</b>	<i>(a) asset which has been identified as a loss asset by us or our internal or external auditor or by the RBI to the extent that they are not written-off by us; and</i> <i>(b) asset which is adversely affected by a potential threat of non-recoverability due to either erosion in the value of security or non-availability of security, or due to any fraudulent act or omission on the part of the borrower.</i>				

### **Provisioning Policy**

Our provisioning policy in respect of our NPA accounts is in accordance with the norms prescribed by the RBI, with emphasis on the realizable value of the security and the period of overdue payments. Statutory provisions are required to be made in respect of standard, sub-standard, doubtful and loss assets as per RBI directives. As per the provisioning norms prescribed by RBI, as at September 30, 2018, we have made a total provision of ₹ 1,959.00 lakh, which constituted around 3.70% of our NPAs.

Details of provisions and amounts written off for the financial years ended March 2018, 2017, 2016, 2015 and 2014 are set out in the table below:

<b>Particulars</b>	<b>As on September 30, 2018</b>	<b>As on March 31,</b>				
		<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Gross NPA (₹ lakh)	5,345.87	4,689.02	3,952.44	1,678.99	1,266.48	909.81
Provision for non-performing assets (₹ lakh)	1,959.00	1,695.78	1,214.75	857.82	693.57	519.19
Total assets / gross credit exposure (₹ lakh)	93,397.45	91,736.29	92,347.47	93,363.21	89,508.74	79,499.27
% of gross NPA to total loan assets	5.72	5.11	4.28	1.80	1.41	1.14
% of net NPA to net loan assets	3.70	3.32	3.00	0.89	0.65	0.49
Amount write off (₹ lakh)	71.18	297.84	482.44	470.74	411.50	451.84
% of Amounts written-off to total loan assets	0.08	0.32	0.52	0.50	0.46	0.57

### **Funding sources**

We source our funds requirement through a combination of equity, preference capital, public deposits and debt, depending upon the prevailing cost of the debt and its forecast of future movement. Our Company formulated a resource raising policy, with an objective to give direction for raising resources at competitive cost, maintaining adequate liquidity level, maintaining the mismatch level between asset maturity pattern and liability maturity pattern within the tolerance level and maintaining leveraging level to net owned fund. The total funds deployed and combination of shareholders fund and debt fund for the last five years is as under:

<b>As on</b>	<b>Shareholders' Funds* (₹ lakh)</b>	<b>Total Debt funds # (₹ lakh)</b>	<b>Debt Equity Ratio</b>
September 30, 2018	15,616.38	90,669.05	5.81
March 31, 2018	15,148.39	88,963.52	5.87
March 31, 2017	14,559.99	88,235.26	6.06

As on	Shareholders' Funds* (₹ lakh)	Total Debt funds # (₹ lakh)	Debt Equity Ratio
March 31, 2016	13,494.15	88,495.43	6.56
March 31, 2015	13,156.98	86,336.27	6.56
March 31, 2014	12,237.80	72,113.95	5.89

\* Share capital [Equity and Preference capital] + Reserves and Surplus (excluding revaluation reserve) - miscellaneous expenditure (to the extent not written off or adjusted)

# In total debt funds, secured and unsecured loan also include interest accrued and due thereon.

## Debt fund

Our debt funding currently comprises several sources viz. deposits, non-convertible debentures, term loans, working capital demand loan for varying periods. The composition of debt fund of the Company is as under:

Particulars	As on September 30, 2018		As on March 31,									
			2018		2017		2016		2015		2014	
	₹ lakh	%	₹ lakh	%	₹ lakh	%	₹ lakh	%	₹ lakh	%	₹ lakh	%
<b>SECURED LOANS</b>												
Redeemable non-convertible debentures (Private Placement)	7,490	8	6,236	7	4,828	5	7,737	9	15,374	18	31,715	44
Redeemable non-convertible debentures (Public)	18,881	21	22,432	25	23,010	26	10,634	12	-	-	-	-
Term loans from financial institutions, and other lenders	3,733	4	5,188	6	7,457	8	9,878	11	13,959	16	359	1
Cash credit and demand Loans from Banks	18,265	20	14,384	16	14,797	17	21,940	25	21,838	25	18,481	25
<b>TOTAL SECURED LOANS (A)</b>	<b>48,369</b>	<b>53</b>	<b>48,239</b>	<b>54</b>	<b>50,093</b>	<b>57</b>	<b>50,189</b>	<b>57</b>	<b>51,171</b>	<b>59</b>	<b>50,555</b>	<b>70</b>
<b>UNSECURED LOANS</b>												
Fixed deposits	18,724	21	17,432	20	16,082	18	17,343	20	17,702	21	13,491	19
Subordinated debt	21,075	23	20,791	23	19,559	22	18,460	21	17,464	20	8,068	11
Senior unsecured Redeemable non-convertible debentures	2,501	3	2,501	3	2,502	3	2,503	3	0	-	0	-
<b>TOTAL UNSECURED LOANS (B)</b>	<b>42,300</b>	<b>47</b>	<b>40,724</b>	<b>46</b>	<b>38,142</b>	<b>43</b>	<b>38,306</b>	<b>43</b>	<b>35,166</b>	<b>41</b>	<b>21,559</b>	<b>30</b>
<b>TOTAL LOAN FUNDS (A+B)</b>	<b>90,669</b>	<b>100</b>	<b>88,964</b>	<b>100</b>	<b>88,235</b>	<b>100</b>	<b>88,495</b>	<b>100</b>	<b>86,337</b>	<b>100</b>	<b>72,114</b>	<b>100</b>

The above figure include interest accrued and due thereon.

Our short term fund requirements are primarily funded by cash credit from banks including working capital demand loans. Cash credit from banks including working capital demand loans outstanding as at September 30, 2018 was ₹ 15384 lakh. We are registered as a deposit-taking NBFC with the RBI under Section 45-IA of the Reserve Bank of India Act, 1934, which authorizes us to accept deposits from the public. As at September 30, 2018, we had fixed deposits outstanding of ₹ 18,724 lakh.

The average cost of debt funds is as under:

As at March 31, 2018	As at March 31, 2017	As at March 31, 2016	As at March 31, 2015	As at March 31, 2014
11.28%	11.71%	11.74%	11.40%	11.33%

We believe that we have developed a stable and long term relationships with our lenders and established a track record of timely servicing of our debts, and have been able to secure funds at competitive rate.

## Capital Adequacy Ratio

We are subject to the Capital Adequacy Ratio ("CRAR") requirements prescribed by the RBI. We are currently required to maintain a minimum CRAR of 15.00%, as prescribed under the Prudential Norms Directions, 2007, based on our total

capital to risk-weighted assets. As per RBI notification dated February 17, 2011, all Deposit-Taking NBFCs have to maintain a minimum capital ratio, consisting of Tier I and Tier II Capital, which shall not be less than 15.00% of its aggregate risk weighted assets on balance sheet and risk adjusted value of off-balance sheet items *w.e.f.* March 31, 2012. Further, pursuant to RBI Circular dated November 10, 2014, all NBFCs-D, shall maintain a minimum Tier I Capital of 10%. Our Company maintains stipulated Capital Adequacy Ratio. The following table sets out our CRAR as on the dates indicated:

(₹ Lakh except CRAR)

Particulars	As at September 30, 2018	As at March 31,				
		2018	2017	2016	2015	2014
Eligible Tier I Capital	13602.88	13515.18	12945.57	11830.67	11771.10	10918.24
Eligible Tier II Capital	3391.95	4115.95	7319.57	8088.33	8076.88	7581.2
<b>Total capital</b>	<b>16994.83</b>	<b>17631.13</b>	<b>20265.14</b>	<b>19919.00</b>	<b>19847.98</b>	<b>18499.44</b>
<b>Risk Assets</b>						
Adjusted value of funded risk assets	103796.05	101707.54	102045.67	101879.61	110041.56	85840.76
Adjusted value of non - funded risk assets	669.06	669.06	664.15	704.30	40.16	-
Total risk weighted assets	104465.11	102376.60	102709.82	102583.91	110081.72	85840.76
<b>Capital Adequacy Ratio (%)</b>	16.27	17.22	19.73	19.42	18.04	21.55
Tier I Capital (%)	13.02	13.20	12.60	11.54	10.70	12.72
Tier II Capital (%)	3.25	4.02	7.13	7.88	7.34	8.83

### Credit Rating

The cost and availability of capital is also dependent on our short-term and long-term credit ratings. Ratings reflect a rating agency's opinion of our financial strength, operating performance, strategic position, and ability to meet our obligations. The following table sets out our credit ratings for FY 2019:

Rating Agency	Instruments	Rating	Limit (₹ lakh)	Rationale
ICRA Limited	Non-Convertible Debenture (proposed)	BBB (Stable)	15,000	[ICRA] BBB Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.
	NCD	BBB (Stable)	22,716	
	Fund based- Term Loans	BBB (Stable)	4,881	
	Fund based Long Term Facilities from Banks - Cash Credit (CC)	BBB (Stable)	14,895	
	Fund Based CC/WCDL – interchangeable limits	BBB (Stable) / A2	2,895	
	Fund based Short Term Facilities from Banks (WCDL)	A2	670	[ICRA] A2 Instruments with this rating are considered to have strong degree of safety regarding timely payment of financial obligations. Such instruments carry low credit risk.
	Fixed deposit	MA- (Stable)	-	MA- The adequate-credit-quality rating assigned by ICRA. The rated deposits programme carries average credit risk.

*The ratings provided by credit rating agency may be suspended, withdrawn or revised at any time by the assigning rating agency and should be evaluated independently of any other rating. These ratings are not a recommendation to buy, sell or hold securities and investors should take their own decisions.*

### INSURANCE

We maintain insurance cover for our free-hold real estate and tangible properties and infrastructure at all owned premises which provide insurance cover against loss or damage by fire, earthquake, electrical and machinery break-down. Further, we maintain insurance cover for cash in safe for the office premises and cash in transit policy which provides insurance cover against loss or damage by employee theft, burglary, house breaking and hold up.

## **RISK MANAGEMENT**

Effective Risk Management is fundamental to success in the financial services industry and a basic expectation of shareholders, regulators and customers. We are exposed to several risks in the course of our business viz. Credit Risk, Market Risk, Liquidity Risk and Interest Rate Risk, Operational Risk, Reputational Risk, Cash Management Risk and Regulatory and Compliance Risk. We have evolved a strong, integrated and comprehensive risk-assessment process which has resulted in stable growth with good asset quality. We have established Risk Management Committee which reviews risk management policy developed by the management reviews the annual risk management framework document and periodically reviews the process for systematic identification and assessment of the business risk. We also periodically monitor the critical risk exposure and report to the board the details of any significant developments and make recommendations to the Board on need basis for effective risk management. The key risks and risk mitigation process we apply to address these risks are summarized below:

### **Market Risk : Interest Rate Risk and Liquidity Risk**

#### ***Interest Rate Risk***

Our Company's assets and liabilities consist of items sensitive to re-pricing as well as non-sensitive items. The difference between interest rate sensitive assets and liabilities affect net interest margin or net interest income. Net interest income is the difference between our interest income and interest expense. Since our balance sheet consists of rupee assets and rupee liabilities, movements in domestic interest rates constitute the primary source of interest rate risk. We assess and manage the interest rate risk on our balance sheet through the process of asset liability management. We borrow funds at fixed and floating rates of interest, while we extend credit at fixed rates. In the absence of proper planning and in a market where liquidity is limited, our net interest margin may decline, which may impact our revenues and ability to exploit business opportunities. We have developed stable and long-term relationships with our lenders, and established a track record of timely servicing of our debts. This has enabled us to become a preferred customer with most of the major banks and financial institutions with whom we do business. An interest rate gap statement is prepared by classifying assets and liabilities into various time period categories according to contracted maturity on monthly basis. The difference between the amount of assets and liabilities maturing would give an indication of the extent of exposure to the risk of potential changes in the margin. Based on the above, ALCO would propose for a pricing of products including sources of funds. Moreover, our valuation capabilities enable us to invest in good quality assets with stable, attractive yields.

#### ***Liquidity Risk***

Measuring and managing liquidity needs are vital for effective operation of company. Liquidity risk arises due to non-availability of adequate funds or non-availability of adequate funds at an appropriate cost or of appropriate tenor, to meet our business requirements. We actively monitor our liquidity position and attempt to maintain adequate liquidity at all times to meet all requirements of all depositors and debenture holders while also meeting the requirements of lending. We prepare maturity gap analysis to review the liquidity position. Dynamic analysis is also done to enable requirement of liquidity for short term fund requirement. Further, we have developed expertise in mobilizing long-term and short-term funds at competitive interest rates, according to the requirements of the situation. As a matter of practice, we generally do not deploy funds raised on short term borrowing for long-term lending.

For management of interest rate risk and liquidity risk, the Board has constituted an Asset Liability Management Committee (ALCO). The primary objective of ALCO is to review at periodic intervals the liquidity risk, interest rate risk sensitivity and the pricing of various products of our Company.

#### ***Credit Risk***

Credit risk is the risk of loss that may occur from the default by our customers under the loan agreements with us. As stated above, borrower defaults and inadequate collateral may lead to higher NPAs. We minimize credit risk by requiring that each loan must be guaranteed by another commercial vehicle operator in the same locality as the borrower, preferably by an existing or former borrower. Furthermore, we lend on a relationship based models and our loan recovery ratios indicate the effectiveness of this approach for our target customer base. We also employ advanced credit assessment procedures, which include verifying the identity and checking references of the proposed customer thoroughly at the lead generation stage. Our extensive regional presence also enables us to maintain regular direct contact with our customers. In this regard, we assign personal responsibility to each member of the lead generation team for the timely recovery of the loans they originate, closely monitoring their performance against our Company's standards, and maintain client and vehicles-wise exposure limits. The company has an effective post sanction monitoring process- supervision and follow-up to identify credit portfolio trends and early warning signals. This enables to implement necessary changes to the credit policy, whenever the need arises.

#### ***Operational Risk***

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems or from external events. The operational risks are managed through comprehensive internal control systems and procedures and key back-up processes. We have evolved a system of submission of exceptional reports for procedural lapses at the branches level,

risk-based audits on a regular basis across all business units/functions and IT disaster recovery plans for evaluating key operational risks.

### ***Cash Management Risk***

Our Head Office and branch offices collect and manage large volume of cash of customers' payments. Lack of proper cash management practices could lead to losses. To address cash management risks, our company has formulated a cash management policy with an object to establish proper systems and procedures, safety and security in relation to cash management of the company at our head office and branches. The policy covers activities like custody of cash and other valuables during business hours and overnight as also while in transit, custody of its keys / duplicate keys, adequacy of insurance over its property, cash retention limit and system of monitoring, security arrangements, systems in place to deal with theft / robbery etc. The collection of cash is made through ERP, if the cash is collected at the branch and using hand-held device if the cash is collected in the field. In case of hand-held devices, the receipts issued are to be transferred to S3G (system for advances) application server maintained at Head Office immediately and the collection staffs are advised to deposit the cash collection into our company's bank account either on the same day or on the next working day. In case cash is not deposited on the same day is to be reported to the senior executives at Head Office by way of auto generated system report who regularly monitor the collections and remittance of cash on daily basis. Our company has also put limit on acceptance of cash in aggregate from a person in a day, in respect of a single transaction and in respect of transactions relating to one event or occasion from a person. Further, we conduct regular audits to ensure the highest levels of compliance with our cash management systems.

### ***Reputational Risk***

The Reputation risk arises from the negative public opinion. Such type of risk may arise from the failure to assess and control compliance risk and can result in harm to existing or potential business relationships. We continually solicit feedback from employees and customers on issues concerning the image of the company and negative public opinion, if any, address on priority basis.

### ***Regulatory and Compliance Risk***

Regulatory and compliance risk are the risks to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies, and procedures, or ethical standards. The regulatory and compliance risk will also be result of any changes made in laws, rules or regulations to comply with. There may some differences in interpretation of regulations by the company *vis-à-vis* that of the regulators. Our Company adopted a watch dog approach in the system ensuring compliance of laws and regulations by risk management on an on-going basis and ensuring timely submission of periodical reports to regulatory authorities is put in place to avoid legal/compliance risk. Further, our Company has engaged experienced professionals in different departments in order to take care of compliance with the applicable laws, rules and regulations and guidelines affecting company's business. Our Company also takes advice from reputed external consultants in respect to the laws, rules or regulations affecting the company's business.

## **EMPLOYEES**

The availability of experienced and quality human resource play significant role in the growth and maintaining the asset quality of the Company. Our human resource policy is to establish and build a strong performance and competency-driven culture with higher sense of accountability and responsibility among employees. We are taking necessary steps to strengthen the organizational competency through training at all levels and installing effective systems. Our total employee strength was 478 as on December 31, 2018.

We have built our human resource primarily by recruiting experience personnel in the segments. We also identify interested fresh graduates in our business segment and transform them into competent work force even at the entry level by providing training in all facets of business including procurement, appraisal, legal, regulatory requirements and financial matters. Under our training program, we emphasize both classroom training as well as on-the-job skills acquisition. Post recruitment, an employee undergoes induction training to gain an understanding of our Company and our operations. We also conduct training and development program on regular basis to upgrade knowledge, skills and performance of the employees. Since success of our operation primarily depends on closeness with our customers, we prefer to hire our workforce from the locality in which they will operate, in order to benefit from their knowledge of the local culture, language, preferences and territory. Further, since our marketing officers are responsible for customer origination, loan administration and monitoring as well as loan recovery it enables them to develop strong relationships with our customers.

Our organizational structure relies on efficient communication and feedback system. We evaluate the performance of our employees at regular interval in line with target allocated to them. We provide a performance-based monetary as well as non-monetary incentive to the employees along with progressive career path. In the event of low or moderate performance, we deliberate the same with employee, identify the reason and take appropriate steps in the form of extending training or support from branch office to achieve the desired performance.

## TECHNOLOGY

We have a suitable software set-up for handling the hire purchase, financial accounting and fixed deposits related operations in an integrated manner to support the growth of the Company and also to enhance the associated services. For hire purchase operations, we are using an application called S3G (Smartlend 3rd Generation) and for financial accounting / costing / assets management and fixed deposit operations, we are using SAP ERP software. The requisite hardware, software, networking and power-conditioning components are in place to support the effective deployment of the business applications. Suitable Business Continuity Management (BCM) measures are in place including the Disaster Recovery (DR) set-up.

All the business units including the branches are well connected to the Coimbatore Head Office through VPNOBB (Virtual Private Network Over Broad Band) arrangement to access the centralized software applications in a secured manner. Automation is being done in all possible avenues including the enablement of the marketing officers with computers, hand-held devices, smart phones etc. for handling their jobs effectively. All users including branches interact through emails and the facilities like video-conferencing are in place.


The reputed CRM (Customer Relationship Management) application, salesforce.com is being implemented to shorten the turn-around-time of the marketing operations till the payment stage and also to enhance the productivity of the marketing officers.

## PROPERTY

Our Registered and Head Office is situated at 62, Dr. Nanjappa Road, Coimbatore 641018. The registered office building is owned by us while the land on which the registered office built was taken by our Company on lease basis from Sri. M. Srinivaasan, Director of our Company *vide* a lease agreement executed on March 07, 2018 for a period of 11 months commencing from April 01, 2018 with a provision for renewal thereafter on mutually agreed terms and conditions. We operate our business operation through network of branches and CSP. Except for Mumbai and Madurai branch offices, which are owned by us, all other branches are occupied by us on lease or license basis. We own land which comprises for our windmill operations, the brief details of which are furnished at page 87 of chapter titled “*Our Business*” of the Draft Prospectus. We also hold 6 other immovable properties which are used for various other purposes by our Company. Company has acquired land in Coimbatore for Corporate Office purpose.

### Intellectual Property

As on the date of this Draft Prospectus, we have made not any application for registration of any trademarks. However,

we use this  as logo, which is not registered under Trade Marks Act, 1999, till date.

## COMPETITION

We are an asset finance company with primary focus on financing pre-owned commercial vehicle and our target customers comprise SRTOs / MRTOs. In this segment, we primarily face the competition from the private unorganized financiers that principally operate in the local market. Unorganized players cater to the bulk of demand for pre-owned truck financing. These unorganized players have significant local market expertise, but lack brand image and organizational structure. The small private financiers also have limited access to funds and may not be able to compete with us on interest rates extended to borrowers, which we are able to maintain at competitive levels because of our access to a variety of comparatively lower cost funding sources and operational efficiencies from our scale of operations. However, private operators may attract certain clients who are unable to otherwise comply with our loan requirements, such as the absence of an acceptable guarantor or failure of the commercial vehicle to meet our asset valuation benchmarks.

Organized players like Banks and larger NBFCs are entering this refinance business. However most of our customers are not a focus segment for banks or large NBFCs, as these customers lack substantial credit history and other financial documentation on which many such financial institutions rely to identify and target new customers. Even though more NBFCs are entering into this segment, we believe that only NBFCs with good network of field staff, effective relationship management and customer evaluation tools can succeed in this business. Our long presence in the segment with experience-based valuation methodology, growing customer base and relationship-based approach are key competitive advantages against new market entrants.

## COLLABORATIONS

Except as disclosed in the Draft Prospectus, our Company has not entered into any collaboration, any performance guarantee or assistance in marketing by any collaborators.



## **CORPORATE SOCIAL RESPONSIBILITY**

Recognizing our social responsibility, we undertake various initiatives aimed at contributing to society at large, including supporting various charitable projects and social welfare activities.

For the three months ended September 30, 2018 and for Fiscals 2018, 2017 and 2016, we incurred ₹ 11.62 lakh, ₹ 79.68 lakh\*, ₹ 10.21 lakh and ₹ 49.07 lakh respectively on CSR initiatives.

(\* ₹ 79.68 lakh includes ₹ 34.47 lakh spent for the FY 2016-17)

## HISTORY AND CERTAIN CORPORATE MATTERS

Our Company was promoted by Late Dr. N. Mahalingam and incorporated as “The Pollachi Credit Society Private Limited” on March 30, 1955 under the Indian Companies Act, 1913. Our Company was later converted into a public limited company and the name of our Company was changed to Sakthi Finance Limited on July 27, 1967 and a fresh Certificate of Incorporation was obtained from Registrar of Companies, Madras. Our Company came out with its first public issue of equity shares in 1984 and mobilized ₹ 75 lakh and the Equity Shares of the Company were listed on BSE, MSE, The Delhi Stock Exchange Limited. At present, the Equity Shares of our Company are listed only at BSE. The corporate identification number of our Company is L65910TZ1955PLC000145.

Our Company holds a certificate of registration issued by the RBI dated April 17, 2007 bearing registration no. 07-00252 to carry on the activities of an NBFC under section 45IA of the RBI Act, 1934 as an Asset Finance Company-Deposit-Taking. Our Company’s business currently involves acceptance of deposits, non-convertible debentures, hire purchase financing of commercial vehicles, machinery *etc.* with its main focus on the financing of pre-owned commercial vehicles. Presently, we have a network of 47 branch offices located in Tamil Nadu, Kerala, Andhra Pradesh, Karnataka, Maharashtra, Haryana and Union Territory of Puducherry. For details in relation to our business activities, please refer chapter titled “*Our Business*” on page 87.

### Disclosures required under Section 30 of the Companies Act, 2013

The signatories to the Memorandum of Association were Dr. N. Mahalingam and Mr. A. Subramaniam who had subscribed to 10 and 5 equity shares of ₹ 1,000 each respectively of the Company. The liability of the members of our Company is limited by shares.

### Changes in registered office of our Company

At present our Registered Office is situated at 62, Dr. Nanjappa Road, Post Box No. 3745, Coimbatore 641 018, Tamil Nadu. The details of change in the registered office are as under:-

Date of change	Address changed	
	From	To
01/06/1961	4&4A, Goods Shed Road, Pollachi – 642001	28, Nachimuthu Gounder Street, Pollachi – 642001
09/09/1967	28, Nachimuthu Gounder Street, Pollachi - 642001	62, Dr. Nanjappa Road, Post Box No. 3745, Coimbatore - 641018

### Key events, milestones and achievements since FY 1984 -85

FY	Particulars
1984-85	<ul style="list-style-type: none"> <li>Company made an initial public issue of Equity Shares for ₹ 75 lakh.</li> <li>The Equity Shares were listed on BSE, MSE and Delhi Stock Exchange Ltd.</li> </ul>
1985-86	<ul style="list-style-type: none"> <li>Fixed deposit acceptance crossed ₹ 1,000lakh</li> <li>Company expanded safe deposit locker operations</li> <li>Stock on hire limit crossed ₹ 1,000 lakh</li> <li>10 branch offices opened</li> </ul>
1986-87	<ul style="list-style-type: none"> <li>Stock on hire limit crossed ₹2,500 lakh</li> <li>Paid up capital rises to ₹ 100 lakh</li> </ul>
1987-88	<ul style="list-style-type: none"> <li>Gross income exceeded ₹ 1,000 lakh</li> <li>Crossed limit of 25branch offices</li> </ul>
1988-89	<ul style="list-style-type: none"> <li>Fixed deposit acceptance crossed ₹ 6,000lakh</li> <li>Number of fixed depositors crossed 1,00,000 mark</li> <li>Crossed limit of 38 branch offices</li> </ul>
1989-90	<ul style="list-style-type: none"> <li>Fixed deposit acceptance crossed ₹ 8,000 lakh</li> </ul>
1990-91	<ul style="list-style-type: none"> <li>Fixed deposit acceptance crossed ₹ 10,000 lakh</li> <li>Stock on hire crossed ₹ 7,000 lakh</li> <li>Gross income crossed ₹ 2,500 lakh</li> <li>Net worth crossed ₹ 1,000 lakh</li> </ul>
1991-92	<ul style="list-style-type: none"> <li>Stock on hire crossed ₹ 7,500 lakh</li> </ul>
1992-93	<ul style="list-style-type: none"> <li>Fixed deposit acceptance crossed ₹ 12,000 lakh</li> </ul>
1993-94	<ul style="list-style-type: none"> <li>Stock on hire crossed ₹ 10,000 lakh</li> <li>Bank borrowings limit crossed ₹ 1,000 lakh</li> </ul>
1994-95	<ul style="list-style-type: none"> <li>Company obtains credit rating of MA from ICRA Ltd for its fixed deposit programme</li> <li>Bank borrowings limit crossed ₹ 2,500 lakh</li> <li>Net worth crossed ₹ 2,500 lakh</li> </ul>

FY	Particulars
	<ul style="list-style-type: none"> <li>Fixed deposit acceptance crossed ₹ 17,500 lakh</li> <li>Net profit exceeded ₹ 500 lakh</li> </ul>
1995-96	<ul style="list-style-type: none"> <li>ICRA upgraded company's fixed deposit programme to MA+</li> <li>Gross income crossed ₹ 5,000 lakh</li> <li>New head office building inaugurated</li> <li>Equity Shares listed in Coimbatore Stock Exchange Limited</li> </ul>
1996-97	<ul style="list-style-type: none"> <li>Stock on hire crossed ₹ 22,000 lakh</li> </ul>
1997-98	<ul style="list-style-type: none"> <li>New prudential norms of RBI adopted</li> <li>Retail secured redeemable non-convertible debentures were issued on private placement basis</li> </ul>
1998-99 (18 months)	<ul style="list-style-type: none"> <li>RBI registration obtained to function as an NBFC</li> <li>Gross income crossed limit of ₹ 7,500 lakh</li> <li>Retail secured redeemable non-convertible debentures crossed ₹ 3,000lakh</li> </ul>
1999-01 (18 months)	<ul style="list-style-type: none"> <li>Net worth crossed ₹ 3,000 lakh</li> </ul>
2001-02	<ul style="list-style-type: none"> <li>Stock on hire crossed ₹ 14,000 lakh</li> </ul>
2004-05	<ul style="list-style-type: none"> <li>Net stock on hire crossed ₹ 15,000 lakh</li> <li>The shares of the Company delisted from Coimbatore and Delhi Stock Exchanges Limited</li> </ul>
2005-06	<ul style="list-style-type: none"> <li>Retail non- convertible debentures crossed ₹ 6,000 lakh</li> </ul>
2006-07	<ul style="list-style-type: none"> <li>Classified as an Asset Finance Company by RBI</li> <li>Net stock on hire crossed ₹ 20,000 lakh</li> <li>Bank / FI borrowings crossed ₹ 2,500 lakh</li> </ul>
2007-08	<ul style="list-style-type: none"> <li>Paid up equity capital crossed ₹ 2,500 lakh</li> <li>Net stock on hire crossed ₹ 25,000 lakh</li> <li>Net worth crossed ₹ 5,000 lakh</li> <li>Retail non-convertible debenture limit crossed ₹ 12,500 lakh</li> </ul>
2008-09	<ul style="list-style-type: none"> <li>Net Profit crossed ₹ 500 lakh</li> <li>Stock on hire crossed ₹ 34,000 lakh</li> <li>Bank / FI borrowings crossed ₹ 6,000 lakh</li> </ul>
2009-10	<ul style="list-style-type: none"> <li>Stock on hire crossed ₹ 40,000 lakh</li> <li>Bank / FI borrowings limit crossed ₹ 7,500 lakh</li> <li>Retail non-convertible debenture crossed ₹ 27,500 lakh</li> </ul>
2010-11	<ul style="list-style-type: none"> <li>Stock on hire crossed ₹ 50,000 lakh</li> <li>Bank / FI borrowings limit crossed ₹ 7,500 lakh</li> <li>Reaffirmed long term rating of [ICRA] BBB for bank funds and [ICRA] A2 for short term bank funding</li> </ul>
2011-12	<ul style="list-style-type: none"> <li>Gross income crossed ₹ 10,000 lakh</li> <li>Net worth crossed ₹ 12,500 lakh</li> <li>Profit after tax crossed ₹ 1,100 lakh</li> </ul>
2012-13	<ul style="list-style-type: none"> <li>Gross income crossed ₹ 12,500 lakh</li> <li>Retail debentures crossed ₹ 40,000 lakh</li> </ul>
2013-14	<ul style="list-style-type: none"> <li>Stock on hire crossed ₹ 75,000 lakh</li> <li>Bank / FI borrowings limit crossed ₹ 17,500 lakh</li> </ul>
2014-15	<ul style="list-style-type: none"> <li>The Equity Shares were delisted from MSE</li> </ul>
2016-17	<ul style="list-style-type: none"> <li>Public issue of ₹ 10,000 lakh secured redeemable non-convertible debentures</li> <li>Public issue of secured redeemable non-convertible debentures ₹ 20000 lakh</li> <li>AUM Crossed : ₹ 90000 lakh</li> <li>Income Crossed: ₹ 17000 lakh</li> </ul>
2017-18	<ul style="list-style-type: none"> <li>Bank / FI borrowings limit crossed ₹ 19,500 lakh</li> <li>Net worth crossed ₹ 15,000 lakh</li> </ul>

## Main Objects of Our Company

As our Company was registered before commencement of the Companies Act, 1956, our object clause is not segregated into the main objects, ancillary objects and other objects. The following are the objects which allow our company to carry out the NBFC activities:

1. To lend and or advance money or grant loans on any terms that may be thought fit with or without security to persons, firms, individuals, Companies, local bodies or Government and particularly to customers and other persons having dealings with the Company.
2. To promote, assist in promoting, finance, aid, procure aids, manage, takeover or operate any undertaking whether existing or new.
3. To act as secretaries and financier to enterprises.
- 3-A To act as an Issue House, Registrars and Share Transfer Agents, Financial Advisers, Technical Consultants, System Analysts and Data Processors.
4. To purchase, sell, exchange, deal in or invest in shares, debentures, bonds, stocks of Joint Stock Companies, firms, Local Bodies or of Government.
- 4-A To carry on the business of Underwriters, Sub-Underwriters, Brokers, Managers, Advisers, Consultants to Issue of Shares, Debentures, bonds, fixed deposits and other securities and of Syndication of Loans, Project Finance, Working Capital facilities and Deferred Payment facilities.
5. To act as godown keepers, brokers, commission agents, representatives or salesman to manufacturers, dealers, exporters, importers and/or such other persons.
- 5-A To aid and carry on the business of all kinds of agencies of vehicles, machinery and equipment and consumer durables.
6. To accept, endorse, negotiate, dispose of any kinds of goods or merchandise as may be received from time to time from customers and to advance money on the security of such goods or merchandise.
7. To purchase, erect, construct, maintain, repair, alter, sell and deal in buildings, houses, channels, tenements, factories, machinery, plants and tools and to let them on lease or otherwise and to deal in all materials and machinery for that purpose.
- 7-A To carry on the business of manufacturing, assembling, fitting, buying, selling, exchanging, altering, hiring, letting on hire, importing, exporting and dealing in all kinds of cars, trucks, buses, chassis, lorries, motor cycles, tractors, scooters and other conveyances of every description and in all spares and component parts required thereto and in all kinds of machineries required for civil, commercial, military or agricultural purposes or otherwise and in all kinds of materials, engines, machinery, tools, implements, accessories, equipments and apparatuses for use in connection with, whether for cash or for credit or hire purchase or instalment system or in any mode as may be thought fit.
- 7-B To carry on the business of general financiers including leasing of and dealers in land, buildings, plant and machinery, construction equipments, drilling rigs, fixtures and all kinds of office equipments.
- 7-C To acquire immovable or movable property which the Company may think it desirable to acquire by way of investments or with a view to provide commercial and housing scheme to the depositors of the Company.
- 7-D To carry on the business of manufacturing of and be engaged in all processes involved in the manufacture of all kinds of fibres, yarn, cloth, fabrics (including canvas, denims, hosiery and terry towels) and apparels and as dealers, merchants, exporters, importers, agents and distributors in any of them or in any textile goods and in all kinds of plant, machinery, tools, appliances, ancillaries, components and chemicals used in textile industry.
8. To acquire and takeover on lease or otherwise the whole or any part of any business, goodwill, trademarks, rights, interest etc. and property and liability of any person, firm or Company carrying on a business either identical to or similar to that which this Company is authorised to carry on.
- 8-A To render assistance to buy, sell, import, export, lease or otherwise deal in computers, computer software and computer hardware.
- 8-B To undertake rural development work with a view to inculcate the habit of savings in rural population and for this purpose, formulate plans, conduct propaganda, seminars, conferences and training courses.
- 8-C To publish books, magazines and periodicals connected with the subjects relevant to the Company's activities.
- 8-D To guarantee the payment of money, unsecured or secured by or payable under or in respect of promissory notes, bonds, debentures, instruments and securities of any Company or any authority, municipal, local or otherwise or of any person whomsoever, whether incorporated or not and generally to guarantee or become sureties for the performance of any contract or obligations for the business of the Company.
- 8-E To generate, harness, develop and accumulate Electric Power by utilising Wind, Solar, Tidal and other non-conventional sources of energy, to generate power by setting up power plants including Wind Electric, Hydro Power, Thermal Power, Diesel Power, multi fuel power and micro-hidel power plants for captive consumption and for supply and distribution to consumers of electric power.

9. To borrow, raise or secure the payment of money by mortgage or by debenture and in such manner as may be deemed fit and for the purpose aforesaid to charge all or any of the property or assets of the Company whether present or future including the uncalled capital of the Company.

**Holding company**

As on the date of the Prospectus, our Company does not have any holding company.

**Subsidiary company**

As on the date of the Prospectus, our Company does not have any subsidiary company.

**Key terms of our material agreements**

Other than the agreements in relation to this Issue, our Company has not entered into material agreements, more than two years before the date of the Prospectus, which are not in the ordinary course of business.

## OUR MANAGEMENT

### BOARD OF DIRECTORS

The general superintendence, direction and management of our affairs and business are vested in our Board of Directors. As on the date of the Draft Prospectus, we have 7 (Seven) Directors on our Board out of which one is executive director and six are non-executive directors. Further, our Board consists of four Independent Directors.

The following table sets out details regarding the Board as on date of the Prospectus:

Name, Designation, Status, Age, DIN and Address	Date of Appointment	Other Directorships
<b>Dr. M. Manickam</b> <b>Designation:</b> Chairman <b>Status:</b> Non-Executive and Non-Independent <b>Age:</b> 62 years <b>DIN:</b> 00102233 <b>Address:</b> No. 25, Rukmani Nagar Ramanathapuram Coimbatore 641045	December 11, 1990	1) ABT Infosystem Private Ltd 2) ABT Limited 3) ABT Foods Retailing (India) Limited 4) Anamallais Bus Transport Private Limited 5) Kovai Medical Center and Hospital Limited 6) Nachimuthu Industrial Association (Section 8 Company of the Companies Act 2013) 7) Sakthi Auto Component Limited 8) Sakthi Properties (Coimbatore) Limited 9) Sakthi Sugars Limited 10) Sri Chamundeswari Sugars Limited 11) The Gounder and Company Auto Limited 12) ABT Healthcare Pvt. Ltd (being Struck off)
<b>Mr. M Balasubramaniam</b> <b>Designation:</b> Vice Chairman and Managing Director <b>Status:</b> Executive and Non-Independent <b>Age:</b> 60 Years <b>DIN:</b> 00377053 <b>Address:</b> No.27 & 28, Rukmani Nagar Ramanathapuram Coimbatore 641045	August 21, 1985	1) ABT Limited 2) ABT Textiles Private Limited 3) ABT Foods Retailing (India) Limited 4) ABT Foundation Limited 5) ABT Properties Limited 6) Anamallais Bus Transport Private Limited 7) Coimbatore Innovation and Business Incubator 8) Nachimuthu Industrial Association (Section 25 Company of the Companies Act 1956) 9) Sakthi Auto Component Limited 10) Sakthi Sugars Limited 11) Sakthifinance Financial Services Limited 12) Sri Chamundeswari Sugars Limited 13) The Gounder and Company Auto Limited
<b>Mr. M. Srinivaasan</b> <b>Designation:</b> Director <b>Status:</b> Non-Executive and Non Independent <b>Age:</b> 52 Years <b>DIN:</b> 00102387 <b>Address:</b> “Swagatham” 742, Krishna Temple Road Indira Nagar Bengaluru 560038	April 18, 1994	1) ABT Limited 2) Chamundeswari Enterprises Pvt. Ltd 3) Nachimuthu Industrial Association (Section 25 Company of the Companies Act 1956) 4) Sakthi Auto Component Limited 5) Sakthi Properties (Coimbatore) Limited 6) Sakthi Sugars Limited 7) Sri Chamundeswari Sugars Limited 8) The Gounder and Company Auto Limited 9) Nilambe Leisure Holdings (Pvt) Limited, Srilanka
<b>Dr. A. Selvakumar</b> <b>Designation:</b> Director <b>Status:</b> Non-Executive and Independent <b>Age:</b> 63 Years <b>DIN:</b> 01099806	March 30, 2001*	1) Bison Agro Farms Private Limited 2) Founderpassion Foundation 3) Sri Chamundeswari Sugars Limited 4) Sri Sakthi Textiles Limited 5) Vetriva Sports Academy Pvt. Ltd 6) Akashiq Data Care India Pvt. Ltd (being Struck off)

Name, Designation, Status, Age, DIN and Address	Date of Appointment	Other Directorships
<b>Address:</b> A-109 Raheja Enclave 236, Race Course Road Coimbatore 641018		
<b>Mr. P. S. Gopalakrishnan</b> <b>Designation:</b> Director <b>Status:</b> Non-Executive and Independent <b>Age:</b> 83 Years <b>DIN:</b> 00001446 <b>Address:</b> B-202, “KeshavDugar” No.1, East Avenue Kesavaperumal Puram Chennai 600028	November 20, 2004*	1) Dharani Sugars and Chemicals Limited 2) Kothari Sugars and Chemicals Limited 3) Shriram General Insurance Company Limited
<b>Mrs. Priya Bhansali</b> <b>Designation:</b> Director <b>Status:</b> Non-Executive and Independent <b>Age:</b> 52 Years <b>DIN:</b> 00195848 <b>Address:</b> Amrit 24A Bharathi Park Road No 2 Coimbatore 641 043	March 31, 2015 <sup>#</sup>	1) Ishita Advisory Services P Limited 2) Sakthi Sugars Limited
<b>Mr. K P Ramakrishnan</b> <b>Designation:</b> Director <b>Status:</b> Non-Executive and Independent <b>Age:</b> 64 Years <b>DIN:</b> 07029959 <b>Address:</b> Flat No.2, Sixth Floor T A Enclave, 43A Velachery Main Road Velachery Chennai 600 032	May 30, 2015 <sup>#</sup>	1) Think Capital Private Limited 2) TDT Copper Limited

\* In terms of Section 149 of the Companies Act 2013, the Company has appointed Dr. A. Selvakumar and Mr. P. S. Gopalakrishnan as Independent Directors, not liable to retire by rotation, at the Annual General Meeting held on September 27, 2014 for a term of five years.

<sup>#</sup> Mrs. Priya Bhansali and Mr. K P Ramakrishnan were appointed as additional directors on March 31, 2015 and May 30, 2015, respectively. The appointment of the directors was confirmed at the annual general meeting held on September 28, 2015 and appointed as Independent Directors, not liable to retire by rotation, for a term of five years.

### Profile of Directors

Dr. M. Manickam, Chairman of the Company, holds a Masters Degree in Statistics from Madras University and a Masters Degree in Business Administration from University of Michigan, USA. He has experience of about 38 years in the field of Business and Industries. He is the Chairman and Managing Director of Sakthi Sugars Limited. He is also the Chairman and Managing Director of Sakthi Auto Component Limited. In recognition of his contribution to the management of agro-processing industries and agricultural development, he was awarded the “Doctor of Science” (*Honoris Causa*) by Tamil Nadu Agricultural University, Coimbatore in July 2010. He was the President of Indian Sugar Mills Association during 1996-97.

Mr. M. Balasubramaniam, Vice Chairman and Managing Director of the Company, holds a Masters Degree in Commerce from Madras University and a Masters Degree in Business Administration from Notre Dame University, USA. He joined SFL as a Director in the year 1985 and has been associated with our Company since then. He has an experience of 33 years in the field of finance, auto and sugar industries. He was the Chairman of Coimbatore Zone of Confederation of Indian Industry as also a member of the Management Committee of Coimbatore Management Association. He is presently a senate member in Bharathiyar University, Coimbatore.

Mr. M Srinivaasan holds a Bachelor's Degree in Engineering from Mysore University and a Masters Degree in Business Administration from Pennsylvania State of University, USA. He has been the Managing Director of Sri Chamundeswari Sugars Limited since 1996. He has experience of about 25 years in the field of sugar industry. He was the President of South India Sugar Mills Association, Karnataka between 1997-1999 and 2005-2008. He was also the President of Indian Sugar Mills Association, New Delhi, during the year 2012-13.

Dr. A Selvakumar holds a Masters Degree in Engineering from Guindy Engineering College, Chennai and a Doctorate in Engineering from Canada. He was working as a Project In-charge at Naval Engineering Test Establishment in Canada. He has more than 38 years of experience in the field of system applications.

Mr. P S Gopalakrishnan holds a Graduate degree in Commerce and Law. He is also an Associate Member of the Institute of Bankers, London. He is also a Fellow of Economic Development Institute of World Bank, Washington. He was the former Chairman of IFCI Limited, Indian Overseas Bank and Oriental Bank of Commerce. He has a rich and varied experience of more than 53 years in the field of Banking and Finance.

Smt. Priya Bhansali holds a Graduate degree in Commerce. She is a Fellow Member of the Institute of Chartered Accountants of India and also holds a Diploma in Information System Audit (DISA). She is Partner of M/s Kumbhat & Co, Chartered Accountants. She is a practicing Chartered Accountant for more than 2 decades. She has experience in Direct Taxes, Audit, Joint Ventures, Foreign Direct Investment and International Taxation.

Mr. K P Ramakrishnan holds a Bachelor's Degree in Engineering from Indian Institute of Technology, Chennai. He was the Chief General Manager of IDBI Bank Limited. He has got more than 33 years of experience in banking and finance. At present, he is Chief Risk Officer of Shriram EPC Limited, Chennai.

None of the current directors of our Company appear on the list of wilful defaulters of the RBI/ ECGC default list.

## Remuneration of the Directors

### Terms and conditions of employment of Managing Director

Mr. M. Balasubramaniam was re-appointed as the Managing Director of our Company for a period of five years with effect from September 28, 2015, pursuant to a resolution of the Board of Directors of our Company on August 7, 2015 and the approval of the members of our Company pursuant to a resolution passed at the AGM held on September 28, 2015. The Company has entered into an agreement with Mr. M Balasubramaniam for his appointment as Managing Director of the Company on September 29, 2015.

The remuneration payable to Mr. M. Balasubramaniam by way of salary and other perquisites, (as authorised by the shareholders of our Company pursuant to resolution passed at their AGM held on September 28, 2015 and pursuant to managing director re-appointment agreement), is as follows:

Salary	₹ 3,00,000 per month
Perquisites	Not exceeding the annual salary as may be decided by the Board of Directors from time to time.  In addition to the salary, Mr. M. Balasubramaniam shall also be entitled to the following perquisites:  a. Contribution to Provident and Superannuation Funds to the extent not taxable under the Income Tax Act, 1961;  b. Gratuity at the rate of half a month's salary for each completed year of service; and  c. Encashment of leave at the end of tenure as per the rules of the Company.
Minimum Remuneration	The above salary and perquisites will be paid as minimum remuneration even in the event of loss or inadequacy of profits of any year.
Commission	3% on the Net Profits of our Company, subject to a maximum ceiling specified in section 197 of the Companies Act, 2013
The payment of above remuneration by the company is subject to the limits specified in Section V of Part II of Schedule IV to the Companies Act, 2013, as may be applicable.	

The remuneration paid to him for the last FY 2017-18 is as under:

Particulars	(₹ lakh)
Salary	49.64
Perquisites	0.30
Commission	66.94
Total	116.88



### Terms and conditions of employment of non-executive directors

Pursuant to a resolution passed by our Board at their meeting held on May 28, 2014, non-executive directors are entitled to be paid sitting fees of ₹ 20,000/- per meeting for attending meetings of the Board and of the various Committees of the Board.

The details of sitting fees paid to our non-executive directors during the FY ended March 31, 2018 are:

Name	(₹ lakh)
Dr. M. Manickam	1.40
Mr. M. Srinivaasan	0.80
Mr. A. Shanmugasundaram*	0.80
Dr. A. Selvakumar	3.00
Mr. P. S. Gopalakrishnan	1.60
Mrs. Priya Bhansali	1.60
K P Ramakrishnan	1.80
<b>Total</b>	<b>11.00</b>

\*Mr. A. Shanmugasundaram passed away on 18th September 2017.

### Borrowing powers of the Board

Pursuant to a resolution passed by the shareholders through postal ballot process, results of which declared on April 5, 2014 and in accordance with the provisions of Section 180(1)(c) of the Companies Act, 2013, the Board has been authorised to borrow any sum or sums of money from time to time, as may in the opinion of Board of Directors deem necessary for the purpose of business of our Company upon such terms and conditions and with or without security as the Board of Directors may think fit, provided that money or monies to be borrowed together with the monies already borrowed by our Company (apart from temporary loans obtained / to be obtained from our Company's bankers in the ordinary course of business) shall not exceed ₹ 2,500 crore (Rupees two thousand five hundred crore only). The aggregate value of the NCDs offered under the Prospectus, together with the existing borrowings of our Company, is within the approved borrowing limit of ₹ 2,500 crore.

### Interests of our Directors

All the Directors of our Company, including our non-executive directors, may be deemed to be interested to the extent of fees, if any, payable to them for attending meetings of the board or a committee thereof as well as to the extent of other remuneration and reimbursement of expenses payable to them. Mr. M. Balasubramaniam, Vice Chairman and Managing Director of our Company is interested to the extent of remuneration and commission paid for services rendered as an officer and/or employee of our Company.

All the directors of our Company, including independent directors, may also be deemed to be interested to the extent of Equity Shares, if any, held by them or by companies, firms and trusts in which they are interested as director, partner, member or trustee and promoter and also to the extent of any dividend payable to them and other distributions in respect of the said Equity Shares.

All the Directors may be deemed to be interested in the contracts, agreements/arrangements entered into or to be entered into by our Company with any company in which they hold directorships or any partnership firm in which they are partners as declared in their respective declarations. Except as otherwise stated in this Prospectus and statutory registers maintained by our Company in this regard, our Company has not entered into any contract, agreements or arrangements during the preceding two years from the date of this Prospectus in which the directors are interested directly or indirectly and no payments have been made to them in respect of these contracts, agreements or arrangements which are proposed to be made with them.

Other than Dr. M. Manickam and Mr. M. Balasubramaniam, promoter directors of our Company, none of the Directors of our Company have any interest in promotion of our Company. None of our Directors have interest in any immovable property acquired or to be acquired by our Company in the preceding two years of filing this Draft Prospectus with the Designated Stock Exchange nor do they have any interest in any transaction regarding the acquisition of land, construction of buildings and supply of machinery, etc. with respect to our the Company except the execution of a lease deed made on March 7, 2018 with Sri. M Srinivasan, Director (lessor) for acquisition of land admeasuring 14,136 sq. ft. in Coimbatore, for a lease of 11 months commencing from April 01, 2018 on which our Head Office is situated.

Except as stated in the chapter titled “Financial Statements- Related Party Disclosures” on page 261 and to the extent of compensation and commission, if any, our Directors do not have any other interest in our business. None of our Directors has taken any loan from our Company.

### Appointment of any relatives of Directors to an office or place of profit

None of the relatives of Directors are appointed to an office or place of profit.

### Shareholding of Directors, including details of qualification shares held by Directors

As per the provisions of our MoA and AoA, Directors are not required to hold any qualification shares. The details of the Equity Shares held in our Company by our Directors, as on the date of the Prospectus are:

Sl No	Name of the Director	Number of Shares held	(%) of the total paid-up equity capital
1	Dr. M. Manickam	92,813	0.19
2	Mr. M. Balasubramaniam	1,92,000	0.38
3	Mr. M. Srinivaasan	2,51,355	0.50
4	Dr. A. Selvakumar	300	Negligible

None of the Directors hold any Preference Shares in our Company.

### Debenture/Subordinated Debt holding of Directors

As on the date of the Draft Prospectus, none of the Directors hold any debentures or subordinated debt in our Company.

### Changes in the Directors of our Company during the last three years

The changes in the Board of Directors of our Company for the three years preceding the date of the Prospectus are as follows:

Name	Designation	DIN	Date of Appointment	Date of Intimation	Remarks
Mrs. Priya Bhansali	Director	00195848	March 31, 2015	NA	Appointment
Mr. K P Ramakrishnan	Director	07029959	May 30, 2015	NA	Appointment
Late A. Shanmugasundaram	Director	00001434	September 10, 1979	September 19, 2017	Passed away

### Corporate Governance

We are in compliance with the requirements of corporate governance as mandated in Regulation 17 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 (“**Listing Regulations**”) (formerly Clause 49 of the Equity Listing Agreement) entered into by our Company with the Stock Exchange, particularly those in relation to the composition of the Board of Directors, constitution of Committees such as Audit Committee, Nomination and Remuneration Committee and Stakeholders’ Relationship Committee. The Board has laid down a Code of Conduct for the Board of Directors and senior management of our Company and it is posted on the website of our Company.

In addition, pursuant to a RBI Circular “Non-Banking Financial Companies - Corporate Governance (Reserve Bank) Directions, 2015, NBFCs are required to adhere to certain corporate governance norms including constitution of an audit committee, a nomination committee, a risk management committee and certain other norms in connection with disclosure and transparency and connected lending. We have complied with these corporate governance requirements.

Currently, our Board has 7 (seven) Directors. In compliance with Regulation 17 of the Listing Regulations, of the 7 Directors on our Board, we have one executive Director and six non-executive Directors. Our Chairman is a Non-Executive Director. Further, of the 7 Directors, we have 4 (four) Independent Directors, 2 (two) non-executive non-independent directors and 1 (one) executive non-independent director.

### Details of various Committees of the Board

Our Company has constituted the following committees:

- A. Audit Committee
- B. Nomination and Remuneration Committee
- C. Stakeholders' Relationship Committee
- D. Corporate Social Responsibility (CSR) Committee
- E. Asset Liability Management Committee
- F. Risk Management Committee
- G. Credit Committee
- H. Finance and Investments Committee
- I. NCD Issuance Committee

J. Allotment Committee

K. Policy Review Committee

L. Information Technology Strategy Committee

The details of these Committees are as follows:

#### A. Audit Committee

The members of the Audit Committee are:

SI No	Name of the Member	Designation	Nature of Directorship
1	Dr. A Selvakumar	Chairman	Non-executive and Independent
2	Mr. K P Ramakrishnan	Member	Non-executive and Independent
3	Mr. M Srinivaasan	Member	Non-executive and non-Independent

Terms of reference of the Audit Committee, *inter alia*, include:

The Company has adopted an Audit Committee Charter to be in line with enhanced scope for the Committee as laid down under Section 177 of the Companies Act 2013 and Regulation 18(3) read with Part C of Schedule II to the Listing Regulations, 2015.

The powers and terms of reference of this Committee are wide enough to cover the matters specified for Audit Committee under Regulation 18(3) read with Part C of Schedule II to Listing Regulations, 2015, as well as those in Section 177 of the Companies Act 2013 and are as follows:

1. Examination of the financial statement and draft auditors' report.
2. Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible.
3. Recommendation for appointment, remuneration and terms of appointment of statutory auditors of the Company.
4. Approval of payment to statutory auditors for any other services rendered by the statutory auditors.
5. Discuss and review, with the management and auditors, the annual/quarterly financial statements before submission to the Board, with particular reference to:
  - a. Matters required to be included in the Directors' Responsibility Statement in the Board's Report in terms of sub-section (3)(c) of Section 134 of the Companies Act 2013
  - b. Disclosure under 'Management Discussion and Analysis of Financial Condition and Results of Operations'
  - c. Any changes in accounting policies and practices and reasons for them
  - d. Major accounting entries involving estimates based on exercise of judgment by management
  - e. Significant adjustments made in the financial statements arising out of audit findings
  - f. Qualifications in the draft audit report
  - g. Disclosure of any related party transactions
  - h. Compliance with listing and other legal requirements relating to financial statements
  - i. Review the statement for uses/applications of funds under major categories on a quarterly basis, with the financial results and annually the statement of funds utilized for purposes other than those mentioned in the offer document/prospectus/notice. Such review shall be conducted till the full money raised through any issue has been fully spent
6. Review the financial statements, in particular, the investments made by the unlisted subsidiary company, if any.

#### B. Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are:

SI No	Name of the Member	Designation	Nature of Directorship
1	Mr. P S Gopalakrishnan	Chairman	Non-executive and Independent
2	Dr. A Selvakumar	Member	Non-executive and Independent
3	Mrs. Priya Bhansali	Member	Non-executive and Independent

Terms of reference of Nomination and Remuneration Committee, *inter alia*, include:

Terms of reference of Nomination and Remuneration Committee enhanced and modified as required under Section 178 of the Companies Act 2013 and Part D of Schedule II to the Listing Regulations 2015, *inter alia*, includes:

1. Formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy relating to the remuneration for the Directors, Key Managerial Personnel (KMPs) and other employees and to ensure the following:
  - a. the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully.

- b. relationship of remuneration to performance is clear and meets the appropriate benchmarks; and
  - c. remuneration to Directors, Key Managerial Personnel and Senior Management involves a balance between fixed and incentive pay reflecting the short and long-term performance, objectives appropriate to the working of the Company and its goals.
2. The Nomination and Remuneration Committee determines and recommends remuneration including commission, perquisites, and allowances payable to Vice Chairman and Managing Director.
  3. Identifying persons who are qualified to become directors as well as those who may be appointed in senior management in accordance with the criteria laid down.
  4. Recommend on Board diversification.
  5. Formulate criteria and carry out evaluation of every Director's performance.
  6. Review and recommend the compensation and variable pay for Executive Directors and Key Managerial Personnel (KMPs) to the Board.
  7. Recommend to the Board about appointment and removal of Directors and senior management personnel.

### C. Stakeholders' Relationship Committee

The Board of Directors at their meeting held on August 9, 2014 has renamed this Committee as Stakeholders' Relationship Committee (previously known as Shareholders' and Investors' Grievance Committee). The members of the Stakeholders' Relationship Committee are:

SI No	Name of the Member	Designation	Nature of Directorship
1	Dr. M Manickam	Chairman	Non-executive and non-Independent
2	Mr. M Balasubramaniam	Member	Executive and non-Independent
3	Dr. A Selvakumar	Member	Non-executive and Independent

Terms of reference of the Stakeholders' Relationship Committee, *inter alia*, includes:

The powers and terms of reference of this Committee is as per Part D of Schedule II B to the Listing Regulations 2015. The Committee shall consider and resolve the grievances of the security holders of the Company, including complaints related to transfer of shares, non-receipt of Annual Report and non-receipt of declared dividend and create and review the systems for improving the services.

### D. Corporate Social Responsibility (CSR) Committee

In line with the Companies Act 2013, our Company has constituted a CSR Committee of the Board consisting of three directors on August 9, 2014. The members of the CSR Committee are:

SI No	Name of the Member	Designation	Nature of Directorship
1	Mr. P .S Gopalakrishnan	Chairman	Non-executive and Independent
2	Dr. A Selvakumar	Member	Non-executive and Independent
3	Mr. M Balasubramaniam	Member	Executive and non-Independent

The role of CSR Committee is to formulate and recommend to the Board, a CSR Policy which shall:

1. indicate the activities to be undertaken as specified in Schedule VII to the Companies Act 2013;
2. recommend the amount of expenditure to be incurred on the CSR activities;
3. to monitor the CSR Policy of the Company from time to time;
4. prepare a transparent monitoring mechanism for ensuring implementation of the projects / programmes /activities proposed to be undertaken by the Company; and
5. to do all such acts, deeds and things as may be required in connection with the CSR activities.

### E. Asset Liability Management Committee

The present members of the Asset Liability Management Committee are:

SI No	Name of the Member	Designation	Nature of Directorship
1	Mr. M Balasubramaniam	Chairman	Executive and non-independent
2	Mr. M K Vijayaraghavan	Member	Chief Financial Officer
3	Mr. S Senthil Kumar	Member	Deputy General Manager (Finance and Accounts)

Terms of reference of the Asset Liability Management Committee:

The Asset Liability Management Committee reviews the company's fiscal and risk management policies and practices adopted by the company.

#### F. Risk Management Committee

The members of the Risk Management Committee are:

SI No	Name of the Member	Designation	Nature of Directorship
1	Mr. M. Balasubramaniam	Chairman	Executive and non-independent
2	Dr. A. Selvakumar	Member	Non-executive and independent

Terms of reference of the Risk Management Committee

The Risk Management Committee has been formed for the purpose of managing the inherent risks faced by the Company.

#### G. Credit Committee

The members of the Credit Committee as reconstituted in the month of February 2017 are:

SI No	Name of the Member	Designation	Nature of Directorship
1	Mr. M. Balasubramaniam	Chairman	Executive and non-independent
2	Dr. G Sundar	Member	Vice President
3	Mr. K. Guruprasad	Member	Vice President
4	Mr. N. Radhakrishnan	Member	Vice President- Operations

Terms of reference of the Credit Committee

To approve the hire purchase advance proposals with an exposure of above ₹ 35 lakh to an individual customer or group of customers belonging to a family.

#### H. Finance and Investment Committee

Reconstitution of committee was made on Nov 14, 2017. The members of the Committee are:

SI No	Name of the Member	Designation	Nature of Directorship
1	Dr. M. Manickam	Chairman	Non-executive and non-Independent
2	Mr. M. Balasubramaniam	Member	Executive and non-Independent
3	Dr. A Selvakumar	Member	Non-executive and Independent

Terms of reference of the Finance and Investment Committee

The Committee is authorized to borrow, accept and approve sanctions / modifications of credit facilities with the bankers and other financial institutions up to an amount not exceeding ₹ 50,000 lakh. The Committee is also authorized to finalise the terms of Rights Issue.

#### I. NCD Issuance Committee

The members of the NCD Issuance Committee are:

SI No	Name of the Member	Designation	Nature of Directorship
1	Mr. M. Balasubramaniam	Member	Executive and Non Independent
2	Dr. A. Selvakumar	Member	Non-executive and Independent
3	Mr. M. Srinivaasan	Member	Non-executive and non-Independent

Terms of reference of the NCD Issuance Committee are:

- Authorization of any director or directors of the Company or other officer or officers of the Company, including by the grant of power of attorneys, to do such acts, deeds and things as such authorized person in his/her/its absolute discretion may deem necessary or desirable in connection with the issue, offer and allotment of the NCDs;
- Giving or authorizing the giving by persons concerned of such declarations, affidavits, certificates, consents and authorities as may be required from time to time;
- Appointing the lead manager(s) to the issue in accordance with the provisions of the Debt Regulations;
- Seeking, if required, any approval, consent or waiver from the Company's lenders, and/or parties with whom the Company has entered into various commercial and other agreements, and/or any/all government and regulatory authorities concerned in India, and/or any other approvals, consents or waivers that may be required in connection with the issue, offer and allotment of the NCDs;
- Deciding, approving, modifying or altering the pricing and terms of the NCDs, and all other related matters, including the determination of the size of the NCD issue up to the maximum limit prescribed by the Board and the minimum subscription for the NCD Issue;
- Approval of the draft and final prospectus or disclosure document as the case may be (including amending, varying or modifying it, as may be considered desirable or expedient) as finalized in consultation with the Lead Managers,

- in accordance with all applicable laws, rules, regulations and guidelines;
- Seeking the listing of the NCDs on any Indian stock exchange, submitting the listing application to such stock exchange and taking all actions that may be necessary in connection with obtaining such listing;
  - Appointing the Registrars and other intermediaries to the NCD Issue, in accordance with the provisions of the Debt Regulations;
  - Finalization of and arrangement for the submission of the draft prospectus to be submitted to the Stock Exchange(s) for receiving comments from the public and the prospectus to be filed with the Stock Exchange(s), and any corrigendum, amendments supplements thereto;
  - Appointing the Debenture Trustees and execution of the Trust Deed in connection with the NCD Issue, in accordance with the provisions of the Debt Regulations;
  - Authorization of the Registrar and Share Transfer Agent (RTA) for maintenance of register of NCD holders;
  - Finalization of the basis of allotment of the NCDs including in the event of oversubscription;
  - Finalization of the allotment of the NCDs on the basis of the applications received; acceptance and appropriation of the proceeds of the NCD Issue;
  - Acceptance and appropriation of the proceeds of the NCD Issue; and
  - To generally do any other act and/or deed, to negotiate and execute any document/s, application/s, agreement/s, undertaking/s, deed/s, affidavits, declarations and issue certificates, and/or to give such direction as it deems fit or as may be necessary or desirable with regard to the NCD Issue.

#### J. Allotment Committee

The Allotment Committee as reconstituted on November 13, 2017 is as under:

SI No	Name of the Member	Designation	Nature of Directorship
1	Mr. M. Balasubramaniam	Member	Executive and Non Independent
2	Dr. A. Selvakumar	Member	Non-executive and Independent
3	Sri. K.P. Ramakrishnan	Member	Non-executive and Independent

Terms of reference of the Allotment Committee:

Authorization to allot Equity Shares and other securities and, to do such acts, deeds and things as may be deemed necessary or desirable in connection such allotment of Equity Shares and Securities.

#### K. Policy Review Committee

Policy Review Committee, as reconstituted on March 28, 2018, is as under:

SI No	Name of the Member	Designation	Nature of Directorship
1	Sri. M. Balasubramaniam	Chairman	Executive and Non Independent
2	Dr. A. Selvakumar	Member	Non-executive and Independent
3	Smt. Priya Bhansali	Member	Non-executive and Independent
4	Sri. K.P. Ramakrishnan	Member	Non-executive and Independent

Terms of reference of the Policy Review Committee: The Committee is formed for the purpose of reviewing all regulatory policies of the company from time to time.

#### L. Information Technology (IT) Strategy Committee

The committee was constituted with following Director and Officials as members on November 14, 2017. The Members of the Information Technology (IT) Strategy Committee are:

SI No	Name of the Member	Designation	Nature of Directorship/ Position held in Company
1	Dr. A Selvakumar	Chairman	Executive and Independent Director
2	Dr. S Veluswamy	Member	Chief Executive Officer
3	Sri. M K Vijayaraghavan	Member	Chief Financial Officer
4	Dr. S Krishnaswamy	Member	Chief Technology Officer (CTO)
5	Sri. M Purushothaman	Member	Associate Vice President, PMO
6	Sri. N Raveendran	Member	Sr. General Manager (EWS)

Terms of reference of the IT Strategy Committee:

- Providing input to other Board Committees and Senior Management.
- Carrying out review and amending the IT strategies in line with the corporate strategies, Board Policy reviews, cyber security arrangements and any other matter related to IT Governance.



3. Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place.
4. Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business.
5. Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable.
6. Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources.
7. Ensuring proper balance of IT investments for sustaining Company's growth and becoming aware about exposure towards IT risks and controls.

## OUR PROMOTERS

The following individuals are the Promoters of our Company:

1. Dr. M. Manickam; and
2. Mr. M. Balasubramaniam.

The details of our Promoters are provided below:

	<p><b>Dr. M. Manickam, Chairman</b></p> <p>Dr. M. Manickam (62 Years), Chairman of our Company, holds a Masters Degree in Statistics from Madras University and a Masters Degree in Business Administration from University of Michigan, USA. He has experience of about 38 years in the field of Business and Industries. He plays an advisory role in SFL. He is the Chairman and Managing Director of Sakthi Sugars Limited. He is also Chairman and Managing Director of Sakthi Auto Component Limited. In recognition of his contribution in the management of agro-processing industries and agricultural development, he was awarded the “Doctor of Science” (<i>Honoris Causa</i>) by Tamil Nadu Agricultural University, Coimbatore in July 2010. He was the President of Indian Sugar Mills Association (1996-97).</p> <p>Driving License No : TN6620110003344  Voter ID No. : TN/20/104/0558520  PAN : ACWPM5801F  Passport No : Z3127521</p>
	<p><b>Mr. M. Balasubramaniam, Vice Chairman and Managing Director</b></p> <p>Mr. M. Balasubramaniam (60 Years), Vice Chairman and Managing Director of our Company, holds a Masters Degree in Commerce from Madras University and a Masters Degree in Business Administration from Notre Dame University, USA. He joined SFL as a Director in the year 1985 and has been associated with SFL, since then. He is presently the Vice Chairman and Managing Director of our Company.. He was the Chairman of Coimbatore Zone of Confederation of Indian Industry and was also a member of the Management Committee of Coimbatore Management Association. He is presently a Senate Member of Bharathiyar University, Coimbatore.</p> <p>Driving License No : TN0119940006870  Voter ID No. : JRT2243475  PAN : ABEPB2022Q  Passport No. : Z4257304</p>

### Other Confirmations

Our Promoters and their relatives (as per the Companies Act, 2013) have confirmed that they have not been identified as wilful defaulters by the RBI or any government authority. Our Promoters have not been debarred or prohibited from accessing the capital markets or restrained from buying, selling or dealing in securities under any order or direction passed for any reasons by SEBI or any other authority or refused listing of any of the securities issued by any stock exchange in India or abroad.

Except as stated herein below, there is no instance of violation of securities laws have been committed by our Promoters in the past or are currently pending against them:

The Adjudication Officer, SEBI, *vide* its letter bearing reference number EAD-6/AK/VRP/29297/2014 dated October 8, 2014, has issued notice under rule 4 of SEBI (Procedure for holding Inquiry and Imposition of Penalty by Adjudication Officer) Rules, 1995 read with Section 15-I of the SEBI Act to promoters and promoter group of our Company alleging violation by ABT Finance Limited and Sakthi Financial Services Limited (Acquirers) for non-compliance of regulation 11(2) read with regulation 14(1) of the SEBI (Substantial Acquisition and Takeover) Regulations, 2011 in respect of acquisition of 85,000 and 1,750 Equity Shares representing 0.282% and 0.006% paid up capital of our Company, respectively. The SEBI, after according personal hearings to the parties, *vide* Consent Order No: CFD/EAD-6/AO/AK/32-47/2016 dated 14th September, 2016 disposed of the said Adjudication Proceedings on settlement charges of ₹ 27,62,500 (Rupees Twenty seven lakh sixty two thousand five hundred only).

### Common pursuits of promoters and group companies

None of the promoters or promoters' group entities are engaged in businesses similar to ours.



### Interest of our Promoters in our Company

Except as disclosed in the chapter titled “*Financial Statements-Related Party Disclosures*” on page 261 of the Draft Prospectus and other than as our shareholders, to the extent of promoters and/or their relatives or the companies in which they are promoters/directors holding Equity Shares and also to the extent of any dividend payable to them on the aforesaid shareholding, our Promoters do not have any other interest in our Company’s business. Our promoters may be also deemed to be interested to the extent of the remuneration/sitting fees and reimbursement of expenses, if any, received by them in their capacity as Directors.

None of our Promoters have interest in any immovable property acquired or to be acquired by our Company in the preceding two years of filing the Draft Prospectus with the Designated Stock Exchange nor do they have any interest in any transaction regarding the acquisition of land, construction of buildings and supply of machinery, etc. with respect to our Company.

Our Promoters have given certain personal guarantees in relation to loan facilities availed by our Company.

Our promoters propose to subscribe to this Issue.

Details of shares allotted to our Promoters during the last three Financial Years

During the last three financial years, our Company has not allotted any Equity Shares or Preference Shares to any of the promoters and promoter group.

### Details of Promoters holding in the Company as on December 31, 2018

#### A. Equity Shares

Sl No	Name of the Shareholder	Total No. of Equity Shares held	% of shareholding to the total equity share capital	No. Shares Pledged	% of Shares pledged
1	Dr. M Manickam	92,813	0.19	-	-
2	Mr. M Balasubramaniam	1,92,000	0.38	-	-

*\*All Equity Shares held by the Promoters are in dematerialised form.*

*For aggregate equity shareholding of the promoters and promoter group refer chapter titled “Capital Structure” on page 49*

#### B. Preference Shares

As on the date of the Prospectus, none of the Promoters hold any Preference Shares in our Company.

### Details of Promoter’s Contribution in our Company:

#### Dr. M Manickam

Date of Allotment/ Transfer	No of Shares	Face Value (₹)	Issue /Transfer Price (₹)	Consideration (Cash, other than cash etc.)	Nature of Allotment/Transfer	Source of Funding
February 24, 1988	14625	10	10	Cash	Rights Issue	Own funding
November 4, 1989	2500	10	10	Cash	Transfer	Own funding
November 4, 1989	1750	10	10	Cash	Transfer	Own funding
November 4, 1989	25000	10	10	-	Preference Shares converted into Equity Shares	-
June 4, 1993	43875	10	30	Cash	Rights Issue	Own funding
August 17, 1993	(43875)	10	30	-	(Transfer)	-
May 31, 1997	18000	10	10	Cash	Transfer	Own funding
January 30, 2008	30938	10	10	Cash	Rights Issue	Own funding
<b>Total</b>	<b>92813</b>					

**Sri M Balasubramaniam**

Date of Allotment/ Transfer	No of Shares	Face Value ( ₹)	Issue Price/ Transfer ( ₹)	Consideration (Cash, other than cash etc.)	Nature of Allotment/ Transfer	Source of Funding
August 16, 1980	2 500	10	10	Cash	Transfer	Own funding
November 2, 1984	1 500	10	10	Cash	Public Issue	Own funding
July 13, 1985	1 000	10	10	Cash	Transfer	Own funding
February 24, 1988	15 000	10	10	Cash	Rights Issue	Own funding
November 14, 1989	25000	10	10	-	Preference Shares converted into Equity Shares	-
June 4, 1993	45 000	10	30	Cash	Rights Issue	Own funding
August 17, 1993	(45000)	10	30	-	(Transfer)	-
January 30, 2008	22500	10	10	Cash	Rights Issue	Own funding
January 30, 2008	124500	10	10	Cash	Rights Issue	Own funding
<b>Total</b>	<b>192000</b>					

## **SECTION V : FINANCIAL INFORMATION**

### **FINANCIAL STATEMENTS**

Details of the following financial statements are furnished at **Annexure A**

## FINANCIAL INDEBTEDNESS

A brief summary of our Company's outstanding secured and unsecured borrowings as on September 30, 2018 together with a brief description of certain significant terms of such financing arrangement is as under:

SI No	Types of loan	Amount outstanding as on September 30, 2018 (₹ lakh)
<b>SECURED BORROWINGS AVAILED BY OUR COMPANY</b>		
A	Term loans	6,540.59
B	Cash credit and short term working capital demand loan / facilities	15,384.06
C	Secured, non-convertible debentures issued on a private placement basis	7,263.08
D	Secured Redeemable Non-convertible Debentures (public issues)	16,702.89
E	Interest accrued but not due on the above outstanding	2,317.81
F	Unclaimed matured debentures and interest accrued thereon	160.71
<b>(I)</b>	<b>TOTAL SECURED BORROWINGS</b>	<b>48,369.14</b>
<b>UNSECURED BORROWINGS AVAILED BY OUR COMPANY</b>		
A	Fixed deposits	17,727.89
B	Subordinated debt	16,267.62
C	Senior, unsecured, rated, transferrable and redeemable, non-convertible debentures	2,500.00
D	Interest accrued but not due on the above	5,804.39
<b>(II)</b>	<b>TOTAL UNSECURED BORROWINGS</b>	<b>42,299.90</b>
<b>(III)</b>	<b>TOTAL ( I +II)</b>	<b>90,669.05</b>

### I. SECURED BORROWINGS AVAILED BY OUR COMPANY

#### A. Term loans

Set out below is a brief summary of our secured term loans as on September 30, 2018:

*Northern Arc Capital Ltd (Formerly Known as IFMR Capital Finance Private Limited)*

SI No	Details of Documentation	Amount sanctioned (₹ lakh)	Amount outstanding (₹ lakh)	Repayment date/ schedule	Rate of Interest (% p.a)
1	Deed of hypothecation and facility agreement dated October 12, 2015	395.00	15.45	36 monthly installments	13.50
2	Deed of hypothecation and facility agreement dated February 18, 2016	730.00	139.36	36 monthly installments	13.50
3	Deed of hypothecation and facility agreement dated March 22, 2016	330.00	74.68	36 monthly installments	12.90
4	Deed of hypothecation and facility agreement dated April 22, 2016	170.00	44.57	36 monthly installments	12.90
<b>Security</b>		Secured by hypothecation of specified Hire-Purchase receivables and a personal guarantee by a Director			
<b>Prepayment</b>		The Borrower may prepay outstanding amounts under the Facility, in full and not in part, with the prior written consent of the Lender. In the event of such prepayment, the Borrower will be required to pay a prepayment penalty of 2% of the amount prepaid by the borrower together with applicable taxes. Provided that the Borrower will not be required to pay the Prepayment Penalty when the Lender arranges for the sale or securitization of the Portfolio in the agreement.			
<b>Penalty</b>		Rate of interest plus 5% p.a			
<b>Rescheduling</b>		Nil			

SI No	Details of Documentation	Amount sanctioned (₹ lakh)	Amount outstanding (₹ lakh)	Repayment date/ schedule	Rate of Interest (% p.a)
<b>Event of Default</b>		<ul style="list-style-type: none"> <li>• Non-payment of charge/ interest/ instalment due on time</li> <li>• Misrepresentation, non-performance/breach/violation of terms of sanction</li> <li>• Amalgamation/ reorganization, nationalization, etc.</li> <li>• Prevented by competent authority from carrying on business</li> <li>• Insolvency/winding up/apprehension of insolvency</li> <li>• Any event affecting any assets of Borrower or any affiliates with value of facility not discharged within 15 days</li> <li>• Jeopardizing/prejudicial to security</li> <li>• Inadequate insurance of lease assets, hire purchase assets and other assets/receivables offered as security</li> <li>• Any failure on part of any promoters to fulfill any obligations</li> </ul>			
<b>Consequence of Default</b>		On and at any time after the occurrence of an Event of Default, the Lender may issue notice to the Borrower: a) declare that all or part of the Facility, together with accrued interest and all other amount accrued or outstanding under this Agreement and/or the Security Documents to be immediately due and payable, whereupon they shall become immediately due and payable; and/or b) declare that all or part of the Facility be payable on demand, whereupon it shall immediately become payable on demand together with accrued interest and all other amounts accrued or outstanding under this Agreement and/or the Security Documents.			

***Hinduja Leyland Finance Limited***

SI No	Details of Documentation	Amount sanctioned (₹ lakh)	Amount outstanding (₹ lakh)	Repayment date/ Schedule	Rate of Interest (% p.a)
1	Deed of hypothecation and facility agreement dated March 24, 2017	2600.00	1480.18	36 monthly instalments.	11.25 (measured on XIRR Basis)
2	Deed of hypothecation and facility agreement dated January 5, 2018	1500.00	1247.97	36 monthly instalments.	10.75 (measured on XIRR Basis)
<b>Security</b>		Exclusive first charge on portfolio of receivables as acceptable to the lender.			
<b>Prepayment</b>		The Borrower may prepay outstanding amounts under the Facility, in full and not in part, with the prior written consent of the Lender. In the event of such prepayment, the Borrower will be required to pay a prepayment penalty of 2% of the amount prepaid by the borrower together with applicable taxes. Provided that the Borrower will not be required to pay the Prepayment Penalty when the Lender arranges for the sale or securitization of the Portfolio in the agreement.			
<b>Penalty</b>		Rate of interest <i>plus</i> 2% p.a.			
<b>Rescheduling</b>		Nil			
<b>Event of Default</b>		<ul style="list-style-type: none"> <li>• Non-payment of charge/ interest/ installment due on time</li> <li>• Misrepresentation, non-performance/breach/violation of terms of sanction</li> <li>• Amalgamation/ reorganization, nationalization, etc.</li> <li>• Prevented by competent authority from carrying on business</li> <li>• Insolvency/winding up/apprehension of insolvency</li> <li>• Any event affecting any assets of Borrower or any affiliates with value of facility not discharged within 15 days</li> <li>• Jeopardizing/prejudicial to security</li> <li>• Inadequate insurance of lease assets, hire purchase assets and other assets / receivables offered as security</li> <li>• Any failure on part of any promoters to fulfill any obligations</li> </ul>			

SI No	Details of Documentation	Amount sanctioned (₹ lakh)	Amount outstanding (₹ lakh)	Repayment date/ Schedule	Rate of Interest (% p.a)
<b>Consequence of Default</b>		On and at any time after the occurrence of an event of default, the lender may by 7 days written notice to the borrower : a) declare that all or part of the facility, together with accrued interest and all other amounts accrued or outstanding under the agreement and/or the security documents to be immediately due and payable, whereupon they shall become immediately due and payable; and / or b) declare that all or part of the facility be payable on demand, whereupon it shall immediately become payable on demand together with accrued interest and all other amounts accrued under the agreement and/or the security documents.			

**Sundaram Finance Limited**

SI No	Details of Documentation	Amount sanctioned (₹ lakh)	Amount outstanding (₹ lakh)	Repayment date/ schedule	Rate of Interest (% p.a)
1	Deed of hypothecation and facility agreement dated September 11, 2017	1000.00	699.77	36 monthly installments.	10.25
<b>Security</b>		Exclusive first charge on 17 Gamesa Wind Turbine Generators located in Tamil Nadu and Gujarat			
<b>Prepayment</b>		The Borrower may prepay outstanding amounts under the Facility, in full and not in part, with the prior written consent of the Lender. In the event of such prepayment, the Borrower will be required to pay a prepayment penalty of 3.54% on principal balance as on date of foreclosure. Provided that the Borrower will not be required to pay the Prepayment Penalty when the Lender arranges for the sale or securitization of the Portfolio in the agreement.			
<b>Penalty</b>		Rate of interest <i>plus</i> 2% p.a.			
<b>Rescheduling</b>		NIL			
<b>Event of Default</b>		<ul style="list-style-type: none"> <li>• Non-payment of charge/ interest/ installment due on time</li> <li>• Misrepresentation, non-performance / breach / violation of terms of sanction</li> <li>• Amalgamation/ reorganization, nationalization, etc.</li> <li>• Prevented by competent authority from carrying on business</li> <li>• Insolvency/winding up/apprehension of insolvency</li> <li>• Any event affecting any assets of Borrower or any affiliates with value of facility</li> <li>• Jeopardizing/prejudicial to security</li> <li>• Inadequate insurance of lease assets, hire purchase assets and other assets/receivables offered as security</li> </ul>			
<b>Consequence of Default</b>		On and at any time after the occurrence of an event of default, the lender may by 7 days written notice to the borrower : a) declare that all or part of the facility, together with accrued interest and all other amounts accrued or outstanding under the agreement and/or the security documents to be immediately due and payable, whereupon they shall become immediately due and payable; and/or b) declare that all or part of the facility be payable on demand, whereupon it shall immediately become payable on demand together with accrued interest and all other amounts accrued under the agreement and/or the security documents			

**The Lakshmi Vilas Bank Limited**

SI No	Details of Documentation	Amount sanctioned (₹ lakh)	Amount outstanding (₹ lakh)	Repayment date/ schedule	Rate of Interest (% p.a)
1	<b>The Lakshmi Vilas Bank Limited</b>  Deed of hypothecation and facility agreement dated July 04, 2016	3000.00	1014.29	36 months	11.55%
<b>Security</b>		Assignment of specified Hire Purchase agreements and Hypothecation of Receivables and a Personal Guarantee by a Director			
<b>Prepayment</b>		1% of the Loan amount that is pre- paid			
<b>Penalty</b>		2% Penal interest on outstanding in case of breach of certain covenants.			
<b>Rescheduling</b>		Nil			
<b>Event of Default</b>		Not explicitly specified			
<b>Consequence of Default</b>		Not explicitly specified			

**AU Small Finance Bank Limited**

SI No	Details of Documentation	Amount sanctioned (₹ lakh)	Amount outstanding (₹ lakh)	Repayment date/ Schedule	Rate of Interest (% p.a)
1	Deed of hypothecation and facility agreement dated July 04, 2016	2500	1824.32	Repayable in 36 equal monthly installments from the first date of availment and without any holiday period.	10.65%
<b>Security</b>		Hypothecation of Specified Hire Purchase receivables and a personal guarantee by a Director			
<b>Prepayment</b>		Till 12 months from the date of first disbursement 4% and thereafter 2% on the outstanding as on date of prepayment			
<b>Penalty</b>		24% p.a. compounded monthly on the defaulted / delayed payment of interest or principal dues. 2% p.a. over and above the document rate for non compliance of terms.			
<b>Rescheduling</b>		Nil			
<b>Event of Default</b>		<ul style="list-style-type: none"> <li>• Non payment of dues on relevant due dates</li> <li>• Breach of any terms and conditions of the sanction</li> <li>• Material adverse change to Our Company</li> <li>• Restructuring/ winding up/ sickness and or Bankruptcy of Our Company</li> <li>• Compulsory acquisition, nationalization or expropriation of substantial part of assets of our Company</li> <li>• Cancellation or material delay in approvals</li> </ul>			
<b>Consequence of Default</b>		<ul style="list-style-type: none"> <li>• Demand immediate payment of the default amount</li> <li>• Nominate a Director on the Board of our Company</li> </ul>			

**B. Cash credit and short term working capital demand loan/ facilities**

Set out below is a brief summary of our secured cash credit and short term working capital demand loan / facilities as on September 30, 2018. Our cash credit and working capital demand loan are all repayable upon demand by the respective lenders.

Sl No	Name of lenders and details of documentation	Amount sanctioned (₹ lakh)	Amount outstanding (₹ lakh)	Rate of interest p.a	Security
1	<b>Indian Overseas Bank</b> Letter of Hypothecation dated April 28, 2014 Consent Cum Authorization Letter dated April 28, 2014 (Sanction of renewal post December 29, 2017 is awaited. The Limit is operational as on date of this draft prospectus.)	WCDL: 1200.00 CC : 800.00 <b>Total : 2000.00</b>	1731.56	MCLR + 3.10%	Hypothecation of specific HP receivables and any other security created in favour of the company to secure the relevant loan facilities to be obtained under the relevant obligor.
2	<b>The Karnataka Bank Limited</b> Hypothecation agreement dated November 27, 2013 Renewal of Sanction letter dated 2 <sup>nd</sup> November 2018 Agreement for book debt/ receivables dated November 27, 2013	CC: 1200.00	1100.31	MCLR + 3.40%	Exclusive charge by way of hypothecation of specific movable assets being fixed/ current assets relating to lease, hypothecation loans and hire purchase agreements / loan agreements. Personal Guarantee of Mr.M.Balasubramaniam
3	<b>Bank of India</b> Modification of charge letter dated January 29, 2013 Sanction letter dated April 16, 2018	WCDL: 1200.00 CC : 800.00 <b>Total: 2000.00</b>	1000.00 646.65 <b>1646.65</b>	MCLR + 3%	Hypothecation of vehicles/equipment now hired out by the company with all ancillary fittings, additions, tool accessories and equipment and to be hired out by them from time to time by assigning all their contractual rights in the Hp agreements between the borrower and the hirers executed and to be executed from time to time in favour of the bank by way of first charge
4	<b>Central Bank of India</b> Letter of hypothecation dated November 13, 2013 Letter of hypothecation, book-debts-loans dated November 13, 2013 (Sanction of renewal post November 23, 2017 is awaited. The Limit is operational as on date of this draft prospectus.)	WCDL: 1800.00 CC : 1200.00 <b>3000.00</b>	2937.46	Base rate + 2.2%	Assignment of HP documents and hypothecation of assets under HP documents.
5	<b>Canara Bank</b> Bank letter dated January 24, 2013 (Sanction of renewal post 20th February 2018 is awaited. The limit is operational as on date of this draft prospectus.).	WCDL: 300.00 CC : 100.00 <b>Total: 400.00</b>	320.88	MCLR + 2.80%	Exclusive charge on hypothecated assets purchased out of bank finance plus related HP receivables.
6	<b>State Bank of India</b> Supplemental agreement of loan for increase in overall limit dated February 11, 2013 Sanction letter for renewal received on January 30, 2019	CC/WCDL : 8080.00	4866.41	MCLR Rate + 4.50%	Exclusive first charge on hypothecation of assets covered under HP/ Hypothecation Loan/ Lease agreements and the resultant receivables. Equitable mortgage over the land and building situated at S.F. No 161/2, Dr. Nanjappa Road,



Sl No	Name of lenders and details of documentation	Amount sanctioned (₹ lakh)	Amount outstanding (₹ lakh)	Rate of interest p.a	Security
					Coimbatore, Land belonging to Mr. M. Srinivaasan, Director.
7	<b>The Lakshmi Vilas Bank Limited</b> Agreement for cash credit and over draft dated December 12, 2015 Renewal of Sanction letter dated 17th December 2018	WCDL: 2200.00 CC: 800.00 <b>Total: 3000.00</b>	2780.79	MCLR + 2.20%	Assignment / Hypothecation of the specific HP agreements and receivables arising there from as well as charge / negative lien over underlying specific assets covering commercial vehicles (new and second-hand vehicles, infrastructure equipments, machineries etc.
<b>Total</b>			<b>15,384.07</b>		

WCDL: Working capital demand loan; CC: Cash Credit; HP: Hire purchase

### C. Secured redeemable non-convertible debentures issued on a private placement basis

Our Company has issued secured, redeemable, non-convertible debentures of face value of ₹ 1 and ₹ 1,000 to subscribers on private placement basis ("NCDs on private placement basis"). These secured, redeemable, non-convertible debentures have been allotted on a continuing basis. The terms of conditions of these debentures including coupon rates, have been decided by the Board of Directors at the time of each issue. Given below is a brief summary of our secured, redeemable, non-convertible debentures as on September 30, 2018. These NCDs are not rated and is secured by the hypothecation over identified hire-purchase receivables of our Company.

#### Fixed Income Scheme

(₹ lakh)

Date of Allotment	Amount	Rate of Interest	Maturity Period from date of allotment	Date of Redemption	Amount outstanding as on September 30, 2018
<b>₹ 1 Debentures</b>					
Opening balance up to 30.09.15(Unclaimed) (30.09.08 to 09.07.15)		9.5% to 12%	15 to 36 months		29.20
23.06.17 to 09.09.17	50.00	9% to 9.5%	15 months	23.09.18 to 09.12.18	50.00
30.01.17 to 05.10.17	159.00	9.25% to 9.75%	24 months	30.01.19 to 05.10.19	135.00
14.11.15 to 08.11.17	1917.00	9.5% to 11%	36 months	14.11.18 to 08.11.20	1843.00
<b>₹ 1000 Debentures</b>					
30.11.17 to 18.09.18	385.00	9% to 9.5%	15 months	28.02.19 to 18.12.19	385.00
30.11.17 to 18.09.18	316.00	9.25% to 9.75%	24 months	30.11.19 to 18.09.20	316.00
30.11.17 to 29.09.18	1932.00	9.5% to 10%	36 months	30.11.20 to 29.09.21	1932.00
<b>Total (I)</b>					<b>4690.20</b>
Interest accrued but not due on above (II)					0
Unclaimed amount matured (III)					54.20
<b>Total (I) + (II) + (III)</b>					<b>4744.40</b>

#### Cumulative income scheme

(₹ lakh)

Date of Allotment	Amount	Rate of Interest	Maturity Period from date of allotment	Date of Redemption	Amount outstanding as on September 30, 2018
<b>₹ 1 Debentures</b>					
Opening balance up to 30.09.15(unclaimed) (30.09.08 to 09.07.15)		9.5% to 12%	15 to 36 months		83.15
21.10.17	25.00	9%	15 months	21.01.19	25.00
16.11.16	25.00	10.75%	24 months	16.11.18	25.00
31.05.16 to 08.11.17	1016.23	9.5% to 11.5%	36 months	31.01.19 to 08.11.20	1016.23
<b>₹ 1000 Debentures</b>					
30.11.17 to 29.09.18	285.00	9% to 9.5%	15 months	28.02.19 to 29.12.19	285.00
30.11.17 to 18.09.18	175.00	9.25% to 9.75%	24 months	30.11.19 to 18.09.20	175.00

30.11.17 to 29.09.18	963.50	9.5% to 10%	36 months	30.11.20 to 29.09.21	963.50
<b>Total (I)</b>					<b>2572.88</b>
Interest accrued but not due on above (II)					203.41
Unclaimed amount matured (III)					23.36
<b>Total (I) + (II) + (III)</b>					<b>2799.65</b>

#### D. Secured redeemable non-convertible debentures (Public issue)

##### Public Issue – April 2015

Our Company has made public issue of 1,00,00,000 secured, redeemable, non-convertible debentures of face value of ₹ 100 each aggregating to ₹ 10,000 lakh allotted on April 1, 2015. The details outstanding amounts in connection with said public issue are as under:

Debenture Options	Frequency of Interest payment	Tenor/ Period of Maturity (Months)	Interest Rate p.a (in %)	Effective Yield p.a (in %)	Amount as on September 30, 2018 (₹ lakh)	Date of Allotment	Redemption Date
I	Monthly	24	11	11.00	Fully Discharged	April 1, 2015	April 1, 2017
II	Cumulative	24	NA	11.46	Fully Discharged	April 1, 2015	April 1, 2017
III	Monthly	36	11.25	11.25	Fully Discharged	April 1, 2015	April 1, 2018
IV	Annually	36	11.25	11.73	Fully Discharged	April 1, 2015	April 1, 2018
V	Cumulative	36	NA	11.73	Fully Discharged	April 1, 2015	April 1, 2018
VI	Monthly	48	11.5	11.50	1,943.45	April 1, 2015	April 1, 2019
VII	Annually	48	11.5	12.01	271.85	April 1, 2015	April 1, 2019
VIII	Cumulative	48	NA	12.01	1,432.60	April 1, 2015	April 1, 2019
<b>TOTAL</b>					<b>3647.90</b>		
<b>Rating</b>	“[ICRA] BBB (Stable)”						
<b>Security</b>	Mortgage over a property admeasuring 3 grounds and 1705 sq.ft, situated at Anna Nagar, Madurai owned by our Company. Hypothecation over identified hire purchase loans of our Company, including book-debts and receivables thereon, both present and future.						

##### Public Issue – May 2016

Our Company has made public issue of 16,48,708 secured, redeemable, non-convertible debentures of face value of ₹ 1,000 each aggregating to ₹ 16,487.00 lakh allotted on May 18, 2016. The details outstanding amounts in connection with said public issue are under:

Debenture Options	Frequency of Interest payment	Tenor/ Period of Maturity (Months)	Interest Rate (%) p.a	Effective Yield (%)p.a	Amount as on September 30, 2018 (₹ lakh)	Date of Allotment	Redemption Date
I	Monthly	24	10.25	10.25	Fully Discharged	18-May-16	18-May-18
II	Cumulative	24	NA	10.65	Fully Discharged	18-May-16	18-May-18
III	Monthly	36	10.5	10.5	801.41	18-May-16	18-May-19
IV	Annually	36	10.5	10.92	334.2	18-May-16	18-May-19
V	Cumulative	36	NA	10.92	879.33	18-May-16	18-May-19
VI	Monthly	48	11	11	6,050.28	18-May-16	18-May-20
VII	Annually	48	11	11.46	956.17	18-May-16	18-May-20
VIII	Cumulative	48	NA	11.46	4,033.60	18-May-16	18-May-20
<b>TOTAL</b>					<b>13054.99</b>		
<b>Rating</b>	“[ICRA] BBB (Stable)”						
<b>Security</b>	Mortgage over a property admeasuring 2400 sq.ft, situated at Kaniyur to Kallupalayam Main Road Sullur Thaluk, Coimbatore owned by our Company. Hypothecation over identified hire-purchase receivables of our Company, including book-debts and receivables thereon both present and future.						

## II. UNSECURED BORROWINGS AVAILABLE BY OUR COMPANY

### A. Fixed deposits

As a deposit taking non -banking financial company, we accept unsecured deposits from the public, both non- cumulative and cumulative basis, which are accepted in multiples of ₹ 1,000 with a minimum deposit amount of ₹ 10,000 which are redeemable from a period ranging from 15 months to 36 months from the date of the deposit. The fixed deposit carries rate of interest in the range from 8% to 8.75 % p.a. Set out below is a brief summary of the fixed deposits as on September 30, 2018.

Type of instrument	Amount outstanding as on September 30, 2018 (₹ lakh)*	Repayment date/ schedule	Credit rating
Fixed deposits-noncumulative scheme	7,031.48	15-36 months from the date of the deposit/ renewal	ICRA Limited MA- (Stable)
Fixed deposits-cumulative scheme	10,696.41	15-36 months from the date of the deposit/ renewal	
<b>Total</b>	<b>17,727.89</b>		

\* The aforesaid fixed deposit amount also includes the unclaimed deposits amount.

### B. Unlisted subordinated debt

Our Company has issued unlisted unsecured, subordinated, non-convertible bond of face value of ₹ 1,000 (“Retail Subordinated Debt”) to retail subscribers on a private placement basis. The Retail Subordinated Debt have been allotted on a continuing basis for a tenure of 61 months, at interest rates of 11.5% p.a. Set out below is a brief summary of our retail subordinated debt as on September 30, 2018: -

Type of instrument	Amount outstanding as on September, 2018 (₹ lakh)*	Repayment date/ schedule	Date of allotment	Credit rating
Retail subordinated debt (fixed income)	9,042.08	Tenure of 61 months	August 01, 2013 to December 16, 2014	N A
Retail subordinated debt (cumulative income)	7,225.54			
<b>Total</b>	<b>16,267.62</b>			

\* The aforesaid subordinated debt amount also includes the unclaimed amount.

### C. Senior, unsecured, rated, transferrable and redeemable, nonconvertible debentures

Our Company issued and allotted on 250 senior, unsecured, rated, transferrable and redeemable, nonconvertible debentures (Senior Unsecured NCDs) of the face value of ₹ 10,00,000 each aggregating to ₹ 2500 lakh to IFMR FImpact Long Term Multi Asset Class Fund on private placement basis, having Long Term rating of BBB by ICRA. The tenor for the above instrument is 73 months from the deemed date of allotment and bears a coupon rate of 13.50% per annum monthly. As on **September 30, 2018, Rs. 2500.94 lakh is outstanding** towards Senior Unsecured NCDs which includes Interest accrued but not due on above.

## III. Significant restrictive covenants in our debt facilities

Some of the significant corporate actions for which our Company requires the prior written consent of lenders include the following:

1. to declare and/ or pay dividend to any of its shareholders whether equity or preference, during any financial year unless our Company has paid to the lender the dues payable by our Company in that year;
2. to undertake or permit any merger, amalgamation or compromise with its shareholders, creditors or effect any scheme of amalgamation or reconstruction;
3. to create or permit any charges or lien on any mortgaged or hypothecated properties;
4. to amend its MOA and AOA ;
5. to make any major investments by way of deposits, loans, share capital, etc. in any manner.
6. to effect a change of ownership or control, or management of the Company;
7. to enter into long term contractual obligations directly affecting the financial position of the Company;
8. to borrow or obtain credit facilities from any bank or financial institution;
9. to undertake any guarantee obligations on behalf of any other company;
10. to change its practice with regard to the remuneration of Directors;

11. to compound, or realise any of its book debts and loan receivables or do anything whereby recovery of the same may be impeded, delayed, or prevented;
12. to alter its capital structure, or buy-back, cancel, purchase, or otherwise acquire any share capital; and
13. to enter into any transaction with its affiliates or transfer any funds to any group or associate concern.

Additionally, certain lenders have the right to nominate a director on the Board on the *occurrence* of an event of default at any time during the term of the financial facilities.

#### **IV. Servicing behavior on existing debt securities, payment of due interest on due dates on financing facilities or securities**

As on the date of the Prospectus, there has been no default in payment of principal or interest on any existing financing facilities or term loan or debt security issued by the Issuer in the past.

## **MATERIAL DEVELOPMENTS**

[THIS CHAPTER WILL BE UPDATED WITH MATERIAL DEVELOPMENTS IF ANY POST DRAFT PROSPECTUS DATE TILL DATE OF PROSPECTUS]

## SECTION VI : ISSUE RELATED INFORMATION

### ISSUE STRUCTURE

The following are the details of the key terms of the NCDs. This section should be read in conjunction with and is qualified in its entirety by more detailed information in “Terms of the Issue” on page 136 of this Draft Prospectus.

The key common terms and conditions of the NCDs are as follows:

Particulars	Terms and Conditions
<b>Issuer</b>	Sakthi Finance Limited
<b>Type of Instrument /name of Security</b>	Secured and Unsecured NCDs of Face Value of ₹ 1,000 each
<b>Seniority</b>	The claims of Secured NCDs holders shall be superior to the claims of any unsecured creditors (including Unsecured NCDs, which are in the nature of Subordinated debt) subject to applicable statutory and /or regulatory requirements. The Secured NCDs would constitute secured obligations of our and shall rank <i>pari passu inter se</i> , to the claims of other creditors of Company having same security. No Security will be created for Unsecured NCDs, which are in the nature of Subordinated debt
<b>Nature of the Instrument</b>	(a) Secured Redeemable Non-Convertible Debentures; and (b) Unsecured Redeemable Non-Convertible Debentures which are in the nature of subordinated debt and will be eligible for Tier II Capital
<b>Mode of Issue</b>	Public Issue
<b>Lead Manager</b>	Dalmia Securities Private Limited
<b>Debenture Trustee</b>	Catalyst Trusteeship Limited
<b>Registrar to the Issue / Registrar</b>	SKDC Consultants Limited
<b>Depositories</b>	NSDL and CDSL
<b>Issue</b>	Public Issue of Secured Redeemable Non-Convertible Debentures and Unsecured Redeemable Non-Convertible Debentures of face value of ₹ 1,000 each (“NCDs”) for an aggregate amount up to ₹ 10,000 lakh (hereinafter referred to as the “Base Issue”) with an option to retain over subscription up to ₹ 5,000 lakh, aggregating up to ₹ 15,000 lakh (hereinafter referred to as the “Overall Issue Size”). The Unsecured Redeemable Non-Convertible Debentures will be in the nature of subordinated debt and will be eligible for Tier II Capital on the terms and in the manner as set out in this Prospectus to be filed with RoC.
<b>Eligible Investors</b>	See the section titled “ <i>Issue Procedure</i> ” on page 151 of this Prospectus “ <i>Who can Apply</i> ”
<b>Objects of the Issue</b>	See the Section titled “ <i>Objects of the Issue</i> ” on page 59 of this Prospectus
<b>Details of Utilisation of Proceeds</b>	See the Section titled “ <i>Objects of the Issue</i> ” on page 59 of this Prospectus
<b>Interest Rate</b>	See the Section titled “ <i>Terms of the Issue</i> ” on Page 136 of this issue. There will be No Step down/ Step up in the interest rates during the tenor of the Debentures.
<b>Interest Reset</b>	Not applicable as the Interest is fixed type for the NCDs.
<b>Frequency of Interest payment</b>	See the Section titled “ <i>Terms of the Issue</i> ” on Page 136 of this issue
<b>Interest payment Date</b>	See the Section titled “ <i>Terms of the Issue</i> ” on Page 136 of this issue
<b>Day Count Basis</b>	Actual
<b>Default Interest Rate</b>	Our Company shall pay interest in connection with any delay in allotment, refunds in case of failure of the Issue or non-receipt of listing and trading approval, dematerialized credit, execution of Debenture Trust Deed, payment of interest, redemption of principal amount beyond the time limits prescribed under applicable statutory and/or regulatory requirements, at such rates as stipulated/ prescribed under applicable laws
<b>Tenor</b>	See the Section titled “ <i>Terms of the Issue</i> ” on Page 136 of this issue

<b>Security</b>	<p>The principal amount of the Secured NCDs to be issued in terms of this Issue together with all interest due on the Secured NCDs in respect thereof shall be secured by way of exclusive charge in favour of the Debenture Trustee on specific present and/or future receivables/assets of our Company, as may be decided mutually by our Company and the Debenture Trustee. Our Company will create appropriate security in favour of the Debenture Trustee for the Secured NCD Holders on the assets adequate to ensure 100% asset cover for the Secured NCDs (along with the interest due thereon). For further details please refer to the section titled <b><i>Terms of the Issue – Security</i></b> ” on page no.136 of this Draft Prospectus.</p> <p>No security will be created for the Unsecured NCDs to be issued in terms of this Issue.</p>	
<b>Redemption/Maturity Date</b>	Option	Redemption date/ Maturity Period as applicable
	I	Expiry of 24 months from the Deemed Date of Allotment
	II	Expiry of 24 months from the Deemed Date of Allotment
	III	Expiry of 24 months from the Deemed Date of Allotment
	IV	Expiry of 36 months from the Deemed Date of Allotment
	V	Expiry of 36 months from the Deemed Date of Allotment
	VI	Expiry of 36 months from the Deemed Date of Allotment
	VII	Expiry of 48 months from the Deemed Date of Allotment
	VIII	Expiry of 48 months from the Deemed Date of Allotment
	IX	Expiry of 48 months from the Deemed Date of Allotment
	X	Expiry of (61) months from the Deemed Date of Allotment
	XI	Expiry of (61) months from the Deemed Date of Allotment
	XII	Expiry of (61) months from the Deemed Date of Allotment
		If the Redemption Date / Maturity Date of any Options of the NCDs falls on a day that is not a Working Day, the redemption/maturity proceeds shall be paid on the immediately preceding Working Day along with interest accrued on the NCDs until but excluding the date of such payment.
<b>Issue Price</b>	₹ 1,000 per NCD	
<b>Maturity /Redemption Amount</b>	Repayment of the Face Value plus any interest that may have accrued at the Maturity Date for Individual and / or Institutional and /or Non- Institutional Investors, as the case may be.	
<b>Discount at which Security is issued and effective yield as a result of such discount</b>	Not Applicable	
<b>PUT/CALL Options</b>	Not Applicable	
<b>Face Value</b>	₹1,000 per NCD	
<b>Minimum application size</b>	₹ 10,000 (10 NCDs). (for all Options of NCDs, namely I, II, III, IV, V, VI, VII, VIII, IX, X, XI and XII either taken individually or collectively)	
<b>Mode of allotment</b>	Dematerialised form.	
<b>Mode of Trading</b>	Dematerialised form only	
<b>Mode of Payment</b>	Please see the section titled <b><i>“Issue Procedure”</i></b> on page 150 of this Prospectus.	
<b>Settlement mode of the Instrument</b>	Through various modes	
<b>Terms of Payment</b>	Full amount on application.	
<b>Market Lot/ Trading Lot</b>	1 (one) NCD	
<b>Pay in Date</b>	Application Date. The entire Application Amount is payable on Application.	
<b>Credit Rating</b>	<p>The NCDs proposed to be issued by our Company have been rated by ICRA Limited (“ICRA”). ICRA has <i>vide</i> its letter no. Surv/Chen/109/18-19 dated February 11, 2019. assigned a rating of “[ICRA] BBB (Stable)” for an amount up to ₹ 15,000 lakh for the proposed NCDs issue. Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.</p> <p>ICRA reserves its right to suspend, withdraw or revise the above at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you. The rating, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the Debentures to be issued by you. Please refer to Annexure C of this Prospectus for rating letters and rationale for the above ratings.</p>	
<b>Listing</b>	The NCDs are proposed to be listed on BSE. The NCDs shall be listed within 6 Working Days from the date of Issue Closure. For more information, see <b><i>“Other Regulatory and Statutory Disclosures”</i></b> on 179 of this Prospectus.	

<b>Issue Opening Date</b>	[.]
<b>Issue Closing Date</b>	[.]
<b>Issue Documents</b>	The Draft Prospectus and the Prospectus read with any notices, corrigenda, addendum thereto, the Debenture Trust Deeds, Application Form, Abridged Prospectus and other documents, as applicable, and various other documents/ agreements/ undertakings, entered or to be entered by our Company with Lead Managers and/or other intermediaries for the purpose of this Issue including but not limited to the Debenture Trust Deed, the Debenture Trustee Agreement, the Tripartite Agreements, the Public Issue Account Agreement, the Registrar Agreement, and the Lead Broker Agreement. For further details please refer to <b><i>“Material Contracts and Documents for Inspection”</i></b> on page 217 of this Draft Prospectus
<b>Record Date</b>	<p>The record date for payment of interest in connection with the NCDs or redemption of the NCDs, which shall be 15 (fifteen) days prior to the date on which interest is due and payable, and/or the date of redemption.</p> <p>Provided that trading in the NCDs shall remain suspended between the aforementioned Record Date in connection with redemption of NCDs and the date of redemption or as prescribed by the Stock Exchange, as the case may be.</p> <p>If the Record Date falls on a day when the Stock Exchange is having a trading holiday, the immediate subsequent trading day will be deemed as the Record Date.</p> <p><b><i>In connection with Option I, Option VI, Option VII and Option X NCDs, (Monthly Interest) 15 (Fifteen) Days prior to the date on which interest is due and payable, or the date of redemption, or as may be prescribed by the Stock Exchanges, and in connection with Option II, Option IV, Option VIII and Option XI NCDs, 15 (Fifteen) (Annual Working Days prior to the date on which interest is due and payable, or the date of redemption, or as may be prescribed by the Stock Exchanges and in connection with Option III, Option VI Option IX and Option XII NCDs, 15 (Fifteen) (Cumulative Days prior to the date of redemption or as may be prescribed by the Stock Exchange.</i></b></p> <p>If the Record Date falls on a day that is not a Working Day, then the immediate succeeding Working Day will be deemed as Record Date</p> <p><b>Please note that the NCDs shall cease to trade from the Record Date (for payment of the principal amount for such NCDs) prior to redemption of NCDs.</b></p>
<b>Conditions Precedent / Subsequent to Disbursement</b>	Other than the conditions specified in the SEBI Debt Regulations, there are no conditions precedent / subsequent to disbursement. See <b><i>“Utilisation of Issue Proceeds”</i></b> on page 59 of this Draft Prospectus.
<b>Events of Default / Cross default</b>	See the section titled <b><i>“Terms of the Issue”</i></b> on page 138 of this Draft Prospectus
<b>Provisions related to Cross Default Clause</b>	As provided in the Debenture Trust Deed.
<b>Deemed Date of Allotment</b>	The date on which the Board or Committee of Director thereof approves the Allotment of NCDs or such date as may be determined by the Board of Directors/or any Committee thereof and notified to the Designated Stock Exchange. All benefits relating to the NCDs including interest on NCDs shall be available to Investors from the Deemed Date of Allotment. The actual allotment of NCDs may take place on a date other than the Deemed Date of Allotment
<b>Roles and responsibilities of the Debenture Trustee</b>	See the section titled <b><i>“Terms of the Issue”</i></b> on page 137 and 138 of this Draft Prospectus
<b>Governing law and jurisdiction</b>	The governing law and jurisdiction for the purpose of the Issue shall be Indian law, and the competent courts of jurisdiction in Coimbatore, India,
<b>Working Day Convention</b>	Working Days means all days excluding Sundays or a holiday for commercial banks in Mumbai, except with reference to Issue Period, where Working Days shall mean all days, excluding Saturdays, Sundays and public holidays in India. Furthermore, for the purpose of post Issue Period, i.e. period beginning from Issue Closing Date to listing of the NCDs, Working Days shall mean shall mean all trading days of Stock Exchanges excluding Sundays and bank holidays in Mumbai. During the tenor of the NCDs, interest/redemption payments shall be made only on the days when the money market is functioning in Mumbai



*\* The subscription list shall remain open for subscription on Working Days from 10 a.m. to 5 p.m. (Indian Standard Time) during the period indicated above, except that the Issue may close on such earlier date or extended date as may be decided by the Board or the Committee of Directors. In the event of such early closure or extension of the Issue, our Company shall ensure that notice of such early closure or extension is given to the prospective investors through an advertisement in a leading daily national newspaper with wide circulation on or before such earlier date of Issue Closure or initial date of Issue closure, as the case may be. Applications Forms for the Issue will be accepted only from 10:00 a.m. till 5.00 p.m. (Indian Standard Time) or such extended time as may be permitted by the Stock Exchange, on Working Days during the Issue Period. On the Issue Closing Date, Application Forms will be accepted only from 10:00 a.m. till 3.00 p.m. (Indian Standard Time) and uploaded until 5.00 p.m. (Indian Standard Time) or such extended time as may be permitted by the BSE.*

Please note that the NCDs shall cease to trade from the Record Date (for payment of the principal amount for such NCDs) prior to redemption of NCDs.

## SPECIFIC TERMS AND CONDITIONS IN CONNECTION WITH EACH OPTION OF NCDs

The NCDs being issued are in the form of Secured / Unsecured, Redeemable, Non-Convertible Debentures of face value of ₹ 1,000 each. The principal terms of each option of NCDs are set out below:

Options	I <sup>#</sup>	II <sup>@</sup>	III	IV <sup>#</sup>	V <sup>@</sup>	VI	VII <sup>#</sup>	VIII <sup>@</sup>	IX	X <sup>#</sup>	XI <sup>@</sup>	XII
Frequency of interest payment	Monthly	Annually	Cumulative	Monthly	Annually	Cumulative	Monthly	Annually	Cumulative	Monthly	Annually	Cumulative
Nature of Instruments	Secured NCD									Unsecured NCD		
Category of investor who can apply	All categories of Investors (I, II, III and IV)											
Minimum application	₹10,000 (10 NCDs) (for all options of Unsecured NCDs, namely option X, option XI, option XII, either taken individually or collectively)											
In multiples of	₹ 1,000 (1 NCD) after minimum application											
Face value of Secured / Unsecured NCDs (₹)	₹1,000											
Issue Price (₹) Secured / Unsecured NCD)	₹1,000											
Tenor from Deemed Date of Allotment (in months)	24	24	24	36	36	36	48	48	48	61	61	61
Coupon (%) for all Category of Investor(s)	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]
Effective Yield (per annum) for all Category of Investor(s)	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]	[.]
Mode of interest payment*	Through various options available											
Amount (₹) Secured/ Unsecured NCD) on maturity for all Category of Investor(s) *	1,000	1,000	[.]	1,000	1,000	[.]	1,000	1,000	[.]	1,000	1,000	[.]
Maturity Date (from Deemed Date of Allotment) (in months)	24	24	24	36	36	36	48	48	48	61	61	61

***Our Company shall allocate and allot Option [.] NCDs wherein the Applicants have not indicated their choice of the relevant NCD Option.***

<sup>#</sup> With respect to Options where interest is to be paid on a monthly basis, relevant interest will be calculated from the first day till the last date of every month during the tenor of such NCDs, and paid on the first day of every subsequent month. For the first interest payment for NCDs under the monthly options, interest from the Deemed Date of Allotment till the last day of the subsequent month will be clubbed and paid on the first day of the month next to that subsequent month.

<sup>@</sup> With respect to Options where interest is to be paid on an annual basis, the relevant interest will be calculated on quarterly compounding basis and will be paid on each anniversary of the Deemed Date of Allotment on the face value of the NCDs. The last interest payment under annual Options will be made at the time of redemption of the NCDs.

\* Subject to applicable tax deducted at source, if any

The NCDs have not been and will not be registered, listed or otherwise qualified in any jurisdiction outside India and may not be offered or sold, and Applications may not be made by persons in any such jurisdiction, except in compliance with the applicable laws of such jurisdiction. In particular, the NCDs have not been and will not be registered under the U.S. Securities Act, 1933, as amended (the “Securities Act”) or the securities laws of any state of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulations under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. The Issuer has not registered and does not intend to register under the U.S. Investment Company Act, 1940 in reliance on section 3(c)(7) thereof. This Prospectus may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever, and in particular, may not be forwarded to any U.S. Person or to any U.S. address.

For details of the Interest payment please refer to “**Interest on NCDs**” at page no.143 of this Draft Prospectus.

### **Terms of payment**

The entire amount of face value of NCDs applied for will be blocked in the relevant ASBA Account maintained with the SCSB. In the event of Allotment of a lesser number of NCDs than applied for, our Company shall unblock the additional amount blocked upon application in the ASBA account, in accordance with the terms of this Prospectus.

**Applicants are advised to ensure that they have obtained the necessary statutory and / or regulatory permissions / consents / approvals in connection with applying for, subscribing to, or seeking Allotment of NCDs pursuant to the Issue.**

Applications may be made in single or joint names (not exceeding three). Applications should be made by Karta in case the Applicant is an HUF. If the Application is submitted in joint names, the Application Form should contain only the name of the first Applicant whose name should also appear as the first holder of the depository account held in joint names. If the depository account is held in joint names, the Application Form should contain the name and PAN of the person whose name appears first in the depository account and signature of only this person would be required in the Application Form. This Applicant would be deemed to have signed on behalf of joint holders and would be required to give confirmation to this effect in the Application Form. Please ensure that such Applications contain the PAN of the HUF and not of the Karta. In the case of joint Applications, all payments will be made out in favour of the first Applicant. All communications will be addressed to the first named Applicant whose name appears in the Application Form and at the address mentioned therein.

For further details, see the section titled “*Issue Procedure*” on page 149 of this Draft Prospectus.

### **Day Count Convention**

Interest shall be computed on an actual / actual basis i.e. on the principal outstanding on the NCDs as per the SEBI Circular bearing no. CIR/IMD/DF-1/122/2016 dated November 11, 2016.

### **Effect of holidays on payments**

If the date of payment of interest does not fall on a Working Day, then the interest payment will be made on Interest Payment Date. The dates of the future interest payments would be as per the originally stipulated schedule. Payment of interest will be subject to the deduction of tax as per Income Tax Act or any statutory modification or re-enactment thereof for the time being in force. In case the Redemption Date (also being the last Interest Payment Date) does not fall on a Working Day, the payment will be made on the immediately preceding Working Day, along with coupon/interest accrued on the NCDs until but excluding the date of such payment.

### **Illustration for guidance in respect of the day count convention and effect of holidays on payments.**

The illustration for guidance in respect of the day count convention and effect of holidays on payments, as required by SEBI Circular No. CIR/ IMD/ DF-1/ 122/2016 dated November 11, 2016, is furnished at **Annexure B**.

## TERMS OF THE ISSUE

Pursuant to resolution passed by the shareholders of our Company through postal ballot, result of which was declared on April 5, 2014, and in accordance with provisions of Section 180(1)(c) of the Companies Act, 2013, the Board has been authorised to borrow any sum or sums of money from time to time, as may in the opinion of Board of Directors deem necessary for the purpose of the business of our Company upon such terms and conditions and with or without security as the Board of Directors may think fit, provided that money or monies to be borrowed together with the monies already borrowed by our Company (apart from temporary loans obtained/to be obtained from our Company's bankers in the ordinary course of business) shall not exceed ₹ 2,500 crore (Rupees two thousand five hundred crore only). The aggregate value of the NCDs offered under the Prospectus, together with the existing borrowings of our Company, is within the approved borrowing limits of ₹ 2,500 crore.

### Authority for the Issue

At the meeting of the Board of Directors of our Company held on February 9, 2017, the Directors approved the public issue of Secured Redeemable Non-Convertible Debentures and Unsecured Redeemable Non-Convertible Debentures of face value of ₹ 1,000 each, for an amount up to ₹ 10,000 lakh as Base Issue with an option to retain over subscription up to ₹ 5,000 lakh, aggregating to ₹ 15,000 lakh.

### Principal terms and conditions of this Issue

The NCDs being offered as part of the Issue are subject to the provisions of the Debt Regulations, the applicable provision of Companies Act, 2013, the Memorandum and Articles of Association of our Company, the terms of the Prospectus, the Prospectus, the Application Forms along with the Abridged Prospectus, the terms and conditions of the Debenture Trustee Agreement and the Debenture Trust Deeds, other applicable statutory and/or regulatory requirements including those issued from time to time by GoI, RBI, SEBI, BSE, and / or other statutory/regulatory authorities relating to the offer, issue and listing of securities and any other documents that may be executed in connection with the NCDs.

### Ranking of Secured NCDs

The Secured NCDs would constitute secured obligations of the Company and shall rank *pari passu inter se*, and subject to any obligations under applicable statutory and / or regulatory requirements, shall also, with regard to the amount invested, be secured by way of exclusive charge in favour of the Debenture Trustee on specific present and/or future receivables/assets of our Company and /or *pari passu* charge on an identified immovable property of the Company, as may be decided mutually by our Company and the Debenture Trustee. Our Company will create appropriate security in favour of the Debenture Trustee for the Secured NCD Holders on the assets equal to the value one time of the debentures outstanding plus interest accrued thereon, and subject to any obligations under applicable statutory and / or regulatory requirements. The claims of the Secured NCD Holders shall be superior to the claims of any unsecured creditors, subject to applicable statutory and / or regulatory requirements. The Secured NCDs proposed to be issued under the Issue and all earlier issues of debentures outstanding in the books of our Company having corresponding assets as security, shall rank *pari passu* without preference of one over the other except that priority for payment shall be as per applicable date of redemption.

### Ranking of Unsecured NCDs

The Unsecured NCDs would constitute unsecured and subordinated obligations of the Company and shall rank *pari passu inter se*, and subject to any obligations under applicable statutory and/or regulatory requirements. The Unsecured NCDs proposed to be issued under the Issue and earlier issue of unsecured redeemable non-convertible debentures on private placement basis which are outstanding in the books of our Company, shall rank *pari passu* without preference of one over the other except that priority for payment shall be as per applicable date of redemption. The claims of the Unsecured NCD holders shall be subordinated to those of the other creditors of our Company, subject to applicable statutory and/or regulatory requirements. The unsecured NCDs will be in the nature of sub-ordinated debt and will be eligible for inclusion as Tier II Capital.

### Security

The principal amount of the Secured NCDs to be issued in terms of the Draft Prospectus and Prospectus together with all interest due on the Secured NCDs in respect thereof shall be secured by way of exclusive charge in favour of the Debenture Trustee on specific present and/or future receivables/assets as may be decided mutually by our Company and the Debenture Trustee. Our Company will create appropriate security in favour of the Debenture Trustee for the Secured NCD Holders on the assets adequate to ensure 100% asset cover for the Secured NCDs (along with the interest due thereon). The Issuer undertakes that the necessary documents for the creation of the security, including the Secured Debenture Trust Deed would be executed within the time frame prescribed as per applicable law and the same would be uploaded on the website of the Designated Stock exchange, within five working days of execution of the same.

No security will be created for Unsecured NCDs which are in the nature of subordinated debt.

### **Debenture Trust Deed(s)**

Our Company intends to enter into Debenture Trust Deeds with the Debenture Trustee for the benefit of the NCD Holders, the terms of which will *inter alia* govern the powers, authorities and obligations of the Debenture Trustee. Our Company proposes to complete the execution of the Debenture Trust Deeds before the Allotment of NCDs. Under the terms of the Debenture Trust Deeds, our Company will covenant with Debenture Trustee that it will pay the NCD Holders the principal amount on the NCDs on the relevant redemption date and also that it will pay the interest due on the NCDs at the rates specified in this Prospectus and Debenture Trust Deeds. The Secured Debenture Trust Deed will also provide that the Company may withdraw any portion of the Security or replace with another assets of the same or higher value. However, in case of Secured Debenture Trust Deed, the Company reserves the right to create *pari passu* charge on the said immovable property without seeking NOC from each Secured NCD Holders and the Debenture Trustee is empowered to issue NOC to create *pari passu* charge on the said immovable property for future issuances.

### **Trustee for the Secured NCD Holders**

We have appointed Catalyst Trusteeship Limited to act as the Debenture Trustee for the Secured NCD Holders. We and the Debenture Trustee will execute a Secured Debenture Trust Deed, *inter alia*, specifying the powers, authorities and obligations of the Debenture Trustee and us. The Secured NCD Holder(s) shall, without further act or deed, be deemed to have irrevocably given their consent to the Debenture Trustee or any of its agents or authorised officials to do all such acts, deeds, matters and things in respect of or relating to the Secured NCDs as the Debenture Trustee may in its absolute discretion deem necessary or require to be done in the interest of the Secured NCD Holder(s). Any payment made by us to the Debenture Trustee on behalf of the NCD Holder(s) shall discharge us *pro tanto* to the NCD Holder(s).

The Debenture Trustee will protect the interest of the Secured NCD Holders in the event of default by us in regard to timely payment of interest and repayment of principal and they will take necessary action at our cost.

### **Trustee for the Unsecured NCD Holders**

We have appointed Catalyst Trusteeship Limited to act as the Debenture Trustee for the Unsecured NCD holders. We and the Debenture Trustee will execute an Unsecured Debenture Trust Deed, *inter alia*, specifying the powers, authorities and obligations of the Debenture Trustee and us. The Unsecured NCD Holders shall, without further act or deed, be deemed to have irrevocably given their consent to the Debenture Trustee or any of its agents or authorised officials to do all such acts, deeds, matters and things in respect of or relating to the Unsecured NCDs as the Debenture Trustee may, in its absolute discretion, deem necessary or require to be done in the interest of the Unsecured NCD Holders. Any payment made by us to the Debenture Trustee on behalf of the Unsecured NCD Holders shall discharge us *pro tanto* to the Unsecured NCD Holders. The Debenture Trustee will protect the interest of the Unsecured NCD Holders in the event of default by us with regard to timely payment of interest and repayment of principal and they will take necessary action at our cost.

### **Debenture Redemption Reserve**

Pursuant to Regulation 16 of the SEBI Debt Regulations and Section 71(4) of the Companies Act, 2013 which require that when debentures are issued by any company, the company shall create debenture redemption reserve out of the profits of the company available for payment of dividend. Rule 18(7)(b)(iii) of the Companies (Share Capital and Debentures) Rules, 2014 states that for companies such as our Company, the adequacy of DRR shall be 25% of the value of outstanding debentures issued through a public issue as per the SEBI Debt Regulations. The Rules further mandate that every company required to maintain DRR shall deposit or invest, as the case may be, before the 30th day of April of each year a sum which shall not be less than 15% of the amount of its debentures maturing during the year ending on the 31st day of March of the next year in any one or more following methods: (a) in deposits with any scheduled bank, free from charge or lien; (b) in unencumbered securities of the central government or of any state government; (c) in unencumbered securities mentioned in clauses (a) to (d) and (ee) of Section 20 of the Indian Trusts Act, 1882; (d) in unencumbered bonds issued by any other company which is notified under clause (f) of Section 20 of the Indian Trusts Act, 1882. The above-mentioned amount deposited or invested, must not be utilized for any purpose other than for the repayment of debentures maturing during the year provided that the amount remaining deposited or invested must not at any time fall below 15% of the amount of debentures maturing during the year ending on the 31st day of March of that year.

Accordingly, our Company is required to create a DRR of 25% of the value of the outstanding NCDs issued *vide* the Issue. In addition, as per Rule 18 (7)(e) under Chapter IV to the Companies Act, 2013, the amount deposited or invested in the manner as provided in Rule 18(7)(c) as applicable to DRR shall not be utilised by our Company except for the redemption of the NCDs.

### **Face Value**

The face value of each NCD shall be ₹1,000.

### **Trustees for the NCD Holders**

We have appointed Catalyst Trusteeship Limited to act as the Debenture Trustee for the NCD holders in terms of Regulation 4(4) of the Debt Regulations and Section 71(5) of the Companies Act, 2013 and the rules prescribed thereunder. We and the Debenture Trustee will execute Debenture Trust Deeds, for *inter alia*, specifying the powers, authorities and obligations of the Debenture Trustee and us. The NCD Holder(s) shall, without further act or deed be deemed to have irrevocably given their consent to the Debenture Trustee or any of its agents or authorized officials to do all such acts, deeds, matters and things in respect of or relating to the NCDs as the Debenture Trustee may, in its absolute discretion, deem necessary or require to be done in the interest of the NCD Holder(s). Any payment made by us to the Debenture Trustee on behalf of the NCD Holder(s) shall discharge us *pro tanto* to the NCD Holder(s).

The Debenture Trustee will protect the interest of the NCD Holders in the event of happening of an Event of Default in regard to timely payment of interest and repayment of principal and they will take necessary action at our cost.

### **Events of Default**

Subject to the terms of the Debenture Trust Deed, the Debenture Trustee at its discretion may, or if so requested in writing by the holders of at least three-fourths of the outstanding amount of the NCDs or with the sanction of a special resolution, passed at a meeting of the NCD holders, (subject to being indemnified and / or secured by the NCD Holders to its satisfaction), give notice to our Company specifying that the NCDs and / or any particular series of NCDs, in whole but not in part are and have become due and repayable on such date as may be specified in such notice *inter alia* if any of the events listed below occurs.

The description below is indicative and a complete list of events of default including cross defaults, if any, and its consequences will be specified in the Debenture Trust Deeds.

*Default is committed in payment of the principal and interest amount of the NCDs on the due date(s)*

### **NCD Holder not a Shareholder**

The NCD Holders will not be entitled to any of the rights and privileges available to the equity shareholders of our Company, except to the extent of the right to receive the annual reports of our Company and such other rights as may be prescribed under the Companies Act, 2013 and the rules prescribed thereunder and the SEBI Listing Regulations.

### **Rights of Secured NCD Holders**

Some of the significant rights available to the Secured NCD Holders are as follows:

1. The Secured NCDs shall not, except as provided in the Companies Act, 2013, our Memorandum and Articles of Association and / or the Debenture Trust Deed, confer upon the holders thereof any rights or privileges available to our Company's members/shareholders including, without limitation, the right to attend and / or vote at any general meeting of our Company's members / shareholders. However, if any resolution affecting the rights attached to the Secured NCDs is to be placed before the members / shareholders of our Company, the said resolution will first be placed before the registered Secured NCD holders concerned for their consideration. In terms of Section 136(1) of the Companies Act, 2013, holders of Secured NCDs shall be entitled to a copy of the balance sheet and copy of trust deed on a specific request made to our Company.
2. Subject to applicable statutory/regulatory requirements and terms of the Debenture Trust Deed, including requirements of the RBI, the rights, privileges and conditions attached to the Secured NCDs may be varied, modified and / or abrogated with the consent in writing of the holders of at least three-fourths of the outstanding amount of the Secured NCDs or with the sanction of a special resolution passed at a meeting of the Secured NCD holders concerned, provided that nothing in such consent or resolution shall be operative against us, where such consent or resolution modifies or varies the terms and conditions governing the Secured NCDs, if the same are not acceptable to us.
3. Subject to applicable statutory/regulatory requirements and terms of the Debenture Trust Deed, the registered Secured NCD Holders or in case of joint-holders, the one whose name stands first in the Register of Debenture Holders shall be entitled to vote in respect of such NCDs, either in person or by proxy, at any meeting of the Secured NCD holders concerned and every such holder shall be entitled to one vote on a show of hands and on a poll, his / her voting rights on every resolution placed before such meeting of the Secured NCD Holders shall be in proportion to the outstanding nominal value of Secured NCDs held by him/her.

4. The Secured NCDs are subject to the provisions of the SEBI Debt Regulations, the Companies Act, 2013, the Memorandum and Articles of Association of our Company, the terms of the Draft Prospectus, the Prospectus, the Application Forms, the Abridged Prospectus, Corrigendum if any, addendum if any, the terms and conditions of the Debenture Trust Deed, requirements of the RBI, other applicable statutory and / or regulatory requirements relating to the issue and listing, of securities and any other documents that may be executed in connection with the Secured NCDs.
5. For the Secured NCDs issued in dematerialized form, the Depositories shall also maintain the up to date record of holders of the Secured NCDs in dematerialized Form. For Secured NCDs in dematerialized form, all interest and principal sums becoming due and payable in respect of the Secured NCDs will be paid to the person for the time being appearing in the register of beneficial owners of the Depository. In terms of Section 88(3) of the Companies Act, 2013, the register and index of beneficial of Secured NCDs maintained by a Depository for any Secured NCDs in dematerialized form under Section 11 of the Depositories Act shall be deemed to be a Register of Secured NCD Holders for this purpose. The same shall be maintained at the registered office of our Company under Section 94 of the Companies Act, 2013 unless the same has been moved to another location after obtaining the consent of the Unsecured NCD holders.
6. Subject to compliance with applicable statutory requirements, the Secured NCDs can be rolled over only with the consent of the holders of at least 75% of the outstanding amount of the Secured NCDs after providing at least 21 days prior notice for such roll over and in accordance with the SEBI Debt Regulations. Our Company shall redeem the Secured NCDs, who have not given their positive consent to the roll-over. The aforementioned rights of the Secured NCD holders are merely indicative. The final rights of the Secured NCD Holders will be as per the terms of the Offer Document and the Secured Debenture Trust Deed.

#### **Rights of Unsecured NCD Holders**

Some of the significant rights available to the Unsecured NCD Holders are as follows:

1. The Unsecured NCDs shall not, except as provided in the Companies Act, 2013, our Memorandum and Articles of Association and/or the Debenture Trust Deed, confer upon the holders thereof any rights or privileges available to our Company's members/shareholders including, without limitation, the right to attend and/or vote at any general meeting of our Company's members/shareholders. However, if any resolution affecting the rights attached to the Unsecured NCDs is to be placed before the members/shareholders of our Company, the said resolution will first be placed before the registered Unsecured NCD holders concerned for their consideration. In terms of Section 136(1) of the Companies Act, 2013, holders of Unsecured NCDs shall be entitled to a copy of the balance sheet and copy of trust deed on a specific request made to our Company.
1. Subject to applicable statutory/regulatory requirements and terms of the Debenture Trust Deed, including requirements of the RBI, the rights, privileges and conditions attached to the Unsecured NCDs may be varied, modified and/or abrogated with the consent in writing of the holders of at least three-fourths of the outstanding amount of the Unsecured NCDs or with the sanction of a special resolution passed at a meeting of the Unsecured NCD holders concerned, provided that nothing in such consent or resolution shall be operative against us, where such consent or resolution modifies or varies the terms and conditions governing the Unsecured NCDs, if the same are not acceptable to us.
2. Subject to applicable statutory/regulatory requirements and terms of the Debenture Trust Deed, the registered Unsecured NCD Holders or in case of joint-holders, the one whose name stands first in the Register of Debenture holders shall be entitled to vote in respect of such Unsecured NCDs, either in person or by proxy, at any meeting of the Unsecured NCD Holders concerned and every such holder shall be entitled to one vote on a show of hands and on a poll, his/her voting rights on every resolution placed before such meeting of the Unsecured NCD Holders shall be in proportion to the outstanding nominal value of Unsecured NCDs held by him/her.
3. The Unsecured NCDs are subject to the provisions of the SEBI Debt Regulations, the Companies Act, 2013, the Memorandum and Articles of Association of our Company, the terms of the Draft Prospectus, the Draft Prospectus, the Application Forms, the Abridged Prospectus, Corrigendum if any, addendum if any, the terms and conditions of the Debenture Trust Deed, requirements of the RBI, other applicable statutory and / or regulatory requirements relating to the issue and listing, of securities and any other documents that may be executed in connection with the Unsecured NCDs.
4. For the Unsecured NCDs issued in dematerialized form, the Depositories shall also maintain the up to date record of holders of the Unsecured NCDs in dematerialized Form. For Unsecured NCDs in dematerialized form, all interest and principal sums becoming due and payable in respect of the Unsecured NCDs will be paid to the person for the time being appearing in the register of beneficial owners of the Depository. In terms of Section 88(3) of the Companies Act, 2013, the register and index of beneficial of Unsecured NCDs maintained by a Depository for any Unsecured NCDs in dematerialized form under Section 11 of the Depositories Act shall be deemed to be a Register of Unsecured NCD

holders for this purpose. The same shall be maintained at the registered office of our Company under Section 94 of the Companies Act, 2013 unless the same has been moved to another location after obtaining the consent of the Unsecured NCD holders.

6. Subject to compliance with applicable statutory requirements, the Unsecured NCDs can be rolled over only with the consent of the holders of at least 75% of the outstanding amount of the Unsecured NCDs after providing at least 21 days prior notice for such roll over and in accordance with the SEBI Debt Regulations. Our Company shall redeem the Unsecured NCDs, who have not given their positive consent to the rollover. The aforementioned rights of the Unsecured NCD holders are merely indicative. The final rights of the Unsecured NCD holders will be as per the terms of the Offer Document and the Unsecured Debenture Trust Deed.

#### **Nomination facility to NCD Holder**

In accordance with Section 72 of the Companies Act 2013, any NCD holder may, at any time, nominate, any person as his nominee in whom the NCDs shall vest in the event of his death. On the receipt of the said nomination as per prescribed law a corresponding entry shall forthwith be made in the relevant register of securities holders, maintained under Section 88 of the Companies Act, 2013. Where the NCDs are held by more than one person jointly, the joint holders may together nominate, in the prescribed manner, any person to whom all the rights in the NCDs shall vest in the event of death of all the joint holders. Where the nomination is made in respect of the NCDs held by more than one person jointly, all joint holders shall together nominate as prescribed any person as nominee. The request for nomination should be recorded by the Company within a period of two months from the date of receipt of the duly filled and signed nomination form. In the event of death of the NCD Holder or where the NCDs are held by more than one person jointly, in the event of death of all the joint holders, the person nominated as the nominee may upon the production of such evidence as may be required by the Board, elect, either:

- (a) to register himself as holder of the NCDs; or
- (b) to transfer the NCDs as the deceased holder could have done.

If the person being a nominee, so becoming entitled, elects to be registered as holder of the NCDs himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects, and such notice shall be accompanied with the death certificate of the deceased NCD Holder(s).

Notwithstanding anything contained in any other law for the time being in force or in any disposition, whether testamentary or otherwise, in respect of the NCDs, where a nomination made in the prescribed manner purports to confer on any person the right to vest the NCDs, the nominee shall, on the death of the holder of NCDs or, as the case may be, on the death of the joint holders, become entitled to all the rights in the NCDs, of the NCD Holder or, as the case may be, of all the joint holders, in relation to the said NCDs, to the exclusion of all other persons, unless the nomination is varied or cancelled in the prescribed manner.

All the limitations, restrictions and provisions of the Companies Act 2013 relating to the right to transfer and the registration of transfers of the NCDs shall be applicable to any such notice or transfer as aforesaid as if the death of the NCD Holder had not occurred and the notice or transfer were a transfer signed by that NCD Holder. Where the nominee is a minor, it shall be lawful for the NCD Holder, making the nomination to appoint, in the prescribed manner, any person to become entitled to the NCDs, in the event of the death of the nominee during his minority. Where the nominee is a minor, NCD Holder making the nomination, may appoint a person as specified under sub-rule (1) of Rule 19 to the Companies (Share Capital and Debentures) Rules, 2014, who shall become entitled to the NCDs, in the event of death of the nominee during his minority. A person, being a nominee, becoming entitled to NCDs by reason of the death of the NCD Holder shall be entitled to the same interests and other advantages to which he would have been entitled to if he were the registered NCD holder except that he shall not, before being registered as a NCD Holder in respect of such NCDs, be entitled in respect of these NCDs to exercise any right conferred by subscription to the same in relation to meetings of the NCD Holders convened by the Company. Provided that the Board may, at any time, give notice requiring any such person to elect either to be registered himself or to transfer the NCDs, and if the notice is not complied with within ninety days, the Board may thereafter withhold payment of interests, bonuses or other moneys payable in respect of the said NCDs, until the requirements of the notice have been complied with.

A nomination may be cancelled or varied by nominating any other person in place of the present nominee, by the NCD holder who has made the nomination, by giving a notice of such cancellation or variation in the prescribed manner as per applicable laws. The cancellation or variation shall take effect from the date on which the notice of such variation or cancellation is received.

**Since the allotment of NCDs will be made only in dematerialized mode, there is no need to make a separate nomination with our Company. Nominations registered with the respective Depository Participant of the Applicant would prevail. If the investors require changing their nomination, they are requested to inform their respective Depository Participant.**



### **Jurisdiction**

Our Company has in the Debenture Trusteeship Agreement agreed, for the exclusive benefit of the Debenture Trustee and the Debenture holders, that the courts in Coimbatore / Chennai are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Debenture Trust or the NCDs and that accordingly any suit, action or proceedings (together referred to as “**Proceedings**”) arising out of or in connection with the Debenture Trust Deed and the NCDs may be brought only in the courts in Coimbatore.

### **Application in the Issue**

NCDs being issued through the Offer Document can be applied for, through a valid Application Form filled in by the applicant along with attachments, as applicable. Further, Applications in this Issue shall be made through the ASBA facility only.

### **Form of Allotment and Denomination of NCDs**

As per the Debt Regulations, the trading of the NCDs on the Stock Exchanges shall be in dematerialized form only in multiples of one (1) NCD (“**Market Lot**”). Allotment in the Issue to all Allottees, will be in electronic form i.e. in dematerialised form and in multiples of one NCD. For details of allotment refer to chapter titled “**Issue Procedure**” under section titled “**Issue Related Information**” beginning on page no.149 of this Draft Prospectus.

### **Transfer/Transmission of NCD(s)**

The NCDs shall be transferred subject to and in accordance with the rules/procedures as prescribed by NSDL / CDSL and the relevant DPs of the transfer or transferee and any other applicable laws and rules notified in respect thereof. The transferee(s) should ensure that the transfer formalities are completed prior to the Record Date. In the absence of the same, interest will be paid/redemption will be made to the person, whose name appears in the register of debenture holders maintained by the Depositories. In such cases, claims, if any, by the transferees would need to be settled with the transferor(s) and not with the Issuer or Registrar.

In the absence of the same, interest will be paid/redemption will be made to the person, whose name appears in the register of debenture holders maintained by the Depositories. In such cases, claims, if any, by the transferees would need to be settled with the transferor(s) and not with the Company or Registrar.

Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018 (“**SEBI LODR IV Amendment**”), NCDs held in physical form, pursuant to any rematerialisation, as above, can not be transferred except by way of transmission or transposition, from April 01, 2019. However, any trading of the NCDs issued pursuant to this Issue shall be compulsorily in dematerialised form only.

### **Restriction on transfer of NCDs**

There are no restrictions on transfers and transmission of NCDs allotted pursuant to this Issue except as may be required under RBI requirements and as provided in our Articles of Association. Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2018 (“**SEBI LODR IV Amendment**”), NCDs held in physical form, pursuant to any rematerialisation, as above, cannot be transferred except by way of transmission or transposition, from April 01, 2019.

### **Title**

The NCD Holder(s) for the time being appearing in the record of beneficial owners maintained by the Depository shall be treated for all purposes by our Company, the Debenture Trustee, the Depositories and all other persons dealing with such person as the holder thereof and its absolute owner for all purposes.

No transfer of title of a NCD will be valid unless and until entered on the Register of NCD Holders or the register and index of NCD Holders maintained by the Depository prior to the Record Date. In the absence of transfer being registered, interest and/or Maturity Amount, as the case may be, will be paid to the person, whose name appears first in the Register of NCD Holders maintained by the Depositories and/or our Company and/or the Registrar, as the case may be. In such cases, claims, if any, by the purchasers of the NCDs will need to be settled with the seller of the NCDs and not with our Company or the Registrar. The provisions relating to transfer and transmission and other related matters in respect of our Company’s shares contained in the Articles of Association of our Company and the Companies Act shall apply, *mutatis mutandis* (to the extent applicable) to the NCDs as well.

## **Succession**

Where NCDs are held in joint names and one of the joint holders dies, the survivor(s) will be recognized as the NCD Holder(s). It will be sufficient for our Company to delete the name of the deceased NCD Holder after obtaining satisfactory evidence of his death. Provided, a third person may call on our Company to register his name as successor of the deceased NCD Holder after obtaining evidence such as probate of a will for the purpose of proving his title to the debentures. In the event of demise of the sole or first holder of the Debentures, our

Company will recognise the executors or administrator of the deceased NCD Holders, or the holder of the succession certificate or other legal representative as having title to the Debentures only if such executor or administrator obtains and produces probate or letter of administration or is the holder of the succession certificate or other legal representation, as the case may be, from an appropriate Court in India. The directors of our Company in their absolute discretion may, in any case, dispense with production of probate or letter of administration or succession certificate or other legal representation.

Where a non-resident Indian becomes entitled to the NCDs by way of succession, the following steps have to be complied with:

1. Documentary evidence to be submitted to the Legacy Cell of the RBI to the effect that the NCDs were acquired by the non-resident Indian as part of the legacy left by the deceased NCD Holder.
2. Proof that the non-resident Indian is an Indian national or is of Indian origin.
3. Such holding by a non-resident Indian will be on a non-repatriation basis.

## **Joint-holders**

Where two or more persons are holders of any NCD(s), they shall be deemed to hold the same as joint holders with benefits of survivorship subject to other provisions contained in the Articles.

## **Period of Subscription**

### **ISSUE PROGRAMME**

**ISSUE OPENS ON [.]**

**ISSUE CLOSES ON [.]**

*\* The Issue shall remain open for subscription on Working Days from 10 a.m to 5p.m. (Indian Standard Time) during banking hours for the period indicated above, except that the Issue may close on such earlier date or extended date as may be decided by the Board/ Committee of Directors, as the case may be, subject to necessary approvals. In the event of an early closure or extension of the Issue, our Company shall ensure that notice of the same is provided to the prospective investors through advertisements in a leading national daily newspaper with wide circulation on or before such earlier date of Issue Closure or initial date of Issue closure, as the case may be. On the Issue Closing Date Application Forms will be accepted only between 10:00 a.m. and 3:00 p.m. (Indian Standard Time) and uploaded until 5:00 p.m. (Indian Standard Time) or such extended time as may be permitted by the Stock Exchanges.*

*Further please note that Application shall be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time, "IST") ("Bidding Period") during the Issue Period as mentioned above by the (a) by the Designated Intermediaries at the Bidding Centres, or (b) by the SCSBs directly at the Designated Branches of the SCSBs as mentioned on the Application Form, except that on the Issue Closing Date when Applications shall be accepted only between 10.00 a.m. and 3.00 p.m. (IST) and shall be uploaded until 5.00 p.m. (IST) or such extended time as permitted by Stock Exchange(s). It is clarified that the Applications not uploaded in the Stock Exchange(s) Platform would be rejected. Due to limitation of time available for uploading the Applications on the Issue Closing Date, the Applicants are advised to submit their Applications one day prior to the Issue Closing Date and, in any case, not later than 3.00 p.m. (IST) on the Issue Closing Date. All times mentioned in this Prospectus are Indian Standard Time. Applicants are cautioned that in the event a large number of Applications are received on the Issue Closing Date, as is typically experienced in public offerings, some Applications may not get uploaded due to lack of sufficient time. Such Applications that cannot be uploaded will not be considered for allocation under the Issue. Applications will be accepted only on Working Days, i.e., Monday to Friday (excluding any public holiday). Neither our Company, nor the Lead Managers, nor any Member of the Syndicate, Registered Brokers at the Broker Centres, CDPs at the Designated CDP Locations or the RTAs at the Designated RTA Locations or designated branches of SCSBs are liable for any failure in uploading the Applications due to faults in any software/hardware system or otherwise. Please note that, within each category of investors, the Basis of Allotment under the Issue will be on date priority basis except on the day of oversubscription, if any, where the Allotment will be proportionate.*

## **Interest and Payment of Interest**

In respect of Option I, Option IV, Option VII and Option X, Payment of Interest will be made to those NCD Holders whose names appear in the register of NCD holders (or to first holder in case of joint-holders) as on Record Date and will be paid on monthly basis. Interest will be calculated from the 15th (fifteenth) day till 14th (fourteenth) day of every subsequent month during the tenor of such NCDs and paid on the 15th (fifteenth) day of every subsequent month. For the first interest payment for NCDs under the monthly options, interest from the Deemed Date of Allotment till the 14th (fourteenth) day of the subsequent month will be clubbed and paid on the 15th (fifteenth) day of the next subsequent month.

In respect of, Option II, Option V, Option VIII and Option XI, interest is to be paid on an annual basis, relevant interest will be made on March 31st every year for the amount outstanding. The first interest payment will be made on March 31, 2020 for the period commencing from the Deemed Date of Allotment till March 31, 2020. Subject to the last interest payment will be made at the time of maturity of the NCD on a *pro rata* basis.

In respect of Option III, Option VI, Option IX and Option XII NCDs shall be redeemed on the Maturity Date for the redemption amount.

NCDs once allotted under any particular Option of NCDs shall continue to bear the applicable Tenor, Coupon/Yield and Redemption Amount as at the time of original Allotment irrespective of the category of NCD Holder on any Record Date, and such tenor, coupon / yield and redemption amount as at the time of original allotment will not be impacted by trading of any series of NCDs between the categories of persons or entities in the secondary market.

On any relevant Record Date, the Registrar and/or our Company shall determine the list of the Primary holder(s) of this Issue and identify such Investor/ NCD Holders, (based on their DP identification and /or PAN and/or entries in the Register of NCD Holders) and make the requisite payment of additional incentive.

We may enter into an arrangement with one or more banks in one or more cities for direct credit of interest to the account of the investors. In such cases, interest, on the Interest Payment Date, would be directly credited to the account of those investors who have given their bank mandate.

We may offer the facility of NACH, NEFT, RTGS, Direct Credit and any other method permitted by RBI and SEBI from time to time to help NCD Holders. The terms of this facility (including towns where this facility would be available) would be as prescribed by RBI. Refer to the paragraph on ***“Manner of Payment of Interest /Refund/ Redemption Amounts”*** at page no.144 and 145 in this Draft Prospectus.

## **Taxation**

Any tax exemption certificate/document must be lodged at the office of the Registrar at least 7 (seven) days prior to the Record Date or as specifically required, failing which tax applicable on interest will be deducted at source on accrual thereof in our Company's books and/or on payment thereof, in accordance with the provisions of the IT Act and/or any other statutory modification, enactment or notification as the case may be. A tax deduction certificate will be issued for the amount of tax so deducted.

As per clause (ix) of Section 193 of the I.T. Act, no tax is required to be withheld on any interest payable on any security issued by a company, where such security is in dematerialized form and is listed on a recognized stock exchange in India in accordance with the Securities Contracts (Regulation) Act, 1956 and the rules made there under. Accordingly, no tax will be deducted at source from the interest on listed NCDs held in the dematerialized form.

If the date of interest payment falls on a Saturday, Sunday or a public holiday in Mumbai or any other payment centre notified in terms of the Negotiable Instruments Act, 1881, then interest would be paid on the next working day. Payment of interest would be subject to the deduction as prescribed in the I.T. Act or any statutory modification or re-enactment thereof for the time being in force. *Subject to the terms and conditions in connection with computation of applicable interest on the Record Date, please note that in case the NCDs are transferred and/or transmitted in accordance with the provisions of this Prospectus read with the provisions of the Articles of Association of our Company, the transferee of such NCDs or the deceased holder of NCDs, as the case may be, shall be entitled to any interest which may have accrued on the NCDs.*

## **Put / Call Option**

Not Applicable

### **Application Size**

Each application should be for a minimum of 10 (ten) NCDs and in multiples of one (1) NCD thereafter. The minimum application size for each application for NCDs would be ₹ 10,000 (across all Option of NCDs either taken individually or collectively) and in multiples of ₹ 1,000 thereafter.

Applicants can apply for any or all types of NCDs offered hereunder (any/all Option) provided the Applicant has applied for minimum application size using the same Application Form.

**Applicants are advised to ensure that applications made by them do not exceed the investment limits or maximum number of NCDs that can be held by them under applicable statutory and or regulatory provisions.**

### **Terms of Payment**

The entire issue price of ₹ 1,000 per NCD is blocked in the ASBA Account on application itself. In case of allotment of lesser number of NCDs than the number of NCDs applied for, our Company shall instruct the SCSBs to unblock the excess amount blocked on application in accordance with the terms of this Prospectus.

### **Manner of Payment of Interest / Refund / Redemption Amounts**

The manner of payment of interest / refund / redemption amounts in connection with the NCDs is set out below:

The bank details will be obtained from the Depositories for payment of Interest / refund / redemption amount, as the case may be. Applicants, who are holding the NCDs in electronic form, are advised to immediately update their bank account details as appearing on the records of the depository participant. Please note that failure to do so could result in delays in credit of refunds to the Applicant at the Applicant's sole risk, and the Lead Managers, our Company or the Registrar to the Issue shall have any responsibility and undertake any liability for the same.

### **Printing of Bank Particulars on Interest / Redemption Instruments**

As a matter of precaution against possible fraudulent encashment of interest / redemption Instruments due to loss or misplacement, the particulars of the Applicant's bank account are mandatorily required to be given for printing on the instruments. In relation to NCDs held in dematerialized form, these particulars would be taken directly from the depositories. Bank account particulars will be printed on the instruments which can then be deposited only in the account specified.

### **Buy Back of NCDs**

Our Company may, from time to time, consider, subject to applicable statutory and/or regulatory requirements including but not limited to SEBI Debt Regulation, buyback of NCDs, upon such terms and conditions as may be decided by our Company.

### **Record Date**

In connection with Option I, Option VI, Option VII and Option X NCDs, (Monthly Interest) 15 (Fifteen) Days prior to the date on which interest is due and payable, or the date of redemption, or as may be prescribed by the Stock Exchanges, and in connection with Option II, Option IV, Option VIII and Option XI NCDs, 15 (Fifteen) (Annual Working Days prior to the date on which interest is due and payable, or the date of redemption, or as may be prescribed by the Stock Exchanges and in connection with Option III, Option VI Option IX and Option XII NCDs, 15 (Fifteen) (Cumulative Days prior to the date of redemption or as may be prescribed by the Stock Exchange.

If the Record Date falls on a day that is not a Working Day, then the immediate succeeding Working Day will be deemed as Record Date

### **Procedure for Redemption by NCD Holders**

*NCD held in electronic form*

No action is required on the part of NCD Holder(s) at the time of redemption of NCDs.

## **Payment on Redemption**

The manner of payment of redemption is set out below:

### ***NCDs held in electronic form:***

On the redemption date, redemption proceeds would be paid by cheque /pay order / electronic mode to those NCD Holders whose names appear on the list of beneficial owners given by the Depositories to us. These names would be as per the Depositories' records on the Record Date fixed for the purpose of redemption. These NCDs will be simultaneously extinguished to the extent of the amount redeemed through appropriate debit corporate action upon redemption of the corresponding value of the NCDs. It may be noted that in the entire process mentioned above, no action is required on the part of NCD Holders.

Our liability to NCD Holder(s) towards his/their rights including for payment or otherwise shall stand extinguished from the date of redemption in all events and when we dispatch the redemption amounts to the NCD Holder(s). Further, we will not be liable to pay any interest, income or compensation of any kind from the date of redemption of the NCD(s).

### ***NCDs held in physical form on account of re-materialization***

In case of NCDs held in physical form, on account of rematerialisation, the bank details will be obtained from the documents submitted to the Company along with the rematerialisation request. The procedure for rematerialization of NCDs is furnished below:

***NCD Holders who wish to hold the NCDs in physical form may do so by submitting a request to their DP at any time after Allotment in accordance with the applicable procedure stipulated by the DP, in accordance with the Depositories Act and/or rules as notified by the Depositories from time to time. NCD Holders who propose to rematerialise their NCDs, would have to mandatorily submit details of their bank mandate along with a copy of any document evidencing that the bank account is in the name of the holder of such NCDs and their Permanent Account Number to the Company and the DP. No proposal for rematerialisation of NCDs would be considered if the aforementioned documents and details are not submitted along with the request for such rematerialisation.***

The payment on redemption of the NCDs will be made by way of cheque / pay order / electronic modes. However, if our Company so requires, the aforementioned payment would only be made on the surrender of NCD certificate(s), duly discharged by the sole holder / all the joint-holders (signed on the reverse of the NCD certificate(s). Dispatch of cheques / pay order, etc. in respect of such payment will be made on the Redemption Date or (if so requested by our Company in this regard) within a period of 30 days from the date of receipt of the duly discharged NCD certificate.

In case we decide to do so, the redemption proceeds in the manner stated above would be paid on the Redemption date.

Date to those NCD Holders whose names stand in the Register of NCD Holders maintained by us / Registrar to the Issue on the Record Date fixed for the purpose of Redemption. Hence the transferees, if any, should ensure lodgement of the transfer documents with us at least 7 (seven) days prior to the Record Date. In case the transfer documents are not lodged with us at least 7 (seven) days prior to the Record Date and we dispatch the redemption proceeds to the transferor, claims in respect of the redemption proceeds should be settled amongst the parties *inter se* and no claim or action shall lie against us or the Registrar.

Our liability to holder(s) towards their rights including for payment or otherwise shall stand extinguished from the date of redemption in all events and when we dispatch the redemption amounts to the NCD Holder(s). Further, we will not be liable to pay any interest, income or compensation of any kind from the date of redemption

## **Sharing of Information**

We may, at our option, use on our own, as well as exchange, share or part with any financial or other information about the NCD Holders available with us, with our subsidiaries, if any and affiliates and other banks, financial institutions, credit bureaus, agencies, statutory bodies, as may be required and neither we or our affiliates nor their agents shall be liable for use of the aforesaid information.

## **Notices**

All notices to the NCD Holder(s) required to be given by us or the Debenture Trustee will be sent by post / courier or through email or other electronic media to the Registered Holders of the NCD(s) from time to time.

## **Pre-Issue Advertisement**

Subject to Section 30 of the Companies Act, 2013, our Company will issue a statutory advertisement on or before the Issue Opening Date. This advertisement will contain the information as prescribed in Schedule IV of SEBI Debt Regulations in compliance with the Regulation 8(1) of SEBI Debt Regulations. Material updates, if any, between the date of filing of this Prospectus with ROC and the date of release of the statutory advertisement, will be included in the statutory advertisement.

## **Impersonation**

As a matter of abundant caution, attention of the Investors is specifically drawn to the provisions of sub-section (1) of Section 38 of the Companies Act, 2013 which is reproduced below:

*“Any person who:*

- a. makes or abets making of an application in a fictitious name to a company for acquiring, or subscribing for, its securities; or*
- a. makes or abets making of multiple applications to a company in different names or in different combinations of his name or surname for acquiring or subscribing for its securities; or*
- b. otherwise induces directly or indirectly a company to allot, or register any transfer of, securities to him, or to any other person in a fictitious name, shall be liable for action under Section 447 of the Companies Act, 2013.”*

The liability prescribed under Section 447 of the Companies Act 2013 for fraud involving an amount of at least ₹ 10 lakh or 1.00% of the turnover of the Company, whichever is lower, includes imprisonment for a term which shall not be less than six months extending up to 10 years (provided that where the fraud involves public interest, such term shall not be less than three years) and fine of an amount not less than the amount involved in the fraud, extending up to three times of such amount. In case the fraud involves (i) an amount which is less than ₹ 10 lakh or 1.00% of the turnover of the Company, whichever is lower; and (ii) does not involve public interest, then such fraud is punishable with an imprisonment for a term extending up to five years or a fine of an amount extending up to ₹ 50 lakh or with both.

## **Pre-closure**

Our Company, in consultation with the Lead Managers, reserves the right to close the Issue at any time prior to the Issue Closing Date, subject to receipt of minimum subscription or as may be specified in this Prospectus. Our Company shall allot NCDs with respect to the Applications received until the time of such pre-closure in accordance with the Basis of Allotment as described hereinabove and subject to applicable statutory and / or regulatory requirements. In the event of such early closure of the Issue, our Company shall ensure that public notice of such early closure is published on or before such early date of closure or the Issue Closing Date, as applicable, through advertisement(s) in all those newspapers in which pre-issue advertisement and advertisement for opening or closure of the issue have been given.

## **Minimum Subscription**

In terms of the SEBI Debt Regulations, for an issuer undertaking a public issue of debt securities, the minimum subscription for public issue of debt securities shall be 75% of the Base Issue Size. If our Company does not receive the minimum subscription of 75% of Base Issue Size i.e. ₹ 7500 lakh prior to the Issue Closing Date entire Application Amount shall be unblocked in the relevant ASBA Account(s) of the Applicants within 6 working days the Public Issue Account from the respective ASBA Accounts, such Application Amount shall be refunded from the Refund Account to the relevant ASBA Accounts(s) of the Applicants within 6 working days from the Issue Closing Date, failing which the Company will become liable to refund the Application Amount along with interest at the rate of 15% per annum for the delayed period.

Under Section 39(3) of the Companies Act, 2013 read with Rule 11(2) of the Companies (Prospectus and Allotment of Securities) Rules, 2014 if the stated minimum subscription amount is not received within the specified period, the application money received is to be credited only to the bank account from which the subscription was remitted. To the extent possible, where the required information for making such refunds is available with our Company and/or Registrar, refunds will be made to the account prescribed. However, where our Company and/or Registrar does not have the necessary information for making such refunds, our Company and / or Registrar will follow the guidelines prescribed by SEBI in this regard.

## **Guarantee/Letter of Comfort**

The Issue is not backed by a guarantee or letter of comfort or any other document and/or letter with similar intent.

### **Utilisation of Application Amount**

The sum received in respect of the Issue will be kept in separate bank accounts and we will have access to such funds only upon allotment of the NCDs, execution of Debenture Trust Deeds and on receipt of listing and trading approval from the Stock Exchanges as per applicable provisions of law(s), regulations and approvals.

### **Utilisation of Issue Proceeds**

- a. All monies received out of the Issue shall be credited/ transferred to a separate bank account maintained with a Scheduled Bank as referred to in Section 40(3) of the Companies Act 2013;
- b. Details of all monies utilised out of the Issue referred above shall be disclosed under an appropriate separate head in our balance sheet indicating the purpose for which such monies have been utilised along with details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue;
- c. Details of all unutilised monies out of the Issue, if any, shall be disclosed under an appropriate separate head in our balance sheet indicating the form in which such unutilised monies have been invested;
- d. We shall utilize the Issue proceeds only upon allotment of the NCDs, execution of Debenture Trust Deeds, receipt of the listing and trading approval from the Stock Exchange(s);
- e. The Issue proceeds shall not be utilized towards full or part consideration for the purchase or any other acquisition, *inter alia* by way of a lease, of any immovable property; and
- f. Details of all utilized and unutilized monies out of the monies collected in the previous issue made by way of public offer shall be disclosed and continued to be disclosed in the balance sheet till the time any part of the proceeds of such previous issue remains unutilized indicating the purpose for which such monies have been utilized and the securities or other forms of financial assets in which such unutilized monies have been invested.

### **Monitoring and Reporting of Utilisation of Issue Proceeds**

There is no requirement for appointment of a monitoring agency in terms of the SEBI Debt Regulations, as amended. Our Board shall monitor the utilization of the proceeds of the Issue.

For the relevant quarters commencing from the financial year ending March 31, 2019, our Company will disclose in our quarterly financial statements, the utilization of the net proceeds of the Issue under a separate head along with details, if any, in relation to all such proceeds of the Issue that have not been utilized thereby also indicating investments, if any, of such unutilized proceeds of the Issue.

### **Lien**

Our Company will have the right of set-off and lien, present as well as future on the moneys due and payable to the NCD Holder, to the extent of all outstanding dues, if any by the NCD holder to our Company.

### **Lien on Pledge of NCDs**

Subject to applicable laws, our Company, at its discretion, may note a lien on pledge of NCDs if such pledge of NCDs is accepted by any bank or institution for any loan provided to the NCD Holder against pledge of such NCDs as part of the funding.

### **Listing**

The NCDs offered through this Draft Prospectus are proposed to be listed on BSE, subject to obtaining 'in-principle' approval for the Issue from BSE. For the purpose of the Issue, BSE shall be the Designated Stock Exchange. If permissions to deal in and for an official quotation of our NCDs are not granted by BSE, our Company will forthwith repay, without interest, all moneys received from the Applicants pursuant to this Draft Prospectus.

Our Company will use best efforts to ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at the Stock Exchanges are taken within 6 Working Days of the Issue Closing Date. For the avoidance of doubt, it is hereby clarified that in the event of non-subscription to any one or more of the Options, such Option(s) of NCDs shall not be listed.

## **Day Count Convention**

Interest shall be computed on actual/actual basis i.e. on the principal outstanding on the NCDs as per the SEBI Circular bearing no. CIR/IMD/DF-1/122/2016 dated November 11, 2016.

## **Effect of holidays on payments**

If the date of payment of interest does not fall on a Working Day, then the interest payment will be made on succeeding Working Day (the “**Effective Date**”). However, the calculation for payment of interest will be only till the originally stipulated Interest Payment Date. The dates of the future interest payments would be as per the originally stipulated schedule. Payment of interest will be subject to the deduction of tax as per Income Tax Act or any statutory modification or re-enactment thereof for the time being in force. In case the Maturity Date (also being the last Interest Payment Date) does not fall on a Working Day, the payment will be made on the immediately preceding Working Day, along with coupon/interest accrued on the NCDs until but excluding the date of such payment.

## **Illustration for guidance in respect of the day count convention and effect of holidays on payments.**

The illustration for guidance in respect of the day count convention and effect of holidays on payments, as required by SEBI Circular No. CIR/IMD/DF-1/122/2016 dated November 11, 2016 is disclosed at Annexure B

## **Loan against NCDs**

As per the RBI circular dated June 27, 2013, our Company is not permitted to extend loans against the security of its debentures issued on private placement or public issue basis. However, if the RBI subsequently permits extension of loans by NBFCs against the security of its debentures issued by way of private placement or public issues, the Company may consider granting loans against the security of such NCDs, subject to the terms and conditions as may be decided by the Company at the relevant time, in compliance with applicable law.

## **Buy Back of NCDs**

Our Company may, at its sole discretion, from time to time, consider, subject to applicable statutory and / or regulatory requirements, buyback of NCDs, upon such terms and conditions as may be decided by our Company.

Our Company may, from time to time, invite the NCD Holders to offer the NCDs held by them through one or more buy-back schemes and/or letters of offer upon such terms and conditions as our Company may, from time to time determine, subject to applicable statutory and / or regulatory requirements. Such NCDs which are bought back may be extinguished, re-issued and/or resold in the open market with a view of strengthening the liquidity of the NCDs in the market, subject to applicable statutory and/or regulatory requirements.

## **Right to reissue NCD(s)**

Subject to the provisions of the Companies Act, 2013, where we have fully redeemed or repurchased any NCD(s), we shall have and shall be deemed always to have had the right to keep such NCDs in effect without extinguishment thereof, for the purpose of resale or reissue and in exercising such right, we shall have and be deemed always to have had the power to resell or reissue such NCDs either by reselling or reissuing the same NCDs or by issuing other NCDs in their place. The aforementioned right includes the right to reissue original NCDs.

## **Issue of duplicate NCD Certificate(s)**

If any NCD certificate(s), issued pursuant to rematerialisation, if any, is/are mutilated or defaced or the cages for recording transfers of NCDs are fully utilised, it may be replaced by us against the surrender of such certificate(s). Provided, where the NCD certificate(s) are mutilated or defaced, it will be replaced as aforesaid only if the certificate numbers and the distinctive numbers are legible.

## **Future Borrowings**

We will be entitled to borrow/raise loans or avail financial assistance in whatever form as also to issue debentures/ NCDs/ other securities in any manner having such ranking in priority, *pari passu* or otherwise, subject to applicable consents, approvals or permissions that may be required under any statutory/ regulatory/ contractual requirement, and change the capital structure including the issue of shares of any class, on such terms and conditions as we may think appropriate, without the consent of, or intimation to, the NCD holders or the Debenture Trustee in this connection.

However, until the payment of the outstanding amounts/ secured obligations for Secured NCDs, the Company shall not create any mortgage or charge on the security without obtaining prior approval of the Debenture Trustee. Provided that, at the time of raising such further loans, advances or such other facilities from Banks, Financial Institutions and / or any other



person(s) on the Security, the Company shall maintain the required security cover as prescribed in this Draft Prospectus. In the event of such request by the Company, the Debenture Trustee shall accord its approval for creation of further charges provided that the Company furnishes a certificate from a chartered accountant stating that after creation of such further charges, the required security cover will be maintained.

## ISSUE PROCEDURE

*This chapter applies to all Applicants. Pursuant to the Circular (CIR/DDHS/P/121/2018) dated August 16, 2018 issued by SEBI, all Applicants are required to apply for in the Issue through the ASBA process. Please note that all Applicants are required to pay the full Application amount or ensure that the ASBA Account has sufficient credit balance such that the entire Application Amount can be blocked by the SCSB while making an Application. ASBA Applicants ensure that their respective ASBA accounts can be blocked by the SCSBs, in the relevant ASBA Accounts.*

*Applicants should note that they may submit their Applications to the Lead Manager or Members of the Syndicate or Registered Brokers at the Broker Centres or CDPs at the Designated CDP Locations or the RTAs at the Designated RTA Locations or designated branches of SCSBs as mentioned in the Application Form.*

*Applicants are advised to make their independent investigations and ensure that their Applications do not exceed the investment limits or maximum number of NCDs that can be held by them under applicable law or as specified in this Draft Prospectus.*

*Please note that this section has been prepared based on the Circular no. CIR/IMD/DF-1/20/2012 dated July 27, 2012 issued by SEBI (“Debt Application Circular”) as modified by Circular No. CIR/IMD/DF/18/2013 dated October 29, 2013 issued by SEBI and Circular no. CIR/DDHS/P/121/2018 dated August 16, 2018 issued by SEBI (“Debt ASBA Circular”). The procedure mentioned in this chapter is subject to the Stock Exchange putting in place the necessary systems and infrastructure for implementation of the provisions of the above mentioned circular, including the systems and infrastructure required in relation to Applications made through the Direct Online Application Mechanism and the online payment gateways to be offered by Stock Exchange and accordingly is subject to any further clarifications, notification, modification, direction, instructions and/or correspondence that may be issued by the Stock Exchange and/or SEBI.*

*Please note that clarifications and/or confirmations regarding the implementation of the requisite infrastructure and facilities in relation to direct online applications and online payment facility as provided for in the Debt Application Circular have been sought from the Stock Exchange.*

*Specific attention is drawn to the Circular (No. CIR/IMD/DF/18/2013) dated October 29, 2013 issued by SEBI, which amends the provisions of the 2012 SEBI Circular to the extent that it provides for allotment in public issues of debt securities to be made on the basis of date of upload of each application into the electronic book of the Stock Exchanges, as opposed to the date and time of upload of each such application.*

**PLEASE NOTE THAT ALL DESIGNATED INTERMEDIARIES WHO WISH TO COLLECT AND UPLOAD APPLICATION IN THIS ISSUE ON THE ELECTRONIC APPLICATION PLATFORM PROVIDED BY THE STOCK EXCHANGE WILL NEED TO APPROACH THE RESPECTIVE STOCK EXCHANGE AND FOLLOW THE REQUISITE PROCEDURES AS MAY BE PRESCRIBED BY THE RELEVANT STOCK EXCHANGE. THE FOLLOWING SECTION MAY CONSEQUENTLY UNDERGO CHANGE BETWEEN THE DATES OF THIS DRAFT PROSPECTUS, THE ISSUE OPENING DATE AND THE ISSUE CLOSING DATE.**

**THE MEMBERS OF THE SYNDICATE AND OUR COMPANY SHALL NOT BE RESPONSIBLE OR LIABLE FOR ANY ERRORS OR OMISSIONS ON THE PART OF THE DESIGNATED INTERMEDIARIES IN CONNECTION WITH THE RESPONSIBILITY OF SUCH DESIGNATED INTERMEDIARIES IN RELATION TO COLLECTION AND UPLOAD OF APPLICATIONS IN THIS ISSUE ON THE ELECTRONIC APPLICATION PLATFORM PROVIDED BY THE STOCK EXCHANGE. FURTHER, THE STOCK EXCHANGE SHALL BE RESPONSIBLE FOR ADDRESSING INVESTOR GREIVANCES ARISING FROM APPLICATIONS THROUGH DESIGNATED INTERMEDIARIES REGISTERED WITH THE STOCK EXCHANGES.**

For purposes of the Issue, the term “Working Days” means all days excluding Sundays or a holiday for commercial banks in Mumbai, except with reference to Issue Period, where Working Days shall mean all days, excluding Saturdays, Sundays and public holidays in India. Furthermore, for the purpose of post Issue Period, i.e. period beginning from Issue Closing Date to listing of the NCDs, Working Days shall mean shall mean all trading days of Stock Exchanges excluding Sundays and bank holidays in Mumbai. During the tenor of the NCDs, interest/redemption payments shall be made only on the days when the money market is functioning in Mumbai as per the SEBI Circular CIR/DDHS/P/121/2018 dated August 16, 2018.

The information below is given for the benefit of the investors. Our Company and the Lead Manager are not liable for any amendment or modification or changes in applicable laws or regulations, which may occur after the date of this Draft Prospectus.

## PROCEDURE FOR APPLICATION

### Availability of the Abridged Prospectus and Application Forms

The Abridged Prospectus containing the salient features of the Prospectus together with Application Form may be obtained from:

- a. Our Company's Registered Office and Corporate Office
- b. Offices of the Lead Managers
- c. Offices of the Lead Brokers
- d. Registrar to the Issue
- e. Designated RTA Locations for RTAs
- f. Designated CDP Locations for CDPs and
- g. Designated Branches of the SCSBs

Electronic copies of the Prospectus along with the downloadable version of the Application Form will be available on the websites of the Lead Manager, the Stock Exchange, SEBI and the SCSBs. Electronic Application Forms may be available for download on the websites of the Stock Exchange and on the websites of the SCSBs that permit submission of Applications electronically. A Unique Application Number ("UAN") will be generated for every Application Form downloaded from the websites of the Stock Exchanges.

Our Company may also provide Application Forms for being downloaded and filled at such websites as it may deem fit. In addition, brokers having online dematerialised account portals may also provide a facility of submitting the Application Forms virtually online to their account holders.

**Trading Members of the Stock Exchanges can download Application Forms from the websites of the Stock Exchanges. Further, Application Forms will be provided to Trading Members of the Stock Exchanges at their request.**

### Who can Apply

The following categories of persons are eligible to apply in the Issue:

Category I Investor	<p>Persons eligible to apply to the Issue which include:</p> <ul style="list-style-type: none"><li>▪ Resident public financial institutions, scheduled commercial banks, Indian multilateral and bilateral development financial institutions;</li><li>▪ State industrial development corporations;</li><li>▪ Provident funds, pension funds with a minimum corpus of ₹ 2,500 lakh, superannuation funds and gratuity funds, authorized to invest in the NCDs;</li><li>▪ Insurance companies registered with the IRDA;</li><li>▪ National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of the GoI;</li><li>▪ Mutual funds registered with SEBI;</li><li>▪ Alternative Investment Funds registered with SEBI subject to investment conditions applicable to them under the SEBI AIF Regulations;</li><li>▪ Resident Venture Capital Funds registered with SEBI;</li><li>▪ Systemically Important Non-Banking Financial Company, a non-banking financial company registered with the Reserve Bank of India and having a net worth of more than ₹ 50,000 lakh as per the last audited financial statements; and</li><li>▪ Insurance funds set up by and managed by the army, navy or air force of the Union of India or by the Department of Posts, GoI.</li></ul>
Category II Investor	<p>Persons eligible to apply to the Issue which include:</p> <ul style="list-style-type: none"><li>▪ Companies within the meaning of section 2(20) of the Companies Act, 2013;</li><li>▪ Statutory bodies/ corporations and societies registered under the applicable laws in India and authorised to invest in NCDs;</li><li>▪ Co-operative banks, and regional rural banks incorporated in India</li><li>▪ Trusts including public/private charitable/religious trusts settled and/or registered in India under applicable laws, which are authorized to invest in the NCDs;</li><li>▪ Resident Indian scientific and/or industrial research organizations, authorized to invest in the NCDs;</li><li>▪ Limited liability Partnerships formed and registered under the provisions of the Limited Liability Partnership Act 2008 (No. 6 of 2009), authorized to invest in the NCDs;</li><li>▪ Partnership firms formed under applicable laws in India in the name of the partners, authorized to invest in the NCDs;</li></ul>

	<ul style="list-style-type: none"> <li>▪ Association of Persons: and</li> <li>▪ Any other incorporated and/ or unincorporated body of persons.</li> </ul>
Category III Investor	<ul style="list-style-type: none"> <li>▪ Resident Indian individuals and</li> <li>▪ Hindu Undivided Families applying through the Karta.</li> </ul>

**Note:**

For Applicants applying for NCDs, the Registrar shall verify the above on the basis of the records provided by the Depositories based on the DP ID and Client ID provided by the Applicants in the Application Form and uploaded onto the electronic system of the Stock Exchange by the Members of the Syndicate or the Trading Members, as the case may be.

**Participation of any of the aforementioned categories of persons or entities is subject to the applicable statutory and/or regulatory requirements in connection with the subscription to Indian securities by such categories of persons or entities. Applicants are advised to ensure that Application made by them do not exceed the investment limits or maximum number of NCDs that can be held by them under applicable statutory and/or regulatory provisions.**

**Applicants are advised to ensure that they have obtained the necessary statutory and/or regulatory permissions / consents/ approvals in connection with applying for, subscribing to, or seeking allotment of NCDs pursuant to this Issue.**

**The Lead Manager and its respective associates and affiliates are permitted to subscribe in the Issue.**

**Applications cannot be made by:**

- Minors without a guardian (A guardian may apply on behalf of a minor. However, the name of the guardian will need to be mentioned on the Application Form)\*;
- Non-resident investors including NRIs, QFIs and FIIs who are (i) based in the USA and/or, (ii) domiciled in or resident of the USA, and/or, (iii) U.S. Persons or those who apply on account of or for the benefit of such persons, and/or, (iv) subject to any tax laws of the USA;
- Foreign nationals including NRIs;
- Persons resident outside India including without limitation Foreign Institutional Investors, Non-Resident Indians, Qualified Foreign Investors, Foreign Venture Capital Funds and Non-Resident Incorporated Entities (formerly Overseas Corporate Bodies) ;
- Foreign Venture Capital Investor;
- Non-Resident Incorporated Entities (formerly Overseas Corporate Bodies) ; and
- Persons ineligible to contract under applicable statutory/ regulatory requirements.

*\* Applicant shall ensure that guardian is competent to contract under The Indian Contract Act, 1872.*

Based on the information provided by the Depositories, our Company shall have the right to accept Application Forms belonging to an account for the benefit of a minor (under guardianship). In case of such Application, the Registrar to the Issue shall verify the above on the basis of the records provided by the Depositories based on the DP ID and Client ID provided by the Applicants in the Application Form and uploaded on to the electronic system of the Stock Exchange.

The concept of Overseas Corporate Bodies (meaning any company, partnership firm, society and other corporate body or overseas trust irrevocably owned/held directly or indirectly to the extent of at least 60% by NRIs), which was in existence until 2003, was withdrawn by the Foreign Exchange Management (Withdrawal of General Permission to Overseas Corporate Bodies) Regulations, 2003. Accordingly, OCBs are not permitted to invest in this Issue.

Please see “**Rejection of Applications**” on page 164 for information on rejection of Applications.

**METHOD OF APPLICATION**

In terms of the SEBI Circular CIR/DDHS/P/121/2018 dated August 16, 2018, an eligible investor desirous of applying in this Issue can make Applications through the ASBA mechanism only.

Applicants are requested to note that in terms of the Debt Application Circular, SEBI has mandated issuers to provide, through a recognized stock exchange which offers such a facility, an online interface enabling direct application by investors to a public issue of debt securities with an on-line payment facility (“Direct Online Application Mechanism”). In this regard, SEBI has, through the Debt Application Circular, directed recognized Stock Exchange in India to put in necessary systems and infrastructure for the implementation of the Debt Application Circular and the Direct Online Application Mechanism infrastructure for the implementation of the Debt Application Circular and the Direct Online

Application Mechanism. Please note that clarifications and/or confirmations regarding the implementation of the requisite infrastructure and facilities in relation to direct online applications and online payment facility have been sought from the Stock Exchange.

All Applicants shall mandatorily apply in the Issue through the ASBA process only. Applicants intending to subscribe in the Issue shall submit a duly filled in Application form to any of the Designated Intermediaries.

Applicants should submit the Application Form only at the Bidding Centres, i.e. to the respective Members of the Syndicate at the Specified Locations, the SCSBs at the Designated Branches, the Registered Broker at the Broker Centres, the RTAs at the Designated RTA Locations or CDPs at the Designated CDP Locations. Kindly note that Application Forms submitted by Applicants at the Specified Locations will not be accepted if the SCSB with which the ASBA Account, as specified in the Application Form is maintained has not named at least one branch at that location for the Designated Intermediaries for deposit of the Application Forms. A list of such branches is available at <https://www.sebi.gov.in>.

The relevant Designated Intermediaries, upon receipt of physical Application Forms from ASBA Applicants, shall upload the details of these Application Forms to the online platform of the Stock Exchange and submit these Application Forms with the SCSB with whom the relevant ASBA Accounts are maintained.

An Applicant shall submit the Application Form, which shall be stamped at the relevant Designated Branch of the SCSB.

Application Forms in physical mode, which shall be stamped, can also be submitted to be the Designated Intermediaries at the Specified Locations. The SCSB shall block an amount in the ASBA Account equal to the Application Amount specified in the Application Form.

Our Company, the Directors, affiliates, associates and their respective directors and officers, Lead Manager and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to ASBA Applications accepted by the Designated Intermediaries, Applications uploaded by SCSBs, Applications accepted but not uploaded by SCSBs or Applications accepted and uploaded without blocking funds in the ASBA Accounts. It shall be presumed that for Applications uploaded by SCSBs, the Application Amount has been blocked in the relevant ASBA Account. Further, all grievances against Designated Intermediaries in relation to this Issue should be made by Applicants directly to the relevant Stock Exchange.

## **APPLICATIONS FOR ALLOTMENT OF NCDs**

Details for Applications by certain categories of Applicants including documents to be submitted are summarized below.

### **Applications by Mutual Funds**

Pursuant to a recent SEBI Circular SEBI/HO/IMD/DF2/CIR/P/2016/35 dated February 15, 2016 (“**SEBI Circular 2016**”), mutual funds are required to ensure that the total exposure of debt schemes of mutual funds in a particular sector shall not exceed 25% of the net assets value of the scheme. Further, the additional exposure limit provided for financial services sector towards HFCs is reduced from 10% of net assets value to 5% of net assets value and single issuer limit is reduced to 10% of net assets value (extendable to 12% of net assets value, after trustee approval). The SEBI Circular 2016 also introduces group level limits for debt schemes and the ceiling be fixed at 20% of net assets value extendable to 25% of net assets value after trustee approval.

A separate Application can be made in respect of each scheme of an Indian mutual fund registered with SEBI and such Applications shall not be treated as multiple Applications. Applications made by the AMCs or custodians of a mutual fund shall clearly indicate the name of the scheme concerned for which Application is being made. In case of Applications made by mutual fund registered with SEBI, a certified copy of their SEBI registration certificate must be submitted with the Application Form. Failing this, our Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefor.

### **Application by Commercial Banks, Co-operative Banks and Regional Rural Banks**

Commercial banks, co-operative banks and regional rural banks can apply in the Issue based on their own investment limits and approvals. The Application Form must be accompanied by (i) the certificate of registration issued by RBI, and (ii) the approval of such banking company’s investment committee is required to be attached to the Application Form. Failing this, our Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefore. Pursuant to SEBI Circular no. CIR/CFD/DIL/1/2013 dated January 2, 2013, SCSBs making applications on their own account using ASBA facility, should have a separate account in their own name with any other SEBI registered SCSB. Further, such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for Applications.

### **Application by Insurance Companies**

In case of Applications made by insurance companies registered with the IRDAI, a certified copy of certificate of registration issued by IRDAI must be lodged along with Application Form. Failing this, our Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefor. Insurance companies participating in this Offer shall comply with all applicable regulations, guidelines and circulars issued by the IRDAI from time to time including the IRDAI Investment Regulations.

### **Application by Indian Alternative Investment Funds**

Applications made by 'Alternative Investment Funds' eligible to invest in accordance with the Securities and Exchange Board of India (Alternative Investment Fund) Regulations, 2012, as amended (the "**SEBI AIF Regulations**") for Allotment of the NCDs must be accompanied by certified true copies of SEBI registration certificate. The Alternative Investment Funds shall at all times comply with the requirements applicable to it under the SEBI AIF Regulations and the relevant notifications issued by SEBI. Failing this, our Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefor.

### **Application by Systemically Important Non- Banking Financial Companies**

Systemically Important Non- Banking Financial Company, a non-banking financial company registered with the Reserve Bank of India and having a net-worth of more than five hundred crore rupees as per the last audited financial statements can apply in the Issue based on their own investment limits and approvals. The Application Form must be accompanied by a certified copy of the certificate of registration issued by the RBI, a certified copy of its last audited financial statements on a stand-alone basis and a net worth certificate from its statutory auditor(s). Failing this, our Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefor.

### **Applications by Associations of persons and/or bodies established pursuant to or registered under any central or state statutory enactment**

In case of Applications made by Associations of persons and/or bodies established pursuant to or registered under any central or state statutory enactment, must submit a (i) certified copy of the certificate of registration or proof of constitution, as applicable, (ii) Power of Attorney, if any, in favour of one or more persons thereof, (iii) such other documents evidencing registration thereof under applicable statutory/regulatory requirements. Further, any trusts applying for NCDs pursuant to the Issue must ensure that (a) they are authorized under applicable statutory/regulatory requirements and their constitution instrument to hold and invest in debentures, (b) they have obtained all necessary approvals, consents or other authorisations, which may be required under applicable statutory and/or regulatory requirements to invest in debentures, and (c) Applications made by them do not exceed the investment limits or maximum number of NCDs that can be held by them under applicable statutory and / or regulatory provisions. Failing this, our Company reserves the right to accept or reject any Applications in whole or in part, in either case, without assigning any reason therefor.

### **Applications by Trusts**

In case of Applications made by trusts, settled under the Indian Trusts Act, 1882, as amended, or any other statutory and/or regulatory provision governing the settlement of trusts in India, must submit a (i) certified copy of the registered instrument for creation of such trust, (ii) Power of Attorney, if any, in favour of one or more trustees thereof, (iii) such other documents evidencing registration thereof under applicable statutory/regulatory requirements. Further, any trusts applying for NCDs pursuant to the Issue must ensure that (a) they are authorized under applicable statutory/regulatory requirements and their constitution instrument to hold and invest in debentures, (b) they have obtained all necessary approvals, consents or other authorisations, which may be required under applicable statutory and/or regulatory requirements to invest in debentures, and (c) Applications made by them do not exceed the investment limits or maximum number of NCDs that can be held by them under applicable statutory and or regulatory provisions. Failing this, our Company reserves the right to accept or reject any Applications in whole or in part, in either case, without assigning any reason therefor.

### **Applications by Public Financial Institutions, Statutory Corporations, which are authorized to invest in the NCDs**

The Application must be accompanied by certified true copies of: (i) Any Act/ Rules under which they are incorporated; (ii) Board Resolution authorising investments; and (iii) Specimen signature of authorized person. Failing this, our Company reserves the right to accept or reject any Applications in whole or in part, in either case, without assigning any reason therefor.

**Applications by Provident Funds, Pension Funds, Superannuation Funds and Gratuity Funds which are authorized to invest in the NCDs**

The Application must be accompanied by certified true copies of incorporation / registration under any Act / Rules under which they are incorporated. Failing this, our Company reserves the right to accept or reject any Applications for Allotment of the NCDs in physical form in whole or in part, in either case, without assigning any reason therefor.

**Applications by National Investment Funds**

Application, made by National Investment Funds for Allotment of the NCDs, must be accompanied by certified true copies of: (i) a resolution authorising investment and containing operating instructions; and (ii) specimen signatures of authorized persons.

**Companies, bodies corporate and societies registered under the applicable laws in India**

The Application must be accompanied by certified true copies of the registration under the Act / Rules under which they are incorporated. Failing this, our Company reserves the right to accept or reject any Applications in whole or in part, in either case, without assigning any reason therefor. Applications by Indian Scientific and/or industrial research organizations, which are authorized to invest in the NCDs, the Application must be accompanied by certified true copies of the registration under the Act / Rules under which they are incorporated. Failing this, our Company reserves the right to accept or reject any Applications in whole or in part, in either case, without assigning any reason therefor.

**Applications by Partnership firms formed under applicable Indian laws in the name of the partners and Limited Liability Partnerships formed and registered under the provisions of the Limited Liability Partnership Act, 2008 (No. 6 of 2009)**

The Application must be accompanied by certified true copies of certified copy of certificate of the Partnership Deed or registration issued under the Limited Liability Partnership Act, 2008, as applicable. Failing this, our Company reserves the right to accept or reject any Applications in whole or in part, in either case, without assigning any reason therefor.

**Applications under Power of Attorney**

In case of Applications made pursuant to a power of attorney by Applicants who are Institutional Investors or Non-Institutional Investors, a certified copy of the power of attorney or the relevant resolution or authority, as the case may be, with a certified copy of the memorandum of association and articles of association and/or bye laws must be submitted with the Application Form. In case of Applications made pursuant to a power of attorney by Applicants who are Retail Individual Investors, a certified copy of the power of attorney must be submitted with the Application Form. Failing this, our Company reserves the right to accept or reject any Application in whole or in part, in either case, without assigning any reason therefor.

Our Company, in its absolute discretion, reserves the right to relax the above condition of attaching the power of attorney with the Application Forms subject to such terms and conditions that our Company, the Lead Manager may deem fit. Brokers having online demat account portals may also provide a facility of submitting the Application Forms online to their account holders. Under this facility, a broker receives an online instruction through its portal from the Applicant for making an Application on his/ her behalf. Based on such instruction, and a power of attorney granted by the Applicant to authorise the broker, the broker makes an Application on behalf of the Applicant.

**APPLICATIONS FOR ALLOTMENT OF NCDs**

This section is for the information of the Applicants proposing to subscribe to the Issue. The Lead Manager and our Company are not liable for any amendments or modifications or changes in applicable laws or regulations, which may occur after the date of the Prospectus. Investors are advised to make their independent investigations and to ensure that the Application Form is correctly filled up.

Our Company, our directors, affiliates, associates and their respective directors and officers, the Lead Manager and the Registrar to the Issue shall not take any responsibility for acts, mistakes, errors, omissions and commissions etc. in relation to Applications accepted by and/or uploaded by and/or accepted but not uploaded by Trading Members, Registered Brokers, CDPs, RTAs and SCSBs who are authorised to collect Application Forms from the Applicants in the Issue, or Applications accepted and uploaded without blocking funds in the ASBA Accounts by SCSBs. It shall be presumed that for Applications uploaded by SCSBs, the Application Amount payable on Application has been blocked in the relevant ASBA Account.

The list of branches of the SCSBs at the Specified Locations named by the respective SCSBs to receive Application Forms from the Members of the Syndicate is available on the website of SEBI (<https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes>) and updated from time to time or any such other website as may be prescribed by SEBI from time to time. For more information on such branches collecting Application Forms from the Syndicate at Specified Locations, see the website of the SEBI (<https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes>) as updated from time to time or any such other website as may be prescribed by SEBI from time to time. The list of Registered Brokers at the Broker Centers, CDPs at the Designated CDP Locations or the RTAs at the Designated RTA Locations, respective lists of which, including details such as address and telephone number, are available at the website of the Stock Exchange at [www.bseindia.com](http://www.bseindia.com).

### ***Submission of Applications***

Applications can be submitted through either of the following modes:

- (a) Physically or electronically to the Designated Branches of the SCSB(s) with whom an Applicant's ASBA Account is maintained. In case of Application in physical mode, the Applicant shall submit the Application Form at the relevant Designated Branch of the SCSB(s). The Designated Branch shall verify if sufficient funds equal to the Application Amount are available in the ASBA Account and shall also verify that the signature on the Application Form matches with the Investor's bank records, as mentioned in the Application Form, prior to uploading such Application into the electronic system of the Stock Exchange. **If sufficient funds are not available in the ASBA Account, the respective Designated Branch shall reject such Application and shall not upload such Application in the electronic system of the Stock Exchange.** If sufficient funds are available in the ASBA Account, the Designated Branch shall block an amount equivalent to the Application Amount and upload details of the Application in the electronic system of the Stock Exchange. The Designated Branch of the SCSBs shall stamp the Application Form and issue an acknowledgement as proof of having accepted the Application. In case of Application being made in the electronic mode, the Applicant shall submit the Application either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for application and blocking funds in the ASBA Account held with SCSB, and accordingly registering such Application.
- (b) Physically through the Designated Intermediaries at the respective Collection Centres. Kindly note that above Applications submitted to any of the Designated Intermediaries will not be accepted if the SCSB where the ASBA Account is maintained, as specified in the Application Form, has not named at least one branch at that Collection Center where the Application Form is submitted (a list of such branches is available at <https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes>).

Upon receipt of the Application Form by the Designated Intermediaries, an acknowledgement shall be issued by the relevant Designated Intermediary, giving the counterfoil of the Application Form to the Applicant as proof of having accepted the Application. Thereafter, the details of the Application shall be uploaded in the electronic system of the Stock Exchange and the Application Form shall be forwarded to the relevant branch of the SCSB, in the relevant Collection Center, named by such SCSB to accept such Applications from the Designated Intermediaries (a list of such branches is available at <https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes>). Upon receipt of the Application Form, the relevant branch of the SCSB shall perform verification procedures including verification of the Applicant's signature with his bank records and check if sufficient funds equal to the Application Amount are available in the ASBA Account, as mentioned in the Application Form. If sufficient funds are not available in the ASBA Account, the relevant Application Form is liable to be rejected. If sufficient funds are available in the ASBA Account, the relevant branch of the SCSB shall block an amount equivalent to the Application Amount mentioned in the Application Form. The Application Amount shall remain blocked in the ASBA Account until approval of the Basis of Allotment and consequent transfer of the amount against the Allotted NCDs to the Public Issue Account(s), or until withdrawal/ failure of this Issue or until withdrawal/ rejection of the Application Form, as the case may be.

Applicants must note that:

- (a) Application Forms will be available with the Designated Branches of the SCSBs and with the Designated Intermediaries at the respective Collection Centers; and electronic Application Forms will be available on the websites of the SCSBs and the Stock Exchange at least one day prior to the Issue Opening Date. Physical Application Forms will also be provided to the Trading Members of the Stock Exchange at their request. The Application Forms would be serially numbered. Further, the SCSBs will ensure that the Prospectus is made available on their websites. The physical Application Form submitted to the Designated Intermediaries shall bear the stamp of the relevant Designated Intermediary. In the event the Application Form does not bear any stamp, the same shall be liable to be rejected.
- (b) The Designated Branches of the SCSBs shall accept Application Forms directly from Applicants only during the Issue Period. The SCSBs shall not accept any Application Forms directly from Applicants after the closing time of acceptance of Applications on the Issue Closing Date. However, the relevant branches of the SCSBs at Specified



Locations can accept Application Forms from the Designated Intermediaries, after the closing time of acceptance of Applications on the Issue Closing Date, if the Applications have been uploaded.

For further information on the Issue programme, please see “**General Information – Issue Programme**” on page 38. Physical Application Forms directly submitted to SCSBs should bear the stamp of SCSBs, if not, the same are liable to be rejected.

*Please note that Applicants can make an Application for Allotment of NCDs in dematerialised form only.*

## **INSTRUCTIONS FOR FILLING-UP THE APPLICATION FORM**

### **General Instructions**

#### **A. General instructions for completing the Application Form**

- Applications must be made in prescribed Application Form only;
- Application Forms must be completed in **BLOCK LETTERS IN ENGLISH**, as per the instructions contained in the Prospectus and the Application Form.
- If the Application is submitted in joint names, the Application Form should contain only the name of the first Applicant whose name should also appear as the first holder of the depository account held in joint names.
- Applications must be for a minimum of [•] NCDs and in multiples of [•] NCD thereafter. For the purpose of fulfilling the requirement of minimum application size of [•] NCDs, an Applicant may choose to apply for [•] NCDs or more in a single Application Form.
- If the depository account is held in joint names, the Application Form should contain the name and PAN of the person whose name appears first in the depository account and signature of only this person would be required in the Application Form. This Applicant would be deemed to have signed on behalf of joint holders and would be required to give confirmation to this effect in the Application Form.
- Applications should be made by Karta in case of HUFs. Applicants are required to ensure that the PAN details of the HUF are mentioned and not those of the Karta
- Thumb impressions and signatures other than in English/Hindi/Gujarati/Marathi or any other languages specified in the 8th Schedule of the Constitution needs to be attested by a Magistrate or Notary Public or a Special Executive Magistrate under his/her seal;
- The Designated Intermediaries or the Designated Branches of the SCSBs, as the case may be, will acknowledge the receipt of the Application Forms by stamping and returning to the Applicants the acknowledgement slip. This acknowledgement slip will serve as the duplicate of the Application Form for the records of the Applicant. Applicants must ensure that the requisite documents are attached to the Application Form prior to submission and receipt of acknowledgement from the relevant Designated Intermediaries or the Designated Branch of the SCSBs, as the case may be.
- Every Applicant should hold a valid PAN and mention the same in the Application Form.
- All Applicants are required to tick the relevant column of “Category of Investor” in the Application Form.
- Applicants should correctly mention the ASBA Account number and ensure that funds equal to the Application Amount are available in the ASBA Account before submitting the Application Form and also ensure that the signature in the Application Form matches with the signature in Applicant’s bank records, otherwise the Application is liable to be rejected.
- Applicants must provide details of valid and active DP ID, Client ID and PAN clearly and without error. On the basis of such Applicant’s active DP ID, Client ID and PAN provided in the Application Form, and as entered into the electronic Application system of Stock Exchanges by SCSBs, the Designated Intermediaries, the Registrar will obtain from the Depository the Demographic Details. Invalid accounts, suspended accounts or where such account is classified as invalid or suspended may not be considered for Allotment of the NCDs. If the ASBA Account holder is different from the Applicant, the Application Form should be signed by the ASBA Account holder, in accordance with the instructions provided in the Application Form. Not more than five Applications can be made from one single ASBA Account;

- For Applicants, the Applications in physical mode should be submitted to the SCSBs or a member of the Syndicate or to the Trading Members of the Stock Exchanges on the prescribed Application Form. SCSBs may provide the electronic mode for making Application either through an internet enabled banking facility or such other secured, electronically enabled mechanism for Application and blocking funds in the ASBA Account.
- Application Forms should bear the stamp of the Member of the Syndicate, Trading Member of the Stock Exchanges, Designated Intermediaries and/or Designated Branch of the SCSB. Application Forms which do not bear the stamp will be rejected.
- Applicants should note that neither the Designated Intermediaries nor the SCSBs, as the case may be, will be liable for error in data entry due to incomplete or illegible Application Forms.
- Our Company would allot the Option [.] NCDs, as specified in this Draft Prospectus to all valid Applications, wherein the applicants have not indicated their choice of the relevant series of NCDs.

The Option, mode of allotment, PAN, dematerialised account number. etc. should be captured by the relevant Designated Intermediaries in the data entries as such data entries will be considered for allotment.

Applicants should note that neither the Designated Intermediaries nor the SCSBs, as the case may be, will be liable for error in data entry due to incomplete or illegible Application Forms.

## **B. Applicant's Beneficiary Account Details**

Applicants must mention their DP ID and Client ID in the Application Form and ensure that the name provided in the Application Form is exactly the same as the name in which the Beneficiary Account is held. In case the Application Form is submitted in the first Applicant's name, it should be ensured that the Beneficiary Account is held in the same joint names and in the same sequence in which they appear in the Application Form. In case the DP ID, Client ID and PAN mentioned in the Application Form and entered into the electronic system of the Stock Exchange do not match with the DP ID, Client ID and PAN available in the Depository database or in case PAN is not available in the Depository database, the Application Form is liable to be rejected. Further, Application Forms submitted by Applicants whose beneficiary accounts are inactive, will be rejected.

On the basis of the Demographic Details as appearing on the records of the DP, the Registrar to the Issue will take steps towards dematerialised credit of NCDs. Hence, Applicants are advised to immediately update their Demographic Details as appearing on the records of the DP and ensure that they are true and correct, and carefully fill in their Beneficiary Account details in the Application Form. Failure to do so could result in delays in dematerialised credit and neither our Company, Designated Intermediaries, SCSBs, Registrar to the Issue nor the Stock Exchange will bear any responsibility or liability for the same.

In case of Applications made under power of attorney, our Company in its absolute discretion, reserves the right to permit the holder of Power of Attorney to request the Registrar that for the purpose of printing particulars on the Allotment Advice, the demographic details obtained from the Depository of the Applicant shall be used.

By signing the Application Form, the Applicant would have deemed to have authorized the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records. The Demographic Details given by Applicant in the Application Form would not be used for any other purpose by the Registrar to the Issue except in relation to this Issue.

With effect from August 16, 2010, the beneficiary accounts of Applicants for whom PAN details have not been verified shall be suspended for credit and no credit of NCDs pursuant to this Issue will be made into the accounts of such Applicants. Application Forms submitted by Applicants whose beneficiary accounts are inactive shall be rejected. Furthermore, in case no corresponding record is available with the Depositories, which matches the three parameters, namely, DP ID, Client ID and PAN, then such Application are liable to be rejected.

## **C. Permanent Account Number (PAN)**

The Applicant should mention his or her Permanent Account Number (PAN) allotted under the IT Act. For minor Applicants, applying through the guardian, it is mandatory to mention the PAN of the minor Applicant. However, Applications on behalf of the Central or State Government officials and the officials appointed by the courts in terms of a SEBI circular dated June 30, 2008 and Applicants residing in the state of Sikkim who in terms of a SEBI circular dated July 20, 2006 may be exempt from specifying their PAN for transacting in the securities market. In accordance with Circular No. MRD/DOP/Cir-05/2007 dated April 27, 2007 issued by SEBI, the PAN would be the sole identification

number for the participants transacting in the securities market, irrespective of the amount of transaction. **Any Application Form, without the PAN is liable to be rejected, irrespective of the amount of transaction. It is to be specifically noted that the Applicants should not submit the GIR number instead of the PAN as the Application is liable to be rejected on this ground.**

However, the exemption for the Central or State Government and the officials appointed by the courts and for investors residing in the State of Sikkim is subject to the Depository Participants' verifying the veracity of such claims by collecting sufficient documentary evidence in support of their claims. At the time of ascertaining the validity of these Applications, the Registrar to the Issue will check under the Depository records for the appropriate description under the PAN Field i.e. either Sikkim category or exempt category.

#### **D. Joint Applications**

Applications may be made in single or joint names (not exceeding three). In the case of joint Applications all interest / redemption amount payments will be made out in favour of the first Applicant. All communications will be addressed to the first named Applicant whose name appears in the Application Form and at the address mentioned therein. If the depository account is held in joint names, the Application Form should contain the name and PAN of the person whose name appears first in the depository account and signature of only this person would be required in the Application Form. This Applicant would be deemed to have signed on behalf of joint holders and would be required to give confirmation to this effect in the Application Form.

#### **E. Additional/ Multiple Applications**

An Applicant is allowed to make one or more Applications for the NCDs for the same or other Option of NCDs, subject to a minimum application size as specified in the Prospectus and in multiples thereafter as specified in the Prospectus. **Any Application for an amount below the aforesaid minimum application size will be deemed as an invalid application and shall be rejected.** However, multiple Applications by the same individual Applicant aggregating to a value exceeding ₹ 10 lakh shall be deemed such individual Applicant to be an HNI Applicant and all such Applications shall be grouped in the HNI Portion, for the purpose of determining the basis of allotment to such Applicant. However, any Application made by any person in his individual capacity and an Application made by such person in his capacity as a Karta of a Hindu Undivided family and/or as Applicant (second or third Applicant), shall not be deemed to be a multiple Application. For the purposes of allotment of NCDs under this Issue, Applications shall be grouped based on the PAN, i.e. Applications under the same PAN shall be grouped together and treated as one Application. Two or more Applications will be deemed to be multiple Applications if the sole or first Applicant is one and the same. For the sake of clarity, two or more applications shall be deemed to be a multiple Application for the aforesaid purpose if the PAN number of the sole or the first Applicant is one and the same.

#### **Do's and Don'ts**

Applicants are advised to take note of the following while filling and submitting the Application Form:

##### **Do's**

1. Check if you are eligible to apply as per the terms of the Prospectus and applicable law;
2. Read all the instructions carefully and complete the Application Form in the prescribed form.
3. Ensure that you have obtained all necessary approvals from the relevant statutory and/or regulatory authorities to apply for, subscribe to and/or seek Allotment of NCDs pursuant to this Issue.
4. Ensure that the DP ID, the Client ID and the PAN mentioned in the Application Form, which shall be entered into the electronic system of the Stock Exchange are correct and match with the DP ID, Client ID and PAN available in the Depository database. Ensure that the DP ID and Client ID are correct and beneficiary account is activated. The requirement for providing Depository Participant details is mandatory for all Applicants.
5. Ensure that you have mentioned the correct ASBA Account number in the Application Form.
6. Ensure that the Application Form is signed by the ASBA Account holder in case the Applicant is not the ASBA account holder.
7. Ensure that you have funds equal to the Application Amount in the ASBA Account before submitting the Application Form to the respective Designated Branch of the SCSB, or to the Designated Intermediaries, as the case may be.

8. Ensure that the Application Forms are submitted at the Designated Branches of SCSBs or the Collection Centres provided in the Application Forms, bearing the stamp of the relevant Designated Intermediary/Designated Branch of the SCSB.
9. Before submitting the Application Form with the Designated Intermediaries ensure that the SCSB, whose name has been filled in the Application Form, has named a branch in that relevant Collection Centre.
10. Ensure that you have been given an acknowledgement as proof of having accepted the Application Form.
11. Ensure that signatures other than in the languages specified in the Eighth Schedule to the Constitution of India is attested by a Magistrate or a Notary Public or a Special Executive Magistrate under official seal.
12. In case of any revision of Application in connection with any of the fields which are not allowed to be modified on the electronic application platform of the Stock Exchanges as per the procedures and requirements prescribed by each relevant Stock Exchanges, ensure that you have first withdrawn your original Application and submit a fresh Application. For instance, as per the notice No: 20120831-22 dated August 31, 2012 issued by the BSE, fields namely, quantity, Options, application no., sub-category codes will not be allowed for modification during the Issue. In such a case the date of the fresh Application will be considered for date priority for allotment purposes;
13. In case of an HUF applying through its Karta, the Applicant is required to specify the name of an Applicant in the Application Form as 'XYZ Hindu Undivided Family applying through PQR', where PQR is the name of the Karta. However, the PAN number of the HUF should be mentioned in the Application Form and not that of the Karta.
14. Ensure that the Applications are submitted to the Designated Intermediaries or Designated Branches of the SCSBs, as the case may be, before the closure of application hours on the Issue Closing Date. For further information on the Issue programme, please see ***“General Information – Issue Programme”*** on page 38
15. **Permanent Account Number:** Except for Application (i) on behalf of the Central or State Government and officials appointed by the courts, and (ii) (subject to SEBI circular dated April 3, 2008) from the residents of the state of Sikkim, each of the Applicants should provide their PAN. Application Forms in which the PAN is not provided will be rejected. The exemption for the Central or State Government and officials appointed by the courts and for investors residing in the State of Sikkim is subject to (a) the demographic details received from the respective depositories confirming the exemption granted to the beneficiary owner by a suitable description in the PAN field and the beneficiary account remaining in “active status”; and (b) in the case of residents of Sikkim, the address as per the demographic details evidencing the same.
16. Ensure that if the depository account is held in joint names, the Application Form should contain the name and PAN of the person whose name appears first in the depository account and signature of only this person would be required in the Application Form. This Applicant would be deemed to have signed on behalf of joint holders and would be required to give confirmation to this effect in the Application Form.
17. All Applicants should choose the relevant option in the column ***“Category of Investor”*** in the Application Form.
18. Choose and mark the series of NCDs in the Application Form that you wish to apply for.

In terms of SEBI Circular no. CIR/CFD/DIL/1/2013 dated January 2, 2013, SCSBs making applications on their own account using ASBA facility, should have a separate account in their own name with any other SEBI registered SCSB. Further, such account shall be used solely for the purpose of making application in public issues and clear demarcated funds should be available in such account for Applications.

#### **Don'ts:**

1. Do not apply for lower than the minimum application size.
2. Do not pay the Application Amount in cash, by cheque, by money order or by postal order or by stock invest.
3. Do not send Application Forms by post. Instead submit the same to the Designated Intermediaries or Designated Branches of the SCSBs, as the case may be.
4. Do not submit the Application Form to any non-SCSB bank or our Company.
5. Do not apply through an Application Form that does not have the stamp of the relevant Designated Intermediary or the Designated Branch of the SCSB, as the case may be.

6. Do not fill up the Application Form such that the NCDs applied for exceeds the Issue size and/or investment limit or maximum number of NCDs that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations.
7. Do not submit the GIR number instead of the PAN as the Application is liable to be rejected on this ground.
8. Do not submit incorrect details of the DP ID, Client ID and PAN or provide details for a beneficiary account which is suspended or for which details cannot be verified by the Registrar to the Issue.
9. Do not submit the Application Form without ensuring that funds equivalent to the entire Application Amount are available for blocking in the relevant ASBA Account;
10. Do not submit Applications on plain paper or on incomplete or illegible Application Forms.
11. Do not apply if you are not competent to contract under the Indian Contract Act, 1872.
12. Do not submit an Application in case you are not eligible to acquire NCDs under applicable law or your relevant constitutional documents or otherwise.
13. Do not submit Applications to a Designated Intermediary at a location other than Collection Centers;
14. Do not submit an Application that does not comply with the securities law of your respective jurisdiction.
15. Do not apply if you are a person ineligible to apply for NCDs under this Issue including Applications by Persons Resident Outside India, NRI *inter alia* including NRIs who are (i) based in the USA, and/or, (ii) domiciled in the USA, and/or, (iii) residents/citizens of the USA, and/or, (iv) subject to any taxation laws of the USA)
16. Do not make an application of the NCD on multiple copies taken of a single form.
17. Payment of Application Amount in any mode other than through blocking of Application Amount in the ASBA Accounts shall not be accepted in the Issue.
18. Do not submit more than five Application Forms per ASBA Account.

Kindly note that Applications submitted to the Designated Intermediaries will not be accepted if the SCSB where the ASBA Account, as specified in the Application Form, is maintained has not named at least one branch at that location for the Designated Intermediaries, to deposit such Application Forms (A list of such branches is available at <https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes>). Please see “*Rejection of Applications*” on page 164 for information on rejection of Applications.

## TERMS OF PAYMENT

The Application Forms will be uploaded on to the electronic system of the Stock Exchange and deposited with the relevant branch of the SCSB at the Collection Centers, named by such SCSB to accept such Applications from the Designated Intermediaries, as the case may be (a list of such branches is available at <https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognised=yes>). The relevant branch of the SCSB shall perform verification procedures and block an amount in the ASBA Account equal to the Application Amount specified in the Application.

The entire Application Amount for the NCDs is payable on Application only. The relevant SCSB shall block an amount equivalent to the entire Application Amount in the ASBA Account at the time of upload of the Application Form. In case of Allotment of lesser number of NCDs than the number applied, the Registrar to the Issue shall instruct the SCSBs to unblock the excess amount in the ASBA Account.

For Applications submitted directly to the SCSBs, the relevant SCSB shall block an amount in the ASBA Account equal to the Application Amount specified in the Application, before entering the Application into the electronic system of the Stock Exchange. SCSBs may provide the electronic mode of application either through an internet enabled application and banking facility or such other secured, electronically enabled mechanism for application and blocking of funds in the ASBA Account.

**Applicants should ensure that they have funds equal to the Application Amount in the ASBA Account before submitting the Application to the Designated Intermediaries or to the Designated Branches of the SCSBs. An Application where the corresponding ASBA Account does not have sufficient funds equal to the Application Amount at the time of blocking the ASBA Account is liable to be rejected.**

The Application Amount shall remain blocked in the ASBA Account until approval of the Basis of Allotment and consequent transfer of the amount against the Allotted NCDs to the Public Issue Account(s), or until withdrawal / failure of this Issue or until withdrawal/ rejection of the Application Form, as the case may be. Once the Basis of Allotment is approved, and upon receipt of intimation from the Registrar, the controlling branch of the SCSB shall, on the Designated Date, transfer such blocked amount from the ASBA Account to the Public Issue Account. The balance amount remaining after the finalisation of the Basis of Allotment shall be unblocked by the SCSBs on the basis of the instructions issued in this regard by the Registrar to the respective SCSB within six Working Days of the Issue Closing Date. The Application Amount shall remain blocked in the ASBA Account until transfer of the Application Amount to the Public Issue Account, or until withdrawal/ failure of this Issue or until rejection of the Application, as the case may be.

#### **SUBMISSION OF COMPLETED APPLICATION FORMS**

<b>Mode of Submission of Application Forms</b>	<b>To whom the Application Form has to be submitted</b>
<b>ASBA Applications</b>	<p>i) If using physical Application Form, (a) to the Designated Intermediaries at relevant Collection Centres, or (b) to the Designated Branches of the SCSBs where the ASBA Account is maintained; or</p> <p>ii) If using electronic Application Form, to the SCSBs, electronically through internet banking facility, if available.</p>

No separate receipts will be issued for the Application Amount payable on submission of Application Form. However, the Designated Intermediaries will acknowledge the receipt of the Application Forms by stamping the date and returning to the Applicants an acknowledgement slips which will serve as a duplicate Application Form for the records of the Applicant.

#### **Electronic Registration of Applications**

- (a) The Designated Intermediaries and Designated Branches of the SCSBs, as the case may be, will register the Applications using the on-line facilities of the Stock Exchange. **The Members of Syndicate, our Company and the Registrar to the Issue are not responsible for any acts, mistakes or errors or omission and commissions in relation to, (i) the Applications accepted by the SCSBs, (ii) the Applications uploaded by the SCSBs, (iii) the Applications accepted but not uploaded by the SCSBs, (iv) with respect to Applications accepted and uploaded by the SCSBs without blocking funds in the ASBA Accounts, or (v) any Applications accepted and uploaded and/or not uploaded by the Trading Members of the Stock Exchange.**

In case of apparent data entry error by the Designated Intermediaries or Designated Branches of the SCSBs, as the case may be, in entering the Application Form number in their respective schedules other things remaining unchanged, the Application Form may be considered as valid and such exceptions may be recorded in minutes of the meeting submitted to the Designated Stock Exchange. However, the series, mode of allotment, PAN, dematerialised account number. etc. should be captured by the relevant Designated Intermediaries or Designated Branches of the SCSBs in the data entries as such data entries will be considered for allotment/rejection of Application.

- (b) The Stock Exchange will offer an electronic facility for registering Applications for this Issue. This facility will be available on the terminals of Designated Intermediaries and the SCSBs during the Issue Period. The Designated Intermediaries can also set up facilities for off-line electronic registration of Applications subject to the condition that they will subsequently upload the off-line data file into the on-line facilities for Applications on a regular basis, and before the expiry of the allocated time on this Issue Closing Date. On the Issue Closing Date, the Designated Intermediaries and the Designated Branches of the SCSBs shall upload the Applications till such time as may be permitted by the Stock Exchange. This information will be available with the Designated Intermediaries and the Designated Branches of the SCSBs on a regular basis. Applicants are cautioned that a high inflow of high volumes on the last day of the Issue Period may lead to some Applications received on the last day not being uploaded and such Applications will not be considered for allocation. For further information on the Issue programme, please see **“General Information – Issue Programme”** on page 38

- (c) With respect to Applications submitted directly to the SCSBs at the time of registering each Application, the Designated Branches of the SCSBs shall enter the requisite details of the Applicants in the on-line system including:
- Application Form number
  - PAN (of the first Applicant, in case of more than one Applicant)
  - Investor category and sub-category
  - DP ID
  - Client ID
  - Options of NCDs applied for
  - Number of NCDs Applied for in each Options of NCD Price per NCD
  - Bank code for the SCSB where the ASBA Account is maintained
  - Bank account number
  - Location
  - Application amount
- (d) With respect to Applications submitted to the Designated Intermediaries, at the time of registering each Application, the requisite details of the Applicants shall be entered in the on-line system including:
- Application Form number
  - PAN (of the first Applicant, in case of more than one Applicant)
  - Investor category and sub-category
  - DP ID
  - Client ID
  - Option of NCDs applied for
  - Number of NCDs Applied for in each Options of NCD
  - Price per NCD
  - Bank code for the SCSB where the ASBA Account is maintained
  - Bank account number
  - Location
  - Application amount
- (e) A system generated acknowledgement (TRS) will be given to the Applicant as a proof of the registration of each Application. **It is the Applicant's responsibility to obtain the acknowledgement from the Designated Intermediaries and the Designated Branches of the SCSBs, as the case may be. The registration of the Application by the Designated Intermediaries and the Designated Branches of the SCSBs, as the case may be, does not guarantee that the NCDs shall be allocated/ allotted by our Company. The acknowledgement will be non-negotiable and by itself will not create any obligation of any kind.**
- (f) Applications can be rejected on the technical grounds listed on page 164 or if all required information is not provided or the Application Form is incomplete in any respect.
- (g) The permission given by the Stock Exchange to use its network and software of the online system should not in any way be deemed or construed to mean that the compliance with various statutory and other requirements by our Company, the Lead Manager are cleared or approved by the Stock Exchange; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the compliance with the statutory and other requirements nor does it take any responsibility for the financial or other soundness of our Company, the management or any scheme or project of our Company; nor does it in any manner warrant, certify or endorse the correctness or completeness of any of the contents of the Prospectus; nor does it warrant that the NCDs will be listed or will continue to be listed on the Stock Exchange.
- (h) **Only Applications that are uploaded on the online system of the Stock Exchange shall be considered for allocation/allotment.** The Designated Intermediaries and the Designated Branches of the SCSBs shall capture all data relevant for the purposes of finalizing the Basis of Allotment while uploading Application data in the electronic systems of the Stock Exchange. In order that the data so captured is accurate the Designated Intermediaries and the Designated Branches of the SCSBs will be given up to one Working Day after the Issue Closing Date to modify/ verify certain selected fields uploaded in the online system during the Issue Period after which the data will be sent to the Registrar for reconciliation with the data available with the NSDL and CDSL.

## REJECTION OF APPLICATIONS

**Applications would be liable to be rejected on the technical grounds listed below or if all required information is not provided or the Application Form is incomplete in any respect. The Board of Directors and/or a duly constituted Committee thereof, reserves it's full, unqualified and absolute right to accept or reject any Application in whole or in part and in either case without assigning any reason thereof.**

**Application may be rejected on one or more technical grounds, including but not restricted to:**

- (a) Application by persons not competent to contract under the Indian Contract Act, 1872, as amended, (other than minors having valid Depository Account as per Demographic Details provided by Depositories);
- (b) Applications accompanied by cash, draft, cheques, money order or any other mode of payment other than amounts blocked in the Applicants' ASBA Account maintained with an SCSB;
- (c) Applications not being signed by the sole/joint Applicant(s);
- (d) Investor Category in the Application Form not being ticked;
- (e) Application Amount blocked being higher or lower than the value of NCDs Applied for. However, our Company may allot NCDs up to the number of NCDs Applied for, if the value of such NCDs Applied for exceeds the minimum Application size;
- (f) Applications where a registered address in India is not provided for the non-Individual Applicants;
- (g) In case of partnership firms (except LLPs), NCDs applied for in the name of the partnership and not the names of the individual partner(s);
- (h) Minor Applicants (applying through the guardian) without mentioning the PAN of the minor Applicant;
- (i) PAN not mentioned in the Application Form, except for Applications by or on behalf of the Central or State Government and the officials appointed by the courts and by investors residing in the State of Sikkim, provided such claims have been verified by the Depository Participants. In case of minor Applicants applying through guardian, when PAN of the Applicant is not mentioned;
- (j) DP ID and Client ID not mentioned in the Application Form;
- (k) GIR number furnished instead of PAN;
- (l) Applications by OCBs;
- (m) Applications for an amount below the minimum application size;
- (n) Submission of more than five ASBA Forms per ASBA Account;
- (o) Applications by persons who are not eligible to acquire NCDs of our Company in terms of applicable laws, rules, regulations, guidelines and approvals;
- (p) Applications under power of attorney or by limited companies, corporate, trust etc. submitted without relevant documents;
- (q) Applications accompanied by Stock invest/ cheque/ money order/ postal order/ cash;
- (r) Signature of sole Applicant missing, or in case of joint Applicants, the Application Forms not being signed by the first Applicant (as per the order appearing in the records of the Depository);
- (s) Applications by persons debarred from accessing capital markets, by SEBI or any other appropriate regulatory authority;
- (t) Application Forms not being signed by the ASBA Account holder, if the account holder is different from the Applicant



- (u) Signature of the ASBA Account holder on the Application Form does not match with the signature available on the SCSB bank's records where the ASBA Account mentioned in the Application Form is maintained;
- (v) Application Forms submitted to the Designated Intermediaries or to the Designated Branches of the SCSBs does not bear the stamp of the SCSB and/or the Designated Intermediary, as the case may be;
- (w) ASBA Applications not having details of the ASBA Account to be blocked;
- (x) In case no corresponding record is available with the Depositories that matches three parameters namely, DP ID, Client ID and PAN;
- (y) Inadequate funds in the ASBA Account to enable the SCSB to block the Application Amount specified in the Application Form at the time of blocking such Application Amount in the ASBA Account or no confirmation is received from the SCSB for blocking of funds;
- (z) SCSB making an Application (a) through an ASBA account maintained with its own self or (b) through an ASBA Account maintained through a different SCSB not in its own name or (c) through an ASBA Account maintained through a different SCSB in its own name, where clear demarcated funds are not present or (d) through an ASBA Account maintained through a different SCSB in its own name which ASBA Account is not utilised solely for the purpose of applying in public issues;
- (aa) Applications for amounts greater than the maximum permissible amount prescribed by the regulations and applicable law;
- (bb) Authorization to the SCSB for blocking funds in the ASBA Account not provided;
- (cc) Applications by any person outside India;
- (dd) Applications not uploaded on the online platform of the Stock Exchange;
- (ee) Applications uploaded after the expiry of the allocated time on the Issue Closing Date, unless extended by the Stock Exchange, as applicable;
- (ff) Application Forms not delivered by the Applicant within the time prescribed as per the Application Form, the Prospectus and as per the instructions in the Application Form and the Prospectus;
- (gg) Applications by Applicants whose dematerialised accounts have been 'suspended for credit' pursuant to the Circular issued by SEBI on July 29, 2010 bearing number CIR/MRD/DP/22/2010;
- (hh) Applications providing an inoperative dematerialised account number;
- (ii) Applications submitted to the Designated Intermediaries other than the Collection Centers or at a Branch of a SCSB which is not a Designated Branch;
- (jj) Applications submitted directly to the Public Issue Bank (except in case the ASBA Account is maintained with the said bank as a SCSB);
- (kk) Investor Category not ticked;
- (ll) In case of cancellation of one or more orders (Options) within an Application, leading to total order quantity falling under the minimum quantity required for a single Application;

For information on certain procedures to be carried out by the Registrar to the Offer for finalization of the basis of allotment, please see ***"Information for Applicants"*** below.

### **Information for Applicants**

Upon the closure of the Issue, the Registrar to the Issue will reconcile the compiled data received from the Stock Exchange and all SCSBs and match the same with the Depository database for correctness of DP ID, Client ID and PAN. The Registrar to the Issue will undertake technical rejections based on the electronic details and the Depository database and prepare list of technical rejection cases. In case of any discrepancy between the electronic data and the Depository records, our Company, in consultation with the Designated Stock Exchange, the Lead Manager and the Registrar to the Issue, reserves the right to proceed as per the Depository records for such Applications or treat such Applications as rejected.

Based on the information provided by the Depositories, our Company shall have the right to accept Applications belonging to an account for the benefit of a minor (under guardianship).

**In case of Applications for a higher number of NCDs than specified for that category of Applicant, only the maximum amount permissible for such category of Applicant will be considered for Allotment.**

#### **Basis of Allotment for NCDs**

##### **a. Basis of Allotment for NCDs**

The Registrar will aggregate the Applications, based on the applications received through an electronic book from the Stock Exchange and determine the valid Application for the purpose of drawing the basis of allocation.

**b. Grouping of Applications and Allocation Ratio:** Applications received from various applicants shall be grouped together on the following basis:

- (i) Applications received from Category I applicants: Applications received from Category I, shall be grouped together, (**“Institutional Portion”**);
- (ii) Applications received from Category II applicants: Applications received from Category II, shall be grouped together, (**“Non-Institutional Portion”**);
- (iii) Applications received from Category III applicants: Applications received from Category III, shall be grouped together, (**“Retail Individual Portion”**)

For removal of doubt, **“Institutional Portion”**, **“Non-Institutional Portion”** and **“Retail Individual Portion”** are individually referred to as **“Portion”** and collectively referred to as **“Portions”**.

For the purposes of determining the number of NCDs available for allocation to each of the abovementioned Portions, our Company shall have the discretion of determining the number of NCDs to be allotted over and above the Base Issue Size, in case our Company opts to retain any oversubscription in the Issue up to ₹ 15,000 lakhs. The aggregate value of NCDs decided to be allotted over and above the Base Issue Size, (in case our Company opts to retain any oversubscription in the Issue), and/or the aggregate value of NCDs up to the Base Issue Size shall be collectively termed as the **“Overall Issue Size”**.

##### **c. Allotment in the First Instance**

The registrar will aggregate the applications based on the applications received through an electronic book from the stock exchange and determine the valid applications for the purpose of drawing the basis of allocation. Grouping of the application received will be then done in the following manner:

- (i) Applicants belonging to the Category I, in the first instance, will be allocated NCDs up to 5% of Overall Issue Size on first come first serve basis;
- (ii) Applicants belonging to the Category II, in the first instance, will be allocated NCDs up to 5% of Overall Issue Size on first come first serve basis;
- (iii) Applicants belonging to the Category III, in the first instance, will be allocated NCDs up to 90% of Overall Issue Size on first come first serve basis;

Allotments, in consultation with the Designated Stock Exchange, shall be made on a first-come first-serve basis, based on the date of upload of each application into the electronic book with Stock Exchange, in each Portion subject to the Allocation Ratio.

As per the SEBI circular dated October 29, 2013, the allotment in the Issue is required to be made on the basis of date of upload of each application into the electronic book of the Stock Exchange. However, on the date of oversubscription, the allotments should be made to the applicants on proportionate basis.

- d. Under Subscription:** If there is any under subscription in any Category, priority in Allotments will be given to the Individual Portion, and balance, if any, shall be first made to applicants of the Non-Institutional Portion, followed by the Institutional Portion on proportionate basis, on a first come first serve basis.
- e.** For each Portion, all applications uploaded into the Electronic Book with Stock Exchange would be treated at par with each other. Allotment within a day would be on proportionate basis, where NCDs applied for exceeds NCDs to be allotted for each Portion respectively.

- f.* Minimum allotments of (1) one NCDs and in multiples of (1) one NCDs thereafter would be made in case of each valid application.
- g.* **Allotments in case of over-subscription:** In case of an oversubscription, allotments to the maximum extent, as possible, will be made on a first come first-serve basis, *i.e.* full allotment of NCDs to the applicants on a first come first basis for forms uploaded up to 5 p.m. on the date falling 1 (one) day prior to the date of oversubscription and thereafter on proportionate basis to the applicants on the date of oversubscription (based on the date of upload of the Application on the Stock Exchange Platform, in each Portion). In case of over subscription on the date of opening of the Issue, the Allotment shall be made on a proportionate basis. In view of the same, the Investors are advised to refer to the Stock Exchange website at [www.bseindia.com](http://www.bseindia.com) for details in respect of subscription.
- h.* **Proportionate Allotments:** For each portion, on the date of over-subscription:
- (i) Allotments to the applicants shall be made in proportion to their respective application size, rounded off to the nearest integer;
  - (ii) If the process of rounding off to the nearest integer results in the actual allocation of NCDs being higher than the Issue Size, not all applicants will be allotted the number of NCDs arrived at after such rounding off. Rather, each applicant whose allotment size, prior to rounding off, had the highest decimal point would be given preference; and
  - (iii) In the event, there are more than one Applicant whose entitlement remain equal after the manner of distribution referred to above, our Company will ensure that the basis of allotment is finalised by draw of lots in a fair and equitable manner.

All decisions pertaining to the Basis of Allotment of NCDs pursuant to the Issue shall be taken by our Company in consultation with the Lead Manager and the Designated Stock Exchange and in compliance with the aforementioned provisions of the Draft Prospectus.

*i.* **Applicant applying for more than one Options of NCDs**

If an Applicant has applied for more than one Options of NCDs and in case such Applicant is entitled to allocation of only a part of the aggregate number of NCDs applied for due to such applications received on the date of oversubscription, the option-wise allocation of NCDs to such Applicants shall be in proportion to the number of NCDs with respect to each Options, applied for by such Applicant, subject to rounding off to the nearest integer, as appropriate in consultation with the Lead Manager and the Designated Stock Exchange.

In cases of odd proportion for allotment made, our Company in consultation with the Lead Manager will allot the differential one NCD in the following order:

- (i) first with monthly interest payment in decreasing order of tenor *i.e.* Options I , IV, VII and X
- (ii) followed by annual interest payment maturity options in decreasing order of tenor *i.e.* Options II, V, VIII and XI and
- (iii) followed by payment on maturity options in decreasing order of tenor *i.e.* Options III, VI, IX and XII.

Hence using the above procedure, the order of allotment for the residual NCD (s) will be Options I, II, III, IV, V, VI, VII, VIII, IX, X, XI and XII.

Valid applications where the Application Amount received does not tally with or is less than the amount equivalent to value of number of NCDs applied for, may be considered for Allotment, to the extent of the Application Amount paid rounded down to the nearest ₹ 1,000 in accordance with the pecking order mentioned above.

All decisions pertaining to the basis of allotment of NCDs pursuant to the Issue shall be taken by our Company in consultation with the Lead Manager and the Designated Stock Exchange and in compliance with the aforementioned provisions of the Draft Prospectus.

**Retention of over-subscription**

Our Company shall have an option to retain over-subscription up to the Issue Limit.

**Unblocking of Funds for withdrawn, rejected or unsuccessful or partially successful Applications**

The Registrar shall, pursuant to preparation of Basis of Allotment, instruct the relevant SCSB to unblock the funds in the relevant ASBA Account for withdrawn, rejected or unsuccessful or partially successful Applications within 6 (six) Working Days of the Issue Closing Date.

## **Issuance of Allotment Advice**

Our Company shall ensure dispatch of Allotment Advice and/ or give instructions for credit of NCDs to the beneficiary account with Depository Participants upon approval of Basis of Allotment. The Allotment Advice for successful Applicants will be mailed to their addresses as per the Demographic Details received from the Depositories.

Our Company shall use best efforts to ensure that all steps for completion of the necessary formalities for commencement of trading at the Stock Exchange where the NCDs are proposed to be listed are taken within six Working Days from the Issue Closing Date.

Application Amount shall be unblocked within six Working Days from the Issue Closing Date or such lesser time as may be specified by SEBI or else the application amount shall be unblocked in the ASBA Accounts of the applicants forthwith, failing which interest shall be due to be paid to the applicants in accordance with applicable law.

Our Company will provide adequate funds required for dispatch of Allotment Advice to the Registrar to the Issue.

## **OTHER INFORMATION**

### **Withdrawal of Applications during the Issue Period**

Applicants can withdraw their Applications during the Issue Period by submitting a request for the same to the Designated Intermediaries or the Designated Branch, as the case may be, through whom the Application had been placed.

In case Applications were submitted to the Designated Intermediaries, upon receipt of the request for withdrawal from the Applicant, the relevant Designated Intermediary, as the case may be, shall do the requisite, including deletion of details of the withdrawn Application Form from the electronic system of the Stock Exchange and intimating the Designated Branch of the SCSB to unblock of the funds blocked in the ASBA Account at the time of making the Application.

In case Applications submitted directly to the Designated Branch of the SCSB, upon receipt of the request for withdrawal from the Applicant, the relevant Designated Branch shall do the requisite, including deletion of details of the withdrawn Application Form from the electronic system of the Stock Exchanges and unblocking of the funds in the ASBA Account directly.

### **Early Closure**

Our Company, in consultation with the Lead Managers reserves the right to close the Issue at any time prior to the Closing Date, subject to receipt of minimum subscription for NCDs aggregating to 75% of the Base Issue Size, i.e. ₹ 7,500 lakh.

Our Company shall allot NCDs with respect to the Applications received at the time of such early closure in accordance with the Basis of Allotment as described hereinabove and subject to applicable statutory and / or regulatory requirements. If our Company does not receive the minimum subscription of 75% of Base Issue Size i.e. ₹ 7,500 lakh, prior to the Issue Closing Date, the entire Application Amount shall be unblocked in the relevant ASBA Account(s) of the Applicants within 6 working days from the Issue Closing Date provided wherein, the Application Amount has been transferred to the Public Issue Account from the respective ASBA Accounts, such Application Amount shall be refunded from the Refund Account to the relevant ASBA Account(s) of the Applicants within 6 working days from the Issue Closing Date, failing which the Company will become liable to refund the Application Amount along with interest at the rate 15% per annum for the delayed period.

### **Revision of Applications**

As per the notice No: 20120831-22 dated August 31, 2012 issued by the BSE, cancellation of one or more orders within an Application is permitted during the Issue Period as long as the total order quantity does not fall under the minimum quantity required for a single Application.

Please note that in case of cancellation of one or more orders within an Application, leading to total order quantity falling under the minimum quantity required for a single Application will be liable for rejection by the Registrar.

Applicants may revise/ modify their Application details during the Issue Period, as allowed/permitted by the Stock Exchange(s), by submitting a written request to the Designated Intermediaries / the Designated branch of the SCSBs, as the case may be. However, for the purpose of Allotment, the date of original upload of the Application will be considered in case of such revision/modification. In case of any revision of Application in connection with any of the fields which are not allowed to be modified on the electronic Application platform of the Stock Exchange(s) as per the procedures and requirements prescribed by each relevant Stock Exchanges, Applicants should ensure that they first withdraw their original

Application and submit a fresh Application. In such a case, the date of the new Application will be considered for date priority for Allotment purposes.

Revision of Applications is not permitted after the expiry of the time for acceptance of Application Forms on Issue Closing Date. However, in order that the data so captured is accurate, the Designated Intermediaries and/or the Designated Branches of the SCSBs will be given up to one Working Day after the Issue Closing Date to modify/ verify certain selected fields uploaded in the online system during the Issue Period, after which the data will be sent to the Registrar for reconciliation with the data available with the NSDL and CDSL.

### **Depository Arrangements**

We have made depository arrangements with NSDL and CDSL. Please note that Tripartite Agreements have been executed between our Company, the Registrar and both the depositories.

As per the provisions of the Depositories Act, the NCDs issued by us can be held in a dematerialized form.

In this context the following, may be noted:

- (i) Agreement dated September 26, 2001 between us, the Registrar to the Issue and CDSL, and October 13, 2001, between us, the Registrar to the Issue and NSDL respectively for offering depository option to the investors.
- (ii) An Applicant must have at least one beneficiary account with any of the Depository Participants (DPs) of NSDL or CDSL prior to making the Application.
- (iii) The Applicant must necessarily provide the DP ID and Client ID details in the Application Form.
- (iv) NCDs Allotted to an Applicant in the electronic form will be credited directly to the Applicant's respective beneficiary account(s) with the DP.
- (v) Non-transferable Allotment Advice/ refund orders will be directly sent to the Applicant by the Registrar to this Issue.
- (vi) It may be noted that NCDs in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL. The Stock Exchanges has connectivity with NSDL and CDSL.
- (vii) Interest or other benefits with respect to the NCDs held in dematerialized form would be paid to those NCD Holders whose names appear on the list of beneficial owners given by the Depositories to us as on Record Date. In case of those NCDs for which the beneficial owner is not identified by the Depository as on the Record Date/ book closure date, we would keep in abeyance the payment of interest or other benefits, till such time that the beneficial owner is identified by the Depository and conveyed to us, whereupon the interest or benefits will be paid to the beneficiaries, as identified, within a period of 30 days.
- (viii) The trading of the NCDs on the floor of the Stock Exchanges shall be in dematerialized form only.

Please also refer to ***"Instructions for filling up the Application Form - Applicant's Beneficiary Account and Bank Account Details"*** on page 157 and 158 of this Draft Prospectus".

Please note that the NCDs shall cease to trade from the Record Date (for payment of the principal amount and interest for such NCDs) prior to redemption of the NCDs.

**PLEASE NOTE THAT TRADING OF NCDs ON THE FLOOR OF THE STOCK EXCHANGE SHALL BE IN DEMATERIALISED FORM ONLY IN MULTIPLE OF ONE NCD.**

Allottees will have the option to re-materialize the NCDs Allotted under the Issue as per the provisions of the Companies Act, 2013 and the Depositories Act.

### **Communications**

All future communications in connection with Applications made in this Issue (except the Applications made through the Trading Members of the Stock Exchange) should be addressed to the Registrar to the Issue, with a copy to the relevant SCSB, quoting the full name of the sole or first Applicant, Application Form number, Applicant's DP ID and Client ID, Applicant's PAN, number of NCDs applied for, date of the Application Form, name and address of the Designated Intermediary or Designated Branch of the SCSBs, as the case may be, where the Application was submitted, ASBA Account number in which the amount equivalent to the Application Amount was blocked.

Applicants may contact Lead Manager, our Company Secretary and Compliance Officer or the Registrar to the Issue in case of any pre-Issue or post-Issue related problems such as non-receipt of Allotment Advice or credit of NCDs in the respective beneficiary accounts, as the case may be.

All grievances relating to the ASBA process may be addressed to the Registrar to the Issue, with a copy to the relevant SCSB.

Grievances relating to Direct Online Applications may be addressed to the Registrar to the Issue, with a copy to the relevant Stock Exchanges.

### **Interest in case of delay**

Our Company undertakes to pay interest, in connection with any delay in allotment and dematerialised credit, beyond the time limit as may be prescribed under applicable statutory and/or regulatory requirements, at such rates as stipulated under such applicable statutory and/or regulatory requirements.

### **Undertaking by the Issuer**

Our Company undertakes that:

- (i) All monies received pursuant to the Issue of NCDs to public shall be transferred to a separate bank account other than the bank account referred to in sub-section (3) of section 40 of the Companies Act, 2013;
- (ii) Details of all monies utilised out of Issue shall be disclosed under an appropriate separate head in our Balance Sheet indicating the purpose for which such monies had been utilized along with details, if any;
- (iii) Details of all unutilised monies out of issue of NCDs, if any, shall be disclosed under an appropriate separate head in our Balance Sheet indicating the form in which such unutilised monies have been invested;
- (iv) The Issue proceeds shall be kept in the escrow accounts opened in terms of the Prospectus and shall be available to the Company only upon execution of the documents for creation of security as stated in the Prospectus and on receipt of the minimum subscription of 75% of the Base Issue;
- (v) The Issue Proceeds shall not be utilized towards providing loan to or acquisition of shares of any person who is part of the same group or who is under the same management as our Company; and
- (vi) The Issue proceeds shall not be utilized towards full or part consideration for the purchase or any other acquisition, *inter alia* by way of a lease, of any immovable property.

### **Other Undertakings by our Company**

Our Company undertakes that:

- (i) Complaints received in respect of the Issue will be attended to by our Company expeditiously and satisfactorily;
- (ii) Necessary cooperation to the relevant credit rating agency(ies) will be extended in providing true and adequate information until the obligations in respect of the NCDs are outstanding;
- (iii) Our Company will take necessary steps for the purpose of getting the NCDs listed within the specified time, i.e., within 6 Working Days of the Issue Closing Date;
- (iv) Funds required for dispatch of Allotment Advice will be made available by our Company to the Registrar to the Issue;
- (v) Our Company will forward details of utilisation of the proceeds of the Issue, duly certified by the Statutory Auditor, to the Debenture Trustee;
- (vi) Our Company will provide a compliance certificate to the Debenture Trustee on an annual basis in respect of compliance with the terms and conditions of the Issue as contained in this Draft Prospectus.
- (vii) Our Company will disclose the complete name and address of the Debenture Trustee in its annual report.

## SECTION VII : LEGAL AND OTHER INFORMATION

### PENDING PROCEEDINGS AND STATUTORY DEFAULTS

*Except as described below, there are no pending proceedings and statutory defaults including, suits, criminal or civil prosecutions and taxation related proceedings against our Company and its Board of Directors that may have an adverse effect on our business. As on the date of the Prospectus, there are no defaults in meeting statutory dues, institutional dues, and towards holders of instrument like debentures, fixed deposits and arrears on cumulative preference shares, etc., by our Company. Further, there are no defaults in meeting statutory dues, institutional dues, and towards holders of instrument like debentures, fixed deposits and arrears on cumulative preference shares, etc., by any public companies promoted by the Promoters and listed on the stock exchange except as under:*

#### **Sakthi Sugars Limited: (Listed with BSE/NSE)**

	(₹ Lakh)
<b>1. Statutory Defaults as on September 30, 2018</b>	
Income Tax	69.80
Provident Fund	167.14
Electricity Generation Tax	185.95
<b>Total (1)</b>	<b>422.89</b>
<b>2. Dues to Banks/Institutions as on September 30, 2018</b>	
Banks/ Asset Reconstruction Companies	44695.61
Sugar Development Fund	7435.61
<b>Total (2)</b>	<b>52131.22</b>
<b>Total (1+2)</b>	<b>52554.11</b>

*Save as disclosed herein below, there are no:*

- a. *proceedings against the Company and the Directors for offences under the enactments specified in Paragraph 1 of Part I of Schedule XIII to the Companies Act, 1956 and Paragraph 1 of Part I of Schedule V to the Companies Act, 2013;*
- b. *litigation or legal action pending or taken by any Ministry or Department of the Government or a statutory authority against the promoters during the last five years and/or any direction issued by such Ministry or Department or statutory authority upon conclusion of such litigation or legal action;*
- c. *litigation involving the Company, the Promoter, Directors and our group companies or any other person, whose outcome could have material adverse effect on the position of our Company;*
- d. *proceedings initiated against the Company for economic offences;*
- e. *matters pertaining to default and non-payment of statutory dues;*
- f. *inquiries, inspections or investigations initiated or conducted under the Companies Act 1956 / Companies Act 2013 during the last five years;*
- g. *instances of fines imposed or compounding of offences made during the last five years; and*
- h. *matters pertaining to any material frauds committed against the Company during the last five financial years.*

#### **I. CASES FILED AGAINST THE COMPANY**

##### ***Civil cases***

1. Mr. N. Senthil (Hirer) filed an Injunction Suit (O.S.182 of 2013) on 30th August 2013 against the company before Court of District Munsiff of Madurai Taluk (Court) alleging that the Company is attempting to take illegal custody of vehicle financed under Hire Purchase transaction. Further, the Hirer prayed the Court to pass judgment and decree for granting permanent Injunction restraining the company and their agents, or person claiming through them in any way interfering with the Hirer in the peaceful possession and enjoyment of the vehicle except under the due process of law. In response to the aforesaid suit, on 18th September 2013, the Company has filed an application before the court to reject the Plaint and direct the plaintiff to work out remedies before the Arbitration Tribunal. The Court allowed the application filed by company I.A. 468 of 2013 on 18/11/16 and the Plaint is rejected under order 7 rule 11 CPC.

The Company has also initiated an arbitration proceeding (A.C. No 81 of 2013) against Hirer and guarantor (collectively referred to as Parties) by referring the matter to Arbitral Tribunal, Coimbatore on 14th September 2013 in terms of Hire Purchase Agreement. The Arbitral Tribunal passed an award on 14th June 2014 (Award) directing the Hirer and

Guarantor to pay ₹ 7.08 lakh with additional hire charges at 18% p.a. from the date of claim statement till the date of payment and also cost of ₹ 0.10 lakh, within three months from the date of the order. On account of failure of the parties to pay the award amount within stipulated time, the Company. The company is taking steps to execute the award.

2. Mr. D.Swaminathan (Hirer) filed an Injunction Suit (O.S. 389 of 2013) on December 19, 2013 against our Company before Court of District, Tirupur Taluka (Court) alleging that the Company is attempting to take illegal custody of the vehicle financed under hire purchase transaction. Further, the Hirer prayed the Court to grant permanent injunction restraining the Company and anybody under them from forcefully and illegally taking custody of the vehicle except under due process of law. In response to the aforesaid suit, on January 2014, the Company has filed an application before the Court to reject the plaint and direct the plaintiff to work out remedies before the Arbitral Tribunal. The matter is posted for further hearing.

The Company has initiated an arbitration proceeding (A.C No.5 of 2014) against Hirer and a guarantor (collectively referred to as Parties) by referring the matter to Arbitral Tribunal, Coimbatore on January 6, 2014 in terms of the hire purchase agreement. The Arbitral Tribunal passed an award on August 23, 2014, directing the Parties to pay ₹ 8.46 lakh with additional hire charge of 18% p.a. from date the of claim settlement till the date of payment within three months from the date of the order. The company is taking steps to execute the award.

3. The Company has repossessed and sold a hired vehicle owned by Mr.Magandi Nagendra Prasad (Hirer) on account of non-payment of hire purchase instalments due to the Company. The Hirer filed a damage suit (O.S. 360 of 2013) before Principal Senior Civil Judge, Gudiwada (Court) on August 16, 2013 alleging that the Company has wrongfully seized and sold vehicle financed under hire purchase transaction. The Hirer prayed to the Court for grant of decree against the Company (i) for the recovery of compensation amount of ₹ 3.52 lakh together with subsequent interest of 18% p.a from date of suit till the date of payment; (ii) declare that the Hirer is the absolute owner of the vehicle and hand over the possession of the vehicle in "as is where is" condition, if the Company did not hand over the vehicle the company to pay ₹ 4.90 lakh at interest of 18% p.a. In response to the aforesaid Suit, on December 12, 2013, the Company has filed an application I.A.372 of 2014 before the Court to reject the plaint and direct the plaintiff to work out remedies before the Arbitration Tribunal. The Honourable Court has allowed the said petition and the plaint was returned vide Order dated 30/10/2018.

The Company has initiated an arbitration proceeding (A.C No.9 of 2014) against Hirer and guarantors (collectively referred to as Parties) by referring the matter to Arbitral Tribunal, Coimbatore on January 6, 2014 in terms of the hire purchase agreement. The Arbitral Tribunal passed an award on December 26, 2015, directing the Parties to pay (i) ₹ 4.49 lakh; (ii) additional hire charge of 18% p.a. from date the of claim settlement till the date of payment and (iii) ₹ 0.08 lakh cost, within three months from the date of the order. The company has filed the Execution Petition on the file of Principal District Court, Gudiwada, Krishna Dist. A.P.

### **Consumer Cases**

1. Mr. M. Maharajan (Hirer) filed a complaint (C.C. 152 of 12) before District Consumer Dispute Redressal Forum, Madurai (Court), on December 3, 2012, alleging that the Company has wrongfully taken custody of vehicle financed to Hirer. Further, the Hirer prayed the Court to direct the Company (i) to hand over the possession of vehicle under custody; (ii) to pay a sum of ₹ 0.10 lakh per month from September, 2008 to 2012; (iii) award damages of ₹ 2 lakh for mental agony, ₹ 0.25 lakh for deficiency in service and ₹ 0.10 lakh towards cost and such other relief. The Company submitted a counter statement, on January 18, 2013, before the Court to reject the aforesaid complaint and direct the Hirer to work out his remedies before the Arbitral Tribunal. The matter is pending before the Court and posted to 18/12/18 for further enquiry.

The Company has initiated an arbitration proceeding (A.C No.42 of 2012) against Hirer and a guarantor (collectively referred to as Parties) by referring the matter to Arbitral Tribunal, Coimbatore on May 8, 2012. The Arbitral Tribunal has passed an award dated March 23, 2013 (Award) directing the Parties to pay the outstanding amount of ₹ 3.36 lakh together with additional finance charges @ 18% p.a. from July 28, 2012 till payment and also cost of ₹ 0.07 lakh, within three months from the date of the Award. On account of failure of Parties to pay the Award amount within stipulated time, the Company has filed an Execution Petition (EP) against the Parties, on July 22, 2013, before Principal District Judge, Madurai under Order 21 of rule 22, 54, 66 & 82 of CPC. The EP is taken on record bearing number 419 of 2013. The company is taking steps to execute the Award.

2. The Company had advanced hire purchase loan to Mr. Thomas (Hirer) and demanded outstanding amount of ₹ 1.14 lakh comprising ₹ 0.68 lakh as arrears instalment amount and ₹ 0.46 lakh as additional hire charges.

The Hirer filed a complaint (CC No 378/12) on June 26, 2012 before District Consumer Dispute Redressal Forum, Ernakulam (Forum) against Company admitting the claim of ₹ 0.68 lakh only as full and final settlement against the aggregate outstanding of hire charges of ₹ 1.14 lakh and deposited the admitted amount with the Forum. Further, the Hirer prayed the Forum to direct (i) the Company to receive an amount of ₹ 0.68 lakh as full and final settlement



amount from the Hirer and issue NoC and to return the cheque leaves collected from the Hirer as security; (ii) to produce ledger extract of hirer before the Forum and (iii) the Company to pay the amount of ₹ 0.10 lakh for deficiency in service and ₹ 0.10 lakh for mental agony. The Forum vide its interim order (I.A.No.547/2012 in CC No. 378/12) dated November 12, 2012 directed the Hirer to pay a sum of ₹ 0.68 lakh to Company within 30 days from the date of the order; (ii) deposit ₹ 0.46 lakh with the Forum within 30 days of the receipt of the order and (iii) the Company shall issue NoC within 15 days of the receipt of the evidence on the above payment and deposit. The Forum vide its order dated May 29, 2015 allowed the complaint and directed to the Company to pay compensation of ₹ 1.00 lakh with interest @ 12% pa. (from date of filing the complaints till date of realization) and cost of proceeding of ₹ 0.10 lakh to the Hirer. Against order of Forum, the Company has preferred an appeal No 661 of 2015 at Kerala State Consumer Dispute Commission.

The Company has initiated an arbitration proceeding (A.C No.78 of 2012) against Hirer and two guarantors (collectively referred to as Parties) by referring the matter to the Arbitral Tribunal, Coimbatore on July 14, 2012. Arbitral Tribunal has passed an award dated August 31, 2013 (Award) directing the parties to pay the outstanding amount together with subsequent hire purchase charges @ 36% p.a. from the date of claim till payment and deposit of disputed amount of AHC in Consumer Forum.

3. Mr. Robinson (Hirer) has filed a complaint (CC 1 of 2013) on January 2, 2013 before the State Consumer Disputes Redressal Commission Circuit Bench, Madurai (State Commission) for alleging deficiency in services viz. non furnishing of no due certificate as well as no objection certificate for cancelling hypothecation even after clearing the loan amount. Further, the Hirer prayed the Commission for passing an order more particularly directing the Company to issue no due certificate in relation to the loan disbursed in pursuance of hire purchase agreement along with no objection certificate for cancellation of hypothecation endorsement in the certificate of registration of the vehicle forthwith along with compensation to the tune of ₹ 23 lakh along with costs. The Company has filed the statement of objection before the Commission submitting that the hire purchase transaction has already been terminated and the no due certificate sent to Hirer by way of registered post. The Commission vide its order dated November 19, 2015, partially allowed the complaint and directed the Company to pay compensation of ₹ 10.00 lakh and cost of proceeding of ₹ 0.10 lakh to the Hirer. Against the order of State Commission, the Company has preferred an appeal before the National Commission in First Appeal 1022 of 2015 and the hearing is posted on March 29, 2019.
4. Mr. Palpandi (Complainant) filed a complaint (CC No. 79 of 2014) on February 28, 2014 before District Consumer Dispute Redressal Forum, Madurai (Forum) against the Company alleging for non-sanctioning of hire purchase advances to the Complainant. Further, the Complainant prayed to the Forum to pass an order directing the Company to (i) release the sanctioned loan amount of 13.00 lakh; (ii) pay damages of ₹ 5 lakh towards mental agony, monetary loss and for having cost damage to the reputation of the complainant (iii) to pay the cost the complaint. The Company has filed a counter statement on May 20, 2014 before the Forum submitting that (a) the Complainant is not a consumer as defined under the Consumer Protection Act; (b) the dispute is a commercial transaction which cannot be entertained by the Forum; (c) there is no concluded contract between the parties and (d) there is no deficiency of service in the transaction. Accordingly, the Company prayed the Forum to dismiss the aforesaid complaint with compensatory cost. The matter is pending before the Forum and posted for further hearing.

## II. CASES FILED BY THE COMPANY

### *Criminal case*

The Company filed a criminal complaint on November 29, 2013 against Mr. Suresh Ram (Hirer), Mrs. Vasanthi and Mr. Arumugam before District Crime Branch, Villupuram for fabrication of records under sections 419, 420 and 468 of IPC. The FIR is registered as crime no. 05 of 2014 by the District Crime Branch, Villupuram. The Police completed their investigation and filed charge sheet before Chief Judicial Magistrate, Villupuram in C.C. 205 of 2018 and the matter is pending trial.

The Company has initiated an arbitration proceeding (A.C No.86 of 2013) against the Hirer and two guarantors (collectively referred to as **Parties**) by referring the matter to Arbitral Tribunal, Coimbatore on September 14, 2013. The Arbitral Tribunal has passed an award dated March 15, 2014 (**Award**) directing the Parties to pay the outstanding amount of ₹ 11.05 lakh together with additional finance charges at 18% p.a. from the date of claim till payment and also cost of ₹ 0.15 lakh, within 3 months from the date of the Award. On account of failure of Parties to pay the Award amount within stipulated time, the Company has filed an Execution Petition (**EP**) against the Parties, on July 11, 2014, before Principal District Judge, Villupuram under order 21 of rule 22, 54, 66 & 82 of CPC. The EP is taken on record bearing number 36 of 2014. The company is taking steps to execute the same.

The company filed a criminal complaint against Mrs. Rajeswari for fabrication of records, which is pending before the Town Police Station, Panruti. The police have refused to register the case citing that the matter is of civil nature. Meanwhile, Company has initiated an Arbitration Case No. 85 of 2013 for the recovery of ₹ 5.25 lakhs. An Award has been passed on 23rd March 2015 and the Execution Petition is under progress in Principal District Court, Cuddalore.

The company filed a criminal complaint against Mr. Suresh Ram for fabrication of records, which is pending before the District Crime Branch Villupuram. FIR has been registered with number Crime No: 05 of 2014 by the District Crime Branch, Villupuram under Sections 419,420 and 468 of IPC. The matter is under investigation for filing of charge sheet. The police have refused to register the case citing that the matter is of civil nature. Meanwhile, Company has initiated Arbitration Case No. 86 of 2013 for the recovery of ₹ 5.25 lakh. An Award has been passed on 15th March 2014 and the Execution Petition bearing E.P.No: 36/2014 has been filed before Principal District Court, Villupuram. Fresh notice to respondents was ordered.

#### **Civil cases**

We are an asset finance company providing finance to pre-owned commercial vehicles, purchase infrastructure construction equipment, multi-utility vehicles, cars, jeeps and other machinery. The finances provided are secured by lien on the assets financed. In event of non-payment dues, our Company initiates arbitration proceedings against hirer/guarantors, who are in default in repaying the hypothecation dues. As on December 31, 2018, our company has initiated 897 arbitration proceedings for an aggregate amount of ₹ 4,545.04 lakh, for recovery of outstanding dues, which are pending at different stages. The details are as under:

Stages/ present status	Number of cases	Amount (₹ lakh)
Arbitration proceedings initiated and pending	573	2880.66
Arbitration awards passed but amount yet to be recovered	303	1552.29
Execution Petition for enforcement of Award filed and pending	21	112.09
<b>Total</b>	<b>897</b>	<b>4545.04</b>

### **III. LITIGATIONS INVOLVING STATUTORY DISPUTES**

#### **Service Tax Litigation**

The Office of the Commissioner of Customs, Central Excise and Service Tax, Coimbatore (CCEC), vide its order bearing no CBE/ST/29/2015-Commr dated December 22, 2015 passed an order (**Order**) and demanded from the Company an amount of (a) ₹ 598.53 lakh under section 73(2) of the Finance Act, 1994 (**Act**) towards short payment of service tax paid by the Company on “Banking and Other Financial Services” during the period October 10, 2009 to September 30, 2014; and (b) ₹ 114.88 lakh under Rule 14 of Cenvat Credit Rules, 2004 read with section 73 of the Act towards reversal of Cenvat Credit availed by the Company during the period October 1, 2009 to September 30, 2014. The Order also demanded from the Company appropriate interest on aforesaid amount and imposed a penalty of ₹ 713.51 lakh. Our Company has deposited an amount of ₹ 98.63 lakh towards reversal of Cenvat Credit under protest with the service tax department. Against the order of CCEC, the Company has filed writ petition (No 10920/2016 dated March 22, 2016) before Hon’ble High Court of Madras and prayed to quash the impugned order of the CCEC. The Writ Petition is admitted by the Hon’ble High Court, Madras and stay has been granted.

**Income tax cases under Income Tax Act, 1961(IT Act)**

Assessment Year (AY)	Forum before which matter is pending and Case/Appeal No	Facts of the case
2011-12	-	The Assistant Commissioner by an assessment order dated January 15, 2012 under Section 143(3) of the IT Act demanded a sum of ₹ 2.11 lakh under Section 234B and 234C for AY 2010-11. The Company sought rectification under section 154 by filing an application for rectification to CPC.
2007-08	High Court, Madras 336 of 2011	The Assessing Officer (AO) while completing assessment for the AY 2003-04, 2004-05 and 2007-08, considered the finance charges on NPA on accrual basis and added finance charges of ₹ 110.90 lakh, ₹ 56.01 lakh and ₹ 21.09 lakh for respective assessment years. Against the above assessment orders, the Company had filed appeals before Commissioner of Income Tax (CIT) (Appeal). The CIT (Appeal) had allowed the appeals and held that interest on NPA was not to be included in the total income of the Company on accrual basis. Against the above orders of the CIT (Appeal), the income tax department preferred appeals before Income Tax Appellate Tribunal, Chennai (ITAT). The ITAT vide its order bearing number I.T.A Nos. 1646, 1647 and 1647 Mds/2010 dated December 16, 2010, rejected the appeals filed by the income tax department and held that NPA was to be considered only after recognizing income. Aggrieved by the order the ITAT, Income Tax Department, Commissioner of Income Tax-I, Coimbatore, has filed Memorandum of Appeals dated April 29, 2011 under section 260-A of the IT Act before the Hon'ble High Court, Madras, which are currently pending.
2004-05	High Court, Madras 335 of 2011	
2003-04	High Court, Madras 334 of 2011	
1999-00	Assessing Officer	For assessing the total income of the Company for AY 2018-19 the assessing officer had added ₹ 118.34 lakh accrued interest on NPA. The Company had filed an appeal before the Commissioner of Income Tax (Appeal) against the order of assessing officer, The Commissioner of Income Tax (Appeal) allowed appeal filed by the Company and deleted addition made by assessing officer from the total income. Against the above order of the Commissioner of Income Tax [CIT] (Appeal), the income tax department had preferred an appeal before Income Tax Appellate Tribunal, Chennai (ITAT).  The ITAT vide its order bearing number I.T.A No 277 (Mds) / 2005 dated May 23, 2006 set aside the order of CIT (Appeal) and the matter was restored to assessing officer with direction to decide the matter <i>de novo</i> . The matter is pending with the assessing officer.
2009-2010	Commissioner of Income Tax (Appeal)	The Deputy Commissioner of Income Tax (CIT), Coimbatore passed an order dated March 19, 2015 under section 143(3) read with section 147 of the Income Tax Act, withdrawing depreciation allowance and demanded to pay tax of ₹ 6.65 lakh for AY 2009-2010. The Assessing Officer (AO) has reopened the assessment for AY 2009-10 u/s 147 of the IT Act. While assessing AO found that the Company has purchased three windmills which were commissioned on June 17, 2004 and wind mill were transferred only on May 21, 2009 and hence, the company was not eligible to claim depreciation to the extent of ₹ 106.32 lakh for the second half of the year ending March 31, 2009. The Company had filed an appeal before the Commissioner of Income Tax (Appeal) against the above order. The matter is pending with the Commissioner of Income Tax (Appeal).
2012-2013	Commissioner of Income Tax (Appeal)	The Additional Commissioner of Income Tax (CIT), Coimbatore passed an order dated March 24, 2015 under section 143(3) IT Act demanding to pay tax of ₹ 13.74 lakh for AY 2012- 2103 by disallowing (a) probable expenditure in relation to exempted income u/s 14A, to the extent of ₹ 29.08 lakh, (b) expenditure incurred towards club subscription to the extent of ₹ 0.23 lakh and (c) on account of issue of share expenditure ₹ 12.05 lakh. The Company had filed an appeal before the Commissioner of Income Tax (Appeal) against the above order. The matter is pending with the CIT (Appeal).

***Interest tax cases under the Interest Tax Act, 1974***

Assessment Year	Forum in which issue is pending	Facts of the case
1992-93 to 1998-99	High Court Madras  From W.P. No 11160 of 2011 to 11166 of 2011	<p>Central Board of Direct Taxes (CBDT) had through its circular no. 760 dated January 13, 1998 clarified that finance charges collected on hire purchase transactions which are in the nature of financing transaction will attract liability of interest tax under the Interest Tax Act. The Company had not included the same in the assessable interest during the AY 1992-93 to 1998-99. After the clarification from CBDT, the assessing officer assessed these finance charges under the provision of Interest Tax Act and also charged interest u/s 12, 12A and 12B of the Interest Tax Act aggregating to ₹ 70.40 lakh on the interest tax levied for all the relevant AYs.</p> <p>The Company paid the tax portion of interest tax demanded and interest payable under Sections 12, 12A, 12C has been subsequently adjusted by the Department from out of the refund due to the Company. The Company made an application to Chief Commissioner of Income Tax (CCIT) on December 5, 2002, for waiver of interest levied u/s 12, 12A, 12C under Interest Tax Act. CCIT <i>vide</i> its order bearing number C.No CCIT/CBE/1433(241)/CBE dated July 24, 2009 rejected the appeal made by the Company for waiver of above interest levied.</p> <p>Against the order of CCIT, the Company has filed separate Writ Petitions for each of the assessment years before Hon'ble High Court, Madras and prayed to quash the impugned order of CCIT and consequently grant waiver of interest. The matters are yet to be heard.</p>
1999-00 and 2000-01	High Court Madras TC (A) No. 282 & 283 of 2007 and Review Petition No. 56 of 2013 and 57 of 2013	<p>For the AYs 1999-00 and 2000-01, the assessing officer has added accrued interest on NPA amounting to ₹ 180.35 lakh and ₹ 56.09 lakh for the respective AYs. The Company had preferred the appeals before Commissioner of Income Tax (Appeal), who allowed the appeals made by the Company holding that accrued interest on NPA is not assessable to income tax. The income tax department had preferred appeals against above order of the CIT (Appeal) before Income Tax Appellate Tribunal, Chennai (ITAT). The ITAT <i>vide</i> its orders bearing no. INT.T.A. Nos. 4/Mds/2006 and 5/Mds/2006 dated September 15, 2009 rejected the appeals filed by the income tax department and held that no addition could be made in the hands of assessee in respect of unrealized accrued interest when the loan was classified as NPA. The income tax department had preferred appeals against orders of ITAT before Hon'ble High Court, Madras u/s 260A of the IT, Act. The Hon'ble High Court <i>vide</i> its judgment and decree dated February 12, 2013 in TC (A) No. 282 &amp; 283 of 2007 set aside the orders of ITAT and matters are remanded to the assessing officer for consideration afresh. With respect to above judgment of the Hon'ble High Court, the Company has preferred review petition under section 260(A) of the IT Act and prayed to the Hon'ble High Court to recall its judgment remanding the matter to the assessing officer afresh for consideration. The Hon'ble High Court <i>vide</i> its order disposed of the review petition and directed to place the matter before the decision of the larger bench of Hon'ble High Court, Madras.</p>

**IV. SHOW CAUSE NOTICES, IF ANY, ISSUED AGAINST THE COMPANY OR DIRECTORS OR PROMOTERS**

**Promoters**

The Adjudicating Officer, Securities and Exchange Board of India, *vide* Letter No. EAD-6 /AK/VRP/29297/2014/2 dated October 8, 2014 had issued Notice under Rule 4 of SEBI (Procedure for holding Inquiry and Imposing penalty by Adjudicating Officer) Rules, 1995 read with Section 15-I of the Securities and Exchange Board of India Act, 1992 to ABT Finance Limited, Sakthi Financial Services Limited, Mr. M.Balasubramaniam, Mr.M.Srinivasan, Mr.A.Shanmugasundaram, Mr.N.Mahalingam, Mrs. M.Mariamammal, Mrs. Karunambal Vanavarayar, ABT Limited, ABT Industries Limited, Sakthi Financial Services (Cochin) Private Limited, Mr. M.Manickam, Sakthi Logistic Services Limited, Sakthi Sugars Limited, Sri Chamundeswari Sugars Limited, Sri Sakthi Textiles Limited and The Gounder & Company Auto limited (**Promoter group of Sakthi Finance Limited**) alleging violation by ABT Finance Limited and Sakthi Financial Services Limited (**Acquirers**) of non-compliance of Regulation 11(2) read with Regulation 14(1) of the SEBI Takeover Regulations, 2009 due to acquisition of Equity Shares representing 0.282% and 0.006% respectively of paid up capital our Company. Pursuant to the personal hearing before the Internal Committee, the matter has since been settled with payment of settlement fee levied. Settlement Order has been passed by SEBI *vide* its Order No. CFD/EAD-6/AO/AK/32-47/2016 dated 14th September 2016.

## Company

Our Company received a Show Cause Notice No. DNBS (che) No. 258/13.18.2018 dated 31st August 2018 from RBI, before imposing penalty for violations of Fair Practices Code (FPC) Guidelines under Section 58-G of the Reserve Bank of India Act 1934. Our Company's attention was drawn to the following violations (i) Charging of interest higher than the one disclosed in loan agreement and sanction letter by way of First EMI upfront and charging of interest for period longer than the repayment schedule and other fair practices code violations. Our Company has sent a suitable reply vide its letter dated 19th September 2018 and has requested that the proposed action be dropped. RBI has granted us a personal hearing in this matter during March 2019.

Other than the above, there are no disputes / litigations towards tax liabilities or any criminal or civil prosecutions against the company for offence, economic or otherwise.

## V. LITIGATION INVOLVING OUR GROUP COMPANIES

There is no litigation involving our group companies, whose outcome could have material adverse effect on the position of the Company, except as stated as under:

### (a) Sakthi Sugars Limited:

Sakthi Sugars Limited has defaulted in meeting its obligations to its creditors and the creditors have filed the following petitions in NCLT, DRT and High Courts against Sakthi Sugars Limited, which are in various stages of pendency.

- (i) An application in CP/785/IB 2018 was filed by an operational creditor named, Devendran Coal Private Limited before NCLT, Chennai Bench in which the company reached a compromise with the operational creditor for payment of a sum of ₹ 3880.60 lakhs, even before admission of the Application. Sakthi Sugars Limited, informs that it is making payments to the operational creditor in terms of the compromise. Default in payment can lead to the operational creditor seeking filing and admission of fresh Petition.
- (ii) Jain Irrigation Systems Ltd., has filed C.P.1276/2018 before NCLT claiming a sum of Rs.28.19 crores as due from the Company, which claim is totally disputed by the Company. An application filed in \*\*\*\*\* filed by Jain Irrigation Limited
- (iii) O.A.No. 9/2018 has been filed before DRT, Chennai by IFCI Limited acting as an agent of Sugar Development Fund (SDF) in respect of SDF Loans claiming a sum of ₹ 6,806.80 lakh from the company. The company has filed a written statement and is contesting the same. The Company also informs that representations have been made by the Tamil Nadu Sugar Mills Association to Government of India, seeking relief and withdrawal of legal proceedings, explaining the various factors which have affected the sugar industry in Tamil Nadu.
- (iv) O.A.No. 414/2018 has been filed by Punjab National Bank before DRT, Coimbatore, claiming a sum of ₹ 5,751.13 lakh. The Company has requested for restructuring and withdrawal proceedings. This has been accepted by the Bank and the Bank has instructed its counsel vide letter/ e-mail dated 7th September 2018 to withdraw the application.
- (v) In C.P. No.19/2012 filed by a FCCB holder of the company before the Hon'ble High Court of Madras, consent order has been passed for payment of USD 1,167,900 with interest at 8.5% p.a. from 31-01-2017 subject to approval of RBI. RBI has granted its approval on 7.8.2017 and the Company has informed that it has since paid USD 200,000 and is taking efforts to pay the same. Failure to make payment can lead to admission of the Petition and consequential orders.
- (vi) In C.P.No.212/2012 filed by a FCCB holder of the company, a compromise was concluded with the holder for payment of USD 778,000 with interest @ 8.5% p.a. from 01-02-2017 and consent order has been passed by the Hon'ble High Court of Madras on 30-01-2019 directing the Company to apply for permission of RBI and subject to receiving consent from RBI, make payment thereof. The Company is in the process of making an application to RBI for its approval.

Orders or decisions which are not in favour of Sakthi Sugars Limited, if passed, in any of the above cases, will have an adverse impact on our promoter directors who are also directors of Sakthi Sugars Limited and which in turn might affect the operations and performance of our Company.

### (b) Sakthi Financial Services Limited (SFSL)

One of our associate company, Sakthi Financial Services Limited ("SFSL"), engaged in the business of hiring of Safe Vaults, collection agent of HP Lease Deposits, canvassing of Deposits and marketing Loan products in the region of Tamilnadu, had received on 28 December 2006 a sum of ₹ 492.87 lakhs (Euro 8,48,896) from

Mr Ashok Aram, who is a Non-Resident India. The Company intimated the Reserve Bank of India (RBI) about the receipt of application on 27 January 2007. The money had been received primarily for the purpose of investment in equity shares of our company to strengthen its workings capital requirements and network. SFSL was not able to allot the equity shares to the non-resident investor within a period 180 days from the date of receipt of money and allotted 9,85,738 equity shares of ₹ 10 each at a premium of ₹ 40 (Total amount per share: ₹ 50) aggregating to ₹ 4,92,86,902. SFSL was also not able to file FC – GPR within a period of 30 days from the date of allotment, as there was no proper official to take care of FEMA compliance. RBI, has, by its letter no FED: FID/3306/25.29.001/2016-17 dated 19 May 2017, informed that neither SFSL had filed Form FC – GPR for allotment of shares with RBI nor has intimated the refund of share application money. RBI again, by its letter dated FED. FID/3555/25.29.008/2017-18 dated 9 April 2018 advised the company to report the share allotment in FC GPR through on-line reporting portal [www.ebiz.gov.in](http://www.ebiz.gov.in). In compliance with the RBI advice, the Company filed the Form FC – GPR on 13 April 2018.

Due to the revamping of the ebiz portal, RBI could finally allot the Registration No.FC2018MAR324 on 14 September 2018. RBI again issued a letter to SFSL in September 2018 and advised SFSL to file a compounding application with RBI. SFSL since filed a compounding application with RBI on 10 December 2018. The company officials had a personal hearing with RBI on January 23,2019 Subsequently RBI has since passed an order levying a compounding fee of ₹ 12.91 lakh, which has been paid.

#### **VI. FINES IMPOSED OR COMPOUNDING OF OFFENCES DONE DURING THE LAST FIVE YEARS**

The Company has paid on January 14, 2016 an amount of ₹ 2,106 towards penal interest for shortfall in maintaining the statutory liquid assets, during the quarter ended June 30, 2013 as prescribed under the RBI

#### **VII. DETAILS OF ACTS OF FRAUDS COMMITTED AGAINST OUR COMPANY SINCE FISCAL YEAR 2014 TILL PERIOD ENDED SEPTEMBER 30,2018**

There are no instances of fraud, which are inherent in the nature of business of the Company and there is no material fraud committed against our company since fiscal year 2014 till period ended September 30,2018.

## OTHER REGULATORY AND STATUTORY DISCLOSURES

### Authority for the Issue

At the meeting of the Board of Directors of our Company held on February 9, 2017, the Directors approved the public issue of Secured and Unsecured Redeemable NCDs of face value of ₹ 1,000 each up to ₹ 10,000 lakh with an option to retain over-subscription up to ₹ 5,000 lakh, aggregating up to ₹ 15,000 lakh.

Pursuant to the resolution passed by the shareholders of our Company under Section 180(1)(c) of the Companies Act, 2013, through the postal ballot process, the results of which were declared on April 5, 2014, the Board has been authorised to borrow any sum or sums of money, from time to time, as it may deem necessary, provided that the total monies borrowed and outstanding at any time for the principal amounts of the loans borrowed (apart from temporary loans obtained and/or to be obtained from the Company's bankers in the ordinary course of business) shall not exceed ₹ 2,500 crore.

### Prohibition by SEBI/ eligibility of our Company

Our Company, persons in control of the Company and/or our Promoters and/or our Directors have not been restrained, prohibited or debarred by SEBI from accessing the securities market or dealing in securities and no such order or direction is in force.

Further, no member of our promoter group has been prohibited or debarred by SEBI from accessing the securities market or dealing in securities due to fraud. Our Company, our Directors and/or our Promoters have not been categorised as a wilful defaulter by the RBI, ECGC, any government/regulatory authority and/or by any bank or financial institution nor are they in default of payment of interest or repayment of principal amount in respect of debt securities issued to the public, for a period of more than six-months.

### Disclaimer clause of the SEBI

**IT IS TO BE DISTINCTLY UNDERSTOOD THAT SUBMISSION OF OFFER DOCUMENT TO THE SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI) SHOULD NOT IN ANY WAY BE DEEMED OR CONSTRUED THAT THE SAME HAS BEEN CLEARED OR APPROVED BY SEBI. SEBI DOES NOT TAKE ANY RESPONSIBILITY EITHER FOR THE FINANCIAL SOUNDNESS OF ANY SCHEME OR THE PROJECT FOR WHICH THE ISSUE IS PROPOSED TO BE MADE OR FOR THE CORRECTNESS OF THE STATEMENTS MADE OR OPINIONS EXPRESSED IN THE OFFER DOCUMENT. THE LEAD MERCHANT BANKER, DALMIA SECURITIES PRIVATE LIMITED, HAS CERTIFIED THAT DISCLOSURES MADE IN THE OFFER DOCUMENT ARE GENERALLY ADEQUATE AND ARE IN CONFORMITY WITH THE SEBI (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008 IN FORCE FOR THE TIME BEING. THIS REQUIREMENT IS TO FACILITATE INVESTORS TO TAKE AN INFORMED DECISION FOR MAKING INVESTMENT IN THE PROPOSED ISSUE.**

**IT SHOULD ALSO BE CLEARLY UNDERSTOOD THAT WHILE THE ISSUER IS PRIMARILY RESPONSIBLE FOR CORRECTNESS, ADEQUACY AND DISCLOSURE OF ALL RELEVANT INFORMATION IN THE OFFER DOCUMENT, THE LEAD MERCHANT BANKER IS EXPECTED TO EXERCISE DUE DILIGENCE TO ENSURE THAT THE ISSUER DISCHARGES ITS RESPONSIBILITY ADEQUATELY IN THIS BEHALF AND TOWARDS THIS PURPOSE, THE LEAD MERCHANT BANKER, DALMIA SECURITIES PRIVATE LIMITED, HAS FURNISHED TO SEBI A DUE DILIGENCE CERTIFICATE DATED [•] WHICH READS AS FOLLOWS:**

**“WE CONFIRM THAT NEITHER THE ISSUER NOR ITS PROMOTERS OR DIRECTORS HAVE BEEN PROHIBITED FROM ACCESSING THE CAPITAL MARKET UNDER ANY ORDER OR DIRECTION PASSED BY THE BOARD. WE ALSO CONFIRM THAT NONE OF THE INTERMEDIARIES NAMED IN THE OFFER DOCUMENT HAVE BEEN DEBARRED FROM FUNCTIONING BY ANY REGULATORY AUTHORITY.**

**WE CONFIRM THAT ALL THE MATERIAL DISCLOSURES IN RESPECT OF THE ISSUER HAVE BEEN MADE IN THE OFFER DOCUMENT AND CERTIFY THAT ANY MATERIAL DEVELOPMENT IN THE ISSUE OR RELATING TO THE ISSUE UPTO THE COMMENCEMENT OF LISTING AND TRADING OF THE DEBENTURE SECURITIES OFFERED THROUGH THIS ISSUE SHALL BE INFORMED THROUGH PUBLIC NOTICES / ADVERTISEMENTS IN ALL THOSE NEWSPAPERS IN WHICH PRE-ISSUE ADVERTISEMENT AND ADVERTISEMENT FOR OPENING OR CLOSURE OF THE ISSUE HAVE BEEN GIVEN.**

**WE CONFIRM THAT THE OFFER DOCUMENT CONTAINS ALL DISCLOSURES AS SPECIFIED IN THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008, AS AMENDED.**

**WE ALSO CONFIRM THAT ALL RELEVANT PROVISIONS OF COMPANIES ACT, 2013 AND THE RULES MADE THEREUNDER (TO THE EXTENT NOTIFIED AS ON THE DATE OF THE OFFER DOCUMENT), SECURITIES CONTRACTS (REGULATION) ACT, 1956, SECURITIES AND EXCHANGE BOARD OF INDIA ACT, 1992 AND THE RULES, REGULATIONS, GUIDELINES, CIRCULARS ISSUED THEREUNDER ARE COMPLIED WITH.**

**WE CONFIRM THAT ALL COMMENTS / COMPLAINTS RECEIVED ON THE DRAFT OFFER DOCUMENT FILED ON THE WEBSITE OF BSE WILL BE SUITABLY ADDRESSED”.**

**Disclaimer clause of the BSE**

[●]

**Disclaimer clause of the RBI**

**THE COMPANY IS HAVING A VALID CERTIFICATE OF REGISTRATION DATED APRIL 17, 2007 BEARING REGISTRATION NO. 07-00252 ISSUED BY THE RESERVE BANK OF INDIA UNDER SECTION 45-IA OF THE RESERVE BANK OF INDIA ACT, 1934. HOWEVER, THE RBI DOES NOT ACCEPT ANY RESPONSIBILITY OR GUARANTEE ABOUT THE PRESENT POSITION AS TO THE FINANCIAL SOUNDNESS OF THE COMPANY OR FOR THE CORRECTNESS OF ANY OF THE STATEMENTS OR REPRESENTATIONS MADE OR OPINIONS EXPRESSED BY THE COMPANY AND FOR REPAYMENT OF DEPOSITS/ DISCHARGE OF LIABILITY BY THE COMPANY.**

**Listing**

The NCDs proposed to be offered pursuant to the Draft Prospectus will be listed on the BSE. BSE has been appointed as the Designated Stock Exchange. We have received the in-principle approval dated [●] from the BSE. The application for listing of the NCDs will be made to the Stock Exchange at an appropriate stage.

If permissions to deal in and for an official quotation of our NCDs are not granted by BSE, our Company will forthwith repay, without interest, all moneys received from the Applicants pursuant to this Draft Prospectus.

Our Company shall ensure that all steps for the completion of the necessary formalities for listing and commencement of trading at BSE mentioned above are taken within 6 (six) Working Days from the date of Closure of the Issue.

For the avoidance of doubt, it is hereby clarified that in the event of non-subscription to any one or more of the Options, such NCDs with Option(s) shall not be listed.

**Consents**

Consents in writing of: (a) Directors (b) Company Secretary and Compliance Officer (c) Chief Financial Officer (d) Lenders to our Company (e) Refund Banker(s) to the Issue (f) Lead Manager (g) Lead Brokers to the Issue (h) Registrar to the Issue (i) Legal Counsel to the Issue (j) Credit Rating Agency and (k) Debenture Trustee, to act in their respective capacities, have been obtained and will be filed along with a copy of the Prospectus with RoC as required under section 26 of the Companies Act, 2013.

The consent of the Statutory Auditor of our Company, namely, M/s P K Nagarajan & Co, Chartered Accountants, (FRN: 016676S) for inclusion of (a) their name as the Statutory Auditor, (b) examination report on Restated Financial Statements in the form and context in which Draft Prospectus, have been obtained and the same will be filed along with a copy of the Draft Prospectus with the RoC.

**Expert opinion**

Except the following, our Company has not obtained any expert opinions in connection with the Draft Prospectus:

- (i) The Statutory Auditor's examination report on Restated Financial Statements dated January 12, 2019; and
- (ii) Statement of Tax Benefits dated January 12, 2019 issued by M/s P.K. Nagarajan & Co, Chartered Accountants.

**Common form of transfer**

The Issuer undertakes that there shall be a common form of transfer for the NCDs held in physical form and the provisions of SCRA / the Companies Act, 2013 and all applicable laws shall be duly complied with in respect of all transfer of NCDs and registration thereof

**Minimum subscription**

Under the Debt Regulations, our Company is required to stipulate a minimum subscription amount which it seeks to raise. If our Company does not receive the minimum subscription of 75% of the Base Issue, i.e. ₹ 7,500 lakh, within 30 days from the date of Issue of the Prospectus or such other period as may be prescribed by SEBI, the entire application amounts



shall be refunded to the Applicants within 6 working days from the date of closure of the Issue. Failing which, our Company and our Directors who are officers in default shall be jointly and severally liable to pay that money with interest for the delayed period, at the rate of 15% per annum.

Under Section 39(3) of the Companies Act 2013 read with Rule 11(2) of the Companies (Prospectus and Allotment of Securities) Rules, 2014, if the stated minimum subscription amount is not received within the specified period, the application money received is to be credited only to the bank account from which the subscription was remitted. To the extent possible, where the required information for making such refunds is available with the Company and/or Registrar, refunds will be made to the account prescribed. However, where the Company and/or Registrar does not have the necessary information for making such refunds, the Company and/or Registrar will follow the guidelines prescribed by SEBI in this regard including its circular bearing no. CIR/IMD/DF-1/20/2012 dated July 27, 2012.

### **Filing of Draft Prospectus**

A copy of Draft Prospectus has been filed with the Designated Stock Exchange in terms of Regulation 6 and Regulation 7 of the Debt Regulations for dissemination on its website.

### **Debenture Redemption Reserve (“DRR”)**

Section 71 of the Companies Act, 2013, read with Rule 18 made under Chapter IV to the Companies Act, 2013, requires that any company that intends to issue debentures must create a DRR for the purpose of redemption of debentures, in accordance with the following conditions: (a) the DRR shall be created out of the profits of the company available for payment of dividend (b) the DRR shall be equivalent to at least 25% of the amount raised through public issue of debentures in accordance with the Debt Regulations in case of NBFCs registered with the RBI and no DRR is required in the case of privately placed debentures. Accordingly, our Company is required to create a DRR of 25% of the value of the NCDs issued through the Issue. In addition, as per Rule 18(7)(e) under Chapter IV to the Companies Act, 2013, the amounts credited to DRR shall not be utilised by our Company except for the redemption of the NCDs .

Every company required to create or maintain DRR shall before the 30th day of April of each year, deposit or invest, as the case may be, a sum which shall not be less than 15% of the amount of its debentures maturing during the year ending on the 31st day of March, following in any one or more of the following methods: (a) deposits with any scheduled bank, free from charge or lien; (b) unencumbered securities of the Central Government or of any State Government; (c) in unencumbered securities mentioned in clauses (a) to (d) and (ee) of section 20 of the Indian Trusts Act, 1882; (d) unencumbered bonds issued by any other company which is notified under clause (f) of section 20 of the Indian Trusts Act, 1882. The amount deposited or invested, as the case may be, shall not be utilised for any purpose other than for repayment of debentures maturing during the year referred to above, provided that the amount remaining deposited or invested, as the case may be, shall not at any time fall below 15% of the amount of debentures maturing during the 31st day of March of that year. This may have a bearing on the timely redemption of the NCDs by our Company.

### **Issue related expenses**

The expenses of this Issue include, *inter alia*, lead managers fees and selling commission to lead brokers, fees payable to debenture trustees and the Registrar to the Issue, SCSBs' commission / fees, printing and distribution expenses, legal fees, statutory advertisement expenses and listing fees. The estimated Issue expenses to be incurred for the Issue size of up to ₹ 15,000 lakh (assuming full subscription including the retention of over subscription of up to ₹ 5,000 lakh) are as follows:

(₹lakh)	
Activity	Amount
Fees of LM/ Auditors/ Debenture Trustee/ Registrar to the Issue/ Legal Advisor to the Issue, Depositories & commission/processing fees to SCSBs	[●]
Printing and dispatch of stationery and marketing expenses, brokerage and selling commission	[●]
Other Miscellaneous Expenses including Stock Exchange fees, Stamp Duty and Registration Charges <i>etc</i>	[●]
<b>Total</b>	[●]

The above expenses are indicative and are subject to change depending on the actual level of subscription to the Issue and the number of Allottees, market conditions and other relevant factors.

### **Underwriting**

This Issue has not been underwritten.

### **Reservation**

No portion of this Issue has been reserved.

## Commissions and brokerage on previous issue

### *Equity Shares*

Our Company came out with public issue of equity shares in year 1984 and mobilized ₹ 75 lakh. The detail pertaining to commission and brokerage paid under the said issue is not traceable.

### *Non-convertible debentures*

1. An amount of ₹ 103.82 lakh was incurred towards lead management fees, underwriting and selling commission in connection with the public issue of 1,00,00,000 secured redeemable non-convertible debentures of face value ₹ 100 each issued at par, in terms of a Prospectus dated February 18, 2015, issued under the Debt Regulations.
2. An amount of ₹ 289.77 lakh was incurred towards lead management fees, underwriting and selling commission in connection with the public issue of up to 20,00,000 secured redeemable non-convertible debentures of face value ₹ 1,000 each issued at par, in terms of a Prospectus dated March 30, 2016 issued under the Debt Regulations.

Except as stated above, our Company had not paid any commission and brokerage in respect of any other previous issue.

## Details regarding the capital issue during the last three years by our Company and other listed companies under the same management

### *a) Our Company*

#### Equity Shares

During last three years, our Company has not made any issue of the Equity Shares.

#### Preference Shares

Our Company has made allotment of Preference Shares on private placement basis during last three years. The details of which are given as under:

Date of allotment	No. of Preference Shares allotted	Face value (₹)	Issue price (₹)	Nature of Consideration
10% Redeemable Cumulative Preference Shares of ₹ 100 each redeemable at the end of three years				
March 27, 2015	4,29,550	100	100	Cash
March 30, 2015	3,18,000	100	100	Cash
May 18, 2015	2,07,000	100	100	Cash
June 16, 2015	32,500	100	100	Cash
July 06, 2015	23,000	100	100	Cash
August 31, 2015	21,100	100	100	Cash
September 25, 2015	18,850	100	100	Cash
9% Redeemable Cumulative Preference Shares of ₹ 100 each redeemable at the end of three years				
March 1, 2018	8,35,000	100	100	Cash
April 20, 2018	6,65,000	100	100	Cash

### *b) Other listed company under the same management*

The Allotment Committee of Directors of the Sakthi Sugars Limited at its meeting held on March 25, 2014 has allotted 5,94,05,940 fully paid-up Equity Shares of ₹ 10 each at a price of ₹ 30.30 per share (including premium of ₹ 20.30 per share) to ABT Limited, a company belonging to its promoters group, on preferential basis against the sum of ₹ 18,000 lakh brought in by the said allottee, in terms of the CDR Scheme approved by the CDR Empowered Group and as approved by the members by special resolution passed through postal ballot on March 20, 2014. Further, Allotment Committee of Directors of the Sakthi Sugars Limited at its meeting held on June 24, 2016 allotted 2,26,35,757 fully paid up Equity Shares of ₹ 10 each at a price of ₹ 27 per share (including premium of ₹ 17 per share) to ARCIL Limited, by way of conversion of a portion of loan into equity."

### Utilisation of issue proceeds of previous Issues by our Company and Group Companies

#### a) Our Company

Except as disclosed below, our Company has not undertaken any public or rights issue of securities:

##### Equity Shares

Date of allotment	Nature of Allotment	Number of Securities allotted	Price per instrument (₹)	Aggregate amount raised (₹ lakh)	Utilisation Details
02.11.1984	Public issue	7,50,000	10	75.00	Hire purchase finance
14.07.1986	Right issue	5,25,000	10	52.50	Hire purchase finance
24.02.1988	Right issue	10,38,320	10	103.83	Hire purchase finance
15.07.1989	Right issue	5,25,000	10	52.50	Hire purchase finance
04.06.1993	Right issue	30,88,320	30	926.50	Hire purchase finance
09.12.1995	Right issue	37,44,681	30	1,123.40	Hire purchase finance
31.01.2008	Right issue	100,35,660	10	1,003.57	Hire purchase finance

##### Secured redeemable non-convertible debentures

Date of allotment	Nature of Allotment	Number of securities allotted	Price per instrument (₹)	Aggregate amount raised (₹ lakh)	Utilisation Details		
01.04.2015	Public Issue	100,00,000	100	10,000		(₹ lakh)	%
					Gross proceeds from the Issue	10,000.00	
					Less: Issue Expense	274.61	
					Net proceeds from the Issue	9,725.39	100
					Utilized for:		
					a. Hire purchase finance operation	9,725.39	100
					b. General Corporate Purpose	Nil	
18.05.2016	Public Issue	16,48,708	1000	16487.08	Fully utilized as per the object of the issue stated in the prospectus		
						(₹ lakh)	%
					Gross proceeds from the Issue	16,487.08	
					Less: Issue Expense	453.47	
					Net proceeds from the Issue	16,033.61	100
					Utilized for:		
					Onward hire purchase financing/lending activities	14,298.67	89.18
					General Corporate Purpose #	1,734.94	10.82

# The net proceeds raised through public issue has been utilised in the manner stated in the prospectus.

The Company has incurred ₹ 453.47 lakh towards issue expenses against estimated amount of ₹ 350 lakh as disclosed the Prospectus, which resulted in decline in the net proceeds available to the company. The said increase in issue expenses is mainly on account of increase in printing, marketing, brokerage and selling commission expenses.

#### b) Group Companies

Except as disclosed below, our Group Company has not undertaken any public or rights issue of securities:

##### Sakthi Sugars Limited

Date of allotment	Nature of securities	Nature of Allotment	Number of securities allotted	Price per instrument (₹)	Aggregate amount raised (₹ lakh)	Utilisation Details
02.12.1963	Equity shares	Public Issue	39,896	100.00	39.90	Project Finance
25.07.1972	Equity shares	Rights Issue	210,000	10.00	21.00	Project Finance
30.06.1979	Equity shares	Further Public Issue	400,000	10.00	40.00	For working capital
26.10.1979	Equity shares	Further Public Issue	61,940	10.00	6.19	For working capital
27.05.1981	Equity shares	Further Public Issue	38,060	10.00	3.81	For working capital
15.03.1982	Equity shares	Rights Issue	1,843,180	10.00	184.32	For working capital
31.03.1989	Equity shares	Rights Issue	2,429,320	10.00	242.93	Project Finance

Date of allotment	Nature of securities	Nature of Allotment	Number of securities allotted	Price per instrument (₹)	Aggregate amount raised (₹ lakh)	Utilisation Details
14.12.1992	Equity shares	Rights Issue	4,379,176	45.00	1,970.63	Project Finance and working capital

Note: In May 1972, 75,000 equity shares of 100 each were split into 7,50,000 equity shares of ₹10 each.

## Details of the use of proceeds for on-lending from previous public issues of debt securities

### A. Lending Policy

Please refer to the paragraph titled ‘*Customer Appraisal Process*’ under Chapter ‘*Our Business*’ at page 91.

### B. Loans given by the Company

Our Company has not provided any loans/advances to associates, entities/persons relating to Board, senior management or Promoters out of the proceeds of previous issues. The Company has not provided any loans/advances to group entities.

## Description of our loan portfolio

### A. Types of loans

Types of loan given by the Company as on March 31, 2018 are as follows:

Sl No	Type of Loans	Amount (₹ lakh)
1	Secured	90,264.69
2	Unsecured	987.45
	<b>Total assets under management (AUM)</b>	<b>91,252.14</b>

The finances provided are secured by lien on the assets financed

Denomination of loans outstanding by LTV as on March 31, 2018

Sl No	LTV*	% of AUM
1	Up to 40%	3.97%
2	40%-50%	5.74%
3	50%-60%	9.81%
4	60%-70%	21.69%
5	70%-80%	29.86%
6	80%-90%	19.28%
7	More than 90%	9.65%
	<b>Total</b>	<b>100.00</b>

\*LTV at the time of origination

Denomination of loans outstanding by ticket size as on March 31, 2018

Sl No	Ticket size**	(%) of AUM
1	Up to ₹ 2 lakh	10.96%
2	₹ 2 lakh to 5 lakh	45.67%
3	₹ 5 lakh to 10 lakh	35.44%
4	₹ 10 lakh to 25 lakh	7.37%
5	₹ 25 lakh to 50 lakh	0.31%
6	₹ 50 lakh to 1 crore	0.06%
7	₹ 1 crore to 5 crore	0.19%
8	₹ 5 crore to 25 crore	-
9	₹ 25 crore to 100 crore	-
10	Above ₹ 100 cores	-
	<b>Total</b>	<b>100.00</b>

\*\* Ticket size at the time of origination

The details provided are as per borrower and not as per loan account.

Geographical classification of borrowers as on March 31, 2018

Sl No	Top Five States	% of AUM
1	Tamil Nadu and Puducherry	73.16
2	Kerala	21.56
3	Karnataka	3.28
4	Andhra Pradesh	2.01
	<b>Total</b>	<b>100.00</b>

Types of loans according to sectoral exposure as on March 31, 2018 is as follows:

Segment- wise break up of AUM	% of AUM
<b>Retail</b>	
Mortgages (home loans and loans against property)	-
Gold Loans	-
Vehicle Finance	97.23
MFI	-
M & SME	-
Capital market funding (loans against shares, margin funding)	-
Others	2.27
<b>Wholesale</b>	-
Infrastructure	-
Real estate (including builder loans)	-
Promoter funding	-
Any other sector (as applicable)	-
Others	-
<b>Total</b>	<b>100.00</b>

Maturity profile of total retail loan portfolio of the Company as on March 31, 2018 is as follows:

Segment- wise break-up of AUM	Amount (₹ lakh)
Less than 1 month	3,499.49
1-2 month	4,858.58
2-3 month	4,253.29
3-6 month	11,040.36
6 month -1 year	21,506.01
Above 1 year	45,106.96
<b>Total</b>	<b>90,264.69</b>

**B. Details of top 20 borrowers with respect to concentration of advances as on March 31, 2018**

Total Advances to twenty largest borrowers (₹ lakh)	1,750.34
Percentage of Advances to twenty largest borrowers to Total Advances of the NBFC	1.94%

**C. Details of top 20 borrowers with respect to concentration of exposures as on March 31, 2018**

Total Exposures to twenty largest borrowers/Customers (₹ lakh)	1,619.42
Percentage of Exposures to twenty largest borrowers/Customers to Total Advances of the NBFC on borrowers/Customers	1.79%

**D. Details of loans overdue and classified as non - performing in accordance with the RBI's guidelines**

<b>Movement of gross NPAs* as on March 31, 2018</b>	<b>Amount (₹ lakh)</b>
(a) Opening balance	3952.44
(b) Additions during the year	3,846.25
(c) Reductions during the year	3,109.67
(d) Closing balance	4,689.02

\* Please refer paragraph titled “Asset quality and provisioning” under chapter “Our Business” at page 95 for details on Gross NPA recognition Policy.

<b>Movement of provisions for NPAs as on March 31, 2018</b>	<b>Amount (₹ lakh)</b>
(a) Opening balance	1214.75
(b) Additions during the year	1,407.09
(c) Reductions during the year	926.08
(d) Closing balance	1,695.76

**E. Segment-wise gross NPA as on March 31, 2018**

<b>Segment- wise breakup of gross NPAs</b>	<b>Gross NPA (%)</b>
<b>Retail</b>	
Mortgages (home loans and loans against property)	-
Gold Loans	-
Vehicle Finance	98.15%
MFI	-
M & SME	-
Capital market funding (loans against shares, margin funding)	-
Others	1.85%
<b>Wholesale</b>	
Infrastructure	-
Real estate (including builder loans)	-
Promoter funding	-
Any other sector (as applicable)	-
Others	-
<b>Total</b>	<b>100.00</b>

**F. Classification of borrowings as on March 31, 2018**

<b>Sl No</b>	<b>Type of Borrowings</b>	<b>Amount (₹ lakh )</b>	<b>(%)</b>
1	Secured	48,239.10	54.22
2	Unsecured	40,724.43	45.78
	<b>Total</b>	<b>88,963.53*</b>	<b>100.00</b>

\*Inclusive of interest

**G. Promoter Shareholding**

There is no change in promoter holdings in the Company, during the last financial year, beyond 26% (as prescribed by RBI).

## H. Residual maturity profile of assets and liabilities as on March 31, 2018

(₹ lakh)

As at 31.03.2018	Up to 30/31 days	More than 1 month to 2 months	More than 2 months to 3 months	More than 3 months to 6 months	More than 6 months to 1 year	More than 1 year to 3 years	More than 3 years to 5 years	More than 5 years	Total
Deposit	449.28	640.02	634.76	3,172.08	2,337.41	9,063.18	0.00	0.00	16,296.73
Advances	3,424.72	5,123.63	4,128.43	11,322.31	21,298.81	41,499.32	3,119.66	0.00	89,916.88
Investments	0.00	0.00	0.00	0.00	136.31	147.45	522.82	1,759.27	2,565.85
Borrowings	1,055.32	4,249.39	535.80	2,433.46	19,793.65	27,088.88	9,506.45	0.00	64,662.95
Foreign Currency Assets	-	-	-	-	-	-	-	-	0.00
Foreign Current Liabilities	-	-	-	-	-	-	-	-	0.00

## I. Onward lending to borrowers of the “Group “ as defined by RBI

Our company has not provide any loans/advances to associates, entities/ persons relating to the Board, senior management, Promoter except as provided in the Chapter titled “Financial Statements- Related Party Transaction”

### Issue of securities for consideration other than cash

Our Company has not issued any securities for consideration other than cash.

### Dividend

Our Company has no stated dividend policy in connection with our Equity Shares. The declaration and payment of dividends on our Equity Shares is recommended by our Board of Directors and approved by our shareholders, at their discretion and will depend on a number of factors, including but not limited to our profits, capital requirements and overall financial condition. The dividend payable in connection with the preference shares issued by our Company are subject to the terms and conditions of the issue in connection with such preference shares.

The following table gives the dividend declared / recommended by our Company on the Equity Shares and Preference Shares for the Financial Years ended 2018, 2017, 2016, 2015 and 2014.

Financial Year ended / Period Ended	Dividend per share (₹)	No. of shares on which dividend paid	Total dividend (₹ lakh)	Amount of dividend distribution tax (₹ lakh)
<b>Equity Shares of face value of ₹ 10 each</b>				
March 31, 2018	1	5,00,00,000	500.00	102.78
March 31, 2017	1	5,00,00,000	500.00	101.80
March 31, 2016	1	5,00,00,000	500.00	101.79
March 31, 2015	1	5,00,00,000	500.00	101.81
March 31, 2014	1	5,00,00,000	500.00	84.98
<b>10% Redeemable Cumulative Preference Shares of face value of ₹ 100 each (Interim Dividend)</b>				
March 31, 2018	10 (on pro rata basis)	11,37,450	104.23	21.21
March 31, 2017	10 (on pro rata basis)	10,50,000	105.00	21.28
March 31, 2016	10 (on pro rata basis)	10,50,000	104.34	21.24
March 31, 2015	10 (on pro rata basis)	10,57,250	100.76	20.15
March 31, 2014	10	10,00,000	100.00	17.00
<b>9% Redeemable Cumulative Preference Shares of face value of ₹ 100 each (Interim Dividend)</b>				
March 31, 2018	9 (on pro rata basis)	8,35,000	6.39	1.30

### Auditor’s remarks

The statutory auditors of the Company, M/s P K Nagarajan & Co, Chartered Accountants, confirm that there have been no reservations or qualifications or adverse remarks in the financial statements of our Company in the financial years immediately preceding the Draft Prospectus. The then statutory auditors of the Company, M/s P N. Raghavendra Rao & Co, Chartered Accountants, for the period ended / as at March 31, 2017, 2016, 2015 and 2014 confirm that there have been no reservations or qualifications or adverse remarks in the financial statements of our Company in the above four year periods preceding the Draft Prospectus

**Revaluation of assets during last five years**

Our Company has not revalued its assets during the last five years.

**Change in Auditors of our Company during the last three years**

Pursuant to a resolution passed, at the annual general meeting held on September 25, 2017, our shareholders have appointed M/s P K Nagarajan & Co, Chartered Accountants (FRN: 016676S), as our statutory auditor for a period of five financial years with effect from April 1, 2017 to March 31, 2022 in place of our previous statutory auditors, M/s. P.N. Raghavendra Rao & Co, Chartered Accountants on expiry of their term in accordance with the provisions of Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

**Disclosure of track record of past public issues handled by the Lead Manager to Issue**

The details of the track record of Dalmia Securities Private Limited, as required by SEBI circular number CIR/MIRSD/1/2012 dated January 10, 2012, has been disclosed on its website [www.dalmiasec.com](http://www.dalmiasec.com).

**Debentures, redeemable preference shares and other instruments outstanding by our Company**

Apart from the below-mentioned outstanding amount, there are no outstanding debentures, subordinated debt, redeemable preference shares or other instruments issued by our Company that are outstanding as at September 30, 2018.

(₹ lakh)

<b>Preference Shares</b>	
Unlisted Redeemable Preference Shares	1,500.00
Listed secured redeemable non-convertible debentures	16,702.89
Unlisted, unrated, secured redeemable non-convertible debentures	7,263.08
Unlisted subordinated debt	16,267.62
Senior unlisted unsecured, subordinated, non-convertible bond	2,500.00
<b>Total</b>	<b>44,233.59</b>

(excluding Interest accrued but not due and unclaimed matured deposits and interest due thereon)

**Mechanism for redressal of investor grievances**

The MoU between the Registrar to the Issue and our Company will provide for retention of records with the Registrar to the Issue a period of at least 3 years from the last date of dispatch of the Allotment Advice, dematerialized credit and refund orders to enable the investors to approach the Registrar to the Issue for redressal of their grievances.

All grievances relating to the Issue may be addressed to the Registrar to the Issue, giving full details such as name, Application Form number, address of the Applicant, number of NCDs applied for, amount paid on application, Depository Participant's name and Client Identification Number, and the collection centre of the Members of the Syndicate where the Application was submitted. All grievances relating to the ASBA process may be addressed to the Registrar to the Issue with a copy to either (a) the relevant Designated Branch of the SCSB where the Application Form was submitted by the ASBA Applicant, or (b) the Member of the Syndicate and the relevant Designated Branch of the SCSB concerned in the event of an Application submitted by an ASBA Applicant at any of the Syndicate ASBA Application Locations, giving full details such as name, address of Applicant, Application Form number, number of NCDs applied for, amount blocked on Application. All grievances arising out of Applications for the NCDs made through Trading Members may be addressed directly to the BSE.

The contact details of Registrar to the Issue are as follows:

**S.K.D.C CONSULTANTS LIMITED**

"Kanapathy Towers", Third Floor

1391/A-1, Sathy Road

Ganapathy

Coimbatore - 641006

**Tel No:** + 91 (422) 4958995, 2539835-36;

**Fax No:** + 91 (422) 2539837

**Email :** [sflncd@skdc-consultants.com](mailto:sflncd@skdc-consultants.com)

**Website:** [www.skdc-consultants.com](http://www.skdc-consultants.com)

**Investor Grievance Email :** [sflncd@skdc-consultants.com](mailto:sflncd@skdc-consultants.com)

**Contact person:** Mr. K. Jayakumar

**Compliance Officer:** Mrs. Vijayalakshmi Narendra

**SEBI Registration No:** INR000000775



Mr. S. Venkatesh, Company Secretary, has been appointed as the Compliance Officer of our Company for this Issue. The contact details of Compliance Officer of our Company are as follows:

**Mr. S. Venkatesh**

Sakthi Finance Limited

62, Dr. Nanjappa Road

Post Box No. 3745

Coimbatore 641018, Tamil Nadu

**Tel No:** +91 (422) 2231471-474/ 4236207

**Fax No:** +91 (422) 2231915

**Email:** svenkatesh@sakthifinance.com

We estimate that the average time required by us or the Registrar to the Issue for the redressal of routine investor grievances will be 7 (seven) Business Days from the date of receipt of the complaint. In case of non-routine complaints and complaints where external agencies are involved, we will seek to redress these complaints as expeditiously as possible.

Investors can contact the Compliance Officer or the Registrar to the Issue in case of any pre-issue or post-issue related problems, such as non-receipt of Allotment Advice, credit of Allotted NCDs in beneficiary accounts, refund instruments and interest on the Application Amount.

**Disclaimer in respect of Jurisdiction**

The Issue is being made in India to Investors as specified under para “*Issue Structure -Who Can Apply*” on page 151 of the Draft Prospectus. The Draft Prospectus will not, however, constitute an offer to sell or an invitation to subscribe for the NCDs offered hereby in any jurisdiction other than India to any person to whom it is unlawful to make an offer or invitation in such jurisdiction. Any person into whose possession the Draft Prospectus and the Prospectus comes is required to inform himself or herself about, and to observe, any such restrictions. The Debentures are governed by and shall be construed in accordance with the existing Indian laws as applicable. Any dispute arising in respect thereof will be subject to the exclusive jurisdiction for the purpose of the Issue is with the competent Courts of Jurisdiction under section 2(39) of the Companies Act, 2013, being Hon’ble High Court of Madras and appropriate jurisdictional courts in Coimbatore, India.

**Disclaimer statement from the Issuer**

The Issuer accepts no responsibility for statements made other than in the Draft Prospectus issued by our Company in connection with the issue of the NCDs and anyone placing reliance on any other source of information would be doing so at his / her own risk.

## KEY REGULATIONS AND POLICIES

*The regulations set out below are not exhaustive and are only intended to provide general information to investors and is neither designed nor intended to be a substitute for professional legal advice. Taxation statutes such as the Income Tax Act, 1961 and applicable local Goods and Services Tax laws, labour regulations such as the Employees State Insurance Act, 1948 and the Employees Provident Fund and Miscellaneous Act, 1952, and other miscellaneous regulations such as the Trade Marks Act 1999 and applicable shops and establishments statutes apply to us as they do to any other Indian company and therefore have not been detailed below. The statements below are based on the current provisions of Indian law and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.*

*The following description is a summary of certain sector specific laws and regulations in India, which are applicable to our Company. The information detailed in this chapter has been obtained from publications available in the public domain. The regulations set out below may not be exhaustive, and are only intended to provide general information to the investors and are neither designed nor intended to be a substitute for professional legal advice. The statements below are based on the current provisions of the Indian law and the judicial and administrative interpretations thereof, which are subject to change or modification by subsequent legislative, regulatory, administrative or judicial decisions.*

### **(I) Laws in relation to non-banking financial companies**

#### **(A) The Reserve Bank of India Act, 1934 (the “RBI Act”)**

The RBI is entrusted with the responsibility of regulating and supervising the activities of NBFCs under the RBI Act. The RBI Act defines an NBFC as:

- i. a financial institution which is a company;
- ii. a non-banking institution which is a company and which has as its principal business of receiving of deposits, under any scheme or arrangement or in any other manner, or lending in any manner; or
- iii. such other non-banking institution or class of such institutions as the RBI may, with the previous approval of the Central Government and by notification in the official gazette, specify.

As per the RBI Act, a financial institution is a non-banking institution, carrying on as whole or part of its business, *inter alia*, the financing of activities other than its own, by making loans, advances or otherwise; the acquisition of shares, stock, bonds, debentures, securities issued by the Government or other local authorities or other marketable securities of like nature; or letting or delivering goods to a hirer under a hire-purchase agreement.

The RBI has, through a press release dated April 8, 1999, clarified that in order to identify a particular company as an NBFC, it shall consider both the assets and the income pattern as evidenced from the last audited balance sheet of the company to decide its principal business. A company shall be treated as an NBFC, if its financial assets are more than 50% of its total assets (netted off by intangible assets) and income from financial assets is more than 50% of its gross income. Both these tests are required to be satisfied as the determinant factors for principal business of a company.

NBFCs are not permitted to commence or carry on the business of a non-banking financial institution without obtaining a certificate of registration (“CoR”) from the RBI. Further, every NBFC is required to submit to the RBI a certificate from its statutory auditor within one month from the date of finalization of its balance sheet, and in any case not later than December 31st of that year, stating that it is engaged in the business of non-banking financial institution requiring it to hold a CoR. The RBI Act makes it mandatory for every NBFC to get itself registered with the RBI in order to be able to commence any of its activities. An NBFC may be registered as a deposit-accepting NBFC (“NBFC-D”) or as a non-deposit accepting NBFC (“NBFC-ND”). Our Company has been classified as a systemically important NBFC-D SI.

Further, RBI has classified NBFCs as:

1. Asset Finance Company (AFC)
2. Loan Company
3. Investment Company
4. NBFC- Infrastructure Finance Company (NBFC-IFC)
5. NBFC-Systemically Important Core Investment Company (CIC-ND-SI)
6. Infrastructure Debt Fund-NBFC (IDF-NBFC)
7. NBFC-Micro Finance Institution (NBFC-MFI)
8. NBFC-Factor
9. NBFC- Non-Operative Financial Holding Company (NOFHC)
10. Mortgage Guarantee Company (MGC)
11. NBFC-Account Aggregator (NBFC-AA)
12. NBFC-Peer to Peer Lending Platform (NBFC-P2P)

### **Classification as an 'Asset Finance Company'**

Our Company has been classified as NBFC-D-SI and further classified as 'Asset Finance Company' ("AFC"), a category formulated by the RBI pursuant to its circular dated December 6, 2006 ("AFC Circular"). In terms of the AFC Circular, an AFC is a financial institution carrying on, as its principal business, the financing of physical assets supporting productive / economic activity, such as automobiles, tractors, lathe machines, generator sets, earth moving and material handling equipment, moving on its own power and general purpose industrial machines. For a financial institution to qualify as an AFC, the aggregate of real / physical assets supporting economic activity should not be less than 60% of its total assets, and the income originating from financing such assets should not be less than 60% of its total income. Upon being classified as an AFC, such classification is incorporated in the CoR of the NBFC. Further vide RBI Circular DNBR (PD) CC.No.097/03.10.001/2018-19 dated February 22, 2019 for **Harmonisation of different categories of NBFCs**, it has been decided to merge the three categories of NBFCs viz. Asset Finance Companies (AFC), Loan Companies (LCs) and Investment Companies (ICs) into a new category called NBFC-Investment and Credit Company (NBFC-ICC).

### **(B) Regulatory Requirements of an NBFC under the RBI Act**

#### **(i) Net Owned Fund**

The RBI Act, read with a RBI notification dated April 20, 1999, provides that to carry on the business of an NBFC, an entity would have to be registered as an NBFC with the RBI and would be required to have a minimum net owned fund of ₹ 200 lakh. For this purpose, the RBI Act has defined 'net owned fund' to mean:

- i. the aggregate of the paid-up equity capital and free reserves as disclosed in the latest balance sheet of the company, after deducting:
  - a. accumulated balance of losses,
  - b. deferred revenue expenditure; and
  - c. other intangible assets;
- ii. further reduced by the amounts representing:
  - a. investment by such companies in shares of: (a) its subsidiaries, (b) companies in the same group, and (c) other NBFCs; and
  - b. the book value of debentures, bonds, outstanding loans and advances (including hire purchase and lease finance) made to, and deposits with (a) subsidiaries of such company; and (b) companies in the same group, to the extent such amount exceeds 10% of (i) above.

#### **(ii) Reserve Fund**

In addition to the above, the RBI Act requires NBFCs to create a reserve fund and transfer therein a sum of not less than 20% of its net profits earned annually, as disclosed in the profit and loss account, before declaration of dividend. Such sum cannot be appropriated by the NBFC except for the purposes specified by the RBI from time to time and every such appropriation is required to be reported to the RBI within 21 days from the date of such withdrawal.

#### **(iii) Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016 dated August 26, 2016 and amended from time to time ("Deposit Directions")**

Our Company has been classified as a Deposit-Taking Non-Banking Asset Finance Company and accordingly we are regulated by the Deposit Directions in respect of taking deposits. As per the above Direction, every NBFC-D, shall invest and continue to invest in India in unencumbered approved securities valued at the price not exceeding the current market price of such securities an amount which shall, at the close of business or any day, not be less than 15% of the "public deposit", as defined under sub-paragraph (xv) of paragraph of applicable Deposit Directions, outstanding at the close of business on the last working day of second preceding quarter and further can invest not less than 10% in unencumbered approved securities and the remaining in unencumbered term deposits in any scheduled commercial bank / bonds of SIDBI / NABARD, the aggregate of which shall not be less than 15% of the public deposit outstanding at the last working day of the second preceding quarter. The Deposit Directions further, places the following restrictions on NBFCs (D) in connection with accepting public deposits:

- a) **Prohibition from accepting any demand deposits:** NBFCs are prohibited from accepting any public deposit which is repayable on demand.
- b) **Ceiling on quantum of deposits:** An asset finance company or a loan company or an investment company or a factor (a) having minimum NOF as stipulated by RBI, and (b) complying with all the prudential norms, may accept or renew public deposit, together with the amounts remaining outstanding in the books of the company as on the date of acceptance or renewal of such deposit, not exceeding one and one-half times of its NOF. Provided that an asset

finance company holding public deposits in excess of the limit of one and one-half times of its NOF shall not renew or accept fresh deposits till such time they reach the revised limit.

- c) **Prohibition from accepting any deposits from NRIs:** NBFCs are also prohibited from inviting or accepting or renewing repatriable deposits, from Non- Resident Indians under the Non-Resident (External) Account Scheme, at a rate exceeding the rate specified by the RBI for such deposits with Scheduled Commercial Banks (the period of repatriable deposits shall be not less than one year and not more than three years).
- d) **Credit-rating:** In the event that the credit rating issued by a credit rating agency recognized by RBI, for an asset finance company, is downgraded below the minimum specified investment grade, with respect to the relevant credit rating agency, the NBFC must (a) forthwith stop accepting public deposits, (b) report the position of the credit rating within fifteen working days to the RBI and (c) reduce, within three years from the date of such downgrading of credit rating, the amount of excess public deposits to nil or the appropriate extent as permitted under the Deposit Directions, by repayment as and when such deposit falls due or otherwise.
- e) **Ceiling on rate of interest:** An NBFC cannot invite or accept or renew public deposit at a rate of interest exceeding twelve and half per cent per annum. Such interest may be paid or compounded at rests which shall not be shorter than monthly rests.
- f) **Minimum lock-in period:** An NBFC is prohibited from granting any loan against a public deposit or make premature repayment of a public deposit within a period of three months from the date of acceptance of such public deposit.
- g) **NBFC failing to repay public deposit prohibited from making loans and investments**  
A NBFC-D which has failed to repay any public deposit or part thereof in accordance with the terms and conditions of such deposit, cannot grant any loan or other credit facility by whatever name called or make any investment or create any other asset as long as such default exists.

(iv) **Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 vide DNBR.PD.008/03.10.119/2016-17 September 01, 2016 (updated as on February 22, 2019) (“NBFC- SI Directions”)**

- (a) **Capital Adequacy:** Every Systemically Important NBFC shall maintain a minimum capital ratio consisting of Tier I and Tier II Capital which shall not be less than 15% of its aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items and the Tier I Capital in respect of applicable NBFCs (other than NBFC-MFI and IDF-NBFC), at any point of time, shall not be less than 10%. For the above, ‘Tier I Capital’ means owned fund as reduced by investment in shares of other non-banking financial companies and in shares, debentures, bonds, outstanding loans and advances including hire purchase and lease finance made to and deposits with subsidiaries and companies in the same group exceeding, in aggregate, ten per cent of the owned fund; and perpetual debt instruments issued by a non-deposit taking non-banking financial company in each year to the extent it does not exceed 15% of the aggregate Tier I Capital of such company as on March 31 of the previous accounting year. Further “Tier II Capital” means (a) preference shares not compulsorily convertible into equity; (b) revaluation reserves at a discounted rate of 55%; (c) general provisions and loss reserves, to the extent these are not attributable to an actual diminution in value or identifiable potential loss in any specific asset, and are available to meet unexpected losses, to the extent of 1.25% of risk weighted assets; (d) hybrid debt capital instruments; (e) subordinated debt and (f) perpetual debt instruments issued by a non-deposit taking non banking financial company which is in excess of what qualifies for Tier I Capital. At any given time, “Tier II Capital” shall not exceed the total “Tier I Capital” of an NBFC.
- (b) **Prudential Requirements:** The NBFC-SI Directions place several requirements that an NBFC must adhere to, *inter alia*, regarding income recognition, income from investments, the need to follow relevant accounting standards, the framing and implementation of an investment policy amongst others.
- (c) **Loan Policy:** As per the NBFC-SI Directions, the Board of Directors granting / intending to grant demand / call loans shall frame policy for the NBFC which includes, *inter alia*, a cut-off date within which the repayment of demand or call loan shall be demanded or called up and the rate of interest which shall be payable on such loans date within which the repayment of demand or call loan shall be demanded or called up and the rate of interest which shall be payable on such loans.

(d) **Non Performing Assets (NPAs)**

Under the NBFC-SI Directions, the following shall be considered as ‘non-performing assets’ (“NPAs”), if the accompanying conditions remain in existence for a period of three months or more for Fiscal 2018:

- i. Assets, in respect of which interest has remained overdue;
- ii. Term loans, inclusive of unpaid interest, when the instalment is overdue, or on which interest amounts remain overdue;
- iii. Demand or call loans, which has remained overdue, or on which interest amount remained overdue;
- iv. Bills, which have remained overdue;
- v. Interest in respect of a debt or income on receivables under the head 'other current assets,' being in the nature of short term loans/advances, which have remained overdue; or
- vi. any dues on account of the sale of assets or services rendered, or reimbursement of expenses incurred, which have remained overdue.

Lease rental and hire purchase instalments shall be considered as NPAs if they remain overdue for three months or more in Fiscal 2018. In addition, where any of the above are classified as NPAs in relation to a borrower, the balance amount outstanding under other all credit facilities extended to them are also classified as NPAs. In terms of the NBFC-SI Directions, any income – including interest, discount, hire charges, lease rentals or other charges on an NPA shall be recognised as 'income' only when it is actually realised.

#### **(e) Asset Classification**

The NBFC-SI Directions require that every NBFC shall, after taking into account the degree of well-defined credit weaknesses and extent of dependence on collateral security for realisation, classify its lease/hire purchase assets, loans and advances and any other forms of credit into the following classes:

- i. Standard assets, i.e. assets, in respect of which, no default in repayment of principal or interest is perceived, which do not disclose any problems and do not carry more than a normal risk attached to business;
- ii. Sub-standard assets, i.e. assets which have been classified as NPAs for a period not exceeding 12 months, or where the terms regarding repayment of the payment or interest have been renegotiated, rescheduled or restructured, until satisfactory performance of the revised terms for a year;
- iii. Doubtful assets, i.e. term loans, lease assets, hire-purchase assets or any other asset that has remained substandard for a period exceeding 12 months; and
- iv. Loss assets, i.e. assets that have been identified as such by the NBFC, its internal or external auditors, or the RBI during its inspection of the NBFC, to the extent that it has not been written off by the NBFC, or assets adversely affected by the threat of non-recoverability due to the erosion in the value of the security, non-availability of security or a fraudulent act or omission by the borrower.

Further, such class of assets would not be entitled to be upgraded merely as a result of rescheduling, unless it satisfies the conditions required for such upgradation.

#### **(f) Provisioning Requirements**

An NBFC-SI, after taking into account the time lag between an account becoming an NPA, its recognition, the realisation of the security and erosion over time in the value of the security charged, shall make provisions against sub-standard assets, doubtful assets and loss assets in the manner provided for in the NBFC-SI Directions as per details as under:

- i. Loss Assets: The entire assets shall be written off, and if they are permitted to remain in the books of the NBFC, 100% of the outstanding loss assets shall be provided for.
- ii. Doubtful Assets: NBFCs are required to make a 100% provision to the extent to which the advance is not covered by the realisable value of the security to which the applicable NBFC has a valid recourse. Additionally, a provision of 20% - 50% of the secured portion shall be made, in accordance with the basis prescribed in the NBFC-SI Directions.
- iii. Sub-standard assets: A general provision of 10% of the total outstanding assets shall be made.
- iv. Lease Finance and Hire Purchase Assets: NBFCs are required to provide for the total dues, as reduced by (a) the finance charges not credited to the profit and loss account and carried forward as unmatured finance charges; and (b) the depreciated value of the underlying asset.
- v. Standard Assets: NBFCs are required to make provisions of 0.40% by the end of March 2018

The NBFC-SI Directions clarify that income recognition on NPAs and provisioning against NPAs are different aspects of the prudential norms specified therein. The provisioning requirements that such prudential norms specify shall be made on total outstanding balances, without regard to the fact that income on an NPA has not been recognised.

*(g) Disclosure Requirements*

An NBFC-SI is required to separately disclose in its balance sheet the provisions made as per NBFC-SI Directions without netting them from the income or against the value of the assets. These provisions shall be distinctly indicated under separate heads of accounts for ‘provisions for bad and doubtful debts’ and ‘provisions for depreciation in investments’, and shall not be appropriated from the general provisions and loss reserves held, if any, by it. Such provisions for each year shall be debited to the profit and loss account, and the excess, if any, held as general provisions and loss reserves shall be written back without making adjustment against them.

*(h) Corporate governance norms*

As per the NBFC-SI Directions, all NBFCs are required to adhere to certain corporate governance norms, including constitution of an audit committee, a nomination committee, an asset liability management committee and a risk management committee. The audit committee should consist of not less than three members of its board of directors, and it must ensure that an information system audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced. Nomination Committee is required to ensure ‘fit and proper’ status of proposed/ existing director and in order to manage the integrated risk, all NBFCs shall form a risk management committee, besides the asset liability management committee. In addition to this, all NBFCs shall ensure that a policy is put in place with the approval of the board of directors for ascertaining the fit and proper criteria of the directors at the time of appointment, and on a continuing basis. All NBFCs are also required to put up to the board of directors, at regular intervals, as may be prescribed the progress made in putting in place a progressive risk management system and risk management policy and strategy followed by the NBFC, in conformity with corporate governance standards viz., composition of various committees, their role and functions, periodicity of the meetings, compliance with coverage and review functions, etc. The NBFCs will also have to adhere to certain other norms in connection with disclosure, transparency and rotation of partners of the statutory audit firm.

*(i) Fair Practices Code (FPC)*

As per the NBFC-SI Directions, NBFCs having customer interfaces should mandatorily adopt the guidelines wherein all communications to the borrower shall be in the vernacular language or a language as understood by the borrower. Loan application forms shall include necessary information which affects the interest of the borrower, so that a meaningful comparison with the terms and conditions offered by other NBFCs can be made and informed decision can be taken by the borrower. NBFCs should also give notice to the borrower in the vernacular language or a language as understood by the borrower of any change in the terms and conditions including disbursement schedule, interest rates, service charges, prepayment charges etc. NBFCs shall ensure that changes in interest rates and charges are effected only prospectively. The board of directors shall also lay down the appropriate grievance redressal mechanism within the organization. Such a mechanism shall ensure that all disputes arising out of the decisions of lending institutions’ functionaries are heard and disposed of at least at the next higher level. In case of receipt of request from the borrower for transfer of borrowal account, the consent or otherwise i.e., objection of the NBFC, if any, shall be conveyed within 21 days from the date of receipt of request. Such transfer shall be as per transparent contractual terms in consonance with law and in the matter of recovery of loans, an NBFC shall not resort to undue harassment methods which include persistently bothering the borrowers at odd hours, use muscle power for recovery of loans etc. NBFC shall also ensure that the staffs are adequately trained to deal with the customers in an appropriate manner.

*(j) Asset Liability Management*

As part of the NBFC-SI Directions, the RBI has prescribed the Guidelines for Asset Liability Management (“ALM”) System in relation to NBFCs (**ALM Guidelines**) which would involve the assessment of various types of risks and altering the asset-liability portfolio in a dynamic way in order to manage risks. The ALM Guidelines mainly address liquidity and interest rate risks. As per the ALM Guidelines, the NBFCs having an asset base of ₹ 1,0000 lakh or more, are required to put in place an ALM system. As a pre-requisite, NBFCs are required to install a strong ‘Management Information System’, which shall be computerised and shall make use of specialised software for managing the assets and liabilities with respect to the maturity mismatches, and the various risks associated with such mismatches. The ALM system involves the following:

- i. ALM information systems: This involves the introduction of base information system for risk measurement and monitoring which enables collection of accurate data in a timely manner.
- ii. ALM organizations: This involves the setting up of an organisational structure for risk management, consisting of the following:

- a. The board of directors of the company, who shall have the overall responsibility for management of risks, and shall decide the risk management policy of the NBFC and set limits for liquidity, interest rate and equity price risks.
  - b. The Asset - Liability Committee (“ALCO”), consisting of the NBFC’s senior management including its chief executive officer, which shall be responsible for ensuring adherence to the limits set by the board as well as for deciding the business strategy of the NBFC in line with the NBFC’s budget and decided risk management objectives.
  - c. The ALM support groups, consisting of operating staff, which shall be responsible for analysing, monitoring and reporting the risk profiles to the ALCO.
- iii. ALM processes: This involves the formulation of processes in relation to liquidity risk management, management of market risks, funding and capital planning, profit planning and growth projection; as well as forecasting and analysing contingencies and preparing appropriate contingency plans.

***(k) Rating of Financial Product***

Pursuant to the NBFC-SI Directions, all NBFCs with an asset size of ₹ 10,000 lakh and above shall furnish information about downgrading / upgrading of the assigned rating of any financial product issued by them within 15 days of such a change in rating, to the regional office of the RBI under whose jurisdiction their registered office is functioning.

***(l) Norms for Excessive Interest Rates***

The NBFC-SI Directions directs the board of directors of NBFCs to adopt an interest rate model, taking into account relevant factors such as cost of funds, margin and risk premium and determine the rate of interest to be charged for loans and advances. The rate of interest and the approach for gradations of risk and rationale for charging different rate of interest to different categories of borrowers shall be disclosed to the borrower or customer in the application form and communicated explicitly in the sanction letter. The rates of interest and the approach for gradation of risks shall also be made available on the web-site of the companies or published in the relevant newspapers. The information published in the website or otherwise published shall be updated whenever there is a change in the rates of interest. The rate of interest should be annualised so that a borrower is aware of the exact rates that would be charged to the account.

***(iv) Other RBI Directions***

***(a) Reserve Bank of India (Know Your Customer (KYC) Directions, 2016 (“KYC Directions”)***

The Department of Banking Regulation, RBI has issued the KYC Directions dated February 25, 2016, as amended from time to time, which are applicable *inter alia* to all NBFCs for the formulation of a ‘Know Your Customer’ (“KYC”) policy duly approved by the board of directors of the entity and ensure compliance with the same. The KYC policy formulated is required to include four key elements, being customer acceptance policy, risk management, customer identification procedures and monitoring of transactions. The regulated entities are required to ensure compliance with the KYC policy of the entity through specifying who constitutes ‘senior management’ for the purpose of KYC compliance, specifying allocation of responsibility for effective implementation of policies and procedures, independent evaluation of the compliance functions of the entity’s policies and procedures, including legal and regulatory requirements, implementing a concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures, and the submission of quarterly audit notes and compliance to the audit committee.

***(b) Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016 (“NBFC Returns Directions, 2016”)***

The NBFC Returns Directions, 2016 mandate that all NBFCs shall put in place a reporting system for filing of various returns with the RBI. In addition, they also provide for the forms to be filed under various RBI Act, and the various directions thereunder. Further, they provide for details and the periodicity of form filings across various categories of NBFCs.

***(c) Enhancement of NBFCs’ Capital Raising Option for Capital Adequacy Purposes October 2008 (Enhancement of Capital Raising Option”)***

The RBI has issued a notification on the “*Enhancement of Capital Raising Option*” whereby NBFCs-SI have been permitted to augment their capital funds by issuing perpetual debt instruments (“PDI”) in accordance with the prescribed guidelines provided thereunder. Such PDI shall be eligible for inclusion as Tier I Capital to the extent of

15% of total Tier I Capital as on March 31 of the previous accounting year. The, amount of PDI in excess of amount admissible as Tier I Capital shall qualify as Tier II Capital, within the eligible limits.

***(d) Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016 ("Auditor Report Directions")***

In addition to the Report made by the auditor under Section 143 of the Companies Act, 2013 on the accounts of a non-banking financial company examined by him for every financial year ending on any day on or after the commencement of these Directions, for any NBFC-D, the auditor shall also make a separate report to the Board of Directors of the Company on compliances of quantum of acceptance of public deposits (compliance with Deposit Directions), minimum investment grade credit rating, determination of capital adequacy ratio, prudential norms, liquid assets requirement, submission of returns with RBI, any default in payment of the interest and /or principal amount to Depositors.

***(e) Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016 ("Fraud Directions, 2016")***

Under the Fraud Directions, 2016, NBFCs are required to put in place a reporting system for recording frauds to RBI and should fix staff accountability in respect of delays in reporting of fraud cases to the RBI. For this purpose, an official of the rank of general manager or equivalent should be nominated who will be responsible for submitting all the returns to the Bank and reporting referred to in these directions. If NBFCs do not adhere to the applicable time-frame for reporting fraud, they shall become liable for penal action. The Fraud Directions, 2016 classify frauds into the following categories:

- i. Misappropriation and criminal breach of trust;
- ii. Fraudulent encashment through forged instruments, manipulation of books of account or through fictitious accounts and conversion of property;
- iii. Unauthorised credit facilities extended for reward or for illegal gratification;
- iv. Negligence and cash shortages;
- v. Cheating and forgery;
- vi. Irregularities in foreign exchange transactions; and
- vii. Any other type of fraud.

***(f) Information Technology Framework for the NBFC Sector Directions, 2017 (the "IT Framework Directions")***

The IT Framework Directions have been notified with the view of benchmarking the information technology / information security framework, business continuity planning, disaster recovery management, information technology ("IT") audit and other processes to best practices for the NBFC sector. NBFC-SIs are required to comply with the IT Framework Directions by June 30, 2018. The IT Framework Directions provide for the following:

- i. *IT governance:* Under the IT Framework Directions, all NBFCs are required to form an IT Strategy Committee, under the chairmanship of an independent director of the NBFC-SI with the chief information officer and the chief technology officer as mandatory members. The IT strategy committee is empowered to review and amend the IT strategies of the NBFC-SI in line with its corporate strategies, board policy reviews, cyber security arrangements and any other matter related to IT governance, and place its deliberations before the board of directors of the NBFC-SI.
- ii. *IT policy:* NBFCs are required to formulate a board-approved IT policy, in line with the objectives of the organisation. Such a policy must mandatorily provide for an IT organisational structure and the appointment of a chief information officer or an in-charge of IT operations. The policy so formed must also ensure the technical competence of senior and middle level management and periodic assessment of IT training requirements.
- iii. *Information and cyber security:* In addition to the IT policy, NBFCs must further formulate a board-approved information security policy, which *inter alia* provides for the identification and classification of information assets, segregation of functions, personnel and physical security and incident management. NBFCs are additionally tasked with creating a framework for conducting periodic information security audits. Further, the NBFC must formulate a board approved cyber-security policy, which elucidates the strategy of the NBFC on countering cyber threats. Beyond these policies, the IT Framework Directions mandates several additional processes to be put in place, such as a cyber-crisis management plan, strategies for management and elimination of vulnerability and promoting cyber-security awareness amongst stakeholders and the board of directors.
- iv. *IT operations:* The IT Framework Directions direct companies to create a steering committee to oversee and monitor IT project, and create policies to manage transitions in their IT systems. In addition, it requires NBFCs to put in place various management information systems for various types of data.



- v. *Business Continuity Planning*: NBFCs are required to identify critical business verticals, locations and shares resources, envisage the impact of unforeseen disasters on their business and are required to create recovery strategies or contingency plans in the case of the failure of the same.
- vi. *IT services outsourcing*: The IT Framework Directions provide for safeguards that an NBFC must adopt in their arrangements with service providers to whom they have outsourced their IT requirements.

**(g) Reserve Bank Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs, 2017 (“Outsourcing Directions”)**

The Out-sourcing Directions provide for regulating outsourcing activities pertaining to financial services viz. application processing (loan origination, credit card), document processing, marketing and research, supervision of loans, data processing and back office related activities, besides others. The object of the said direction is to protect the interest of the customers of NBFCs and to ensure that the NBFC concerned and the Reserve Bank of India have access to all relevant books, records and information available with service provider. The direction, *inter alia*, provides risk management practices for outsourced financial services, role of the board and Senior Management team, basic framework for the outsourcing agreement, responsibilities of Service Provider for monitoring and control of outsourced activities.

**(h) Reserve Bank Commercial Paper Directions, 2017 (“Commercial Paper Directions”)**

The Commercial Paper Directions regulate the issue of commercial papers. Commercial papers may be issued by companies including NBFCs, provided that any fund based facility they have availed from banks or financial institutions are classified as standard assets by all banks and financial institutions at the time of their issue. The Commercial Paper Directions determine the form, mode of issuance, rating and documentation procedures for the issue of commercial papers. In terms of the Commercial Paper Directions, commercial papers are issued as promissory notes, and are to be held in dematerialised form. They are issued at a discount to face value, in a minimum denomination of ₹ 5 lacs or multiples thereof. Issuers, whose total commercial paper issuance in a calendar year is ₹ 1,000 crore or more, must also obtain a credit rating for their commercial papers from at least two credit rating agencies, and adopt the lower of these ratings. The minimum rating for a commercial paper shall be ‘A3’. The directions further provide for secondary market trading in commercial papers, buyback of commercial papers and the obligations of the issuer, the issuing and paying agent and credit rating agencies in the issue of commercial papers.

**(v) Laws in relation to the recovery of debts**

**(a) Insolvency and Bankruptcy Code, 2016 (the “IB Code”)**

The IB Code primarily enables time-bound reorganisation and insolvency resolution of debtors. The primary objectives of the IB Code are:

- i. to consolidate and amend the laws relating to reorganisation and insolvency resolution of corporate persons, partnership firms and individuals in a time-bound manner for maximisation of value of assets of such persons;
- ii. to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders, including alteration in the order of priority of payment of Government dues; and
- iii. to establish an Insolvency and Bankruptcy Board of India.

The IB Code specifies two different sets of adjudicating authorities to exercise judicial control over the insolvency and liquidation processes:

- i. In case of companies, limited liability partnerships and other limited liability entities, National Company Law Tribunals (“NCLT”) shall act as the adjudicating authority; and appeals therefrom shall lie with the National Company Law Appellate Tribunal (“NCLAT”).
- ii. In case of individuals and partnerships, Debt Recovery Tribunal (“DRT”) shall act as the adjudicating authority and appeals therefrom shall lie with the Debt Recovery Appellate Tribunal (“DRAT”).

The Supreme Court of India shall have appellate jurisdiction over NCLAT and DRAT.

The IB Code governs two corporate insolvency processes, i.e. (i) insolvency resolution; and (ii) liquidation:

- i. *Insolvency resolution*: Upon a default by a corporate debtor, a creditor or the debtor itself may initiate insolvency resolution proceedings. The IB Code prescribes a timeline of 180 days for the insolvency resolution process, subject to a single extension of 90 days, during which there shall be a moratorium on the institution or continuation of suits against the debtor, or interference with its assets. During such period, the creditors and the

debtor will be expected to negotiate and finalise a resolution plan, with the assistance of insolvency resolution professionals to be appointed by a committee of creditors formed for this purpose. Upon approval of such a plan by the adjudicating authority, the same shall become binding upon the creditors and the debtor.

- ii. *Liquidation*: In the event that no insolvency resolution is successfully formulated, or if the adjudicating authority so decides, a liquidation process may be initiated against the debtor. A liquidator is appointed, who takes the assets and properties of the debtor in his custody and verifies claims of creditors, before selling such assets and properties and distributing the proceeds therefrom to creditors.

The bankruptcy of an individual can be initiated by the debtor, the creditors (either jointly or individually) or by any partner of a partnership firm (where the debtor is a firm), only after the failure of the Insolvency Resolution Process (IRP) or non-implementation of repayment plan. The bankruptcy trustee is responsible for administration of the estate of the bankrupt and for distribution of the proceeds on basis of the priority set out in the Code.

In addition, the IB Code establishes and provides for the functioning of the Insolvency and Bankruptcy Board of India (“IBBI”) which functions as the regulator for matters pertaining to insolvency and bankruptcy. The IBBI exercises a range of legislative, administrative and quasi-judicial functions, *inter alia*, in relation to the registration, regulation and monitoring of insolvency professional agencies, insolvency professionals and information utilities; publish information, data, research and studies as may be specified; constitute committees as may be required; and make regulations and guidelines in relation to insolvency and bankruptcy.

**(b) *Recovery of Debts due to Banks and Financial Institutions Act, 1993 (“Debts Recovery Act”)***

The Debts Recovery Act provides for establishment of DRTs for expeditious adjudication and recovery of debts due to a bank or financial institution, or a consortium of banks or financial institutions. The Debts Recovery Act is only applicable to such debts as are for a sum that is greater than ₹ 1 million, or in the case of particular debts that the Central Government may specify, greater than ₹ 0.1 million. A DRT established under the Debts Recovery Act exercises jurisdiction over applications from banks and financial institutions for the recovery of debts due to them, and no court or other authority can exercise jurisdiction in relation to matters covered by the Debts Recovery Act, except the higher courts in India in certain circumstances. The Debts Recovery Act also provides for the establishment of DRATs, and any appeal from any order of a DRT lies with a DRAT. Further, the Debts Recovery Act provides for the procedure to be followed in proceedings before a DRT or DRAT.

**(c) *Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002 (“Securitisation Act”)***

The Securitisation Act grants certain special rights to banks and financial institutions to enforce their security interests upon non-payment of a secured debt. The Securitisation Act provides that a secured creditor may, in the case of a default in payment of a debt or an instalment thereof, classify the account of the borrower as an NPA, and give notice in writing to the borrower requiring it to discharge its liabilities within 60 days, failing which the following rights accrue to the secured creditor:

- i. taking possession of the assets constituting the security for the loan, including the right to transfer the assets by way of lease, assignment or sale of the asset;
- ii. taking over the management of the business of the borrower, including the right to sell or otherwise dispose of the assets, in case a significant portion of the debtor’s business is held as security;
- iii. appointment of a manager to manage the secured assets; and
- iv. requiring that any person who has acquired any of the secured assets from the borrower and from whom any money is or may become due to the debtor, to pay the secured creditor instead.

Where a secured creditor seeks to take a secured asset into its possession or sell or transfer the same under the provisions of the Securitisation Act, the secured creditor may make a written request to the Chief Metropolitan Magistrate or the District Magistrate within whose jurisdiction the secured asset or relevant documents may be situated or found. Upon such request, the Chief Metropolitan Magistrate or District Magistrate may take possession of such assets and/ or relevant documents and forward the same to the creditor, using or directing the use of such force as may be necessary. In addition, the secured creditor may file an application before a DRT or a competent court for recovery of balance amounts, if any, and may take any other measures for the recovery of debts.

Further, the Securitisation Act provides for the creation of a central database by the Central Government for recording rights over any property or creation, modification or satisfaction of any security interest thereon. This registry is to be integrated with registration records under various central registrations, including the Companies Act, 2013, the Registration Act, 1908 and the Motor Vehicles Act, 1988. Any registration of transactions for creation, modification or satisfaction of security interest by a creditor or filing of attachment orders

shall be deemed to constitute a public notice. Where a security interest or attachment order upon property in favour of a creditor is filed for registration, the claim of such creditor has priority over any subsequent security interest, transfer or attachment order upon the property.

In addition, the Securitisation Act regulates ‘asset reconstruction companies’, which are companies intended to carry on the business of securitisation or asset reconstruction. An asset reconstruction company, upon being registered by the RBI, may acquire the financial assets of a bank or financial institution, whereupon it shall be deemed to become the lender in place of the bank in relation to such financial assets, and all rights of the bank or financial institution in relation to such financial assets shall vest in the asset reconstruction company. For the purposes of asset reconstruction, an asset reconstruction company may *inter alia* provide for the management of the business of a borrower (including a change in or takeover of its management), sale or lease of the business of a borrower, rescheduling payment of debts, settlement of dues, enforcement or possession of security interests, or conversion of debt of a borrower into shares.

## **Anti-Money Laundering laws**

### ***i) Prevention of Money Laundering Act, 2002 (“PMLA”)***

The PMLA was enacted to prevent money laundering and to provide for confiscation of property derived from or involved in, money laundering. The Government, under the PMLA, has issued the Prevention of Money Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (“**PML Rules**”). The PMLA and PML Rules place various obligations upon banks, financial institutions and other intermediaries in relation to the maintenance of records of all transactions, verification of clients and identification of beneficial owners of clients.

### ***ii) ‘Know Your Customer’ (KYC) Guidelines – Anti Money Laundering Standards (AML) ‘Prevention of Money Laundering Act, 2002 - Obligations of NBFCs in terms of Rules notified thereunder’ (“PMLA Master Circular”)***

The RBI has issued the PMLA Master Circular dated July 1, 2015 to ensure that a proper policy framework for the implementation of the PMLA and PML Rules is put into place. Pursuant to the provisions of PMLA, PML Rules and the RBI guidelines, all NBFCs are advised to appoint a principal officer for internal reporting of suspicious transactions and cash transactions and to maintain a system of internal reporting for: (i) all cash transactions of value of more than ₹ 10 lakh; (ii) all series of cash transactions integrally connected to each other which have been valued below ₹ 10 lakh where such series of transactions have taken place within one month and the aggregate value of such transaction exceeds ₹ 1 million.

Under the PMLA Master Circular, all NBFCs are required to introduce a system of maintaining a proper record of certain transactions, and for the proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. NBFCs are also required to maintain for at least ten years from the date of transaction between the NBFCs and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity. Further, NBFCs shall exercise on-going due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and where necessary, the source of funds.

## **Laws in relation to foreign investment and external commercial borrowing**

### ***(i) Foreign Exchange Management Act, 1999 (“FEMA”)***

Foreign investment in Indian securities is regulated through the Consolidated Foreign Direct Investment (“**FDI**”) Policy and Foreign Exchange Management Act, 1999 (“**FEMA**”). The government bodies responsible for granting foreign investment approvals are the ministries / departments concerned of the Government of India and the RBI. The Union Cabinet has approved phasing out the Foreign Investment Promotion Board, as provided in the press release dated May 24, 2017. Accordingly, pursuant to the office memorandum dated June 5, 2017, issued by the Department of Economic Affairs, Ministry of Finance, approval of foreign investment under the FDI policy has been entrusted to ministries / departments concerned. Subsequently, the Department of Industrial Policy & Promotion (“**DIPP**”) issued the Standard Operating Procedure (SOP) for Processing FDI Proposals on June 29, 2017 (the “**SOP**”). The SOP provides a list of the competent authorities for granting approval for foreign investment for sectors/activities requiring Government approval. For sectors or activities that are currently under automatic route but which required Government approval earlier as per the extant policy during the relevant period, the administrative ministry/department concerned shall act as the competent authority (the “**Competent Authority**”) for the grant of *post facto* approval of foreign

investment. In circumstances where there is a doubt as to which department shall act as the Competent Authority, the DIPP shall identify the Competent Authority. The DIPP has from time to time made policy pronouncements on FDI through press notes and press releases which are notified by RBI as amendment to FEMA. In case of any conflict, FEMA prevails.

The Consolidated FDI Policy consolidates the policy framework in place as on August 27, 2017. Further, on January 4, 2018 the RBI released the Master Direction on Foreign Investment in India. Under the approval route, prior approval from the FIPB or RBI is required. FDI for the items/activities that cannot be brought in under the automatic route may be brought in through the approval route. Approvals are accorded on the recommendation of the FIPB, which is chaired by the Secretary, DIPP, with the Union Finance Secretary, Commerce Secretary and other key Secretaries of the Government of India as its members.

As per the sector specific guidelines of the Government of India, 100% FDI/ Non-Resident Indian (“NRI”) investments are allowed under the automatic route in certain NBFC activities subject to compliance with guidelines of the RBI in this regard.

**(ii) External Commercial borrowing (ECB)**

External Commercial Borrowings (“ECB”) are commercial loans raised by eligible resident entities from recognised non-resident entities. ECB transactions are governed by clause (d) of sub-section 3 of section 6 of FEMA, and by various regulations, notifications and RBI circulars, which have been consolidated in the RBI Master Direction on External Commercial Borrowings, Trade Credit, Borrowing and Lending in Foreign Currency by Authorised Dealers and Persons other than Authorised Dealers, dated January 1, 2016 and read in conjunction with RBI Circular dated January 16, 2019 (“**ECB Master Direction**” / “**New ECB framework**”). Under the above Master Direction and New ECB framework, a permitted resident may borrow from a recognised non-resident entity through bank loans; floating / fixed rate notes/ bonds/ (other than fully and compulsorily convertible instruments; trade credit beyond 3 years; FCCBs: FCEBs and financial Lease. Further plain Vanilla Rupee Denominated Bonds (RDBs) which can be placed privately or listed on exchanges as per host country regulations (only for INR denominated ECBs).

Borrowings through ECB may be raised through one of two options:

- (i) Foreign Currency denominated ECB
- (ii) INR denominated ECBS

Salient covenants of ECBs:

- (a) Minimum Average Maturity Period (MAMP) of 3 years (manufacturing companies can raise upto US\$50 mn with 1 year MAMP). If the ECB is raised from foreign equity holder and used for working capital, general corporate purposes or for repayment of Rupee loans will have MAMP of 5 years.
- (b) All-in-cost ceiling is Benchmark rate plus 450 bps. Prepayment charges/ Penal interest shall not be more than 2% over and above contracted rate on the outstanding principal amount and will be outside the all-in-cost ceiling

ECB may be raised by either automatic route or the approval route. Under the automatic route, ECB cases are examined by the Authorised Dealer Category-I, to whom the RBI has delegated the function of monitoring and approving ECB transactions. In borrowings through the approval route, the prospective borrowers are required to forward requests to the RBI through an authorised dealer. The ECB Master Directions prescribe individual limits of ECB that may be raised by an entity under the automatic route per Fiscal, beyond which, the ECB proposals of such entities shall come under the approval route. Accordingly, an AFC is permitted to raise up to USD 750 million or equivalent through the automatic route.

**Labour law regulations**

We are required to comply with certain labour and industrial laws, which includes Employees’ Provident Funds and Miscellaneous Provisions Act 1952, the Employees State Insurance Act, 1948, the Minimum Wages Act, 1948, the Maternity Benefit Act, 1961, the Payment of Bonus Act, 1965, the Payment of Gratuity Act, 1972, the Payment of Wages Act, 1936, Industrial Disputes Act, 1947, Industrial Employment (Standing Orders) Act, 1946, Equal Remuneration Act, 1976, Public Premises (Eviction of Unauthorized Occupants) Act, 1971, and the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, amongst others.

## **Tax legislations**

The tax related laws that are applicable to our Company include the Central Goods and Services Tax Act, 2017, the Interstate Goods and Services Tax Act, 2017, various state goods and services tax legislations, the Income Tax Act, the Income Tax Rules, local body taxes in respective states and various applicable GST notifications and circulars.

## **Electricity Sector Regulations:**

Our Company also generates power from windmills and sells the same to Tamilnadu Electricity Board and Gujarat UrjaVikas Nigam Limited. The following laws and regulatory requirements are applicable to our Company.

### **1. *The Ministry of New and Renewable Energy (“MNRE”) regulations***

The MNRE is the Central Government ministry with the mandate for formulating schemes and policies for the research, development, commercialisation and deployment of renewable energy systems/devices for various applications in rural, urban, industrial and commercial sector. The MNRE has issued a number of guidelines and schemes on power generation through renewable sources, including a ‘Special Programme on Small Wind Energy and Hybrid Systems’. In order to ensure quality of wind farm projects and equipments, the MNRE introduced the “Revised Guidelines for wind power projects” (“**MNRE Guidelines**”) on June 13, 1996 for the benefit of state electricity boards, manufacturers, developers and end-users of energy to ensure proper and orderly growth of the wind power sector. The MNRE Guidelines are periodically updated and issued. The MNRE Guidelines among other things makes provision for proper planning, siting, selection of quality equipment, implementation and performance monitoring of wind power projects. The MNRE Guidelines lay down guidelines for the planned development and implementation of wind power projects.

The MNRE Guidelines set out the conditions that are required to be met for establishing wind farms and manufacturing and supplying equipment for wind power projects. These conditions include submission of detailed project reports, approval of sites for wind power installations, type certification by independent testing and certification agencies (either the Centre of Wind Energy Technology, Chennai or the International certification agency). Further, all installations are to be carried out only on sites that are approved for wind power projects by the MNRE. The MNRE Guidelines stipulate that a no objection certificate will be issued only after analysing the wind data to ensure adequate availability of wind at the specific site. Also, no approval will be granted for a wind power project which involves the installation of used wind turbines imported into India.

### **2. *The Indian Renewable Energy Development Agency Limited (“IREDA”)***

The IREDA is a public limited government company under the administrative control of the MNRE and is engaged in encouraging the production of energy through renewable sources. In this respect, the IREDA offers financial support to specific projects and schemes for generating electricity, and promotes the energy conservation through by improving the efficiency of systems, processes and resources engaged in energy production and distribution. In particular, the IREDA offers scheme and incentives for the promotion of wind based energy production.

### **3. *Electricity Act, 2003***

Under the Electricity Act, 2003, which repealed all the earlier enactments pertaining to this sector, the activity of generation of wind power does not require any license or permission. Persons engaged in the generation of electricity from wind power are required to register the project being undertaken with State Nodal Agency and obtain permission for inter-grid connectivity from the utility. The government has also announced National Electricity Policy in 2005 to guide the development of the electricity sector in India.

The electricity generated from the wind power project can be used for captive consumption, sale to utility or for transaction under open access as per the prevailing state policy as well as regulatory orders, if any. Various states have announced administrative policies relating to wheeling, banking and buy-back of power.

Further, the Electricity Act, 2003 also mandates that all regulatory commissions should procure certain percentage of power generation from renewable energy sources by all distribution companies. As far as the tariff and wheeling charges are concerned, it is stipulated that they should be decided by respective regulatory commissions as provided under the Electricity Regulatory Commissions Act, 1998.

### **4. *Electricity Regulatory Commissions***

Electricity Act, 2003 retains the two-level regulatory system for the power sector. At the Central Level, the Central Electricity Regulatory Commission (“**CERC**”) is responsible for regulating tariff of generating stations owned by the central government, or those involved in generating or supplying in more than one States, and regulating inter-state transmission of electricity. The State Electricity Regulatory Commissions (“**SERCs**”) on the other hand regulate intra-state transmission and supply of electricity within the jurisdiction of each state. CERC and the SERCs are guided by the National Electricity Policy, 2005, Tariff Policy, 2006 and the National Electricity Plan while discharging their functions under Electricity Act, 2003. The Electricity Regulatory Commissions are also guided by any direction given by the

central government for CERC or the state government for the SERC pertaining to any policy involving public interest. The decision of the government is final and non-challengeable with respect to the question that whether directions pertain to policy involving public interest or not. The commissions have been entrusted with a variety of functions including determining tariff, granting licenses, settling disputes between the generating companies and the licensees. The Electricity Regulatory Commissions are a quasi-judicial authority with powers of a civil court and an appeal against the orders of the Commissions lie to the Appellate Tribunal.

The CERC has recently notified the CERC (Terms and Conditions for Recognition and Issuance of Renewable Energy Certificate for Renewable Energy Generation) Regulations on January, 14, 2010 to the promotion of power generation through renewable sources of energy. In this respect, these regulations contemplate two categories of certificates, solar and non-solar certificate. The CERC has designated the National Load Dispatch Center to issue registration certificates and undertakes to provide for the floor price (minimum) and forbearance price (maximum) for non-solar certificates.

### **Laws relating to intellectual property**

Intellectual Property in India enjoys protection under both common law and statute. Under statute, India provides for patent protection under the Patents Act, 1970, copyright protection under the Copyright Act, 1957 and trademark protection under the Trade Marks Act, 1999. The above enactments provide for protection of intellectual property by imposing civil and criminal liability for infringement.

## MAIN PROVISIONS OF ARTICLES OF ASSOCIATION OF THE COMPANY

The Articles of Association of the Company are subject to the provisions of Companies Act, 1956 and Companies Act, 2013, as applicable.

As per Section 6 of Companies Act, 2013, the Companies Act, 2013 has an overriding effect on the provisions of the Articles of Association of the Company. Section 6 of the Companies Act, 2013 reads as under:

*“Save as otherwise expressly provided in this Act:*

- a) the provisions of this Act shall have effect notwithstanding anything to the contrary contained in the memorandum or articles of a company, or in any agreement executed by it, or in any resolution passed by the company in general meeting or by its Board of Directors, whether the same be registered, executed or passed, as the case may be, before or after the commencement of this Act; and*
- b) any provision contained in the memorandum, articles, agreement or resolution shall, to the extent to which it is repugnant to the provisions of this Act, become or be void, as the case may be .”*

The main provisions of the Articles of Association of our Company relating to voting rights, dividend, lien, forfeiture, restrictions on transfer and transmission of Equity Shares / debentures and / or on their consolidation / splitting, as applicable on and from the date of the Prospectus subsequent to the determination of the Issue Price, are detailed below.

1. The regulations contained in Table “A” in Schedule I to the Companies Act 1956 save as reproduced hereunder, shall not apply to the Company.
2. Unless the context otherwise requires, words or expressions contained in these Articles shall bear the same meaning as in the Act or any statutory modification thereof. In these Articles, unless there be something in the subject or context inconsistent therewith or unless the context otherwise requires:

- a. “The Act” means the Companies Act 1956 as amended from time to time;
- b. “The Articles” mean these Articles of Association as originally framed or as altered from time to time;
- c. “The Company” or “this Company” shall mean “SAKTHI FINANCE LIMITED”;
- d. “The Office” means the Registered Office for the time being of the Company;
- e. “Register” means the Register of Members of the Company required to be maintained under Section 150 of the Act;
- f. “Members” or “Shareholders” mean the duly registered holders of the shares as entered in the Register of Members of the Company;
- g. “Seal” means the Common Seal of the Company;
- h. “In writing” or “written” means and includes printing, typing, lithographing and other modes of reproducing words in a visible form;
- i. “Year” and “month” mean calendar year and calendar month respectively according to the British Calendar;
- j. “Rules” mean rules as framed by the Board of Directors for the conduct of the business of the Company under these Articles;
- k. Words importing the singular number include, where the context requires, the plural number and *vice versa*.
- l. Words importing the masculine gender include the feminine gender; and
- m. Words importing persons shall, where the context requires, include corporate bodies and companies as well as individuals.

## SHARES

3. The Authorised Share Capital of the Company shall be as per Clause 5 of the Memorandum and Association of the Company. \*  
(\*This clause has been altered by passing Special Resolution at the Annual General Meeting held on September 24, 2016)
4. The Shares of the Company shall be under the control and discretion of the Board who may allot or otherwise dispose of the same or any of them to such person or persons (whether a Member of the Company or not) for the consideration, in such proportion and on such terms and conditions and at such time or times as the Board may, in their absolute discretion think fit and such shares may be issued either at a premium or at par or at discount as per the provisions of the Companies Act 1956, in particular, the Board may issue and allot shares towards payment or adjustment made.

- i. For the properties or goods or machinery bought by the Company; or
- ii. For the discharge of loans or other liabilities of the Company; or
- iii. For the service rendered to the Company; or
- iv. For the amounts spent for the purpose of the Company or for the conduct of the business of the Company.

Any such shares may be issued and allotted as fully paid up shares, as the case may be, provided the option or right to call of shares shall not be given to any person or persons without the sanction of the Company in General Meeting.

5. The Company shall have power to issue Preference Shares, including Convertible Cumulative Preference Shares, liable to be redeemed in any manner permissible under the Companies Act, 1956 and the Directors may subject to the provisions of the Act, exercise such power in any manner they think fit and provide for the redemption of such shares on such terms, including the right to redeem at a premium or otherwise, as they think fit.
6. The Board, may, subject to the provisions of the Act, at any time, pay a commission to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, for any shares in or debentures of the Company or his procuring or agreeing to procure subscriptions, whether absolute or conditional for any shares in or debentures of the Company. The Company may also on any issue of shares or debentures pay such brokerage as may be lawful and reasonable.
7. Any application signed by any applicant or by any other person on his behalf for shares in the Company or where the power of attorney or other authority under which such application is signed, a notarially certified copy of that power of attorney or authority is deposited at the Registered Office of the Company. An application signed on behalf of such person, followed by an allotment of any share therein, shall be an acceptance of shares within the meaning of these Articles and every person who thus or otherwise accepts any shares or whose name is in the Register shall, for the purpose of these Articles, be a Member of the Company.
8. Shares may be registered in the name of person, Company, Registered Society or other Body Corporate. Not more than four persons shall be registered as joint-holders of any shares.
9. Where two or more persons are registered as joint-holders of any shares, they shall be deemed to hold the same as joint tenants with benefits of survivorship, subject to the following provisions:
  - a. The person whose name stands first in the Register in respect of such shares alone be entitled to delivery of the certificate thereof as also dividend on such shares;
  - b. The joint-holders shall, severally as well as jointly, be liable for the payment of all instalments and calls due in respect of such shares;
  - c. In case of death of any one or more such joint-holders, the survivor(s) shall be the only person(s) recognised by the Company as having any title or interest in such share, but the Directors may require such evidence of death as they may deem fit and nothing herein contained shall be taken to release the estate of deceased joint-holder from any liability on the shares held by him jointly with any other person;
  - d. All notices directed to be given to the members shall be given to whichever of such person is named first in the Register and notice so given shall be sufficient notice for all the joint-holders of such shares.
10. Every shareholder or his executor, administrator or legal representative, having in his control or at his disposal assets of the deceased shareholder, shall pay to the Company the proportion of the capital which may for the time being remain unpaid thereon at such time and in such manner as the Board shall think fit.
11. Every person whose name is entered as a member in the Register of Members shall be entitled to receive within three months after allotment (or within such other period as the conditions of issue shall provide) or one month after the application for the registration of transfer, a certificate under the Common Seal of the Company specifying the share or shares held by him and the amount paid up thereon, provided that in respect of share or shares held jointly by several persons, the Company shall not be bound to issue more than one share certificate and delivery of a certificate for a share to such person whose name stands first in the Register of Members, shall be sufficient delivery to all such holders. Share certificates shall be issued in marketable lots without payment of any fees. Where share certificates are issued for either more or less than marketable lots, sub-division / consolidation into marketable lots shall be done free of charge.
12. If any certificate be worn out or defaced, then upon production thereof to the Company, the Company, in cancellation of the old certificate, shall issue a new certificate in lieu thereof. If any member requires the certificate pertaining to more than one share to be split into two or more certificates pertaining to one or more shares, the Company may cancel the old certificates and issue new certificate. If any certificate be lost or destroyed, then, upon proof thereof to the satisfaction of the Directors and on such indemnity as the Directors deem adequate being given and on the payment of out of pocket expenses incurred by the Company in investigating evidence a new certificate in lieu thereof shall be given to the registered holder of the shares to which such lost or destroyed certificate shall relate.



13. For every certificate issued under the last preceding clause, there shall be paid to the Company the sum of Rupees two or such smaller sum as the Directors may determine, provided that no fee shall be charged for issue of new certificates in replacement of those which are old, decrepit or worn out or cut or where the cages on the reverse for recording transfers have been fully utilised.
14. Every endorsement on the certificate incorporating transfer of shares mentioned therein shall bear the signature of a Director or such other person as shall from time to time be authorised by the Directors for the purpose.
15. The Board may, from time to time, subject to the terms on which any shares may have been issued and subject to the provisions of Section 91 of the Act, make such calls as the Board thinks fit upon the members in respect of all moneys unpaid on the shares held by them respectively and each member shall pay the amount of every call so made on him at the time and place appointed by the Board. A call may be made payable by instalments shall be deemed to have been made when the resolution of the Board authorising such call was passed.
16. The Board, may from time to time, by resolution passed at a meeting of the Board and not by a circular resolution, make such calls as they think fit, upon the members in respect of all moneys unpaid on the shares held by them respectively (whether on account of nominal value of the shares or by way of premium) and not by the conditions of allotment thereof, made payable at fixed times and each member shall pay the amount of every call so made on him to the Company, at the time or times and place or places so specified, the amount called on his shares. A call may be revoked or postponed at the discretion of the Board.
17. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the holder for the time being in respect of the share for which the call shall have been made or the instalment shall be due shall pay interest for the same at such rate as may, from time to time, be fixed by the Board from the day appointed for the payment thereof to the time of the actual payment. The Board shall be at liberty to waive payment of any such interest either wholly or in part.
18. If by the terms of issue any share or otherwise, any amount is made payable upon allotment or at any fixed time or by instalments at fixed times, whether on account of the amount of the share or by way of premium, every such amount or instalment shall be payable as if it were a call duly made by the Board and of which due notice had been given and all the provisions herein contained in respect of calls shall relate to such amount or installment accordingly.
19. The Board may, if it thinks fit, receive from any member willing to advance the same, all or any part of the amount remaining unpaid on any shares held by him and upon the money so paid in advance or so much thereof as exceeds the amount of the calls then made upon the share in respect of which such advance has been made, the Company may pay interest at such rate as may be fixed by the Board. Money so paid in excess of the amount of calls shall not rank for dividends or confer a right to participate in profits or for the purpose of voting. The Board may at any time repay the amount so advanced upon giving to such member not less than fifteen days' notice in writing.
20. On the trial or hearing of any action or suit brought by the Company against any member or his representatives for the recovery of any money claimed to be due to the Company in respect of his shares, it shall be sufficient to prove that the name of the member in respect of whose shares the money is sought to be recovered is or was when the claim arose, on the Register of Members of the Company as the holder of one or more shares at or subsequent to the date on which the money sought to be recovered is alleged to have become due; that the resolution making the call is duly recorded in the Minutes Book of the Board and the notice of such call was duly given to the member or his representatives in pursuance of these Articles.
21. The money, if any, which the Board shall, on allotment of any shares being made by it require or direct to be paid by way of deposit, premium, call or otherwise in respect of any shares allotted by it shall immediately on the inscription of the name of the allottee in the Register of Members become a debt due to and recoverable by the Company from the allottee thereof and shall be paid by him accordingly.
22. Save as herein otherwise expressly provided, the Company shall be entitled to treat the registered holder of any share as the absolute owner thereof and accordingly shall not be bound, except as ordered by a Court of competent jurisdiction or as by statute required, to recognise any trusts whatsoever or any mortgage or charge thereon or any contingent, equitable, future, partial or any other claim to or interest in such share on the part of any person other than the registered holder, his executor or administrators or other legal representatives and other than such rights upon transmission as hereinafter provided.
23. If any member fails to pay any call or instalment of a call on or before the day appointed for the payment of the same, the Board may, at any time thereafter during such time as the call or instalment remains unpaid, serve a notice on such member requiring him to pay the same, together with any interest that may have accrued and all expenses that may have been incurred by the Company by reason for such non-payment.

24. The notice shall name a day (not being less than fourteen days from the date of the notice) and a place or places on and at which such call or instalment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is payable will be liable to be forfeited.
25. If the requirements of any such notice as aforesaid be not complied with, any shares in respect of which such notice has been given may, at any time thereafter, before payment of all calls or instalments, interest and expenses due in respect thereof, be forfeited by a resolution of the Board to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture.
26. When any share shall have been so forfeited, notice of the resolution shall be given to the member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture with the date thereof shall forthwith be made in the Register, but no forfeiture shall be in any manner invalidated by any omission to give such notice or to make such entry as aforesaid.
27. Any share so forfeited shall be deemed to be the property of the Company, and the Board may sell, re-allot or otherwise dispose of the same upon such terms and in such manner as the Board shall think fit.
28. The Board may, at any time before any share so forfeited shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture thereof upon such conditions as it thinks fit or they may assign a smaller number of shares in respect of the paid up value of forfeited shares.
29. A person whose share has been forfeited shall cease to be a member in respect of that share, but shall, notwithstanding remain liable to pay and shall forthwith pay to the Company, all calls or instalments, interest and expenses, owing upon or in respect of such share, at the time of the forfeiture together with interest thereon, from the time of forfeiture until payment at such rate as may be fixed by the Board and the Board may enforce the payment thereof or any part thereof without any deduction or allowance for the value of the shares at the time of forfeiture, but shall not be under any obligation to do so. However, the liability of such a person shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares.
30. The forfeiture of a share shall involve the extinction of all interest in and all claims and demands against the Company in respect of the share and all other rights incidental to the share, except only such of those rights as by these Articles are expressly saved.
31. Upon any sale after forfeiture or surrender or for enforcing a lien purported to have been exercised by virtue of the powers given, the Board may cause the purchaser's name to be entered in the Register of Members in respect of the shares sold. A duly verified declaration in writing that the declarant is a Director, Secretary or Manager of the Company, and that certain shares in the Company have been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the shares and such declaration and the receipt of the Company for the consideration, if any, given for the shares on the sale or disposition thereof shall constitute a good title to such shares and the person to whom any such share is sold shall be registered as the holder of such share and shall not be bound to see to the application of the purchase money, nor shall his title to such share be affected by any irregularity or invalidity in the proceedings in reference to such forfeiture, sale or disposition.
32. The provisions of these Articles as to the forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of a share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.
33. The Company shall have a first and paramount lien upon all the shares (other than fully paid-up share) registered in the name of each member (whether solely or jointly with others) for all moneys called or payable at a fixed time in respect of such shares. Any such lien shall extend to all dividends and bonus from time to time declared in respect of such shares. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's lien, if any, on such shares. Directors may at any time declare any shares to be wholly or in part to be exempt from the provisions of this Article.
34. For the purpose of enforcing such lien, the Board of Directors may sell the shares subject thereto in such manner as it thinks fit but no sale shall be made unless a sum in respect of which the lien exists is presently payable and until notice in writing of the intention to sell shall have been served on such member, his executors or administrators or other legal representatives as the case may be and default shall have been made by him or them in the payment of the sum payable as aforesaid for seven days after the date of such notice.

35. To give effect to any such sale, the Board may authorise some person to transfer the shares sold to the purchaser thereof and the purchaser shall be registered as the holder of the shares comprised in any such transfer. Upon any such sale as aforesaid, the certificate in respect of shares sold shall stand cancelled and become null and void and of no effect, and the Directors shall be entitled to issue a new certificate or certificates in lieu thereof to the purchaser or purchasers concerned.
36. The net proceeds of the sale shall be received by the Company and after payment of the cost of such sale shall be applied in or towards payment of such part of the amount in respect of which the lien exists as is presently payable and the residue, if any, shall be paid to such member, his executors, or administrators or assigns or other legal representatives as the case may be.

### **TRANSFER AND TRANSMISSION OF SHARES**

37. Shares in the Company shall be transferred in accordance with the relevant provisions of the Act. The instrument of transfer shall be in writing and in such form as shall from time to time be prescribed under the relevant provisions of the Act.
38. Save as provided in Section 108 of the Act, the Company shall not register a transfer of shares unless proper instrument of transfer duly stamped and executed by or on behalf of the transferor or all the transferors in the case of joint holders, as well as the transferee has been delivered to the Company, along with the certificate relating to the shares. Each signature to such transfer shall be duly attested by one witness who shall add his address.
39. The Directors in their absolute and uncontrolled discretion may, subject to the right of appeal conferred by the Act, refuse to register any proposed transfer of shares whether the proposed transferee is a member of the Company or not, and shall not be bound to give any reason for such refusal. However, the registration of transfer shall not be refused on the grounds of the transferor being either alone or jointly with any other person(s) indebted to the Company on any account whatsoever.
40. 1) An application for the registration of transfer of shares in the Company may be made either by the transferor or the transferee.
- 2) Where the application is made by the transferor and relates to partly paid shares, the transfer shall not be registered unless the Company gives notice of the application to the transferee and the transferee makes 'no objection' to the transfer within two weeks from the receipt of the notice.
- 3) For the purpose of sub-clause (2) above, notice to the transferee shall be deemed to have been duly given if it is dispatched by pre-paid registered post to the transferee at the address given in the instrument of transfer and shall be deemed to have been duly delivered at the time at which it would have been delivered in the ordinary course of post.
41. No transfer shall be made to an insolvent or a person of unsound mind or a partnership in the name of the firm and provided in the case of partly paid shares no transfer shall be made in the name of a minor.
42. Every instrument of transfer shall be signed by or on behalf of both the transferor and the transferee and the transferor shall be deemed to remain the holder of such share until the name of the transferee is entered in the Register of Members in respect thereof.
43. Every instrument of transfer shall be left at the office for registration accompanied by the Certificate of shares to be transferred, and such other evidence as the Directors may require to prove the title of the transferor of his right to transfer the shares, the transferee shall (subject to the Board's right to decline to Register as herein before mentioned) be registered as a member in respect of such shares. The Directors may waive the production of any certificate upon evidence satisfactory to them of its loss or destruction and on executing an indemnity bond to that effect by the transferor.
44. In no case, shall the Board be bound to inquire into the validity, legal effect or genuineness of any instrument of transfer produced by a person claiming transfer of any share in accordance with these Articles and whether they abstain from so inquiring, or do so inquire, or are misled, the transferor shall have no claim whatsoever upon the Company in respect of the share except for the dividends previously declared in respect thereof and not paid, but his claim, if any, shall be against the transferee only.
45. All instruments of transfer which shall be registered shall be retained by the Company, but any instrument of transfer which the directors may decline to register shall be returned to the person depositing the same.

46. No fees shall be charged for registration of transfers or for effecting transmission or for registering any letters of probate, letters of administration and similar other documents. When a shareholder changes his name or who being a female, marries, may give notice to the Company of the change of name or of the marriage so that the same may be registered with the Company.
- 47A. The executors or administrators of a deceased member, (not being a joint holder) shall be the only persons recognised by the Company as having any title of the shares registered in the name of such member and the Company shall not be bound to recognise such executors or administrators, unless they have first obtained probate or letter of administration as the case may be, from a Competent Court in India, provided that in any case where the Directors, in their absolute discretion think fit, they may dispense with the production of probate or letters of administration.
- 47B. The Company shall incur no liability or responsibility whatever in consequence of its registering or giving effect to any transfer of shares made or purporting to be made by any apparent legal owner thereof (as shown or appearing in the Register of Members) to the prejudice of persons having or claiming any equitable right, title of interest in the same shares notwithstanding that the Company may have had notice of such equitable right, title or interest or notice prohibiting registration of such transfer and may have entered such notice referred thereto in any book of the Company and the Company shall not be bound or required to regard or attend or give effect to any notice which may be given to it in this behalf or be under any liability whatsoever for refusing or neglecting to do so though it may have been entered or referred to in some book of the Company, but the Company shall nevertheless be at liberty to regard and attend to any such notice and give effect thereto.
- 47C.1) If the person becoming entitled to any share consequent to the death or lunacy or insolvency of a member elects to be registered as holder of the share himself, he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.
- 2) If the person aforesaid shall elect to transfer the share, he shall testify his election by executing an instrument of transfer of the share.
- 3) All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of instrument of transfer of a share shall be applicable to any such notice of transfer as aforesaid as if the death, lunacy or insolvency of the member had not occurred and the notice of transfer were a transfer signed by that member.
- 4) A person so becoming entitled on transmission to a share by reason of the death, lunacy or insolvency of the holder shall subject to the provisions of these Articles and of Section 206 of the Act, be entitled to the same dividends and other advantages as he would be entitled to if he were the registered holder of the share.
48. All the provisions herein contained as to the transfer and transmission of shares shall apply *mutatis mutandis* to the transfer and transmission of the debentures of the Company.
- 48A. Notwithstanding anything contained in these Articles, as and when the Company gets its shares or other securities admitted as an Eligible Security in the Depository system in accordance with the provisions of the Depositories Act, 1996 the prevailing Rules, Regulations and Bye laws of the Depository and other applicable laws, if any, the said shares and securities of the Company may be held in dematerialized fungible forms and it shall be governed by the provisions of Depositories Act, 1996, as amended from time to time or any rule framed thereunder.

#### **GENERAL AUTHORITY**

49. Wherever it has been provided in the Act that the Company shall have any right, privilege or authority or that the Company could carry out any transaction only if the Company is so authorised by its Articles, then and in all such cases this regulation confers on the Company all such right, privilege or authority and the power to carry out such transaction, as if such right, privilege, authority or power has been conferred on the Company by specific regulation in that behalf herein provided. Without prejudice to the generality of the foregoing and as illustration of such rights, privileges and authorities which the Company shall have the following are set out with the appropriate sections of the Companies Act, 1956:
- Section 76 : to pay commission on issues of shares / debentures
- Section 80 : to issue Redeemable Preference Shares
- Section 92 : to accept unpaid share capital although not called up
- Section 93 : to pay dividend in proportion to amount paid up
- Section 94 : to alter the share capital of the Company
- Section 100: to reduce the capital of the Company
- Section 106 : to alter the rights of holder of special class of shares

## MEETINGS OF MEMBERS

50. All general meetings other than Annual General Meetings shall be called Extra-ordinary General Meetings.
51. The Board may whenever it thinks fit call an Annual General Meeting / Extra-ordinary General Meeting to be held on such day, time and place as may be considered convenient by the Board. If at any time there are not within India, Directors capable of acting who are sufficient in number to form a quorum (for Board Meetings) any Director or any five members of the Company holding equity shares may call an Annual General Meeting / Extra-ordinary General Meeting in the same manner as nearly as possible as that in which such a meeting may be called by the Board.
- 52A. The Board may, whenever it thinks fit and necessary, postpone an Annual General Meeting or Extra-ordinary General Meeting that had been convened by the Board or by the Members or cancel such meeting and reconvene such meeting before such meeting is held or is due to be held. This provision shall not however apply to an Extra-ordinary General Meeting called by the members on requisition.
- 52B. No business shall be transacted at any General Meeting unless a quorum of members is present at the time when the meeting proceeds to business. Save as herein otherwise provided, five members present in person shall constitute the quorum for General Meetings.
53. The Chairman / Executive Chairman of the Board shall be entitled to take the Chair at every General Meeting. If there be no such Chairman / Executive Chairman or if at any Meeting he is not present within thirty minutes after the time appointed for holding such Meeting, or is unwilling to act, the Managing Director shall be entitled to take the Chair. In his absence, or in case he is unwilling to act, the members present shall choose another director as Chairman, and if no Director is present, or if all the Directors present decline to take the Chair then the members present shall on a show of hands or on a poll is properly demanded elect one of their members being a member entitled to vote, to be Chairman of such Meeting.
54. In the case of an equality of votes, both on a show of hands and on a poll, the Chairman of the Meeting shall have a casting vote in addition to the vote(s) to which he may be entitled as a member.
55. The demand of a poll other than for election of Chairman for the meeting for adjournment shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.
- 56A. The Chairman may adjourn any meeting from time to time and from place to place, but no business will be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- 56B. When a meeting is adjourned, it shall not be necessary to give any notice of the adjournment or of the business to be transacted at the adjourned meeting, except when the meeting is adjourned *sine die*.

## VOTES OF MEMBERS

57. Subject to any rights or restrictions for the time being attached to any class or classes of shares;
- a) On a show of hands, every member present in person shall have one vote, and
  - b) On a poll, voting rights of members shall be as laid down in Section 87.
58. In the case of joint-holders, the vote of the senior who tenders a vote in person, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names appear in the Register of Members.
59. A member of unsound mind or in respect of whom an order has been made by any Court have jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee or other legal guardian, and any such committee or guardian may, on a poll, vote by proxy.
60. No member shall be entitled to vote at any General Meeting if all calls or other sums have not been paid by him before the last date thereof fixed by the Board.
61. No objection shall be raised to the validity of any vote whether given personally or by proxy or by attorney except at the Meeting or adjourned meeting or poll at which the vote objected to is given or tendered and every vote whether given personally or by proxy or by attorney to which no objection has been raised at the meeting or poll at which such vote is tendered shall be deemed valid for all purposes whatsoever of such meeting or poll. Any objection made in due time shall be referred to the Chairman of the meeting whose determination regarding the admission or rejection of the vote, made in good faith, shall be final and conclusive.

## **PROXY**

62. An instrument appointing a proxy shall be in either of the forms in Schedule IX to the Act or a form as near thereto as circumstances admit and shall be signed by the member.
63. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or notarially certified copy of that power or authority shall be deposited at the office not less than forty-eight hours before the time for holding the meeting at which the person named in such instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. No member shall be entitled to lodge a proxy for an adjourned meeting. No proxy shall be used at an adjourned meeting which could not have been used at the original meeting.
64. If more than one instrument of proxy from the same member to vote at the same meeting be deposited with the Company, that instrument of proxy bearing the latest date, shall alone be accepted; if all the instruments bear the same date, then that one of them registered in the books of the Company as having been last deposited with the Company shall alone be accepted. In case several proxies are lodged in respect of the shares held jointly that proxy given by the person whose name stands above the other joint-holders who have also given proxies shall alone be valid, provided none of the joint-holders be present in person at the meeting.
65. A vote given in accordance with the terms of an instrument of proxy shall be valid, notwithstanding the previous death or insanity of the principal or the revocation of the proxy or of the authority under which the proxy was executed or the transfer of the shares in respect of which the proxy is given.

Provided that no intimation in writing of such death, insanity, revocation or transfer of the shares shall have been received by the Company at its office at least twenty four hours before the time appointed for the meeting. Provided further that the Chairman of the meeting shall be entitled to require such evidence as he may, in his discretion think fit, of the due execution of an instrument of proxy and that the same has not been revoked.

## **DIRECTORS**

66. The number of Directors shall not be less than three and unless and otherwise determined by a General meeting shall not be more than 12.
67. Any Financial Institutions(s) owned or sponsored either by the Central or State Governments or any other Public or Local Authority shall be entitled to nominate a person as a Director of this Company, provided loan or loans of ₹ 10,00,000 or more have been given by such Financial Institutions(s) to the Company. Such rights can be exercised by such Financial Institution(s) from time to time until such loan(s) are completely discharged. Such Directors shall not be liable to retire by rotation.
68. The Board shall have power at any time and from time to time to appoint any person as an Additional Director so that the number of Directors shall not at any time exceed the maximum number fixed by these Articles. The Additional Director so appointed shall hold office only until the conclusion of the next Annual General Meeting of the Company and is eligible for reappointment.
69. No share qualification is required for any person for being appointed as a Director of the Company.
70. Directors desirous of resigning their office shall submit the resignation in writing. The resignation will be effective from the date on which it is received by the Company at its office.

## **ALTERNATE DIRECTORS**

71. The Board may in accordance with and subject to the provisions of Section 313 of the Act, appoint any person to act as an Alternate Director for a Director during the latter's absence for a period of not less than three months from the State in which meetings of the Board are ordinarily held.

## **PROCEEDINGS OF DIRECTORS**

72. The Board may elect a Chairman for its meetings and determine the period for which he is to hold Office.
73. Subject to the provisions of Section 285 of the Act, the Directors may meet together for the despatch of business and may adjourn and otherwise regulate their meetings and proceedings as they think fit and may determine the quorum necessary for the purpose of the business. Until otherwise determined and subject to Section 287 of the Act, two Directors personally present or one third of the total strength, whichever is greater, shall be the quorum.

74. Subject to the provisions of the Act, the Chairman/Executive Chairman or the Managing Director may and the Secretary at the direction of the Chairman / Executive Chairman or the Managing Director, shall at any time convene a meeting of the Board.
75. Subject to the provisions of Section 316 and 372 (5) of the Act, the questions arising at any meetings of the Directors shall be decided by a majority of votes, and in the case of equality of votes, the Chairman shall have a second or casting vote.
76. The meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretion by or under these Articles or the Act for the time being vested in or exercisable by the Board.
77. If the quorum is not present within fifteen minutes from the time appointed for holding a meeting of the Board, it shall stand adjourned until such date and time as the Chairman / Executive Chairman or in his absence the Managing Director shall determine.
78. If at any meeting of the Board, the Chairman / Executive Chairman is not present within fifteen minutes from the time appointed for holding the meeting or in case he is unwilling or where no Chairman has been elected in terms of Article 72, the Managing Director shall occupy the Chair and in the absence of the Managing Director or in case he is unwilling, the Directors present may choose one of their number to be the Chairman of the meeting.
79. The Chairman / Executive Chairman or the Managing Director shall have the power to invite any person or persons not being the member(s) of the Board, to attend the meeting of the Board, but such invitee or invitees shall not be entitled to vote at any time.
80. The items in the agenda of the Notice should have the prior approval of the Chairman / Executive Chairman and in the absence of the Chairman / Executive Chairman from India, of the Managing Director, before the Notice is circulated to the members of the Board.
81. The Board may, subject to the provisions of the Act, from time to time and at any time delegate any of its powers to a Committee consisting of such Director or Directors as it thinks fit, and may, from time to time, revoke such delegation. Any Committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board. All acts done by any such Committee of the Board in conformity with such regulations and in fulfilment of the purposes of their appointment but not otherwise, shall have the like force and effect as if done by the Board.
82. The meetings and proceedings of any such Committee shall be governed by the provisions herein contained for regulating the meetings and proceedings of the Board so far as the same are applicable thereto and are not superseded by any regulations made by the Board.
83. Save in those cases where a resolution is required by Section 262, 292, 297, 316 and 372(5) of the Act, to be passed at a meeting of the Board, a resolution shall be valid and effectual as if it has been passed at a meeting of the Board or Committee of the Board, as the case may be, duly called and constituted, if a draft thereof in writing is circulated, together with the necessary papers, if any, to all the Directors, or to all the members of the Committee of the Board, as the case may be, then in India (not being less in number than the quorum fixed for a meeting of the Board or Committee, as the case may be) and to all other Directors or members of the Committee, at their usual address in India and has been approved by such of them as are then in India or by a majority of them as are entitled to vote on the resolution.
84. Subject to the provisions of the Act, no Director of the Company shall be disqualified by his office from holding any office or place of profit under the Company or under any Company in which this Company shall be a shareholder or otherwise interested or from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contracts, or any contract or arrangement entered into by, or on behalf of the Company in which any Director shall be in any way interested, be avoided, nor shall any Director be liable to account to the Company, for any profit arising from any such office or place of profit or realised from any such contracts or arrangement by reason only of such Director holding that office or of the fiduciary relations thereby established.

#### **MINUTES**

85. The Directors shall cause minutes to be duly entered in the Books provided for the purposes:
  - a. Of all appointment of Officers;
  - b. Of the names of the Directors present at each meeting of the Directors and of any Committee of Directors;
  - c. Of all orders made and resolutions required to be passed by the Directors and Committees of Directors; and

d. Of all resolutions and proceedings of General Meetings of the Company or of any Class of Shareholders and of the Meetings of the Directors and Committees; and any Meetings of the Directors, or of any Committee, or of the Company, if purporting to be signed by the Chairman of the next succeeding meeting shall be received as *prima facie* evidence of the matter stated in such Minutes.

Provided that the Chairman of the meeting may exclude at his absolute discretion such of the matters as are or could reasonably be regarded as defamatory of any person, irrelevant or immaterial to the proceedings or detrimental to the interests of the Company.

86. The Minutes Book of General Meetings of the Company shall be kept at the office and shall be open for inspection by members during the hours of 2.00 p.m. to 4.00 p.m on such business days as the Act requires it to be open for inspection.

### **POWERS OF THE DIRECTORS**

87. Subject to the provisions of the Act, the control of the Company shall be vested in the Board who shall be entitled to exercise all such powers, and to do all such acts and things as the Company is authorised to do, provided that the Board shall not exercise any power or do any act or thing which is directed or required whether by the Act or any other statute or by the Memorandum of the Company or by these Articles or otherwise, to be exercised or done by the Company in General Meeting.

Provided further in exercising any such power or doing any such act or things the Board shall be subject to the provisions in that behalf contained in the Act or any other statute or in the Memorandum of the Company or in these Articles or in any regulations not inconsistent therewith and duly made thereunder, including regulations made by the Company in General Meetings by special resolution but no regulations made by the Company in General Meetings shall invalidate any prior act of the Board which would have been valid if that regulation had not been made.

88. Any branch or kind of business, which by the Memorandum of Association of the Company or these Articles is expressly or by implication authorised to be undertaken by the Company may be undertaken by the Board at such time or times as it shall think fit and further may be suffered by it to be kept in abeyance whether such branch or kind of business may have been actually commenced or not so long as the Board may deem it expedient not to commence or proceeds with such branch or kind of business.
89. Subject to the provisions of the Act, the Board may from time to time, as it may think fit, delegate to the Managing Director all or any of the powers hereby conferred upon the Board, other than the power to make calls on members in respect of money unpaid on their shares and to issue debentures.
90. The Board may, subject to the provisions of the Act make such arrangement as it may think fit for the management of the Company's affairs abroad and for this purpose appoint local boards, attorneys and agents and fix their remuneration and delegate to them such powers as the Board may deem requisite or expedient. The Company may exercise all the powers of Section 50 of the Act and the official Seal shall be affixed by the authority in the presence of and the instruments sealed therewith shall be signed by such persons as the Board shall from time to time by writing under the Seal appoint. The Company may also exercise the powers of Sections 157 and 158 of the Act with reference to the keeping of Foreign Registers.
91. The Board may appoint, at any time and from time to time by a power of attorney under the Company's Seal any person to be the attorney of the Company for such purposes and with such powers, authorities and discretions not exceeding those vested in or exercisable by the Board, or by the Act or these Articles and for such period and subject to such conditions as the Board may from time to time think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with such attorney, as the Board may think fit.
92. The continuing Directors may act notwithstanding any vacancy in the Board; but if and so long as their number falls below the quorum fixed by these Articles for a meeting of the Board, the continuing Directors or Director may act for the purpose of increasing the number of Directors to that fixed for the quorum, or of summoning a General Meeting of the Company but for no other purpose.
- 93.a) The Board may, subject to this Article and with the sanction of the Company in General Meeting from time to time, at its discretion, raise or borrow or secure payment of any sum or sums of money for the purpose of the Company, by the issue of debentures, convertible or otherwise and to mortgage, pledge or charge the whole or any part of the property, assets or revenue of the Company, present or future, including its uncalled capital, or otherwise to transfer or convey the same absolutely or in trust, and to give the lenders powers of sale except uncalled capital and other powers as may be deemed expedient, and to purchase, redeem or pay off such securities;



- b) Any such debentures, bonds or other securities may be issued at a discount, premium or otherwise and with any special privilege as to redemption, surrender, drawings, allotment of shares and attending General Meetings of the Company, appointment of Directors or otherwise;
  - c) Debentures and loans with a right of conversion shall not be issued except with the sanction of the Company in General Meeting.
- 94.a) The Board of Directors, subject to the provisions of the Companies Act, 1956 may from time, appoint or reappoint, one or more Directors to the office of the Executive Chairman or Managing Director(s) and / or the Whole-time Director(s) for such period as they deem fit. The Executive Chairman/Managing Director(s) and the Whole-time Director(s) shall not be liable to retire by rotation so long as they hold the office as such.
- b) The Whole-time Director(s) shall, subject to the supervision and control of the Board, exercise such powers and authorities and perform such duties as are entrusted to them by the Managing Director(s) from time to time. The appointment of such Managing Director / Whole-time Director shall stand terminated if such Director ceases to be a Director of the Company.
95. The Board of Directors may from time to time entrust to and confer upon Executive Chairman / Managing Director or Whole time Director such of the powers exercisable under these Articles by the Director as they may think fit, and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they think expedient and may, from time to time, revoke, withdraw, alter or vary all or any of such powers.

#### **REMUNERATION OF DIRECTORS**

96. The remuneration by way of a fee for such Meeting of the Board of Directors or a Committee thereof attended by any Director shall be such sum as may be determined by the Board, but shall not exceed the amount as may be prescribed from time to time by the Central Government. Any Director or all Directors is / are entitled to renounce his / their right to receive the sitting fees. The Directors shall be entitled to be paid their reasonable travelling, hotel and other out-of-pocket expenses incurred in connection with their attending the Board and Committee Meetings or otherwise incurred in the execution of duties as Directors.
- Any Director who attends any Board or Committee meeting shall be entitled to receive sitting fees and travelling expenses for the same notwithstanding that the same meeting was adjourned. Any Director who attends an adjourned Board / Committee meeting shall be entitled to receive sitting fees and travelling expenses for the adjourned meeting also, notwithstanding that he has already received the sitting fees and travelling expenses for the original meeting which was adjourned.
97. If any Director, being willing, shall be called upon to perform extra services or to make any special exertions in going or residing away from head quarters for any of the purposes of the Company or in giving special attention to the business of the Company or as member of a Committee of the Board, then subject to Section 198, 309 and 310 of the Act, the Board may remunerate the Director so doing either by a fixed sum or by a percentage of profits or otherwise.
98. The Executive Chairman / Managing Director(s) or Whole-time Director(s) shall be paid such remuneration as the Company in General Meeting shall determine subject to the approval of the Central Government wherever necessary.
99. The Chairman of the Company may be paid an annual remuneration of 1% on the net profits of the Company computed in accordance with the provisions of the Companies Act, 1956, subject to the approval of the Company in General Meeting. He shall not be subject to retirement by rotation.
100. Where there is no Executive Chairman/Managing Director/ Whole-time Director, the Directors may be paid such remuneration as may be decided by the Board subject to the limits prescribed in Section 309 of the Act.

#### **AUTHENTICATION OF DOCUMENTS**

101. A document purporting to be a copy of resolution of the Board or an extract from the minutes of a meeting of the Board which is certified as such shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such extract is a true and accurate record of a duly constituted meeting of the Board.

## **SEAL**

102. The Directors shall provide a Common Seal for the purpose of the Company and shall have power from time to time to destroy the same and substitute a new seal in lieu thereof and the Directors shall provide for the safe custody of the seal for the time being, and the seal shall never be used, except by or under authority of the Directors or a Committee of Directors, previously given and in the presence of one Director at the least, who shall sign every instrument to which the seal is affixed and every such instrument shall be countersigned by the Company Secretary or such other officer or person, as the Directors may from time to time resolve provided that in the case of any Certificate of title to any shares of the Company, the Common Seal shall be affixed thereto as provided herein above and in accordance with the Companies (Issue of Share Certificates) Rules 1960.

## **DIVIDENDS**

103. The Board may, from time to time, pay to the members such interim dividends as appear to the Board to be justified by the profits of the Company.

104. The Board may deduct from any dividend payable to any member all sums of money, if any, presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

105. On the declaration of dividend by the General Meetings it shall be paid to the shareholders in proportion to the amount paid up or credited as paid up on each share.

106. A transfer of shares shall not pass the rights to any dividend declared thereon before the registration of the transfer by the Company.

107.a) Unless otherwise directed any dividend may be paid by cheque or warrant or by a pay slip of receipt having the force of cheque or warrant sent through the post to the registered address of the member or person entitled or in case of joint holders to that one of them first named in the Register in respect of joint holding. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. The Company shall not be responsible for the loss of any cheque, dividend warrant or postal money order sent by post in respect of dividends the registered address at or addresses communicated to the Office beforehand by the member, or for any dividend lost to the member or person entitled thereto by the forged endorsement of any cheque or warrant or fraudulent encashment thereof by any other means.

b) No unclaimed dividend shall be forfeited by the Board and the Company shall comply with the provisions of Section 205A of the Companies Act, 1956.

## **CAPITALISATION OF PROFITS AND RESERVES**

108.1) The Company in General Meeting may, upon the recommendation of the Board, resolve:

a) that it is desirable to capitalise any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or to the credit of any of the Profit and Loss Account, or otherwise available for distribution; and

b) that such sum be accordingly set free for distribution in the manner specified in clause (2) amongst the members, who would have been entitled thereto, if distributed by way of dividend and in the same proportion.

2) The sum aforesaid shall not be paid in cash, but shall be applied subject to the provisions contained in clause (3), either in or towards:

a) paying up any amounts for the time being unpaid on any shares held by such members respectively;

b) paying up in full, unissued shares of the Company to be allotted and distributed, credited as fully paid up, to and amongst such members in the proportion aforesaid; or partly in the way specified in sub – clause (a) and partly in that specified in sub - clause (b).

1) For the purpose of this Article, a Share Premium Account and a Capital Redemption Reserve fund may be applied only in paying up unissued shares to be issued to the members of the Company as fully paid bonus shares.

4) The Board shall give effect to the resolution passed by the Company in pursuance of this Article.

A) (1). Whenever such a resolution as aforesaid shall have been passed, the Board shall:

a. make all appropriations and applications of the undivided profits resolved to be capitalized thereby, and all allotments and issues of fully paid shares; and

b. generally do all acts and things required to give effect thereto.

(2). The Board shall have full power:

- a. to make such provision by the issue of fractional certificates or by payment in cash by realising such fractional certificates or otherwise as it thinks fit, in the case of shares becoming distributable in fractions and also;
- b. to authorise any person to enter, on behalf of all members entitled thereto, into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further shares to which they may be entitled upon such capitalisation or (as the case may require) for the payment by the Company on their behalf, by the application of the respective proportions of the profits resolved to be capitalised, of the amounts or any part of the amounts remaining unpaid on their existing shares.

(3) Any agreement made under such authority shall be effective and binding on all such members.

B) If the Company shall have redeemed any redeemable preference shares, all or any part of any Capital Redemption Fund arising from the redemption of such shares may, by resolution of the Company, be applied in paying up in full or in part any new shares or any shares then remaining unissued, to be issued to such members of the Company or other persons as the Directors may resolve up to an amount equal to the nominal amount of the shares so issued.

109. Every Balance Sheet and Profit and Loss Account of the Company when admitted and adopted by the Company in General Meetings shall be conclusive. If any error is discovered therein after the adoption thereof, such error shall be corrected in the accounts of the Company for the subsequent years.

#### **SERVICE OF NOTICE AND DOCUMENTS**

110. Every person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every notice in respect of such share which previous to his name and address being entered on the Register shall have been duly given to the person from whom he derives his title to such share.

111. Any notice or document delivered or sent by post to or left at the registered address of any member in pursuance of these Articles shall notwithstanding such member be then deceased and whether or not the Company have notice of death be deemed to have been duly served in respect of any registered share, whether held solely or jointly with other persons by such member until some other person be registered in his stead as the holder or joint-holders thereof and such service shall for all purposes of these Articles be deemed a sufficient service of the notice of documents on his heirs, executors or administrators and all persons, if any, jointly interested with him in any such share.

#### **SECRECY**

112. Every Director, Secretary, Manager, Auditor, Trustee for the Company, its members or debenture holders, member of Committee, Officer, Servant, Agent, Accountant or other person employed in or about the business of the Company shall, if so required by the Board, before entering upon his duties, sign a declaration pledging himself to observe a strict secrecy respecting all transactions of the Company with its customers and the state of accounts with individuals and in matters relating thereto, and shall by such declaration pledge himself not to reveal any of the matters which may come to his knowledge in the discharge of his duties except when required so to do by the Board or by any General Meeting or by a Court of law and except so far as may be necessary in order to comply with any of the provisions contained in these Articles.

113. No shareholder or other person, not being a Director, shall be entitled to enter into or upon the premises or the property of the Company, or to inspect the Company's premises or properties or the books or the accounts of the Company except to the extent allowed by the Act and subject to such reasonable restrictions as the Company in General Meeting or the Board may impose in this behalf from time to time without the permission of the Board or of the Executive Chairman/Managing Director for the time being, or require the discovery of or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret, mystery of trade or secret process or of any matter whatsoever which may relate to the conduct of the business of the Company, and which, in the opinion of the Board / Chairman / Executive Chairman or of the Managing Director will be inexpedient, in the interest of the members of the Company, to communicate.

#### **WINDING UP**

114. If the Company shall be wound up and the assets available for distribution among the members as such shall be insufficient to repay the whole of the paid up capital such assets shall be distributed so that as nearly as may be the losses shall be borne by the members in proportion to the Capital paid up or which ought to have been paid up at the commencement of the winding upon the shares held by them respectively and if in a winding up the assets available for distribution among the members shall be more than sufficient to repay the whole of the capital paid up at the

commencement of the winding up the excess shall be distributed amongst the members in proportion to the capital paid up or which ought to have been paid up on the shares held by them respectively at the commencement of the winding up.

- 115.If the Company shall be wound up, whether voluntarily or otherwise the liquidator may, with the sanction of a special resolution, divide among the contributories, *in specie* or kind, any part of the assets of the Company and may, with the like sanction, vest any part of the assets of the Company in trustees for the benefit of the contributories, or any of them, as the liquidator, with the like sanction, shall think fit.

#### **INDEMNITY**

- 116.Every Director, Secretary or Officer of the Company or any person (whether an Officer of the Company or not) employed by the Company and any person appointed as Auditor shall be indemnified out of the funds of the Company against all liability incurred by him as such Director, Secretary, Officer, employee or Auditor in defending any proceedings, whether civil or criminal in which judgement is given in his favour or in which he is acquitted, or in connection with any application under Section 633 of the Act, in which relief is granted to him by the Court (nothing herein contained shall apply to a constituted attorney of the Company, unless such attorney is, or is deemed be, to an officer of the Company).

## SECTION VIII : OTHER INFORMATION

### MATERIAL CONTRACTS AND DOCUMENTS FOR INSPECTION

The following contracts (not being contracts entered into in the ordinary course of business carried on by the Company or entered into more than two years before the date of the Draft Prospectus) which are or may be deemed material have been entered or are to be entered into by the Company. These contracts and also the documents for inspection referred to hereunder, may be inspected at the Registered Office of the Company situated at 62, Dr. Nanjappa Road, Post Box No. 3745, Coimbatore 641018, Tamil Nadu between 10.00 a.m. to 3.00 p.m. on any Business Day from the date of the Draft Prospectus until the date of Closure of the Issue.

#### A. MATERIAL CONTRACTS

1. Lead Manager MoU dated February 27, 2019 executed between the Company and the Lead Manager.
2. Registrar MoU dated February 28, 2019 executed between the Company and the Registrar to the Issue.
3. Debenture Trustee Agreement dated February 27, 2019 executed between the Company and the Debenture Trustee.
4. Lead Brokers Memorandum of Understanding dated [●] executed between the Company, the Lead Brokers and Lead Manager.
5. Public Issue Account Agreement dated [●] executed between the Company, the Registrar, the Public Issue Account Banks and the Lead Manager.
6. Tripartite agreement between the Company, Registrar to the Issue and CDSL and the Company, Registrar to the Issue and NSDL, dated September 26, 2001 and October 13, 2001, respectively.

#### B. MATERIAL DOCUMENTS

1. Certificate of Incorporation of the Company dated March 30, 1955, issued under Companies Act, 1913 and Certificate of Incorporation consequent to change of name dated July 27, 1967, issued by Registrar of Companies, Madras.
2. Memorandum and Articles of Association of our Company.
3. The certificate of registration No. 07-00252 dated April 17, 2007 issued by Reserve Bank of India under Section 45IA of the Reserve Bank of India Act, 1934.
4. ICRA Letter no. RTG/Chen/109/18-19 dated February 11, 2019 for assigning the credit rating for issue of proposed NCDs.
5. ICRA Letter no. [●] dated [●] for revalidating the credit rating for issue of proposed NCDs.
6. Copy of the board resolution dated February 9, 2017 approving the Issue.
7. Copy of the resolution dated February 23, 2019 passed by the NCD Issuance Committee, approving the Draft Prospectus.
8. Copy of the resolution dated [●] passed by the NCD Issuance Committee, approving the Prospectus.
9. Copy of the resolution passed by the shareholders of the Company through postal ballot process, result of which were declared on April 5, 2014 approving the overall borrowing limits of the Company.
10. Consents of the Directors, Lead Manager to the Issue, Compliance Officer of our Company, Chief Financial Officer of our Company, Chief Executive Officer, Debenture Trustee, Credit Rating Agency for the Issue, Legal Counsel to the Issue, Lenders to the Company, Bankers to the Issue, Lead Brokers and the Registrar to the Issue, to include their names in the Draft Prospectus and Prospectus to act in their respective capacities.
11. Consent of the Statutory Auditors of our Company, namely M/s P K Nagarajan & Co, Chartered Accountants, for inclusion of (a) their names as the Statutory Auditors; (b) examination report dated on Restated Financial Statements in the form and context in which they appear in the Prospectus and (c) the Limited Review Report in the form and context in which they appear in the Prospectus.
12. The examination report of the Statutory Auditors dated January 12, 2019 in relation to the Restated Financial Statements included in Draft Prospectus.
13. Statement of Tax Benefits dated January 12, 2019 provided by M/s P K Nagarajan & Co, Chartered Accountants appearing in the Draft Prospectus.
14. Annual Reports of the Company for the last five Financial Years 2014 to 2018.
15. Due Diligence Certificate dated [●] filed by the Lead Manager with SEBI.

16. Copy of the board resolution dated August 07, 2015 appointing the Managing Director of the Company.
17. Copy of the shareholders' resolution dated September 28, 2015 appointing the Managing Director of the Company.
18. Agreement relating to re-appointment of Managing Director of the Company executed on September 29, 2015.
19. Application for the in-principle listing approval made to BSE dated [●].
20. In-principle listing approval dated [●] received from BSE, for Issue.

**Any of the contracts or documents mentioned above may be amended or modified any time without reference to the holders in the interest of the Company in compliance with the applicable laws.**

## DECLARATION

### DECLARATION

We, the undersigned Directors of the Company, hereby certify and declare that all applicable legal requirements in connection with the Issue including relevant provisions of the Companies Act, 1956, as amended, provisions of Companies Act, 2013 as amended, and the rules prescribed thereunder, to the extent applicable, as on the date of this Draft Prospectus and the guidelines issued by the Government of India and/or the regulations/ guidelines/ circulars issued by the Reserve Bank of India and the Securities and Exchange Board of India, established under Section 3 of the Securities and Exchange Board of India Act, 1992, as applicable, including the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008, as amended, provisions under the Securities Contract (Regulation) Act, 1956, as amended and rules made thereunder in connection with the Issue have been complied with and no statement made in this Draft Prospectus is contrary to the provisions of the above mentioned acts, rules, regulations, guidelines and circulars as applicable to this Draft Prospectus.

We further certify that all the disclosures and statements made in this Draft Prospectus are true, accurate and correct in all material respects and do not omit disclosure of any material fact which may make the statements made therein, in the light of circumstances under which they were made, misleading and that this Draft Prospectus does not contain any misstatements and/or misrepresentations.

Signed by the Directors of our Company

M. Manickam  
Chairman

: 

M. Balasubramaniam  
Vice Chairman and Managing Director

: 

M. Srinivaasan  
Director

: 

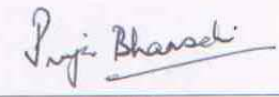
A. Selvakumar  
Independent Director

: 

P.S. Gopalakrishnan  
Independent Director

: 

Mrs. Priya Bhansali  
Independent Director

: 

Mr. K P Ramakrishnan  
Independent Director

: 

Date : 23 February 2019  
Place : Coimbatore

## ANNEXURE A : FINANCIAL STATEMENTS

Sl No	Particulars
1	Auditors's Limited Review Report on the unaudited financial results of our company for the nine months period ended December 31, 2018
2	Unaudited Financial results of our company for the nine months period ended December 31, 2018
3	Examination report on the Restated Financial Statements of our Company as at and for the half- year ended September 30,2018 and the financial years ended March 31, 2018, 2017, 2016, 2015 and 2014 as issued by the Statutory Auditors
4	Restated Financial Statements of our company as at and for half year ended September 30, 2018 and the financial years ended March 31, 2018, 2017, 2016, 2015 and 2014 as issued by the Statutory Auditors



## LIMITED REVIEW REPORT

ANNEXURE-1

**P. K. Nagarajan & Co.**  
Chartered Accountants

No. 33, Desabandhu Street  
Ramnagar, Coimbatore - 641 009  
E-mail : pknagarajanandco@gmail.com  
Mobile : +91 93829 75577

Ref. No. : \_\_\_\_\_

Date : \_\_\_\_\_

Limited Review Report on Quarterly unaudited financial Results of the Company Pursuant to the Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

To  
Board of Directors  
Sakthi Finance Limited

### 1. Report on the Unaudited Financial Results

We have reviewed the accompanying statement of unaudited financial results ("the Statement") of Sakthi Finance Limited ("the Company") for the quarter and nine months ended December 31, 2018, attached herewith, being submitted by the Company pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, read with SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016.

### 2. Management Responsibility for the Unaudited Financial Results

The preparation of the Statement in accordance with the recognition and measurement principles laid down in Accounting Standard 25, Interim Financial Reporting (prescribed under Section 133 of the Companies Act, 2013 read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 read SEBI Circular No. CIR/CFD/FAC/62/2016 dated July 5, 2016 is the responsibility of the Company's Management and has been approved by the Board of Directors of the Company. Our responsibility is to express a conclusion on the Statement based on our review.

### 3. Auditor's Responsibility

We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.



#### — Pune Branch Address —

559, A6 Flat No. 18 Poonam Terrace, Maharshi Nagar, Pune PIN Code - 411 037  
Mobile : +91 94204 81028 E-mail : rpkanalia@gmail.com

Ref. No. : \_\_\_\_\_

Date : \_\_\_\_\_

#### 4. Conclusion

Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying statement of unaudited financial results prepared in accordance with the applicable Accounting Standards and other recognized accounting practices and policies has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, including the manner in which it is to be disclosed, or that it contains any material misstatement.

#### 5. Other Matter


The financial information of the Company for the quarter ended June 30, 2017 were reviewed by the predecessor auditor who expressed unmodified opinion vide their report dated August 9, 2017. The results for the quarter ended June 30, 2017 have been included in the results for nine months ended December 31, 2017. The reliance has been placed by us on report of the said auditor for the purpose of this report.

Our conclusion is not modified in respect of this matter.



Place: Coimbatore  
Date: 12.02.2019

For P K Nagarajan & Co.,  
Chartered Accountants  
Firm Reg. No:0166755

  
P K Nagarajan  
Partner  
M.No. 025679

---

— Pune Branch Address —

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Mobile : +91 94204 81028 E-mail : rpkanakalia@gmail.com

# UNAUDITED FINANCIAL RESULTS – NINE MONTHS ENDED ON DECEMBER 31, 2018

Annexure - I

**SAKTHI FINANCE LIMITED**  
L65910TZ1955PLC000145  
62, DR NANJAPPA ROAD, COIMBATORE - 641018

**Statement of Unaudited Financial Results for the Quarter and Nine Months Period Ended 31st December 2018**

(₹ lakhs)

Sl No	Particulars	Quarter Ended			Nine months Ended		Year Ended
		31-12-2018	30-09-2018	31-12-2017	31-12-2018	31-12-2017	31-03-2018
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Revenue from Operations	4,185.99	4,077.25	4,017.72	12,218.08	12,109.68	16,597.86
2	Other Income	30.67	97.73	43.04	195.18	218.63	258.11
3	<b>Total Revenue</b>	<b>4,216.66</b>	<b>4,174.98</b>	<b>4,060.76</b>	<b>12,413.26</b>	<b>12,328.31</b>	<b>16,855.97</b>
4	<b>Expenses</b>						
	a. Employee benefits expense	566.01	524.32	547.14	1,645.55	1,613.10	2,373.06
	b. Finance Cost	2,532.35	2,446.88	2,451.01	7,413.17	7,527.04	9,993.28
	c. Depreciation and amortisation expense	91.34	86.11	83.35	262.12	248.28	331.92
	d. Provisions and write off	174.05	179.69	150.78	501.47	410.01	607.05
	e. Other expenditure	435.21	430.92	350.30	1,262.90	1,033.53	1,652.67
	f. Contingent Provision against Standard Assets	5	2.00	5.60	7.00	15.25	44.04
	<b>Total Expenses</b>	<b>3,803.96</b>	<b>3,669.92</b>	<b>3,588.18</b>	<b>11,092.21</b>	<b>10,847.21</b>	<b>15,002.02</b>
5	<b>Profit/(Loss) before Exceptional and Extraordinary Items and Tax (3-4)</b>	<b>412.7</b>	<b>505.06</b>	<b>472.58</b>	<b>1,321.05</b>	<b>1,481.10</b>	<b>1,853.95</b>
6	Exceptional Items	-	-	-	-	-	-
7	<b>Profit / (Loss) before extraordinary Items and Tax (6-7)</b>	<b>412.7</b>	<b>505.06</b>	<b>472.58</b>	<b>1,321.05</b>	<b>1,481.10</b>	<b>1,853.95</b>
8	Extraordinary Items	-	-	-	-	-	-
9	<b>Profit/(Loss) before tax (6-8)</b>	<b>412.7</b>	<b>505.06</b>	<b>472.58</b>	<b>1,321.05</b>	<b>1,481.10</b>	<b>1,853.95</b>
10	Tax expense :						
	a. Current Tax	136.79	177.17	205.91	471.87	633.72	839.28
	b. Deferred Tax	-1.32	(26.87)	(52.08)	(114.60)	(219.91)	(180.23)
	c. Provision for Taxation (for earlier years)	-	-	-	-	2.27	2.27
11	<b>Profit / (Loss) for the period from continuing operations (9-10)</b>	<b>277.23</b>	<b>356.76</b>	<b>318.75</b>	<b>963.78</b>	<b>1,065.02</b>	<b>1,192.63</b>
12	Profit/(Loss) from Discontinuing operations	-	-	-	-	-	-
13	Tax Expense of discontinuing operations	-	-	-	-	-	-
14	<b>Profit / (Loss) for the period from Discontinuing operations (12-13)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
15	<b>Profit / (Loss) for the period (13+14)</b>	<b>277.23</b>	<b>356.76</b>	<b>318.75</b>	<b>963.78</b>	<b>1,065.02</b>	<b>1,192.63</b>
16	Paid-up equity share capital (Face Value of ₹ 10 per Share)	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
17	Reserves (excluding Revaluation Reserve as per balance sheet of previous accounting year)	-	-	-	-	-	9,010.94
18	Earnings per Equity share:						
	(a) Basic (₹)	0.49	0.65	0.59	1.73	1.97	2.12
	(b) Diluted (₹)	0.49	0.65	0.59	1.73	1.97	2.12






**SAKTHI FINANCE LIMITED**  
**L65190TZ1955PLC000145**  
**62, DR NANJAPPA ROAD, COIMBATORE – 18**

**Notes:**

1. The above Unaudited Financial Results for the quarter and nine months period ended 31st December 2018 have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on 11th February 2019 and 12th February 2019.
2. The Statutory Auditors of the Company have carried out a Limited Review on the Unaudited Financial Results for the quarter and nine months period ended 31st December 2018.
3. The Company is primarily engaged in the business of asset financing and accordingly there is no reportable segment as per Accounting Standard – 17 (AS-17) on "Segment Reporting" specified under Section 133 of the Companies Act 2013 read with Rule 7 of the Companies Accounting Rules 2014 and Companies (Accounting Standards) Amendment Rules 2016.
4. The Company's Secured, Redeemable, Non-Convertible Debentures (NCDs) are secured by mortgage of immovable properties and hire purchase receivables of the Company with a cover of 100% / 110% as per the terms of the issue.
5. Figures for the previous period / year have been regrouped / rearranged, wherever necessary, to conform to the current period presentation.

12th February 2019  
Coimbatore

By Order of the Board  
For Sakthi Finance Limited,

  
M. Balasubramaniam  
Vice Chairman and Managing Director  
DIN 00377053

## EXAMINATION REPORT ON THE RESTATED FINANCIAL STATEMENT

**P. K. Nagarajan & Co.**  
Chartered Accountants

No. 33, Desabandhu Street  
Ramnagar, Coimbatore - 641 009  
E-mail : pknagarajanandco@gmail.com  
Mobile : +91 93829 75577

Ref. No. : \_\_\_\_\_

Date : \_\_\_\_\_

Auditor's Examination Report on the Restated Financial Information of Sakthi Finance Limited as at and for the half year ended 30th September 2018 and financial years ended March 31st, 2018, 2017, 2016, 2015, 2014.

To  
The Board of Directors  
Sakthi Finance Limited  
No.62, Dr. Nanjappa Road  
Coimbatore - 641 018

Dear Sirs,

1. We, M/s P K Nagarajan & Co., Chartered Accountants, (ICAI FRN:016676S) have examined the attached Restated Financial Information of Sakthi Finance Limited ("the company"), which comprise the Restated Summary Statement of Assets and Liabilities as at the half year ended 30th September 2018 and financial years ended 31st March 2018, 2017, 2016, 2015 and 2014, the Restated Summary Statement of Profit and Loss and the Restated Summary Statement of Cash Flows for the half year ended 30th September 2018 and each of the financial years ended 31st March 2018, 2017, 2016, 2015 and 2014 and the Summary of Significant Accounting Policies (together referred to as "Restated Financial Information") annexed to this report for the purpose of inclusion in the draft Prospectus and/or Prospectus and any amendments are supplements thereto (collectively the "Offer Documents") to be filed by the company in connection with its proposed public issue of secured, Redeemable, Non-Convertible Debentures ("Secured Debentures") and unsecured, Non-Convertible Debentures ("Unsecured Debentures") of face value of Rs.1000 each (NCDs) for an amount not exceeding Rs.100 Crore (being "Base Issue Size") with an option to retain Over-Subscription upto Rs.50Crore, aggregating to Rs.150 Crore, which has been approved by the Board of Directors of the Company taking into consideration the requirements of:

a) Section 26 of Part I of Chapter III of the Companies Act, 2013 ("the Act") read with Rules 4 to 6 of Companies (Prospectus and Allotment of Securities) Rules, 2014 ("the Rules"); and



1

— Pune Branch Address —

Ref. No. : \_\_\_\_\_

Date : \_\_\_\_\_

- b) the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulation 2008 (the "Debt Regulations") issued by the Securities and Exchange Board of India (SEBI), as amended from time to time pursuant to Section 30 of the Securities and Exchange Board of India Act, 1992 (the "SEBI Act").

**Management's Responsibility:**

2. The preparation of the Restated Financial Information [including the interim financial information mentioned in paragraph 4 below] is the responsibility of the Management of the Company for the purpose set out in paragraph 11 below. The Management's responsibility includes designing, implementing and maintaining adequate internal control relevant to the preparation and presentation of the Restated Financial Information. The Management is also responsible for identifying and ensuring that the Company complies with the Rules and Debt Regulations.

**Auditor's Responsibility:**

3. We have examined such Restated Financial Information taking into consideration:
- a) The terms of reference and terms of our engagement agreed upon with you in accordance with our engagement letter dated 14.12.2018 in connection with proposed public issue of secured, Redeemable, Non-Convertible Debentures ("Secured Debentures") and unsecured, Non-Convertible Debentures ("Unsecured Debentures") of face value of Rs.1000 each (NCDs) for an amount not exceeding Rs.100 Crore (being "Base Issue Size") with an option to retain Over-Subscription up to Rs.50Crore, aggregating to Rs.150 Crore; and
- b) The Guidance Note on Reports in Company Prospectuses (Revised 2016) ("the Guidance Note") and Quality Control Standards issued by ICAI and
4. These Restated Financial Information have been compiled by the management of the company from the Audited Financial Statements as at and for the half year ended 30th September 2018 which have been approved by Board of directors on 12.01.2019 and financial years ended 31st March 2018, 2017, 2016, 2015 and 2014 which have been





Ref. No. : \_\_\_\_\_

Date : \_\_\_\_\_

approved by Board of directors at their meetings held on, 30.05.2018, 24.05.2017, 28.05.2016, 30.05.2015 and 28.05.2014 respectively.

5. Audit for the financial years ended 31st March 2017, 2016, 2015 and 2014 was conducted by previous auditors, M/s. P N Raghavendra Rao & Co., Chartered Accountants (FRN: 003328S) and accordingly reliance has been placed on the financial information examined by them for the said years. The financial report included for those years, are based solely on the report submitted by M/s. P N Raghavendra Rao & Co., Chartered Accountants in which they have issued unmodified opinion in their reports dated 24.05.2017, 28.05.2016, 30.05.2015 and 28.05.2014 respectively.
6. We have also examined the financial information of the Company for the period from 01.04.2018 to 30.09.2018 prepared and approved by the Board of Directors on 12.01.2019 for the purpose of disclosure in the offer document of the Company.

Based on the above, we report that in our opinion and according to the information and explanations given to us, the above interim financial information are in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under Section 133 of the Act, as applicable and the interim financial information are presented with the Restated Financial Information appropriately.

**Opinion:**

7. In accordance with the requirements of Section 26 of Part I of Chapter III of the Act read with Rules 4 to 6 of Companies (Prospectus and Allotment of Securities) Rules, 2014, the Debt Regulations and the Guidance Note, we report that:
  - a. The Restated Summary Statement of Assets and Liabilities of the Company, including as at 31st March 2017, 2016, 2015 and 2014 prepared on the basis of financial statements examined and reported upon by M/s P N Raghavendra Rao & Co., Chartered Accountants on which reliance has been placed by us, and as at 30th September 2018 and 31st March 2018 examined and reported by us, as set out in Annexure to this report, have been arrived at after making adjustments and regrouping/reclassifications, as in our opinion, were appropriate and more fully



Ref. No. : \_\_\_\_\_

Date : \_\_\_\_\_

described in Annexure VII – Summary Statement of Adjustments to the Audited Financial Statements.

- b. The Restated Summary Statement of Profit and Loss of the Company, including for the years ended 31st March 2017, 2016, 2015 and 2014 prepared on the basis of financial statements examined by M/s. P N Raghavendra Rao & Co., Chartered Accountants, on which reliance has been placed by us, and for the half year ended 30th September 2018 and the year ended 31<sup>st</sup> March 2018 examined and reported by us, as set out in Annexure to this report, have been arrived at after making adjustments and regrouping/reclassifications, as in our opinion, were appropriate and more fully described in Annexure VII– Summary Statement of Adjustments to the Audited Financial Statements.
- c. The Restated Summary Statement of Cash Flows of the Company, including for the years ended 31st March 2017, 2016, 2015 and 2014 prepared on the basis of financial statements examined by M/s. P N Raghavendra Rao & Co., Chartered Accountants, on which reliance has been placed by us, and for the half year ended 30th September 2018 and the year ended 31st March 2018 examined and reported by us, as set out in Annexure to this report, have been arrived at after making adjustments and regrouping/reclassifications as in our opinion were appropriate and more fully described in Annexure VII – Summary Statement of Adjustments to the Audited Financial Statements.
- d. Based on the above and according to the information and explanations given to us, we further report that the Restated Financial Information as set out in Annexure I to V:
  - a. Annexure I - Restated summary Statement of Assets and Liabilities
  - b. Annexure II - Restated summary Statement of Profit and Loss
  - c. Annexure III - Restated Cash Flow Statements
  - d. Annexure IV – Notes to Restated Summary Statement of Assets and Liabilities
  - e. Annexure V - Notes to Restated Summary Statement of Profit and Loss





Ref. No. : \_\_\_\_\_

Date : \_\_\_\_\_

- i. have been made after incorporating adjustments for the changes in accounting policies retrospectively in respective financial years to reflect the same accounting treatment as per changed accounting policy for all the reporting periods;
  - ii. have been made after incorporating adjustments for the material amounts in the respective financial years to which they relate; and
  - iii. do not contain any extra-ordinary items that need to be disclosed separately and do not contain any qualification requiring adjustments.
- f. According to the information and explanations given to us and also as per the reliance placed on the reports submitted by the previous auditors, M/s. P N Raghavendra Rao & Co., Chartered Accountants in our opinion, the Restated Financial Information and the above restated financial information contained in **Annexures I to V** accompanying this report, read with Summary of Significant Accounting Policies on Restated Financial Information disclosed in **Annexure VI**, are prepared by the management of the Company and approved by the Board of Directors on 12.01.2019, after making adjustments and regroupings as considered appropriate and have been prepared in accordance with Section 26 of Part I of Chapter III of the Companies Act, 2013 read with Rules 4 to 6 of Companies (Prospectus and Allotment of Securities) Rules, 2014, Debt Regulations and the Guidance Note.
8. We have also examined the following other restated financial information of the Company set out in the Annexures prepared by the management and approved by the Board of Directors on 12.01.2019 for the half year ended 30th September 2018 and on 30.05.2018, 24.05.2017, 28.05.2016, 30.05.2015 and 28.05.2014 for the years ended 31st March 2018, 2017, 2016, 2015 and 31st March 2014. In respect of the years ended 31st March 2017, 2016, 2015 and 2014, this information has been included based upon the reports submitted by previous auditors, M/s P N Raghavendra Rao & Co., Chartered Accountants and relied upon by us:
  - a. Annexure VII - Summary Statement of Adjustments to the Audited Financial Statements
  - b. Annexure VIII - Summary Statement of Net Worth
  - c. Annexure IX - Summary Statement of Secured and Unsecured Loans
  - d. Annexure X- Summary Statement of Capitalization
  - e. Annexure XI- Summary Statement of Accounting Ratios
  - f. Annexure XII- Summary Statement of Tax Shelter
  - g. Annexure XIII - Summary Statement of Dividend paid/proposed



Ref. No. : \_\_\_\_\_


Date : \_\_\_\_\_

9. This report should not in any way be construed as a reissuance or re-dating of any of the previous audit reports for the financial years ended 31st March 2017, 2016, 2015 and 2014 issued by the previous auditors, M/s P N Raghavendra Rao & Co., Chartered Accountants and review report issued by us for the half year ended 30<sup>th</sup> September 2018 and audit report issued by us for the year ended 31st March 2018, nor should this report be construed as a new opinion on any of the financial statements referred to herein.
10. We have no responsibility to update our report for events and circumstances occurring after the date of the report.

**Restrictions of Use:**

11. Our report is intended solely for use of the management for inclusion in the offer document to be filed with SEBI, BSE Limited, and Registrar of Companies, Tamilnadu, Coimbatore in connection with the proposed public issue of NCDs. Our report should not be used, referred to or distributed for any other purpose except with our prior consent in writing.

For M/s P K Nagarajan & Co.,  
Chartered Accountants  
FRN:016676S

  
P K Nagarajan

Partner  
Membership No.025679

Date: 12.01.2019  
Place: Coimbatore

ANNEXURE I RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

(₹ Lakh)

Particulars	Notes	As at September 30, 2018	As at March 31,				
			2018	2017	2016	2015	2014
<b>EQUITY AND LIABILITIES</b>							
<b>Shareholders' Funds</b>							
Share Capital	1	6,500.00	6,137.45	6,050.00	6,050.00	6,057.25	6,000.00
Reserves and Surplus	2	10,873.90	10,790.14	10,332.43	9,309.83	9,106.57	8,294.01
		17,373.90	16,927.59	16,382.43	15,359.83	15,163.82	14,294.01
<b>Non-Current Liabilities</b>							
Long-Term Borrowings	3	40,457.25	45,749.87	59,222.37	44,348.98	32,988.20	16,379.84
Deferred Tax Liabilities (net)	4	131.28	244.56	424.79	588.67	664.39	923.48
		40,588.53	45,994.43	59,647.16	44,937.65	33,652.59	17,303.32
<b>Current Liabilities</b>							
Short-Term Borrowings	5	22,012.86	18,870.10	13,790.74	24,570.86	34,211.77	45,824.81
Other Current Liabilities	6	29,344.27	25,202.54	16,425.25	21,051.89	31,202.09	11,312.13
Short-Term Provisions	7	2,596.73	2,355.52	1,667.88	1,975.92	2,032.70	1,482.32
		53,953.86	46,428.16	31,883.87	47,578.67	67,446.56	58,619.26
<b>Total</b>		111,916.29	109,350.18	107,913.46	107,776.15	116,262.97	90,216.59
<b>ASSETS</b>							
<b>Non-Current Assets</b>							
<i>Property, Plant and Equipment</i>	8						
- Tangible Assets		5,874.16	5,917.46	6,005.11	5,956.76	5,518.93	5,689.77
- Intangible Assets		388.42	359.00	462.83	577.26	328.63	319.59
- Capital Work-in-Progress		16.31	74.87	5.43	100.48	10.84	4.50
Non-Current Investments	9	2,667.39	2,566.44	2,604.90	2,236.35	2,093.92	1,296.14
Long-Term Loans and Advances	10	1,080.76	1,070.97	1,017.89	194.19	641.18	240.46
		10,027.04	9,988.74	10,096.16	9,065.04	8,593.50	7,550.46
<b>Current Assets</b>							
Current Investments	11	136.31	136.31	-	110.99	312.07	115.98
Stock on Hire	12	92,385.67	90,161.19	90,366.43	92,178.98	87,982.60	75,035.05
Trade Receivables	13	177.53	123.65	136.12	148.81	132.02	88.74
Cash and Bank Balances	14	5,943.55	5,202.88	3,566.42	3,751.17	14,244.16	3,030.83
Short-Term Loans and Advances	15	3,040.62	3,578.94	3,508.88	2,361.14	4,629.52	4,116.46
Other Current Assets	16	205.57	158.47	239.45	160.02	369.10	279.07
		101,889.25	99,361.44	97,817.30	98,711.11	107,669.47	82,666.13
<b>Total</b>		111,916.29	109,350.18	107,913.46	107,776.15	116,262.97	90,216.59



The accompanying Notes form an integral part of the Financial Statements.	12/31						
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As per original attached  
 Board of Directors  
 Certified Financial  
 Statement, 12/31/2020



President  
 Board of Directors  
 12/31/2020

As per original attached





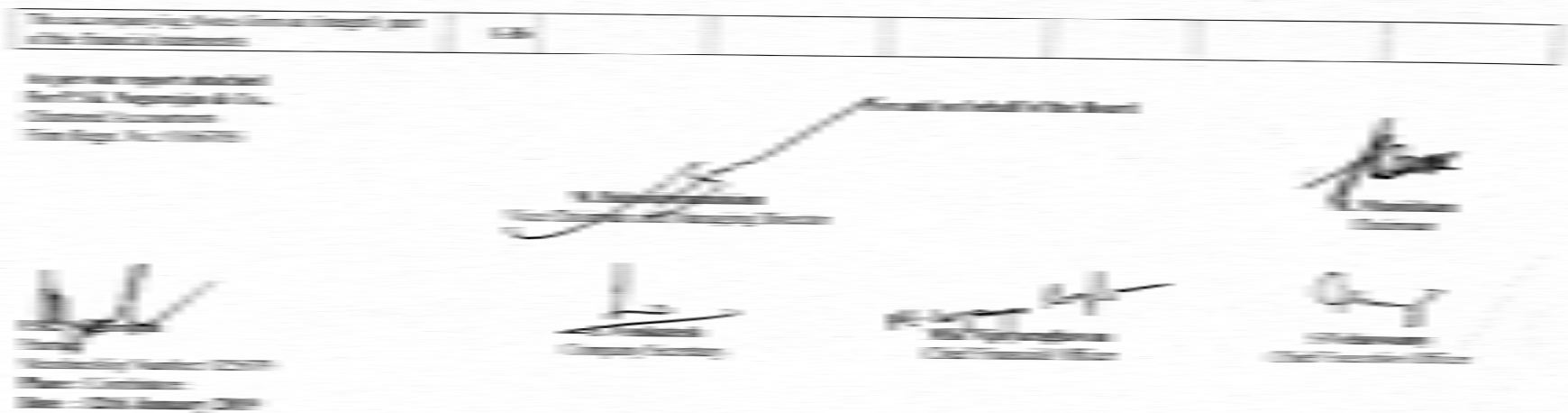


ANNEXURE II RESTATED SUMMARY STATEMENT OF PROFIT AND LOSS

(₹ Lakh)

Particulars	Notes	For Half year ended September 30, 2018	For the year ended March 31,				
			2018	2017	2016	2015	2014
<b>Revenue from Operations</b>							
Income from Operations	17	8,032.09	16,597.86	16,781.20	16,802.56	14,678.99	13,183.32
Other Income	18	164.51	258.11	274.20	404.16	382.89	627.34
<b>Total Revenue from Operations</b>		<b>8,196.60</b>	<b>16,855.97</b>	<b>17,055.40</b>	<b>17,206.72</b>	<b>15,061.88</b>	<b>13,810.66</b>
<b>Expenses</b>							
Employee Benefits Expense	19	1,079.54	2,373.06	2,084.86	1,933.09	1,772.77	1,701.00
Finance Costs	20	4,880.83	9,993.28	10,346.56	10,261.07	9,031.73	7,863.72
Depreciation and Amortization Expense	21	170.78	331.92	321.71	285.05	241.21	245.55
Other Expenses	22	827.69	1,652.67	1,579.18	1,479.99	1,319.69	1,178.45
Provisions and Write off	23	327.42	607.05	655.51	647.16	533.32	522.36
Contingent Provision against Standard Assets		2.00	44.04	31.90	52.45	34.20	20.92
<b>Total Expenses</b>		<b>7,288.25</b>	<b>15,002.02</b>	<b>15,019.72</b>	<b>14,658.81</b>	<b>12,932.92</b>	<b>11,532.00</b>
<b>Profit before Exceptional and Extraordinary Items and Tax</b>		<b>908.34</b>	<b>1,853.95</b>	<b>2,035.68</b>	<b>2,547.91</b>	<b>2,128.96</b>	<b>2,278.66</b>
Exceptional Items		-	-	-	432.12	-	-
<b>Profit before Extraordinary Items and Tax</b>		<b>908.34</b>	<b>1,853.95</b>	<b>2,035.68</b>	<b>2,115.79</b>	<b>2,128.96</b>	<b>2,278.66</b>
Extraordinary Items		-	-	-	-	-	-
<b>Profit before Tax</b>		<b>908.34</b>	<b>1,853.95</b>	<b>2,035.68</b>	<b>2,115.79</b>	<b>2,128.96</b>	<b>2,278.66</b>
<b>Tax Expense:</b>		<b>221.80</b>	<b>661.32</b>	<b>435.98</b>	<b>787.36</b>	<b>544.32</b>	<b>862.93</b>
- Current Tax		335.08	839.28	599.84	863.07	806.18	780.17
- Deferred Tax		(113.28)	(180.23)	(163.88)	(75.71)	(259.09)	82.76
- Provision for Taxation- earlier years		-	2.27	0.02	-	(2.77)	-
<b>Profit for the year / Half year ended</b>		<b>686.54</b>	<b>1,192.63</b>	<b>1,599.70</b>	<b>1,328.43</b>	<b>1,584.64</b>	<b>1,415.73</b>
<b>Surplus for the year carried to Balance Sheet</b>		<b>686.54</b>	<b>1,192.63</b>	<b>1,599.70</b>	<b>1,328.43</b>	<b>1,584.64</b>	<b>1,415.73</b>
<b>Earnings per Equity Share</b>	32						
Par Value per Equity Share ( ₹ )		10.00	10.00	10.00	10.00	10.00	10.00
Basic ( ₹ )		1.24	2.12	2.95	2.41	2.93	2.60
Diluted ( ₹ )		1.24	2.12	2.95	2.41	2.93	2.60






## ANNEXURE III RESTATED CASH FLOW STATEMENT

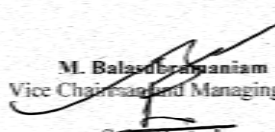

(₹Lakh)

Particulars	For Half year ended September 30, 2018	For the year ended March 31,				
		2018	2017	2016	2015	2014
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>						
Net profit before tax	908.34	1,853.95	2,035.68	2,115.79	2,128.96	2,278.66
Adjustments for:						
Add: Finance cost	4,880.83	9,993.28	10,346.56	10,261.07	9,031.73	7,863.72
Depreciation and Amortizations expense	170.78	331.92	321.71	285.05	241.21	245.55
Increase / (Decrease) in diminution in value of Investments	-	93.16	19.35	(129.92)	154.23	-
Increase / (Decrease) in provision against Non-Performing Assets	263.22	481.03	356.93	164.25	174.38	126.78
Increase / (Decrease) in provision against Standard Assets	2.00	44.04	31.90	52.45	34.20	20.92
Loss / (Profit) on sale of assets	(0.27)	0.36	-	431.56	-	(271.10)
Loss / (Profit) on sale and redemption of long term investments	-	-	-	-	(73.39)	1.40
Interest received	(426.77)	(795.91)	(596.80)	(581.65)	(673.75)	(477.65)
Dividend Received	-	-	-	(1.35)	(2.60)	(3.05)
Operating profit before working capital changes	5,798.13	12,001.83	12,515.33	12,597.25	11,014.97	9,785.23
Adjustments for (Increase) / Decrease in Operating Activities						
Stock on Hire	(2,224.48)	205.24	1,812.55	(4,196.38)	(12,947.55)	(5,759.47)
Trade receivables	(53.88)	12.47	12.69	(16.79)	(43.28)	284.00
Cash and Bank Balances	(269.22)	(986.86)	571.55	141.27	(537.79)	(509.73)
Short Term Loans and Advances	538.32	(70.06)	(1,120.36)	2,268.38	(709.74)	(2,178.23)
Long Term Loans and Advances	(9.79)	(53.08)	(851.08)	447.00	(400.72)	-
Other Current Assets	(47.10)	80.98	(79.43)	209.09	106.65	-
Other Current Liabilities	4117.71	8,846.71	(4,720.12)	(10,195.63)	19,939.79	3,307.33
Cash generated from operations	7,849.69	20,037.23	8,141.13	1,254.19	16,422.33	4,929.13
Finance costs	(4,880.82)	(9,993.28)	(10,346.56)	(10,261.07)	(9,031.73)	(7,863.72)
Direct taxes paid	(335.08)	(841.55)	(599.86)	(863.07)	(803.41)	676.00
Net cash from/(used in) Operating Activities (A)	2,633.79	9,202.40	(2,805.29)	(9,869.95)	6,587.19	(2,258.59)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>						
Capital expenditure on Fixed Assets	(98.49)	(211.28)	(160.58)	(1,745.02)	(135.11)	(146.60)
Sale of Fixed Assets	0.42	1.03	-	157.22	-	305.49

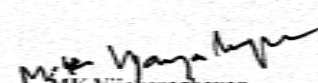



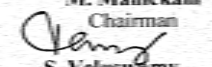
Capital Expenditure on Fixed Assets	(98.49)	(211.28)	(160.58)	(1,745.02)	(135.11)	(146.60)
Sale of fixed Assets	0.42	1.03	0.00	157.22	0.00	305.49
Purchase of Investments	(100.95)	(97.85)	(257.56)	58.65	(920.48)	(464.61)
Sale / redemption of Long Term Investments		0.00	0.00	0.00	0.00	176.00
Interest received	426.77	795.91	596.80	581.65	673.75	477.65
Dividend received		0.00	0.00	1.35	2.60	3.05
<b>Net cash from / (used in) Investing Activities (B)</b>	<b>227.75</b>	<b>487.81</b>	<b>178.66</b>	<b>(946.15)</b>	<b>(379.24)</b>	<b>350.98</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from issue of Share Capital	362.55	87.45	0.00	(7.25)	57.25	-
NCD Public issue expenses transferred to Securities Premium Reserve		0.00	(450.72)	(302.70)	0.00	0.00
Increase / (Decrease) in Long Term Borrowings	(5,292.62)	(13,472.50)	14,972.44	11,263.54	16,608.36	0.00
Increase / (Decrease) in Short Term Borrowings	3,142.76	5,079.36	(10,780.12)	(9,640.91)	(11,613.04)	0.00
Proceeds from Long and Short Term Borrowings		0.00	0.00	0.00	0.00	2,486.76
Dividend and Tax on Dividend Paid	(602.78)	(734.92)	(728.17)	(848.30)	(584.98)	(701.97)
<b>Net Cash from/ (used in) Financing Activities (C)</b>	<b>(2,390.09)</b>	<b>(9,040.61)</b>	<b>3,013.43</b>	<b>464.38</b>	<b>4,467.59</b>	<b>1,784.79</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>471.45</b>	<b>649.60</b>	<b>386.80</b>	<b>(10,351.72)</b>	<b>10,675.54</b>	<b>(122.82)</b>
Cash and cash equivalents at the beginning of the year	3,764.70	3,115.10	2,728.30	13,080.02	2,404.48	2,527.30
Cash and cash equivalents at the end of the year	4,236.15	3,764.70	3,115.10	2,728.30	13,080.02	2,404.48
<b>Components of cash and cash equivalents at the end of the year:</b>						
Cash on hand	862.08	839.68	845.18	858.02	502.39	1,328.89
Balance with Banks						
- cheques, drafts on hand	2,291.34	2,070.60	1,652.03	1,065.84	1,063.24	766.64
- in current accounts	1,082.73	854.42	617.89	804.44	883.37	308.95
- in escrow accounts	0.00	0.00	0.00	0.00	10,631.02	0.00

As per our report attached  
For P. K. Nagarajan & Co.,  
Chartered Accountants  
Firm Regn. No.: 016676S  
  
P.K. Nagarajan  
Partner  
Membership Number: 025679  
Place : Coimbatore  
Date : 12th January 2019

  
M. Balasubramaniam  
Vice Chairman and Managing Director  
  
S. Venkatesh  
Company Secretary

For and on behalf of the Board

  
MK Vijayaraghavan  
Chief Financial Officer

  
M. Manickam  
Chairman  
  
S. Veluswamy  
Chief Executive Officer



ANNEXURE IV NOTES TO RESTATED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

1. SHARE CAPITAL

Particulars	As at September 30, 2018	As at March 31,				
		2018	2017	2016	2015	2014
<b>Authorized Share Capital</b>						
5,50,00,000 Equity shares of ₹10/- each as on March 31, 2014, 2015 and 2016						
7,00,00,000 Equity shares of ₹10/- each as on March 31, 2017, 2018 and September 30, 2018	7,000.00	7,000.00	7,000.00	5,500.00	5,500.00	5,500.00
20,00,000 Redeemable Cumulative Preference Shares of ₹100/- each as on March 31, 2014, 2015 and 2016						
30,00,000 Redeemable Cumulative Preference Shares of ₹100/- each as on March 31, 2017, 2018 and September 30, 2018	3,000.00	3,000.00	3,000.00	2,000.00	2,000.00	2,000.00
	10,000.00	10,000.00	10,000.00	7,500.00	7,500.00	7,500.00
<b>Issued, Subscribed and Paid up Share capital</b>						
5,00,00,000 Equity shares of ₹10/- each fully paid up	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
302,450 10% Redeemable Cumulative Preference Shares of ₹100/- each fully paid	-	302.45	1,050.00	1,050.00	1,057.25	1,000.00
15,00,000 9% Redeemable Cumulative Preference Shares of ₹100/- each fully paid	1,500.00	835.00	-	-	-	-
	6,500.00	6,137.45	6,050.00	6,050.00	6,057.25	6,000.00

a) Reconciliation of shares outstanding at the beginning and end of the period

Particulars	As at September 30, 2018		As at March 31,									
	No. of Shares	(₹ Lakh)	2018		2017		2016		2015		2014	
			No. of Shares	(₹ Lakh)	No. of Shares	(₹ Lakh)	No. of Shares	(₹ Lakh)	No. of Shares	(₹ Lakh)	No. of Shares	(₹ Lakh)
Equity Shares with Voting Rights												
Number of Shares at the beginning of the year	5,00,00,000	5,000.00	5,00,00,000	5,000.00	5,00,00,000	5,000.00	5,00,00,000	5,000.00	5,00,00,000	5,000.00	5,00,00,000	5,000.00
Add : Fresh issue of Shares during the year	-	-	-	-	-	-	-	-	-	-	-	-
Number of Shares at the end of the year	5,00,00,000	5,000.00	5,00,00,000	5,000.00	5,00,00,000	5,000.00	5,00,00,000	5,000.00	5,00,00,000	5,000.00	5,00,00,000	5,000.00
Redeemable Cumulative Preference Shares												
Number of Shares at the beginning of the year	11,37,450	1,137.45	10,50,000	1,050.00	10,50,000	1,050.00	10,57,250	1,057.25	10,00,000	1,000.00	10,00,000	1,000.00
Add : Fresh issue	6,65,000	665.00	8,35,000	835.00	-	-	3,02,450	302.45	7,47,550	747.55	-	-



Particulars	As at September 30, 2018		As at March 31,									
			2018		2017		2016		2015		2014	
	No. of Shares	(₹ Lakh)	No. of Shares	(₹ Lakh)	No. of Shares	(₹ Lakh)	No. of Shares	(₹ Lakh)	No. of Shares	(₹ Lakh)	No. of Shares	(₹ Lakh)
of Shares during the year												
Less: Redemption of Shares during the year	(3,02,450)	(302.45)	(7,47,550)	(747.55)	-	-	(3,09,700)	(309.70)	(6,90,300)	(690.30)	-	-
Number of Shares at the end of the year	15,00,000	1,500.00	11,37,450	1,137.45	10,50,000	1,050.00	10,50,000	1,050.00	10,57,250	1,057.25	10,00,000	1,000.00

b) The rights, preferences and restrictions attached to each class of shares:

The Company has two classes of shares namely, Equity Shares and Redeemable Cumulative Preference Shares. The rights, preferences and restrictions attached to each class of shares are given below:

**Equity shares**

The equity share has a par value of ₹ 10. Each holder of equity share is entitled to one vote per share. An equity shareholder has got a right to attend the General Meetings convened by the company and to receive dividend when declared. The company declares and pays dividend in Indian rupees. The dividend recommended by the Board of Directors is subject to the approval of members at the ensuing Annual General Meeting, except in the case of interim dividend.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive any of the remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the member.

Financial Year	Particulars on dividend on Equity Shares
2017-18	The Board of Directors have recommended an equity dividend of ₹ 1/- Per share (10% on the face value of ₹ 10) aggregating to ₹ 602.78 Lakhs including dividend distribution tax of ₹ 102.78 Lakhs. The dividend recommendation was approved by the members at the Annual General Meeting.
2016-17	The Board of Directors had recommended an equity dividend of ₹ 1/- per share (10% on the par value of ₹ 10) aggregating to ₹ 601.80 Lakh, including dividend distribution tax of ₹ 101.80 lakhs. In terms of the revised Accounting Standard (AS-4) "Contingencies and Events occurring after the Balance Sheet date" as notified by the Ministry of Corporate Affairs through amendments to Companies (Accounting Standards) Amendments Rules 2016 dated 31 <sup>st</sup> March, 2016, the Company has not recognised the proposed dividend as a liability as at 31 <sup>st</sup> March, 2017. The dividend recommendation was approved by the members at the Annual General Meeting.
2015-16	The Board of Directors had at their meeting held on May 28, 2016, recommended a dividend of ₹ 1 per share (10% on the par value of ₹ 10) for the year ended 31 <sup>st</sup> March, 2016. The dividend recommendation was approved by the members at the Annual General Meeting. The amount of per share dividend recognised as distribution to equity shareholders is ₹ 1 per share. The total dividend appropriation for the year ended 31 <sup>st</sup> March, 2016 amounts to ₹ 601.79 lakhs, including corporate dividend tax of ₹ 101.79 lakhs.



2014-15	The Board of Directors had at their meeting held on May 30, 2015, recommended a dividend of ₹1 per share (10% on the par value of ₹10) for the year ended 31 <sup>st</sup> March, 2015. The dividend recommendation was approved by the members at the Annual General Meeting. The amount of per share dividend recognised as distribution to equity shareholders is ₹1 per share. The total dividend appropriation for the year ended 31 <sup>st</sup> March 2015 amounts to ₹601.81 lakhs, including corporate dividend tax of ₹101.81 lakhs.
2013-14	The Board of Directors at their meeting held on May 28, 2014, had recommended a dividend of ₹1 per share (10% of the par value of ₹10) for the year ended 31 <sup>st</sup> March 2014. The dividend recommendation was approved by the members at Annual General Meeting. The amount of per share dividend recognized as distribution to equity shareholders is ₹1 per share (₹1 per share). The total dividend appropriation for the year ended March 31 <sup>st</sup> 2014 amounts to ₹584.98 lakh, including corporate dividend tax of ₹84.98 lakh.

#### Redeemable Cumulative Preference Shares

The Redeemable Cumulative Preference Shares have a par value of ₹100. These shares carry a fixed cumulative dividend of 10% per annum. These shares would be redeemable at par at the end of 3 years from the various dates of allotment.

The Redeemable Cumulative Preference Shares (RCPS) have the following preferential rights over the equity shareholders:

- The payment of dividend at a fixed rate; and
- The return of capital on winding up of the company.

The preference shareholders can enforce their right of getting dividend in priority over the equity shareholders only if there are profits and the directors decide to distribute them by way of dividend.

Preference shareholders have no voting right and except when dividend is outstanding for more than 2 years in case of cumulative shares. But they have the right to vote on any resolution for winding up of the company or for the reduction or repayment of capital.

Financial Year	Particulars on dividend on Preference Shares
2017-18	The Board of Directors have at their meeting held on 28 <sup>th</sup> March 2018, declared an interim dividend of ₹10 per share, (10% on a par value of ₹100) for the year ended 31 <sup>st</sup> March 2018. The Board of Directors have also declared pro Rata dividend of 10% on RCPS of ₹100 per share allotted during the year. The total Preference Dividend including interim and pro rata dividend comes to ₹133.12 Lakhs, with a Dividend Distribution Tax of ₹22.51 Lakhs.
2016-17	The Board of Directors had, at their Meeting held on March 16, 2017, declared an interim dividend of ₹10/- per share. (10% on par value of ₹100) for the year ending March 31 <sup>st</sup> 2017. The total Preference Dividend comes to ₹126.38 lakhs, including a Corporate Dividend Tax of ₹21.38 lakhs.
2015-16	The Board of Directors had, at their Meeting held on March 12, 2016, declared an interim dividend of ₹10/- per share. (10% on par value of ₹100) for the year ending March 31 <sup>st</sup> 2016. The total Preference Dividend comes to ₹125.58 lakhs, including a Corporate Dividend Tax of ₹21.24 lakhs.
2014-15	The Board of Directors had, at their meeting held on March 31, 2015, declared an interim dividend of ₹10/- per share of (10% on a par value of ₹100) for the year ending March 31 <sup>st</sup> 2015. The Board of Directors at their meeting held on May 30, 2015 and also recommended a pro rata dividend (₹0.03 per share) 10% on redeemable cumulative preference shares of ₹100 allotted during the year, which was subject to the approval of members at the ensuing Annual General meeting. The dividend recommended was approved by the members at Annual General Meeting. The total Preference Dividend including interim dividend is ₹120.91 Lakhs, including a Corporate Dividend Tax of ₹20.15 Lakhs.
2013-14	The Board of Directors had, at their Meeting held on March 28, 2014, declared an interim dividend of ₹10/- per share, (10% on par value of ₹100) for the year ending March 31, 2014. The total dividend appropriation for the year ended March 31, 2014 amounts to ₹117.00 lakh including a Corporate Dividend Tax of ₹17 lakh.



c) Details of shareholders holding more than 5% shares in the capital of the company

Particulars	As at September 30, 2018		For March 31,									
	% of Holding	No. of Shares	2018		2017		2016		2015		2014	
			% of Holding	No. of Shares	% of Holding	No. of Shares	% of Holding	No. of Shares	% of Holding	No. of Shares	% of Holding	No. of Shares
Equity Shares with Voting Rights												
ABT Investments (India) Private Limited*	17.46	87,27,400	17.46	87,27,400	17.46	87,27,400	17.46	87,27,400	17.46	87,27,400	17.46	87,27,400
Sakthi Finance Financial Services Limited	16.22	81,10,000	16.22	81,10,000	16.22	81,10,000	16.22	81,10,000	16.22	81,10,000	16.22	81,10,000
Avdhoot Finance and Investment Private Limited	11.25	56,24,208	11.25	56,24,208	11.25	56,24,208	11.25	56,24,208	11.25	56,24,208	11.25	56,24,208
Bridgewater Investment Corporation Limited	8.90	44,50,000	8.90	44,50,000	8.90	44,50,000	8.90	44,50,000	8.90	44,50,000	8.90	44,50,000
The Gounder and Company Auto Limited	7.85	39,25,000	7.85	39,25,000	7.85	39,25,000	7.85	39,25,000	7.85	39,25,000	7.85	39,25,000
Sakthi Financial Services (Cochin) Private Limited	6.82	34,11,246	6.82	34,11,246	6.82	34,11,246	6.82	34,11,246	6.82	34,11,246	6.82	34,11,246
Redeemable Cumulative Preference Shares												
Mr. S Natarajan	5.20	78,000	-	-	-	-	-	-	-	-	-	-
Ms. Jayasree Jayanth	-	-	-	-	-	-	16.34	1,71,550	16.23	1,71,550	-	-
Mr. Jayanth Balakrishna	-	-	-	-	-	-	11.58	1,21,600	13.87	1,46,600	15.00	1,50,000
Ms. Aashika Jayanth	-	-	-	-	2.38	25,000	5.56	58,400	5.52	58,400	-	-
Sakthi Financial Services (Cochin) Private Limited	-	-	-	-	-	-	-	-	9.74	1,03,000	-	-
Mr. B.R. Prabhakar	-	-	6.61	20,000	-	-	-	-	-	-	-	-
Mr. R. Ramaseshan	-	-	9.92	30,000	-	-	-	-	-	-	-	-

\* Due to demerger of ABT Limited, the shares were transferred to ABT Investments (India) Private Limited on 24<sup>th</sup> May 2016.

2. RESERVES AND SURPLUS

(₹Lakh)

Particulars	As at September 30, 2018	As at March 31				
		2018	2017	2016	2015	2014
<b>Capital Reserve</b>						
Opening and Closing Balance	52.61	52.61	52.61	52.61	52.61	52.61
<b>Securities Premium</b>						
Opening Balance	801.07	801.07	1,251.79	1,554.49	1,554.49	1,554.49
Less : NCD Issue expenses	-	-	450.72	302.70	-	-
Closing Balance	801.07	801.07	801.07	1,251.79	1,554.49	1,554.49
<b>Resignation Reserve</b>						
Opening Balance	1,779.20	1,822.44	1,865.68	2,006.84	2,056.21	2,358.03





(₹Lakh)

Particulars	As at September 30, 2018	As at March 31				
		2018	2017	2016	2015	2014
Less : Withdrawn on disposal of Fixed Assets	-	-	-	95.10	-	255.88
Transfer to Statement of Profit and Loss	21.68	43.24	43.24	46.06	49.36	45.94
<b>Closing Balance</b>	<b>1,757.52</b>	<b>1,779.20</b>	<b>1,822.44</b>	<b>1,865.68</b>	<b>2,006.85</b>	<b>2,056.21</b>
<b>General Reserve</b>						
Balance as at the Opening of the year	500.00	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00
Less : Transfer to Statement of Profit and Loss	-	1,000.00	-	-	-	-
<b>Closing Balance</b>	<b>500.00</b>	<b>500.00</b>	<b>1,500.00</b>	<b>1,500.00</b>	<b>1,500.00</b>	<b>1,500.00</b>
<b>Debenture Redemption Reserve</b>						
Opening Balance	3,936.00	2,603.00	960.00	-	-	-
Add : Transfer from surplus in Statement of Profit and Loss	-	1,333.00	1,643.00	960.00	-	-
<b>Closing Balance</b>	<b>3,936.00</b>	<b>3,936.00</b>	<b>2,603.00</b>	<b>960.00</b>	<b>-</b>	<b>-</b>
<b>Statutory Reserve as per Section 45IC of the RBI Act 1934</b>						
Opening Balance	2,704.65	2,466.12	2,131.01	1,880.50	1,563.57	1,280.43
Add : Transfer from surplus in Statement of Profit and Loss	-	238.53	335.11	250.51	316.93	283.15
<b>Closing balance</b>	<b>2,704.65</b>	<b>2,704.65</b>	<b>2,466.12</b>	<b>2,131.01</b>	<b>1,880.50</b>	<b>1,563.58</b>
As per the requirements of Section 45IC of the Reserve Bank of India Act 1934 a Statutory Reserve has been created at 20% of the PAT available for appropriation						
<b>Surplus in Statement of Profit and Loss</b>						
Opening Balance	1,016.61	1,087.19	1,548.74	2,112.13	1,567.14	1,136.52
Add : Profit after tax for the year	686.54	1,192.63	1,599.70	1,328.43	1,584.64	1,415.73
Transfer from General Reserve	0.00	1,000.00	-	-	-	-
Transfer from Revaluation Reserve (Depreciation on Revalued Assets)	21.68	43.24	43.24	46.06	-	-
<b>Total</b>	<b>1,724.83</b>	<b>3,323.06</b>	<b>3,191.68</b>	<b>3,486.62</b>	<b>3,151.78</b>	<b>2,552.25</b>
<b>Less: Appropriations</b>						
Interim dividend on Preference shares ₹ 10/- per share)	-	104.23	105.00	104.34	100.00	100.00
Tax on Interim dividend on Preference Shares	-	21.22	21.38	21.24	20.00	17.00
Pro rata dividend on Preference shares	-	6.38	-	-	0.76	-
Tax on pro rata dividend on Preference shares	-	1.29	-	-	0.15	-
Dividend for Equity Dividend (₹ 1 per share) paid (FY 2018)	500.00	500.00	-	500.00	500.00	500.00
Dividend-Equity Shares (FY 2018)	102.78	101.80	-	101.79	101.81	84.98
Transfer to Statutory Reserve	-	238.53	335.11	250.51	316.93	283.15



(₹Lakh)

Particulars	As at September 30, 2018	As at March 31				
		2018	2017	2016	2015	2014
Transfer to Debenture Redemption Reserve	-	1,333.00	1,643.00	960.00	-	-
Closing Surplus	1,122.05	1,016.61	1,087.19	1,548.74	2,112.13	1,567.12
Total	10,873.90	10,790.14	10,332.43	9,309.83	9,106.57	8,294.01

## 3. LONG-TERM BORROWINGS

(₹Lakh)

Particulars	As at September 30, 2018	As at March 31				
		2018	2017	2016	2015	2014
<b>Secured</b>						
Debentures (Refer Note 5)	18,618.64	18,039.12	24,826.99	11,945.64	13,82.90	11,81.65
Term Loans from Banks/ Financial Institutions/other Lenders	2,724.35	4,523.31	4,342.06	4,940.84	6,477.77	20.00
	21,342.99	22,562.43	29,169.05	16,886.48	7,860.67	1,201.65
<b>Unsecured</b>						
Deposits	11,896.88	9,486.19	7,994.34	6,402.59	7,663.68	7,110.09
Subordinated Debts	4,717.58	11,201.25	19,558.98	18,459.91	17,463.85	8,068.10
Senior Unsecured NCD	2,500.00	2,500.00	2,500.00	2,500.00	-	-
	19,114.26	23,187.44	30,053.32	27,362.50	25,127.53	15,178.19
Total	40,457.25	45,749.87	59,222.37	44,248.98	32,988.20	16,379.84

## a) Nature of security and terms of repayment for Debentures

- As at September 30, 2018, 32,06,58,241 (face value of Rupee 1 each) and 4,05,650 (face value of ₹ 1000 each) Secured Redeemable Non-Convertible Debentures issued on Private Placement basis aggregating to ₹ 7263.08 lakh and redeemable at par are secured by specified Hire Purchase receivables. The rate of interest varies from 9% to 12%; the date of redemption is reckoned at 12 to 36 months from the date of first allotment in relation to each of the series allotted upto 31st July 2010 and 15 to 36 months in relation to each of the series allotted from 1st August 2010 onwards.
- As at September 30, 2018, 36,47,900 Secured Redeemable Non-Convertible Debentures of ₹ 100 each aggregating to ₹ 3,647.90 Lakhs are secured by specified Hire purchase receivables and a building situated at Madurai. The rate of interest varies from 11% to 11.50%. The date of redemption is reckoned at 24 to 48 months from the date of allotment i.e.01.04.2015. (Public Issue I)
- As at September 30, 2018, 13,05,499 Secured Redeemable Non-Convertible Debentures of ₹ 1000 each aggregating to ₹ 13,054.99 Lakhs are secured by specified Hire purchase receivables and an identified immovable property situated at Coimbatore. The rate of interest varies from 10.25% to 11.00%. The date of redemption is reckoned at 24 to 48 months from the date of allotment i.e. 18.05.2016. (Public Issue II)
- The Secured Redeemable Non- Convertible Debentures outstanding for the Debentures placed on Private Placement basis are secured by specified Hire Purchase receivables and certain immovable properties for the years ended March 31, 2018, 2017, 2016, 2015 and 2014 respectively
- The Secured Redeemable Non- Convertible Debentures outstanding for the Debentures of Public Issues I are secured by building situated at Madurai and specified Hire Purchase receivables for the years ended March 31, 2018, 2017 and 2016,
- The Secured Redeemable Non- Convertible Debentures outstanding for the Debentures of Public Issues II are secured by identified immovable property situated at Coimbatore and specified Hire Purchase receivables for the years ended March 31, 2018 and 2017.

For Public Issue of Debentures, Debenture Redemption Reserve has been created based on tenor of the debentures.



b) Term loans from

(i) Small Industries Development Bank of India (SIDBI) is secured as under

(₹Lakh)

Sl. No	Amount of Term Loan Sanctioned	Rate of Interest (%)	Repayment		Moratorium period	Security Details	Amount outstanding as on					
			Commence ment date	End date			30.09.2018	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
1	1,000.00	13.50	01.04.2012	10.04.2015	3 months	Hypothecation of specified Hire Purchase receivables and guarantee by two directors	-	-	-	-	20.00	356.00

(ii) The Lakshmi Vilas Bank Ltd is secured as under

(₹Lakh)

Sl. No	Amount of Term Loan Sanctioned	Rate of Interest (%)	Repayment		Moratorium period	Security Details	Amount outstanding as on					
			Commence ment date	End Date			30.09.2018	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
1	3,000.00	11.55	31.10.2016	30.09.2019	-	Hypothecation of specified Hire Purchase receivables; a personal guarantee by a director	1,014.29	1,521.43	2,535.71	-	-	-

(iii) The Tamil Nadu Industrial Investment Corporation Limited (TIIC) is as under

(₹Lakh)

Sl. No	Amount of Term Loan Sanctioned	Rate of Interest (%)	Repayment		Moratorium period	Security Details	Amount outstanding as on					
			Commence ment date	End date			30.09.2018	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
1	1,000.00	13.20	01.04.2015	01.03.2018	3 Months	Hypothecation of specified Hire Purchase receivables and Land & Buildings situated at Coimbatore and Chennai and personal guarantee by three directors	-	-	37.00	683.00	976.00	-



(iv) AU Small Finance Bank Ltd is secured as under:

(₹ Lakh)

Sl. No	Amount of Term Loan Sanctioned	Rate of Interest (%)	Repayment		Moratorium period	Security Details	Amount outstanding as on					
			Commencement date	End date			30.09.2018	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
1	2,500	10.65%	15.12.2017	15.12.2020	-	Hypothecation of specified Hire Purchase receivables and a personal guarantee by a director	1,824.32	2,229.73	-	-	-	-

(v) Sundaram Finance Ltd

(₹ Lakh)

Sl. No	Amount of Term Loan Sanctioned	Rate of Interest (%)	Repayment		Moratorium period	Security Details	Amount outstanding as on					
			Commencement date	End date			30.09.2018	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
1	750.00	14.00	08.06.2014	08.05.2016	-	Exclusive charge on 17 Wind Mills situated at Tirunelveli / Tirupur Dist. in Tamil Nadu and also at Motugunda Village Bhavnad Taluk Jam Nagar Dist Gujarat and guarantee by a director	-	-	-	70.87	462.97	-
2	550.00	14.00	17.08.2014	17.07.2016	-		-	-	-	102.32	382.18	-
3	300.00	14.00	17.08.2014	17.07.2016	-		-	-	-	-	208.46	-
4	1,100.00	13.00	08.01.2016	08.11.2017	-		-	-	415.03	974.16	-	-
5	750.00	12.90	03.05.2016	03.04.2017	-		-	-	66.17	-	-	-
6	1,000.00	10.25	10.10.2017	10.09.2020	-		699.77	853.18	-	-	-	-

(vi) Reliance Capital Ltd

(₹ Lakh)

Sl. No	Amount of Term Loan Sanctioned	Rate of Interest (%)	Repayment		Moratorium period	Security Details	Amount outstanding as on					
			Commencement date	End date			30.09.2018	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
1	1,000.00	15.00	01.09.2014	01.08.2016	-	Hypothecation of specified Hire Purchase receivables and personal guarantee by a director	-	-	-	233.31	699.20	-
	3,000.00	15.00	10.03.2015	10.02.2016			-	-	-	-	2,892.80	-





(vii) Northern Arc Capital Ltd (formerly IFMR Capital Finance Pvt. Ltd.)

(₹ Lakh)

Sl. No	Amount of Term Loan Sanctioned	Rate of Interest (%)	Repayment		Moratorium period	Security Details	Amount outstanding as on					
			Commencement date	End date			30.09.2018	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
1	1,500.00	14.00	27.10.2014	27.09.2016	-	Hypothecation of specified Hire Purchase receivables and personal guarantee by a director	-	-	-	415.31	1,161.39	-
2	1,500.00	13.50	23.05.2015	23.02.2018	-		-	-	523.82	1,026.13	1,465.78	-
3	220.00	13.50	27.05.2015	27.02.2018	-		-	-	76.90	150.59	214.82	-
4	1,000.00	13.50	14.04.2016	14.09.2018	6 Months		-	228.25	639.99	1,000.00	-	-
5	395.00	13.50	12.05.2016	12.10.2018	6 Months		15.45	104.36	265.36	395.00	-	-
6	730.00	13.50	19.09.2016	19.02.2019	6 Months		139.36	296.42	580.95	730.00	-	-
7	330.00	12.90	24.10.2016	25.05.2019	6 Months		74.68	144.69	272.03	330.00	-	-
8	170.00	12.90	22.11.2016	22.04.2019	6 Months		44.57	80.23	145.14	-	-	-

(viii) Hinduja Leyland Finance Ltd

(₹ Lakh)

Sl. No	Amount of Term Loan Sanctioned	Rate of Interest (%)	Repayment		Moratorium period	Security details	Amount outstanding as on					
			Commencement date	End date			30.09.2018	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
1	2,500.00	12.50	07.11.2014	08.10.2017	-	Hypothecation of specified Hire Purchase receivables	-	-	561.29	1,436.82	2,209.41	-
2	1,500.00	12.50	07.02.2015	07.04.2018	-		-	46.44	567.56	1,027.68	1,433.60	-
3	250.00	12.50	07.04.2015	07.06.2018	-		-	23.08	108.55	184.01	250.00	-
4	2,600.00	10.71	07.05.2017	07.04.2020	-		1,480.18	1,897.17	2,600.00	-	-	-
5	1,500.00	10.25	07.05.2018	07.02.2021	-		1,247.97	1,469.35	-	-	-	-

(ix) Mahindra and Mahindra Financial Services Ltd

(₹ Lakh)

Sl. No	Amount of Term Loan Sanctioned	Rate of Interest (%)	Repayment		Moratorium period	Security Details	Amount outstanding as on					
			Commencement date	End date			30.09.2018	31.03.2018	31.03.2017	31.03.2016	31.03.2015	31.03.2014
1	1,500.00	12.90	20.04.2015	20.03.2018	-	Hypothecation of specified Hire Purchase receivables	-	-	565.35	1,062.62	1,500.00	-



There are no defaults in repayment of fixed deposits, debentures and term loans.  
 2. Rate of Interest for fixed deposits varies from 8% to 8.75% per annum.  
 3. Rate of Interest for subordinated debts is at 11.50% per annum. The tenor of subordinated debt is 61 months.  
 4. Deposits are repaid on maturity. The tenor of deposit ranges from 15 months to 36 months.



#### 4. DEFERRED TAX LIABILITIES (NET)

(₹Lakh)

Particulars	As at 30.09.2018	As at 31.03.				
		2018	2017	2016	2015	2014
<b>Tax effect of items constituting deferred tax liability:</b>						
On difference between book balance and tax balance of depreciation	627.89	772.81	835.60	941.13	1,031.07	1,045.81
<b>Tax effect of items constituting deferred tax assets:</b>						
Provision for NPA/Contingent Provision against Standard Assets	496.61	528.25	402.98	336.19	314.26	118.56
Provision for fall in value of Investments	-	-	-	8.44	52.42	-
Brought forward capital losses	-	-	7.83	7.83	-	3.77
	<b>496.61</b>	<b>528.25</b>	<b>410.81</b>	<b>352.46</b>	<b>366.68</b>	<b>122.33</b>
<b>Total</b>	<b>131.28</b>	<b>244.56</b>	<b>424.79</b>	<b>588.67</b>	<b>664.39</b>	<b>923.48</b>

#### 5. SHORT-TERM BORROWINGS

(₹Lakh)

Particulars	As at 30.09.2018	As At				
		2018	2017	2016	2015	2014
<b>Secured Loans</b>						
Debentures (Refer Note 3)	6,628.79	8,278.68	1,626.89	2,707.94	9,559.03	27,400.57
<b>From Banks</b>						
Cash Credit and Working Capital Demand Loans	15,384.07	10,591.42	12,163.85	21,862.92	21,759.94	18,424.24
Loans from Financial Institutions / other Lenders	-	-	-	-	2,892.80	-
<b>Total</b>	<b>22,012.86</b>	<b>18,870.10</b>	<b>13,790.74</b>	<b>24,570.86</b>	<b>34,211.77</b>	<b>45,824.81</b>

#### Nature of security and Terms of repayment for cash credit and working capital demand loan

Cash Credits and Working Capital Demand Loans from Banks are secured by hypothecation of specified hire purchase receivables and personal guarantee of 2/3 directors of the company. There are no overdues in the above accounts.

#### 6. OTHER CURRENT LIABILITIES

(₹Lakh)

Particulars	As at 30.09.2018	As at March 31				
		2018	2017	2016	2015	2014
<b>Current Maturities of Long-Term Debt :</b>						
Debentures	759.00	1,772.27	975.35	812.05	3,149.32	1,387.78
- Term Loans from Banks/ Financial Institutions / other Lenders	3,816.24	4,371.02	5,618.80	4,880.99	4,506.04	336.00
- Deposits	5,757.21	6,959.25	6,849.33	9,222.44	8,750.85	5,837.08
- Subordinated Debts	12,388.92	9,589.82	-	-	-	-
Interest accrued but not due on Deposits	494.53	668.05	652.85	868.69	765.11	274.86
Interest accrued but not due on Subordinate Debts	3,693.18	-	-	-	-	-
Interest accrued but not due on NCD	203.41	292.36	117.28	302.34	181.56	133.34
Interest accrued but not due on Senior Unsecured NCD	0.94	0.93	1.85	2.80	-	-
Interest accrued on Bank Cash Credit etc	73.95	85.67	129.57	133.60	159.79	60.08
Unclaimed dividends	554.50	165.71	48.06	43.88	30.67	122.74
Unclaimed matured deposits and interest accrued thereon	575.32	318.93	585.05	812.46	519.15	258.48
Unclaimed matured Subordinate Debts and interest accrued thereon	275.54	-	-	-	-	-
Unclaimed matured debentures and interest accrued thereon	160.71	285.26	292.07	2,602.95	1,101.63	1,611.36
Unclaimed Interest Warrants	-	-	-	37.28	2.86	10.32
Advances from Customers	107.71	75.27	771.20	868.18	751.12	732.16
Security Deposits	0.45	0.45	0.45	0.45	0.45	0.45
Provision deducted at source	33.69	90.29	72.91	58.30	60.95	52.65
Liability for Expenses	297.86	281.16	246.55	299.56	220.98	86.49



Particulars	As at 30.09.2018	As at March 31				
		2018	2017	2016	2015	2014
Redeemable Cumulative Preference Shares due for Redemption	36.60	213.75	54.05	77.30	360.70	-
Application money received against NCD Public Issue	-	-	-	-	10,631.02	-
Other Payables	114.51	32.35	9.88	8.62	9.89	8.34
<b>Total</b>	<b>29,344.27</b>	<b>25,202.54</b>	<b>16,425.25</b>	<b>21,031.89</b>	<b>31,202.09</b>	<b>11,312.13</b>

- a) As at end of each financial year there was no amount due to be transferred to Investor Education and Protection Fund  
b) The Company has not received information from vendors regarding their status under the Micro Small and Medium Enterprises Development Act 2006 and hence disclosures relating to their outstanding amount and interest have not been made.

## 7. SHORT-TERM PROVISIONS

(₹ Lakh)

Particulars	As at 30 <sup>th</sup> September, 2018	As at 31st March				
		2018	2017	2016	2015	2014
<b>Provision for Employee Benefits</b>						
Provision for bonus	56.58	56.58	45.17	40.93	35.93	77.12
Provision for gratuity (net)	67.45	49.93	48.88	35.02	14.00	-
<b>Total (A)</b>	<b>124.03</b>	<b>106.51</b>	<b>94.05</b>	<b>75.95</b>	<b>49.93</b>	<b>77.12</b>
<b>Other Provisions</b>						
Provision for Taxation (Net of Advance tax and refund dues)	15.42	56.95	-	132.53	181.18	104.16
Contingent Provision against Standard Assets	361.38	359.38	315.34	283.44	230.99	196.79
Provision for Non-Performing Assets	1,959.00	1695.78	1214.75	857.82	693.57	519.19
Provision for diminution in value of Investments	136.90	136.90	43.74	24.39	154.31	0.08
Provision for Interim dividend on Preference shares	-	-	-	-	100.00	-
Provision for Tax on Interim dividend on Preference Shares	-	-	-	-	20.00	-
Provision for pro rata Dividend on Preference Shares	-	-	-	-	0.76	-
Provision for tax on pro rata Dividend on Preference shares	-	-	-	-	0.15	-
Provision for proposed equity dividend	-	-	-	500.00	500.00	500.00
Provision for tax on proposed equity dividend	-	-	-	101.79	101.81	84.98
<b>Total (B)</b>	<b>2,472.70</b>	<b>2,249.01</b>	<b>1,573.83</b>	<b>1,899.97</b>	<b>1,982.77</b>	<b>1,405.20</b>
<b>Total (A) + (B)</b>	<b>2,596.73</b>	<b>2,355.52</b>	<b>1,667.88</b>	<b>1,975.92</b>	<b>2,032.70</b>	<b>1,482.32</b>

### a) Provision as per RBI Norms

#### 2) Provision for Non-Performing Assets

##### For Half Year ended 30<sup>th</sup> September 2018 and Financial Year 2017-18

Provision for non-performing assets, doubtful debts loans and advances have been made as per the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2016.

##### For Financial Year 2016-17, 2015-16, 2014-15, 2013-14

Provision for non-performing assets, doubtful debts, loans and advances have been made as per the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007.

#### 3) Contingent Provision against Standard Assets

##### For Half Year ended 30<sup>th</sup> September 2018 and Financial Year 2017-18

As per Master Direction-NBFC-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) directions, all Non-Banking Financial Companies are required to make a provision of 0.40% on the Standard Assets as on 31<sup>st</sup> March, 2018. Accordingly, necessary provision has been made



**For Financial Year 2016-17**

RBI by its Notification No.DNBR.011/CGM(CDS)-2015 dated 27th March,2015 has issued directions to all Non-Banking Financial Companies to make a provision of 0.35% on the Standard Assets as on 31st March, 2017. Accordingly, necessary provision has been made.

**For Financial Year 2015-16**

RBI by its Notification No.DNBR.011/CGM(CDS)-2015 dated March 27, 2015 has issued directions to all Non-Banking Financial Companies to make a provision of 0.30% on the Standard Assets as on March 31, 2016. Accordingly, necessary provision has been made.

**For Financial Year 2014-15 and 2013-14**

RBI by its Notification No.DNBS.222/CGM(US)-2011 dated 17th January 2011 has issued directions to all Non-Banking Financial Companies to make a provision of 0.25% on the Standard Assets. Accordingly, necessary provision has been made.



# 8. PROPERTY, PLANT AND EQUIPMENT

(₹ Lakhs)

Particulars								Total Tangible Assets	Intangible Assets	Capital Work -in-progress	Total Property Plant and Equipment
	Land	Building	Plant and Machinery	Plant - Wind Mills	Furniture and Fixtures	Vehicles	Office Equipment				
								(I)	(II)	(III)	(I)+(II)+ (III)
<b>Gross Block</b>											
As at March 31 2013	750.92	2301.12	92.44	4,356.52	128.14	69.17	346.06	8,044.37	91.27	207.51	8,343.15
Additions during the period/year	0.00	7.77	1.20	0.00	12.32	18.04	12.76	52.09	297.52	87.51	437.12
Disposals/ Capitalized	43.14	0.00	0.00	788.00	0.00	12.55	0.00	843.69	0.00	290.52	1,134.21
As at March 31 2014	707.78	2,308.89	93.64	3,568.52	140.46	74.66	358.82	7,252.77	388.79	4.50	7,646.06
Additions during the period/year	0.00	13.97	16.51	0.00	10.51	0.00	21.63	62.42	66.35	12.72	141.49
Disposals/ Capitalized	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	6.38	6.38
As at March 31 2015	707.78	2,322.86	110.15	3,568.52	150.77	74.66	380.45	7,315.19	455.14	10.84	7,781.17
Additions during the period/year	1,241.73	27.14	1.69	0.00	21.04	18.11	21.01	1,330.72	324.67	95.98	1,751.37
Disposals/ Capitalized	21.00	0.00	0.00	1,028.61	2.34	3.10	0.00	1,055.05	0.00	6.34	1,061.39
As at March 31 2016	1,928.51	2,350.00	111.84	2,539.91	168.47	89.67	401.46	7,590.86	779.81	100.48	8,471.15
Additions during the period/year	0.00	15.22	29.30	0.00	179.64	0.00	31.47	255.63	0.00	49.94	385.57
Disposals/ Capitalized	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	144.99	144.99
As at March 31 2017	1,928.51	2,365.22	141.14	2,539.91	349.11	89.67	432.95	7,846.49	779.81	5.43	8,631.73
Additions during the period/year	0.00	14.51	8.68	0.00	37.95	56.23	15.10	132.45	9.39	69.44	211.28
Disposals/ Capitalized	0.00	0.00	0.35	0.00	0.00	5.22	0.00	5.57	0.00	0.00	5.57
As at March 31 2018	1,928.51	2,379.73	149.47	2,539.91	387.04	140.68	448.05	7,973.37	789.20	74.87	8,837.44
Additions during the period/year	0.00	0.00	6.38	0.00	36.89	0.00	27.69	70.96	86.09	10.87	167.92
Disposals/ Capitalized	0.00	0.00	0.00	0.00	0.00	3.00	0.00	3.00	0.00	69.43	72.43
As at September 30 2018	1,928.51	2,379.73	155.85	2,539.91	423.93	137.68	475.72	8,040.33	875.29	16.31	8,932.93



(₹ Lakh)

Particulars	Land	Building	Plant and Machinery	Plant - Wind Mills	Furniture and Fixtures	Vehicles	Office Equipment	Total Tangible Assets	Intangible Assets	Capital Work-in-Progress	Total Property, Plant and Equipment
								(I)	(II)	(III)	(I)+(II)+(III)
<b>Accumulated Depreciation</b>											
As at March 31 2013	0.00	212.91	53.29	1,147.64	108.31	39.16	275.06	1,836.37	57.74	0.00	1,894.11
Charge for the Year	0.00	37.20	2.59	207.95	9.25	5.76	17.30	280.85	11.46	0.00	290.49
Disposals	0.00	0.00	0.00	542.75	0.00	10.65	0.00	553.40	0.00	0.00	553.40
As at March 31 2014	0.00	250.11	55.88	812.84	117.54	34.27	292.36	1,563.00	69.20	0.00	1,632.20
Charge for the Year	0.00	50.62	4.36	146.47	4.44	9.83	17.54	233.26	57.31	0.00	290.57
Disposals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
As at March 31 2015	0.00	300.73	60.24	959.31	121.98	44.10	309.90	1,796.26	126.51	0.00	1,922.77
Charge for the Year	0.00	51.09	4.18	125.85	4.81	6.17	18.97	209.81	76.04	0.00	285.85
Disposals	0.00	0.00	0.00	367.76	0.46	2.95	0.00	371.17	0.00	0.00	371.17
As at March 31 2016	0.00	351.76	64.42	715.40	126.33	47.32	328.87	1,624.10	202.55	0.00	1,826.65
Charge for the Year	0.00	51.37	5.52	104.55	15.59	7.87	22.38	207.28	114.45	0.00	321.71
Disposals	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
As at March 31 2017	0.00	403.13	69.94	819.95	141.92	55.19	351.25	1,840.38	316.98	0.00	2,157.36
Charge for the Year	0.00	52.52	6.21	104.57	25.23	11.65	20.53	218.71	113.22	0.00	331.95
Disposals	0.00	0.00	0.13	0.00	0.00	4.05	0.00	4.18	0.00	0.00	4.18
As at March 31 2018	0.00	455.65	76.02	924.52	165.15	62.79	371.78	2,055.91	430.20	0.00	2,486.11
Charge for the Year	0.00	28.04	3.40	52.43	13.62	6.67	9.96	114.12	56.67	0.00	178.79
Disposals	0.00	0.00	0.00	0.00	0.00	2.85	0.00	2.85	0.00	0.00	2.85
As at September 30 2018	0.00	483.69	79.42	976.95	178.77	66.61	381.74	2,167.18	486.87	0.00	2,654.05





Section	Unit	Building	Room	Area	Volume	Weight	Value	Cost	Length	Capacity	Notes
New Stock											
Acid/Alkali/10 204	70.75	1285.75	1.75	1275.46	1275	48.25	48.4	1285.75	1275	48.25	1285.75
Acid/Alkali/10 205	70.75	1285.75	4.85	1285.75	1275	58.5	70.75	1285.75	1275	58.5	1285.75
Acid/Alkali/10 206	1285.75	1285.75	4.85	1285.75	1275	48.25	70.75	1285.75	1275	58.5	1285.75
Acid/Alkali/10 207	1285.75	1285.75	7.25	1275.46	1275	58.5	70.75	1285.75	1275	58.5	1285.75
Acid/Alkali/10 208	1285.75	1285.75	7.45	1275.46	1275	70.75	70.75	1285.75	1275	70.75	1285.75
Acid/Alkali/10 209	1285.75	1285.75	7.45	1275.46	1275	70.75	70.75	1285.75	1275	70.75	1285.75



9. NON-CURRENT INVESTMENTS (AT COST) OTHER THAN TRADE

(₹ Lakh)

Particulars	Number	Face Value per unit (₹)	As at 30 <sup>th</sup> September, 2018	As at 31st March				
				2018	2017	2016	2015	2014
<b>Investments in Equity Instruments</b>								
<b>Quoted – Associates</b>								
Sakthi Sugars Limited	5,52,833	10	226.10	226.10	226.10	226.10	226.10	226.10
<b>Quoted – Others</b>								
Bannari Amman Sugars Limited ***	10,000	10	-	-	-	-	-	7.60
Chokani International Limited	100	10	0.02	0.02	0.02	0.02	0.02	0.02
Sri Bhagavathi Textiles Limited	5	100	-	-	0.04	0.04	0.04	0.04
Sri Chamundeswari Sugars Limited	1,86,666	10	-	-	7.82	7.82	7.82	7.82
Stiles India Limited	100	10	0.02	0.02	0.02	0.02	0.02	0.02
			<b>226.14</b>	<b>226.14</b>	<b>234.00</b>	<b>234.00</b>	<b>234.00</b>	<b>241.60</b>
<b>Unquoted – Associates</b>								
ABT Industries Limited	1,50,000	10	15.00	15.00	15.00	15.00	15.00	15.00
ABT Foods Agrovet Limited **	1,25,000	10	12.50	12.50	12.50	12.50	12.50	12.50
Sakthi Soft Drinks Pvt. Limited	30,000	10	3.00	3.00	3.00	3.00	3.00	3.00
Sri Bhagavathi Textiles Limited *	5	100	0.04	0.04	-	-	-	-
Sri Chamundeswari Sugars Limited *	1,86,666	10	7.82	7.82	-	-	-	-
<b>Unquoted – Others</b>								
ABT Co-operative Stores Limited	500	10	0.05	0.05	0.05	0.05	0.05	0.05
			<b>38.41</b>	<b>38.41</b>	<b>30.55</b>	<b>30.55</b>	<b>30.55</b>	<b>30.55</b>
<b>Investments in Government Securities</b>								
<b>Quoted</b>								
Bonds of Central and State Governments #	25,14,000	100	2,402.84	2,301.89	2,340.35	1,971.80	1,829.37	1,023.99
<b>Total</b>			<b>2,667.39</b>	<b>2,566.44</b>	<b>2,604.90</b>	<b>2,236.35</b>	<b>2,093.92</b>	<b>1,296.14</b>
<b>Aggregate Book value of Quoted Investments less provision for diminution in value of Investments</b>			<b>2,628.98</b>	<b>2,528.03</b>	<b>2,574.35</b>	<b>2,205.80</b>	<b>2,063.37</b>	<b>1,265.59</b>
<b>Aggregate Market Value of Quoted Investments</b>			<b>2,473.63</b>	<b>2,385.17</b>	<b>2,524.65</b>	<b>2,175.45</b>	<b>2,215.18</b>	<b>1,323.62</b>
<b>Aggregate Book value of Unquoted Investments</b>			<b>38.41</b>	<b>38.41</b>	<b>30.55</b>	<b>30.55</b>	<b>30.55</b>	<b>30.55</b>

\* Delisted from Stock Exchanges during the year ended 31.3.2018

# Investments made to comply with the requirements of the directives issued by the Reserve Bank of India

\*\* The Name of the company has been changed from Sakthi Beverages Limited to ABT Foods Agrovet Limited on 03.11.2015

\*\*\* The Shares in Bannari Amman Sugars Ltd were sold during the financial year 2015-16.



Non-current investments





In accordance with the Master Direction - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions 2016 dated 25th August 2016, the Company has created a floating charge on the statutory liquid assets comprising (both current & non-current) Investment in Government Securities on the above investments in favour of IDBI Trusteeship Services Ltd, trustee representing the fixed deposit holder of the Company.

**10. LONG TERM LOANS AND ADVANCES (UNSECURED CONSIDERED GOOD UNLESS STATED OTHERWISE)**

(₹ Lakh)

Particulars	As at 30 <sup>th</sup> September 2018	As at March 31				
		2018	2017	2016	2015	2014
Security Deposits (Secured Considered Good)	1,080.76	1,070.97	1,017.89	166.59	206.82	104.90
Advance Payment of Income Tax (Net of Provision) -relating to prior years	-	-	-	-	58.34	89.59
Other loans and advances	-	-	-	27.60	376.02	45.97
<b>Total</b>	<b>1,080.76</b>	<b>1,070.97</b>	<b>1,017.89</b>	<b>194.19</b>	<b>641.18</b>	<b>240.46</b>

**11. CURRENT INVESTMENTS (AT COST AND FAIR VALUE)**

(₹ Lakh)

Particulars	As at 30 <sup>th</sup> September 2018	As at March 31				
		2018	2017	2016	2015	2014
<b>Investments in Government Securities</b>						
<b>Quoted</b>						
Bonds of Central and State Governments #	136.31	136.31	-	110.99	312.07	115.98
<b>Total</b>	<b>136.31</b>	<b>136.31</b>	<b>-</b>	<b>110.99</b>	<b>312.07</b>	<b>115.98</b>
Aggregate Book Value of Quoted Investments	136.31	136.31	-	110.99	312.07	115.98
Aggregate Market Value of Quoted Investments	136.31	136.31	-	110.99	312.07	115.98

# Investments made to comply with the requirements of the directives issued by the Reserve Bank of India

Current investments

**For Half Year ended 30<sup>th</sup> September 2018 and Financial Year 2017-18**

In accordance with the Master Direction - Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions 2016 dated 25th August 2016, the Company has created a floating charge on the statutory liquid assets comprising (both current & non-current) Investment in Government Securities on the above investments in favour of IDBI Trusteeship Services Ltd, trustee representing the fixed deposit holder of the Company.

**For Financial Year 2016-17, 2015-16, 2014-15 and 2013-14**

In accordance with the Reserve Bank of India Circular no. RBI/2006-2007/225/DNBS(PD)C.C No.87/03.02.004/2006-07 dated 4th January 2007, the Company has created a floating charge on the statutory liquid assets comprising (both Current & non-current) investment in Government Securities on the above investments in favour of IDBI Trusteeship Services Ltd, trustees representing the fixed deposit holders of the company.



## 12. STOCK ON HIRE

(₹ Lakh)

Particulars	As at 30 <sup>th</sup> September, 2018	As at March 31 <sup>st</sup>				
		2018	2017	2016	2015	2014
Net Receivable under Hire Purchase Finance	92,385.67	90,161.19	90,366.43	92,178.98	87,982.60	75,035.05
<b>Total</b>	<b>92,385.67</b>	<b>90,161.19</b>	<b>90,366.43</b>	<b>92,178.98</b>	<b>87,982.60</b>	<b>75,035.05</b>

As per Accounting Standard (AS-19) on Lease, the details of maturity pattern of hire purchase receivables (Stock on hire) for the contracts executed are given below:

(₹ Lakh)

Particulars	As at 30 <sup>th</sup> September, 2018	Gross as on 31 <sup>st</sup> March				
		2018	2017	2016	2015	2014
Less than one year	66,975.00	58,021.27	57,858.14	61,340.36	53,685.45	45,740.41
Later than one year and not later than 5 years	46,245.59	52,661.74	54,056.06	53,166.78	56,968.52	49,185.18
<b>Total</b>	<b>1,13,220.59</b>	<b>1,10,683.01</b>	<b>1,11,914.20</b>	<b>1,14,507.14</b>	<b>1,10,653.97</b>	<b>94,925.59</b>

(₹ Lakh)

Particulars	As at 30 <sup>th</sup> September, 2018	Net as on 31 <sup>st</sup> March				
		2018	2017	2016	2015	2014
Less than one year	53,684.95	45,054.24	43,837.38	46,999.03	40,610.92	34,655.73
Later than one year and not later than 5 years	38,700.72	45,106.95	46,529.05	45,179.95	47,371.68	40,379.32
<b>Total</b>	<b>92,385.67</b>	<b>90,161.19</b>	<b>90,366.43</b>	<b>92,178.98</b>	<b>87,982.60</b>	<b>75,035.05</b>

## 13. TRADE RECEIVABLES (SECURED CONSIDERED GOOD UNLESS STATED OTHERWISE)

(₹ Lakh)

Particulars	As at 30 <sup>th</sup> September, 2018	As at March 31 <sup>st</sup>				
		2018	2017	2016	2015	2014
(Secured considered good unless stated otherwise)						
Dues from sale of Wind Power:						
- Receivables outstanding for a period exceeding six months	77.66	66.63	110.14	136.63	84.69	14.23
- Receivables outstanding for a period below six months	99.87	57.02	25.98	12.18	47.33	74.51
<b>Total</b>	<b>177.53</b>	<b>123.65</b>	<b>136.12</b>	<b>148.81</b>	<b>132.02</b>	<b>88.74</b>



#### 14. CASH AND BANK BALANCES

(₹ Lakh)

Particulars	As at 30 <sup>th</sup> September, 2018	As at March 31 <sup>st</sup>				
		2018	2017	2016	2015	2014
<b>Cash and Cash Equivalents</b>						
Cash on hand	862.08	839.68	845.18	858.02	502.39	1,328.89
Balance with Banks:						
- Cheques drafts on hand	2,291.34	2,070.60	1,652.03	1,065.84	1,063.24	766.64
- Current Accounts	1,082.73	854.42	617.89	804.44	883.37	308.95
<b>Other Bank Balances</b>						
In Margin Money Deposits :						
- Deposits with Original Maturity of more than 12 months	1,152.80	1,272.47	403.26	978.94	1,133.47	503.61
In Earmarked Accounts :						
- Unpaid Dividend Accounts	554.60	165.71	48.06	43.93	30.67	122.74
- NCD Public Issue Application money in Escrow Account with Banks	-	-	-	-	10,631.02	-
<b>Total</b>	<b>5,943.55</b>	<b>5,202.88</b>	<b>3,566.42</b>	<b>3,751.17</b>	<b>14,244.16</b>	<b>3,030.83</b>

#### 15. SHORT TERM LOANS AND ADVANCES

(₹ Lakh)

Particulars	As at 30 <sup>th</sup> September, 2018	As at March 31				
		2018	2017	2016	2015	2014
<b>(Unsecured considered good unless stated otherwise)</b>						
- Prepaid Expenses	111.57	136.73	101.59	56.80	74.00	9.19
- Advance Tax and TDS (Net of Provision)	-	-	42.39	-	-	-
- Service Tax Credit Receivable	76.92	100.51	32.92	-	19.32	7.75
- Loans and Advances to Employees	384.32	390.79	318.73	277.65	248.04	200.59
Other Loans and Advances:						
- Secured considered good	-	0.52	27.38	-	39.61	81.09
- Unsecured considered good	2,497.81	2,950.39	2,985.87	2,026.69	4,248.55	3,817.84
<b>Total</b>	<b>3,040.62</b>	<b>3,578.94</b>	<b>3,508.88</b>	<b>2,361.14</b>	<b>4,629.52</b>	<b>4,116.46</b>
<b>Due from officer(s) of the company</b>	<b>14.89</b>	<b>18.33</b>	<b>5.56</b>	<b>5.43</b>	<b>26.43</b>	<b>3.95</b>

#### 16. OTHER CURRENT ASSETS

(₹ Lakh)

Particulars	As at 30 <sup>th</sup> September, 2018	As at March 31				
		2018	2017	2016	2015	2014
Repossessioned Assets (HP Assets)	134.73	103.50	188.75	80.13	125.98	247.14
Interest accrued on Govt. Securities / Deposits	48.89	44.66	42.22	35.44	37.10	22.36
Debenture Issue Expenses	13.51	-	-	36.23	196.68	-
Other	8.44	10.31	8.48	8.22	9.34	9.57
<b>Total</b>	<b>205.57</b>	<b>158.47</b>	<b>239.45</b>	<b>160.02</b>	<b>369.10</b>	<b>279.07</b>



# ANNEXURE V NOTES TO RESTATED SUMMARY STATEMENT OF PROFIT AND LOSS

## 17. INCOME FROM OPERATIONS

(₹ Lakh)

Particulars	For the Half Year Ended September 30, 2018	For the year ended March 31				
		2018	2017	2016	2015	2014
Income from Hire purchase operations	7,507.23	15,708.40	15,796.44	16,029.61	13,938.58	12,644.05
Interest from:						
- Loans and other receipts	273.15	528.24	358.38	327.46	465.18	397.99
- Banks deposits	46.33	67.91	50.21	86.82	68.88	22.49
- Long Term Investments	107.29	199.76	179.33	158.49	116.63	48.32
- Current Investments	0.00	0.00	8.88	8.88	23.06	8.84
Bad debts recovery	98.09	93.55	387.96	191.30	66.66	61.63
<b>Total</b>	<b>8,032.09</b>	<b>16,597.86</b>	<b>16,781.20</b>	<b>16,802.56</b>	<b>14,678.99</b>	<b>13,183.32</b>

## 18. OTHER INCOME

(₹ Lakh)

Particulars	For the Half Year Ended September 30, 2018	For the year ended March 31				
		2018	2017	2016	2015	2014
Income from Wind mill -Sale of Electricity	148.69	210.60	230.40	228.90	261.74	317.22
<b>Dividend Income</b>						
- Non-Current Investments	-	-	-	1.35	2.60	3.05
<b>Other non-operating income (net of expenses directly attributable to such income):</b>						
- Profit on sale of fixed assets	0.27	-	-	0.56	-	271.10
- Profit on sale of Investment	-	-	-	0.00	73.39	
- Profit on redemption of Investment	-	-	-	3.74	4.02	
- Rental income	12.85	47.05	43.01	39.46	39.87	35.19
- Diminution in value of Investments Reversed	-	-	-	129.92		
- Miscellaneous Income	2.70	0.46	0.79	0.23	1.27	0.78
<b>Total</b>	<b>164.51</b>	<b>258.11</b>	<b>274.20</b>	<b>404.16</b>	<b>382.89</b>	<b>627.34</b>

## 19. EMPLOYEE BENEFITS EXPENSE

(₹ Lakh)

Particulars	For the Half Year Ended September 30, 2018	For the year ended March 31				
		2018	2017	2016	2015	2014
Salaries and wages	976.14	2,173.73	1,912.27	1,733.65	1,566.27	1,470.08
Contributions to Provident and Other Funds	46.24	90.89	74.67	66.99	65.18	59.54
Staff Welfare Expenses	57.16	108.44	97.92	132.45	141.32	171.38
<b>Total</b>	<b>1,079.54</b>	<b>2,373.06</b>	<b>2,084.86</b>	<b>1,933.09</b>	<b>1,772.77</b>	<b>1,701.00</b>



## 20. FINANCE COSTS

(₹ Lakh)

Particulars	For the Half Year Ended September 30, 2018	For the year ended March 31				
		2018	2017	2016	2015	2014
Interest Expense on:						
- Debentures	1,576.40	3,487.21	3,575.62	2,302.43	2,300.34	4,309.20
- Term Loans from Financial Institutions/ Other Lenders	420.65	1,030.62	1,171.15	1,336.97	691.56	62.48
- Cash Credit from Banks	835.34	1,500.97	1,631.76	2,418.04	2,206.18	2,064.51
- Deposits	759.44	1,457.46	1,551.43	1,853.45	1,930.26	941.70
- Subordinated Debts	1,208.16	2,304.36	2,173.97	2,062.95	1,609.78	325.66
Bank Charges	80.79	162.69	152.38	183.79	190.33	118.58
Other Financial Charges	0.05	49.97	90.25	103.44	103.28	41.59
<b>Total</b>	<b>4,880.83</b>	<b>9,993.28</b>	<b>10,346.56</b>	<b>10,261.07</b>	<b>9,031.73</b>	<b>7,863.72</b>

## 21. DEPRECIATION AND AMORTIZATION EXPENSE

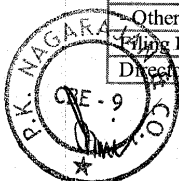
(₹ Lakh)

Particulars	For the Half Year Ended September 30, 2018	For the year ended March 31				
		2018	2017	2016	2015	2014
Depreciation	114.11	218.70	207.28	209.01	233.26	280.03
Less: Transfer to Revaluation Reserve	0.00	0.00	0.00	0.00	49.36	45.94
	<b>114.11</b>	<b>218.70</b>	<b>207.28</b>	<b>209.01</b>	<b>183.90</b>	<b>234.09</b>
Add: Amortization Expenses	56.67	113.22	114.43	76.04	57.31	11.46
<b>Total</b>	<b>170.78</b>	<b>331.92</b>	<b>321.71</b>	<b>285.05</b>	<b>241.21</b>	<b>245.55</b>

## 22. OTHER EXPENSES

(₹ Lakh)

Particulars	For the Half Year Ended September 30, 2018	For the year ended March 31				
		2018	2017	2016	2015	2014
Rent	84.97	119.36	111.97	92.25	84.36	80.96
Rates Taxes and Licenses	100.57	84.58	134.77	146.47	66.76	62.07
Communication	36.54	90.62	106.04	61.42	54.00	55.19
Insurance	7.64	14.78	14.66	13.64	16.80	20.60
Travelling and Conveyance	236.22	432.45	426.24	448.64	377.94	354.40
Printing and Stationery	23.20	54.95	60.53	55.88	53.62	53.04
Power and Fuel	18.83	35.58	35.65	27.11	28.32	35.26
Advertisements	4.51	30.91	46.07	23.32	19.03	43.60
<b>Auditors Remuneration</b>						
<i>As Auditor:</i>						
- Audit Fee	6.00	12.00	10.00	8.50	6.00	6.00
- Tax Audit Fee	0.00	0.00	3.00	4.00	2.50	0.20
- Limited Review Fee	2.35	5.20	3.55	5.50	1.50	1.00
<i>In Other Capacity:</i>						
- Certification Fee	4.07	0.95	4.39	6.50	3.33	1.20
- Reimbursement of Expenses	1.05	0.60	9.05	9.24	1.75	1.93
Legal and Professional Charges	146.57	262.54	212.93	232.29	125.05	127.56
<b>Repairs and Maintenance on:</b>						
- Buildings	37.21	83.07	78.76	66.75	70.30	64.94
- Machinery	50.04	123.64	143.69	95.73	88.62	127.37
- Other Assets	20.58	43.36	46.30	44.54	49.16	49.23
- Filing Fees	7.58	8.89	26.39	14.69	5.01	3.07
Directors' Sitting Fees	5.20	11.00	13.40	12.00	8.80	7.70



Particulars	For the Half Year Ended September 30, 2018	For the year ended March 31				
		2018	2017	2016	2015	2014
Diminution in value of Investments	0.00	93.16	19.35	0.00	154.23	-
Expenses on Corporate Social Responsibility	11.62	79.68	10.21	49.07	46.05	-
Miscellaneous Expenses	22.94	64.99	61.24	59.64	56.76	85.73
Loss on Sale of Assets	-	0.36	-	-	-	-
Loss on Sale / Redemption of SLR Investments	-	-	0.99	2.81	-	1.40
<b>Total</b>	<b>827.69</b>	<b>1,652.67</b>	<b>1,579.18</b>	<b>1,479.99</b>	<b>1,319.69</b>	<b>1,178.45</b>

### 23. PROVISIONS AND WRITE OFF

(₹Lakh)

Particulars	For the Half Year Ended September 30, 2018	For the year ended March 31				
		2018	2017	2016	2015	2014
Provision against Non-Performing Assets (Net)	256.24	309.21	173.07	176.42	121.82	70.52
Bad Debts - Trade and other receivables written off	71.18	297.84	482.44	470.74	411.50	451.84
<b>Total</b>	<b>327.42</b>	<b>607.05</b>	<b>655.51</b>	<b>647.16</b>	<b>533.32</b>	<b>522.36</b>

### 24. CONTINGENT LIABILITIES AND COMMITMENTS

(₹Lakh)

Particulars	For the Half Year Ended September 30, 2018	For the year ended March 31				
		2018	2017	2016	2015	2014
a) Income Tax issues	9.83	9.83	9.83	80.31	80.31	-
b) Service tax issue	1,328.29	1,328.29	1,328.29	1,328.29	-	-

The Company has deposited with Service Tax department an amount of ₹ 98.63 Lakhs against the demand relating to payment of Cenvat credit under protest. The company's writ petition before the Honorable High Court of Madras against the levy has been admitted and stay has been granted.

25. The Company has also extended collateral security of company's Building and Land belonging to a Director for Cash Credit/Working Capital Demand Loans availed from a bank.

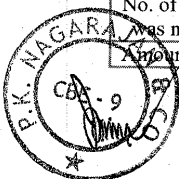
### 26. EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF

(₹Lakh)

Particulars	For the Half Year Ended September 30, 2018	For the year ended March 31				
		2018	2017	2016	2015	2014
Capital Work-in-Progress	-	42.34	-	-	-	-
Travelling	6.87	8.64	28.23	4.46	5.18	22.72
Intangible Assets – Software	13.02	-	-	-	-	-

### 27. REMITTANCE IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDEND

	30 <sup>th</sup> September 2018	2018	2017	2016	2015	2014
Year to which the dividend relates	-	2016-17	2015-16	2014-15	2013-14	2012-13
No. of non-resident share holders	-	1	1	1	1	1
No. of shares on which dividend remittance was made	-	44,50,000	44,50,000	44,50,000	44,50,000	44,50,000
Amount remitted (₹lakh)	-	44.50	44.50	44.50	44.50	44.50





1. DISCLOSURE REQUIREMENTS UNDER AS- 15 - "EMPLOYEE BENEFITS"

(₹ Lakhs)

Sr. No	Particulars	For the year ended March 31 <sup>st</sup>				
		2018	2017	2016	2015	2014
I.	Principal Actuarial Assumptions (Expressed as weighted averages)					
	Discount rate	8.00%	8.00%	8.00%	8.00%	8.00%
	Salary escalation rate	4.00%	4.00%	4.00%	4.00%	4.00%
	Attrition rate	3.00%	3.00%	3.00%	3.00%	3.00%
	Expected rate of return on Plan Assets	7.72%	7.72%	8.20%	8.40%	8.10%
II.	Changes in the present value of the obligation (PVO) - Reconciliation of Opening and closing balances					
	PVO at the beginning of the period	197.08	155.87	150.64	150.37	125.73
	Interest cost	15.77	12.47	12.80	12.63	10.86
	Current service cost	16.02	12.68	12.20	12.17	10.75
	Past service cost - (non-vested benefits)	-	-	-	-	-
	Past service cost - (vested benefits)	-	-	-	-	-
	Benefits paid	(13.68)	(6.38)	(20.33)	(13.32)	(6.46)
	Actuarial loss / (gain) on obligation	24.86	22.44	2.21	(11.21)	9.49
	PVO as at the end of the period	238.05	197.08	155.87	150.64	125.73
III.	Changes in the fair value of plan assets - Reconciliation of Opening and Closing balances					
	Fair value of plan Assets at the beginning of the period	174.68	156.28	164.04	163.61	86.13
	Expected return on plan assets	14.21	13.49	12.82	13.75	13.56
	Contributions	14.91	11.29	-	-	0.36
	Benefits paid	(15.68)	(6.38)	(20.50)	(13.37)	(6.48)
	Actuarial loss/(gain) on plan assets	-	-	-	-	-
	Fair value of Plan Assets as at the end of the period	188.12	174.68	156.28	164.04	86.61
IV.	Actual Return on Plan Assets					
	Expected return on plan assets	14.21	13.49	12.82	13.75	13.56
	Actuarial gain / (loss) on plan assets	-	-	-	-	-
	Actual return on plan assets	14.21	13.49	12.82	13.75	13.56
V.	Actuarial Gain / Loss recognized					
	Actuarial gain / (loss) for the period- Obligation	(24.86)	(22.44)	(2.21)	11.21	9.49
	Actuarial gain / (loss) for the period- Plan Assets	-	-	-	-	-
	Total (gain)/ loss for the period	24.86	22.44	2.21	(11.21)	(9.49)
	Actuarial (gain) / loss recognized in the period	24.86	22.44	2.21	(11.21)	(9.49)
VI.	Unrecognized actuarial (gain) / Loss at the end of the year	-	-	-	-	-
	Amounts recognized in the Balance Sheet and related Analyses					
	Present value of the obligation	238.05	197.08	155.87	150.64	125.73
	Fair value of Plan Assets	188.12	174.68	156.28	164.04	86.61
	Difference	49.93	22.40	(0.41)	(14.00)	(33.24)
	Unrecognized transitional liability	-	-	-	-	-
	Unrecognized post service cost - non vested benefits	-	-	-	-	-
VII.	Liability recognized in the Balance Sheet	49.93	22.40	(0.41)	(14.00)	(33.24)
	Expenses recognized in the statement of Profit and Loss					
	Current service cost	16.02	12.68	12.20	12.17	10.75



Sr. No.	Particulars	For the year ended March 31 <sup>st</sup>				
		2018	2017	2016	2015	2014
	Interest cost	15.77	12.47	12.00	12.03	10.86
	Expected return on plan assets	(14.21)	(11.49)	(12.82)	(13.21)	(13.56)
	Actuarial (gain) / loss recognized in the year	24.86	22.44	2.21	(1.17)	9.49
	Transitional liability recognized in the year	-	-	-	-	-
	Past service cost - (non-vested benefits)	-	-	-	-	-
	Past service cost - (vested benefits)	-	-	-	-	-
	Expenses recognized in the statement of Profit and Loss	42.44	34.10	13.99	(0.76)	17.54
VIII.	Movements in the liability recognized in the Balance Sheet					
	Opening net liability	22.40	(0.41)	(14.00)	(13.24)	(30.42)
	Expenses as above	42.44	34.10	13.99	(0.76)	(17.54)
	Contributions paid	(14.91)	(11.29)	-	-	(0.36)
	Closing net liability	49.93	22.40	(0.41)	(14.00)	(13.24)
IX.	Amount for the current period					
	Present value of obligations	238.05	197.08	155.87	150.04	180.17
	Plan Assets	188.12	174.68	150.28	164.04	167.41
	Surplus / (Deficit)	(49.93)	(22.40)	0.41	14.00	12.74
	Experience adjustments on plan liabilities - (loss) / gain	-	-	-	-	-
	Actuarial (loss) / gain on obligation	(24.86)	(22.44)	(2.21)	11.21	(9.49)
	Experience adjustments on plan assets - (loss) / gain	-	-	-	-	-
X.	Major categories of Plan Assets					
	Fund manager by insurer	100%	100%	100%	100%	100%
XI.	Enterprise's best estimate of contribution during next year	49.93	22.40	(0.41)	(14.00)	(17.54)

Notes: Section II is provided as actuarial valuation as determined by Life Insurance Corporation of India which is provided as per schedule. Hence the provision of the information for the period ended 30th September 2018, does not arise.





## 29. SEGMENT REPORTING

The Company is primarily engaged in the business of asset financing. This in the context of Accounting Standard -17 on Segment Reporting notified by the Companies (Accounting Standards) Rules 2006 is considered to constitute a single primary segment.

## 30. RELATED PARTY DISCLOSURES

Relationship	For the Half Year Ended September 30, 2018	FY 2018	2017	2016	2015	2014
Enterprises in which the key Management personnel and their relatives have significant influence	ABT Ltd.	ABT Ltd.	ABT Ltd.	ABT Ltd.	ABT Ltd.	ABT Ltd.
	ABT Finance Ltd.	ABT Finance Ltd.	ABT Finance Ltd.	ABT Finance Ltd.	ABT Finance Ltd.	ABT Finance Ltd.
	ABT Foundation Ltd.	ABT Foundation Ltd.	ABT Foundation Ltd.	ABT Foundation Ltd.	ABT Foundation Ltd.	ABT Foundation Ltd.
	ABT Industries Ltd.	ABT Industries Ltd.	ABT Industries Ltd.	ABT Industries Ltd.	ABT Industries Ltd.	ABT Industries Ltd.
	ARC Retreading Co. Pvt. Ltd.	ARC Retreading Co. Pvt. Ltd.	ARC Retreading Co. Pvt. Ltd.	ARC Retreading Co. Pvt. Ltd.	ARC Retreading Co. Pvt. Ltd.	ARC Retreading Co. Pvt. Ltd.
	N Mahalingam & Co	N Mahalingam & Co	N Mahalingam & Co	Sakthi Realty Holdings Ltd.	Sakthi Realty Holdings Ltd.	Sakthi Realty Holdings Ltd.
	Nachimuthu Industrial Association	Nachimuthu Industrial Association	Nachimuthu Industrial Association	N Mahalingam & Co	N Mahalingam & Co	N Mahalingam & Co
	Sakthifinance Financial Services Ltd.	Sakthifinance Financial Services Ltd.	Sakthifinance Financial Services Ltd.	Nachimuthu Industrial Association	Nachimuthu Industrial Association	Nachimuthu Industrial Association
	Sakthifinance Holdings Ltd.	Sakthifinance Holdings Ltd.	Sakthifinance Holdings Ltd.	Sakthifinance Financial Services Ltd.	Sakthifinance Financial Services Ltd.	Sakthifinance Financial Services Ltd.
	Sakthi Realty Holdings Ltd.	Sakthi Realty Holdings Ltd.	Sakthi Realty Holdings Ltd.	Sakthifinance Holdings Ltd.	Sakthifinance Holdings Ltd.	Sakthifinance Holdings Ltd.
	Sakthi Sugars Ltd.	Sakthi Sugars Ltd.	Sakthi Sugars Ltd.	Sakthi Sugars Ltd.	Sakthi Sugars Ltd.	Sakthi Sugars Ltd.
	Sakthi Properties (Coimbatore) Ltd	Sakthi Properties (Coimbatore) Ltd	Sakthi Properties (Coimbatore) Ltd	Sri Chamundeswari Sugars Ltd.	Sri Chamundeswari Sugars Ltd.	Sri Chamundeswari Sugars Ltd.



Relationship	For the Half Year Ended September 30, 2018	FY 2018	2017	2016	2015	2014
	Sri Chamundeswari Sugars Ltd. / Sri Sakthi Textiles Ltd.	Sri Chamundeswari Sugars Ltd. / Sri Sakthi Textiles Ltd.	Sri Chamundeswari Sugars Ltd. / Sri Sakthi Textiles Ltd.	Sri Sakthi Textiles Ltd. / The Gounder and Company Auto Ltd.	Sri Sakthi Textiles Ltd. / The Gounder and Company Auto Ltd.	Sri Sakthi Textiles Ltd. / The Gounder and Company Auto Ltd.
	The Gounder and Company Auto Ltd.	The Gounder and Company Auto Ltd.	The Gounder and Company Auto Ltd.			
Key Management Personnel	Sri M. Balasubramaniam Vice Chairman and Managing Director	Sri M. Balasubramaniam Vice Chairman and Managing Director	Sri M. Balasubramaniam Vice Chairman and Managing Director	Sri M. Balasubramaniam Vice Chairman and Managing Director	Sri M. Balasubramaniam Vice Chairman and Managing Director	Sri M. Balasubramaniam Vice Chairman and Managing Director
	Dr S Veluswamy Chief Executive Officer	Dr S Veluswamy Chief Executive Officer	Dr S Veluswamy Chief Executive Officer	Dr S Veluswamy Sr President (Operations)	Dr S Veluswamy Chief Financial Officer	-
	Sri M K Vijayaraghavan Chief Financial Officer	Sri M K Vijayaraghavan Chief Financial Officer	Sri M K Vijayaraghavan Chief Financial Officer	Sri M K Vijayaraghavan Chief Financial Officer	Sri M K Vijayaraghavan Chief Financial Officer	Sri M K Vijayaraghavan Sr President (Finance)
	Sri S Venkatesh Company Secretary	Sri S Venkatesh Company Secretary	Sri S Venkatesh Company Secretary	Sri S Venkatesh Company Secretary	Sri S Venkatesh Company Secretary	Sri S Venkatesh Company Secretary
		Director			Director	
	Dr S Veluswamy Chief Executive Officer	Dr S Veluswamy Chief Executive Officer	Dr S Veluswamy Chief Executive Officer	Dr S Veluswamy Sr President (Operations)	Dr S Veluswamy Chief Financial Officer	-
	Sri M K Vijayaraghavan Chief Financial Officer	Sri M K Vijayaraghavan Chief Financial Officer	Sri M K Vijayaraghavan Chief Financial Officer	Sri M K Vijayaraghavan Chief Financial Officer	Sri M K Vijayaraghavan Chief Financial Officer	Sri M K Vijayaraghavan Sr President (Finance)
	Sri S Venkatesh Company Secretary	Sri S Venkatesh Company Secretary	Sri S Venkatesh Company Secretary	Sri S Venkatesh Company Secretary	Sri S Venkatesh Company Secretary	Sri S Venkatesh Company Secretary
Relatives of Key Management Personnel	Dr M Manickam Brother	Dr M Manickam Brother	Smt. M Mariammal Mother	Smt. M Mariammal Mother	Smt. M Mariammal Mother	Dr. N. Mahalingam Father
	Sri M Srinivaasan Brother	Sri M Srinivaasan Brother	Dr M Manickam Brother	Dr M Manickam Brother	Dr M Manickam Brother	Smt. M. Mariammal Mother
	Smt. Vinodhini Balasubramaniam Wife	Smt. Vinodhini Balasubramaniam Wife	Sri M Srinivaasan Brother	Sri M Srinivaasan Brother	Sri M Srinivaasan Brother	Dr. M. Manickam Brother
	Selvi Shruthi Balasubramaniam Daughter	Selvi Shruthi Balasubramaniam Daughter	Smt. Vinodhini Balasubramaniam Wife	Smt. Vinodhini Balasubramaniam Wife	Smt. Vinodhini Balasubramaniam Wife	Sri M. Srinivaasan Brother
			Selvi Shruthi Balasubramaniam Daughter	Selvi Shruthi Balasubramaniam Daughter		Smt. Vinodhini Balasubramaniam Wife



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Transactions with Related Parties made during the years

(₹ Lakh)

Sl No	Nature of Transactions	For the Half Year Ended September 30, 2018	For the year ended 31 <sup>st</sup> March				
			2018	2017	2016	2015	2014
1	<b>Income</b>						
	<b>Rent received</b>						
	Sakthifinance Financial Services Ltd	2.06	4.71	4.40	4.40	4.40	4.40
	ABT Industries Ltd.	-	20.28	18.90	15.77	15.58	13.84
	<b>Interest Income</b>						
	ABT Industries Ltd	28.80	11.53	2.03	-	-	-
	<b>Dividend Income</b>						
2	ABT Industries Ltd.	-	-	1.35	1.35	1.35	1.80
	<b>Expenses</b>						
	<b>Purchase of fuel</b>						
	N. Mahalingam & Co	11.91	19.17	18.73	9.48	17.44	22.71
	<b>Rent paid</b>						
	M. Balasubramaniam	1.20	2.40	2.40	2.40	2.40	2.40
	M. Srinivasan	15.00	0.60	0.60	0.60	0.60	0.60
	<b>Resource Mobilisation Charges</b>						
	Sakthifinance Financial Services Ltd	-	49.00	90.15	103.08	103.07	41.17
	<b>Printing charges</b>						
	Nachimuthu Industrial Association	8.56	18.70	19.68	14.20	16.76	16.07
	Sakthi Sugars Ltd.	0.88	2.61	2.48	2.40	-	-
	<b>Corporate Social Responsibility Expenses</b>						
	Nachimuthu Gounder Rukmani Ammal Charitable Trust	-	-	-	29.00	-	-
	Ramanandha Adigalar Foundation	-	48.83	-	-	-	-
	<b>Deputation Charges</b>						
	Sakthifinance Financial Services Ltd	33.57	7.94	28.26	76.90	74.18	144.01
	<b>Remuneration</b>						
	M. Balasubramaniam	19.20	49.94	43.80	41.24	24.61	24.16
	M.K. Vijayaraghavan	14.98	25.80	26.53	18.91	7.61	-
	S. Veluswamy	12.88	33.90	17.96	18.98	17.92	-
	S. Venkatesh	7.11	16.06	10.74	11.18	11.63	-
	B. Shruthi	-	11.64	12.81	7.96	-	-
	<b>Commission</b>						
	M. Balasubramaniam	-	66.94	74.17	53.12	24.23	24.22
	<b>Sitting Fees</b>						
	M. Manickam	0.40	1.40	1.00	0.80	0.70	0.40
	M. Srinivasan	0.60	0.80	1.80	1.60	0.80	0.80
3	<b>Assets</b>						
	<b>Lease Rental Advance</b>						
	Sakthi Properties (Coimbatore) Ltd	-	-	850.00	-	-	-
	<b>Purchase of Fixed Assets</b>						
4	ABT Foundation Ltd	-	-	-	1,084.02	-	-
	<b>Liabilities</b>						
	<b>Subscription in Non-Convertible Debentures</b>						
	Sri Chamundeswari Sugars Ltd	-	221.94	200.00	-	-	-
	<b>Liabilities for Expenses Payable:</b>						
	Sakthi Sugars Ltd.	0.10	0.10	-	0.39	0.20	0.34
	N. Mahalingam And Co.	0.19	0.19	0.29	0.67	2.31	2.37
	Nachimuthu Industrial Association	0.31	-	0.45	4.91	2.64	1.99
	M. Srinivasan	-	-	0.65	-	-	-



### 31. LEASES

(₹ Lakh)

Particulars	For the year ended March 31				
	2018	2017	2016	2015	2014
The Company has taken various office premises under operating lease. The lease payments recognised in the statement of Profit and Loss	116.96	109.16	89.04	80.81	68.28

### 32. EARNINGS PER SHARE

Particulars	For the half year ended September 30, 2018	For the year ended March 31				
		2018	2017	2016	2015	2014
Profit after tax (₹ lakh) (A)	686.54	1,192.63	1,599.70	1,328.43	1,584.64	1,415.73
Less: Preference dividend (₹ lakh)	67.50	133.12	126.38	125.58	120.91	117.00
Profit after Preference dividend (₹ lakh)	619.04	1,059.51	1,473.32	1,202.85	1,463.73	1,298.73
Weighted average number of equity shares (B)	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000
The nominal value per equity share (₹)	10.00	10.00	10.00	10.00	10.00	10.00
Earnings per share - Basic (₹) (A/B)	1.24	2.12	2.95	2.41	2.93	2.60
- Diluted (₹)	1.24	2.12	2.95	2.41	2.93	2.60



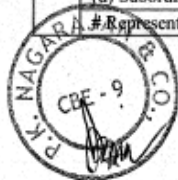
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33. (i) Master Direction-Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit-taking Company (Reserve Bank) Directions 2016 and

(ii) Disclosure as required in terms of para 13 of Non -Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007  
(₹ Lakh)

Sl No	Particulars	For the year ended March 31									
		2018		2017		2016		2015		2014	
		Amount outstanding	Amount overdue	Amount outstanding	Amount overdue	Amount outstanding	Amount overdue	Amount Outstanding	Amount overdue	Amount outstanding	Amount overdue
1	<b>Liabilities Side:</b>										
	<b>Loans and advances availed by the Non -Banking Financial Company inclusive of interest accrued thereon but not paid:</b>										
	(a) Debentures : Secured	28,667.69	-	27,838.58		18,370.92		15,374.44		31,714.70	
	Unsecured	2,500.93	-	2,501.85	-	2,502.80	-		-		-
	(Other than falling within the meaning of Public deposit)										
	(b) Deferred Credits	-	-	-			-		-		-
	(c) Term Loans	8,938.69	-	9,992.73		9,878.07		13,958.75		358.90	
	(d) Inter-Corporate loans and borrowing	-	-	-			-				-
	(e) Commercial paper	-	-	-			-				-
	(f) Public Deposits	17,432.42	318.93 <sup>#</sup>	16,081.57	585.05 <sup>#</sup>	17,306.18	812.46 <sup>#</sup>	17,698.79	519.15 <sup>#</sup>	13,480.51	258.48 <sup>#</sup>
2	(g) Subordinated Debts	20,791.07	-	19,558.98		18,459.91	-	17,463.85		8,068.10	-
	(h) Other Loans - Cash Credit	10,632.73	-	12,261.55		21,940.27		21,837.59		18,481.43	
	<b>Break-up of (1)(f) above (Outstanding Public deposits inclusive of interest accrued thereon but not paid):</b>										
	(a) In the form of Unsecured Debentures	-	-	-	-	-	-	-	-	-	-
	(b) In the form of Partly secured Debentures	-	-	-	-	-	-	-	-	-	-
	i.e. debentures where there is a shortfall in the value of security										
	(c) Other Public Deposits	17,432.42	318.93	16,081.57	585.05 <sup>#</sup>	17,306.18	812.46 <sup>#</sup>	17,698.79	519.15 <sup>#</sup>	13,480.51	258.48 <sup>#</sup>
	(d) Subordinated Debts	20,791.07	-	19,558.98		18,459.91		17,463.85		8,068.10	-

<sup>#</sup> Represents unclaimed deposits



SI No	Particulars	Amount outstanding for the year ended March 31				
		2018	2017	2016	2015	2014
	<b>Assets side:</b>					
(3)	<b>Break-up of Loans and Advances including bills receivables (Other than those included in (4) below):</b>					
	(a) Secured	484.16	466.06	434.23	1,002.53	521.28
	(b) Unsecured	987.45	1,515.00	750.00	4,341.85	3,834.79
	<b>Break-up of Leased Assets and Stock on Hire and Other assets counting towards AFC activities:</b>					
	(1) Lease Assets including lease rentals under Sundry Debtors					
	(a) Financial Lease		-	-	-	-
	(b) Operational Lease		-	-	-	-
(4)	(2) Assets on Hire including Hire charges under Sundry Debtors					
	(a) Stock on Hire	90,161.19	90,366.43	92,178.98	87,982.60	75,035.05
	(b) Repossessed Assets	103.50	188.75	80.13	125.98	247.14
	(3) Other Loans counting towards AFC activities					
	(a) Loans where assets have been repossessed	-	-	-	-	-
	(b) Loans other than (a) above	-	-	-	-	-
	<b>Break-up of Investments:</b>					
	Current Investments :					
	1. Quoted					
	(i) Shares : (a) Equity	-	-	-	-	-
	(b) Preference	-	-	-	-	-
	(ii) Debentures and Bonds	-	-	-	-	-
	(iii) Units of Mutual Funds	-	-	-	-	-
	(iv) Government Securities	136.31	-	110.99	312.07	-
	(v) Others	-	-	-	-	-
(5)	2. Unquoted					
	(i) Shares : (a) Equity	-	-	-	-	-
	(b) Preference	-	-	-	-	-
	(ii) Debentures and Bonds	-	-	-	-	-
	(iii) Units of Mutual Funds	-	-	-	-	-
	(iv) Government Securities	-	-	-	-	-
	(v) Others	-	-	-	-	-
	Long Term Investments :					
	Quoted					
	(i) Shares : (a) Equity	226.14	234.00	234.00	234.00	241.60





Sl No	Particulars	Amount outstanding for the year ended March 31				
		2018	2017	2016	2015	2014
	(b) Preference	-	-	-	-	-
	(ii) Debentures and Bonds	-	-	-	-	-
	(iii) Units of Mutual Funds	-	-	-	-	-
	(iv) Government Securities	2,301.89	2,340.35	1,971.80	1,829.37	1,139.97
	(v) Others	-	-	-	-	-
	2. Unquoted :					
	(i) Shares : (a) Equity	38.41	30.55	30.55	30.55	30.55
	(b) Preference	-	-	-	-	-
	(ii) Debentures and Bonds	-	-	-	-	-
	(iii) Units of Mutual Funds	-	-	-	-	-
	(iv) Government Securities	-	-	-	-	-
	(v) Others	-	-	-	-	-

(6) Borrower group-wise classification of assets financed as in 3 and 4 above

(₹ Lakh)

Sl No	Category	Amount net of provisions as on March 31									
		2018		2017		2016		2015		2014	
		Secured	Unsecured	Secured	Unsecured	Secured	Unsecured	Secured	Unsecured	Secured	Unsecured
1.	Related parties										
(a)	Subsidiaries	-	-	-	-	-	-	-	-	-	-
(b)	Companies in the same group	-	-	-	-	-	-	-	-	-	-
(c)	Other related parties	-	-	-	-	-	-	-	-	-	-
2.	Other than related parties	89,053.07	987.45	89,806.47	1,515.00	91,835.52	750.00	88,417.55	4,341.85	75,284.28	6,360.45
	<b>Total</b>	<b>89,053.07</b>	<b>987.45</b>	<b>89,806.47</b>	<b>1,515.00</b>	<b>91,835.52</b>	<b>750.00</b>	<b>88,417.55</b>	<b>4,341.85</b>	<b>75,284.28</b>	<b>6,360.45</b>



(7) Investor group-wise classification of all Investments (Current and Long term) in shares and securities (both quoted and unquoted)

Category	Amount as on March 31									
	2018		2017		2016		2015		2014	
	Market value / Break up or fair value or NAV	Book value (Net of provisions)	Market value / Break up or fair value or NAV	Book value (Net of provisions)	Market value / Break up or fair value or NAV	Book value (Net of provisions)	Market value / Break up or fair value or NAV	Book value (Net of provisions)	Market value / Break up or fair value or NAV	Book value (Net of provisions)
1.Related parties										
(a) Subsidiaries	-	-	-	-	-	-	-	-	-	-
(b) Companies in the same group	-	-	-	-	-	-	-	-	-	-
(c) Other related parties	118.65	124.60	211.80	217.80	231.15	237.15	101.24	107.23	129.15	261.46
2. Other than related parties	2,441.24	2,441.25	2,343.40	2,343.36	2,085.84	2,085.80	2,144.49	2,144.45	1,225.02	1,150.58
<b>Total</b>	<b>2,559.89</b>	<b>2,565.85</b>	<b>2,555.20</b>	<b>2,561.16</b>	<b>2,316.99</b>	<b>2,322.95</b>	<b>2,245.73</b>	<b>2,251.68</b>	<b>1,354.17</b>	<b>1,412.04</b>

(8) Other Information

Particulars	Amount as on March 31				
	2018	2017	2016	2015	2014
(i) Gross Non Performing Assets					
(a) Related parties	-	-	-	-	-
(b) Other than Related parties	4,689.02	3,952.45	1,678.99	1,266.48	909.81
(ii) Net Non-Performing Assets					
(a) Related parties	-	-	-	-	-
(b) Other than Related parties	2,993.24	2,737.70	821.17	572.91	390.63
(iii) Assets acquired in satisfaction of debt	-	-	-	-	-





34. (i) Master Direction-Non-Banking Financial Company - Systemically Important Non-Deposit Taking Company and Deposit-Taking Company (Reserve Bank) Directions 2016 and

(ii) Disclosure as Per Non-Banking Financial Companies-Corporate Governance (Reserve Bank) Directions 2015

(₹ Lakh)

Sr. No	Particulars	As at March 31				
		2018	2017	2016	2015	2014
<b>1</b>	<b>Capital to Risk (Weighted) Assets Ratio</b>					
i)	CRAR (%)	17.22	19.73	19.42	18.04	21.55
ii)	CRAR - Tier I Capital (%)	13.20	12.60	11.54	10.70	12.72
iii)	CRAR - Tier II Capital (%)	4.02	7.13	7.88	7.34	8.83
iv)	Amount of subordinated debt raised as Tier-II capital	1,818.48	5,134.13	5,915.34	5,885.55	7,925.63
v)	Amount raised by issue of Perpetual Debt Instruments	-	-	-	-	-
<b>2</b>	<b>Investments</b>					
i)	<b>Value of Investments</b>					
	Gross Value of Investments					
A	In India	2,702.75	2,604.90	2,347.33	2,405.99	1,412.12
B	Outside India	-	-	-	-	-
ii)	<b>Provision for Diminution in value of investments</b>					
A	In India	136.90	43.74	24.39	154.31	0.08
B	Outside India	-	-	-	-	-
iii)	<b>Net Value of Investments</b>					
A	In India	2,565.85	2,561.16	2,322.94	2,251.68	1,412.04
B	Outside India	-	-	-	-	-
	<b>Movement of provisions held towards diminution in value of investments</b>					
(i)	Opening balance	43.74	24.39	154.31	0.08	0.08
(ii)	Add : Provisions made during the year	93.16	19.35	0.00	154.23	0.00
(iii)	Less: Write-off / write-back of excess provisions during the year	0.00	0.00	129.92	0.00	0.00
(iv)	Closing balance	136.90	43.74	24.39	154.31	0.08
<b>3</b>	<b>Derivatives</b>					
(i)	Forward Rate Agreement / Interest Rate Swap	Nil	Nil	Nil	Nil	Nil
(ii)	Exchange Traded Interest Rate (IR) Derivatives	Nil	Nil	Nil	Nil	Nil
(iii)	Disclosures on Risk Exposure in Derivatives Qualitative Disclosure:- The Company has no derivatives transactions	Nil	Nil	Nil	Nil	Nil
<b>4</b>	<b>Disclosures relating to Securitization</b>					
(i)	SPV and Minimum Retention Requirements	Nil	Nil	Nil	Nil	Nil
(ii)	Details of Financial Assets sold to Securitization / Reconstruction Company for Asset Reconstruction	Nil	Nil	Nil	Nil	Nil
(iii)	Details of Assignment transactions undertaken by NBFCs	Nil	Nil	Nil	Nil	Nil
(iv)	Details of non-performing financial assets purchased / sold					
	Details of non-performing financial assets purchased	Nil	Nil	Nil	Nil	Nil
	Details of Non-performing Financial Assets sold	Nil	Nil	Nil	Nil	Nil



5 Asset Liability Management Maturity pattern of certain items of Assets and Liabilities as on 31.03.2018

(₹ Lakh)

Sr. No	Particulars	Upto 30/31 days	Over Month upto 2 Month	Over 2 Months upto 3 Months	Over 3 Months & upto 6 Months	Over 6 Months & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
(i)	Deposits	449.28	640.02	634.76	3,172.08	2,337.41	9,063.18	-	-	16,296.73
(ii)	Advances	3,424.72	5,123.63	4,128.43	11,322.31	21,298.81	41,499.32	3,119.66	-	89,916.88
(iii)	Investments	-	-	-	-	136.31	147.45	522.82	1,759.27	2,565.85
(iv)	Borrowings	1,055.32	4,249.39	535.80	2,433.46	19,793.65	27,088.88	9,506.45	-	64,662.95
(v)	Foreign Currency Assets	-	-	-	-	-	-	-	-	-
(vi)	Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-

Asset Liability Management Maturity pattern of certain items of Assets and Liabilities as on 31.03.2017

(₹ Lakh)

Sr. No	Particulars	Upto 30/31 days	Over Month upto 2 Month	Over 2 Months upto 3 Months	Over 3 Months & upto 6 Months	Over 6 Months & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
(i)	Deposits	1,050.06	801.73	855.99	3,497.48	1,150.88	7,602.92	-	-	14,959.06
(ii)	Advances	3,983.26	4,319.91	4,236.27	12,382.80	21,019.33	42,363.36	2,880.43	-	91,185.36
(iii)	Investments	-	-	-	-	-	283.76	204.44	2,072.96	2,561.16
(iv)	Borrowings	809.22	517.21	551.47	1,688.53	3,694.21	50,764.05	7,006.45	2,500.00	67,531.14
(v)	Foreign Currency Assets	-	-	-	-	-	-	-	-	-
(vi)	Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-

Asset Liability Management Maturity pattern of certain items of Assets and Liabilities as on 31.03.2016

(₹ Lakh)

Sr. No	Particulars	Upto 30/31 days	Over Month upto 2 Month	Over 2 Months upto 3 Months	Over 3 Months & upto 6 Months	Over 6 Months & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
(i)	Deposits	678.54	1,247.84	1,170.43	4,323.05	2,228.52	6,594.22	-	-	16,242.60
(ii)	Advances	3,865.42	4,190.85	4,356.58	13,235.15	22,279.37	42,551.93	2,815.26	-	93,294.56
(iii)	Investments	-	-	-	-	110.99	136.31	147.44	1,928.20	2,322.94
(iv)	Borrowings	1,282.86	1,162.08	2,007.52	1,729.18	19,999.91	29,922.88	9,196.76	2,500.00	67,801.19
(v)	Foreign Currency Assets	-	-	-	-	-	-	-	-	-
(vi)	Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-

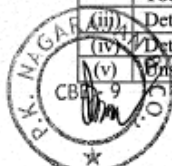


**Asset Liability Management Maturity pattern of certain items of Assets and Liabilities as on 31.03.2015**

(₹ Lakh)

Sr. No	Particulars	Upto 30/31 days	Over Month upto 2 Month	Over 2 Months upto 3 Months	Over 3 Months & upto 6 Months	Over 6 Months & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
(i)	Deposits	889.27	1,040.19	1,222.40	4,062.71	1,816.62	7,481.62	-	-	16,512.87
(ii)	Advances	3,309.61	3,360.50	3,502.53	10,582.90	20,817.53	42,802.67	5,129.97	-	89,502.70
(iii)	Investments	-	151.95	-	160.12	-	110.99	283.76	1,544.86	2,251.68
(iv)	Borrowings	4,299.69	1,492.75	1,919.03	3,299.85	18,096.36	18,507.09	18,256.74	-	65,871.50
(v)	Foreign Currency Assets	-	-	-	-	-	-	-	-	-
(vi)	Foreign Currency Liabilities	-	-	-	-	-	-	-	-	-

Sr No	Particulars	As at March 31				
		2018	2017	2016	2015	2014
<b>6</b>	<b>Exposures</b>					
(i)	Exposure to Real Estate Sector	Nil	Nil	Nil	Nil	Nil
(ii)	Exposure to Capital Market					
A	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	226.14	226.14	234.00	234.00	241.60
B	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	-	-	-	-	-
C	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;	-	-	-	-	-
D	advances for any other purposes to the extent secured by the collateral security of shares or 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;	-	-	-	-	-
E	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers	-	-	-	-	-
F	Loans sanctioned to corporates 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	-	-	-	-	-
G	Bridge loans to companies against expected equity flows / issues	-	-	-	-	-
H	All exposures to Venture Capital Funds (both registered and unregistered)	-	-	-	-	-
	<b>Total Exposure to Capital Market</b>	<b>226.14</b>	<b>226.14</b>	<b>234.00</b>	<b>234.00</b>	<b>241.60</b>
(iii)	Details of financing of parent company products	-	-	-	-	-
(iv)	Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC	-	-	-	-	-
(v)	Unsecured Advances	987.45	1,515.00	750.00	752.43	1,238.16



Sr No	Particulars	As at March 31				
		2018	2017	2016	2015	2014
7	Miscellaneous					
(i)	Registration obtained from other financial sector regulators	NA	NA	NA	NA	NA
(ii)	Disclosure of Penalties imposed by RBI and other regulators	-	-	0.02	-	-
(iii)	Related Party Transactions - Ref Note No.30					

(iv)	Ratings assigned by credit rating agencies and migration of ratings during the year					
	Sr No	Particulars	ICRA			
	(i)	Deposits	MA-			
	(ii)	Debentures	BBB			
	(iii)	Long-Term Borrowings	BBB			
	(iv)	Short-Term Borrowings	A2			
	Migration of ratings during the year NIL					
(v)	Remuneration of Directors		-	-	-	-
(vi)	Management		-	-	-	-
(vii)	Net Profit or Loss for the period prior period items and changes in accounting policies		Nil	75.86	Nil	Nil
8 Other Disclosures						
(i) Provisions and Contingencies						
Break up of 'Provisions and Contingencies' shown under the head Expenditure in statement of Profit and Loss						
A	Provisions for diminution in value of Investment		93.16	19.35	(129.92)	154.23
B	Provision towards NPA		309.21	173.07	176.42	121.82
C	Provision for Standard Assets		44.04	31.90	52.45	34.20
D	Provision made towards Income tax		661.32	435.98	787.36	544.32
E	Other Provision and Contingencies (with details)		-	-	-	-
(ii) Draw Down from Reserves			1,000.00	Nil	Nil	Nil
(iii) Concentration of Deposits Advances Exposures and NPAs						
A	Concentration of Deposits:-					
	Total Deposits of twenty largest depositors		272.99	214.82	248.01	184.02
	Percentage of Deposits of twenty largest depositors to Total Deposits		1.68%	1.44%	1.53%	1.11%
B	Concentration of Advances:-					
	Total Advances to twenty largest borrowers		1,750.34	1,525.03	1,886.27	1,123.00
	Percentage of Advances to twenty largest borrowers to Total Advances		1.94%	1.68%	2.04%	1.27%





C	<b>Concentration of Exposures</b>				
	Total Exposure to twenty largest borrowers / customers	1,619.42	1,324.64	1,376.29	2,053.28
	Percentage of Exposures to twenty largest borrowers / customers to Total Exposure of the NBFC on borrowers / customers	1.79%	1.46%	1.49%	2.33%
D	<b>Concentration of NPAs</b>				
	<b>Total Exposure to top four NPA accounts</b>	77.05	51.68	44.01	54.20
E	<b>Sector-wise NPAs</b>				
	<b>Sr No</b>	<b>Sector</b>	<b>% NPAs to Total Advances in that sector</b>		
	(i)	Agriculture & allied activities	-	-	-
	(ii)	MSME – Engineering	0.48%	1.58%	0.14%
	(iii)	Corporate borrowers - Textiles	-	-	-
	(iv)	Services - Others	4.19%	2.25%	5.12%
	(v)	Unsecured personal loans	-	-	-
	(vi)	Auto loans - Transport	4.43%	4.44%	1.72%
	(vii)	Other personal loans	-	-	-
F	<b>Movement of NPAs</b>				
(i)	<b>Net NPAs to Net Advances (%)</b>	3.32%	3.00%	0.89%	0.65%
(ii)	<b>Movement of NPAs (Gross)</b>				
	Opening balance	3,952.44	1,678.99	1,266.48	909.81
	Additions during the year	3,846.25	3,746.96	1,415.66	2,458.65
	Reductions during the year	3,109.67	1,473.51	1,003.15	2,101.98
	Closing balance	<b>4,689.02</b>	<b>3,952.44</b>	<b>1,678.99</b>	<b>1,266.48</b>
(iii)	<b>Movement of Net NPAs</b>				
	Opening balance	2,737.69	821.17	572.91	390.63
	Additions during the year	2,439.15	2,642.77	703.85	1,875.27
	Reductions during the year	2,183.59	726.25	455.59	1,692.99
	Closing balance	<b>2,993.25</b>	<b>2,737.69</b>	<b>821.17</b>	<b>572.91</b>
(iv)	<b>Movement of provisions for NPAs (excluding provisions on standard assets)</b>				
	Opening balance	1,214.75	857.82	693.57	519.19
	Provisions made during the year	1,407.09	1,104.19	711.81	583.38
	Write-off / write-back of excess provisions	926.08	747.26	547.56	409.00
	Closing balance	<b>1,695.76</b>	<b>1,214.75</b>	<b>857.82</b>	<b>693.57</b>
(v)	<b>Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)</b>	Nil	Nil	Nil	Nil



(vi)	Off-balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)	Nil	Nil	Nil	Nil	Nil
<b>9</b>	<b>Disclosure of Complaints</b>					
A	No. of complaints pending at the beginning of the year	Nil	Nil	Nil	Nil	Nil
B	No. of complaints received during the year	1	7	5	Nil	Nil
C	No. of complaints redressed during the year	1	7	5	Nil	Nil
D	No. of complaints pending at the end of the year	Nil	Nil	Nil	Nil	Nil



**35. NOTE ON EXPENDITURE ON CORPORATE SOCIAL RESPONSIBILITY.**

The following is the information regarding Gross amount required to be spent by the Company, projects / programmes undertaken and expenses incurred on CSR activities during the year ended 31st March, 2015, 31st March, 2016, 31st March, 2017 and 31st March, 2018.

(₹Lakh)				
Particulars	31.03.2018	31.03.2017	31.03.2016	31.03.2015
I. Gross amount required to be spent by the company during the year	45.21	44.68	44.52	39.34
II. Amount spent during the year on:(by way of contribution to the trusts				
a. Construction / acquisition of any asset	-	-	-	-
b. On purposes other than (a) above:				
Promoting Education	72.68	3.54	3.00	31.61
Promoting Healthcare	2.70	0.00	0.84	8.44
Promoting Healthcare including preventive health care and others	-	3.47	38.84	-
Swachh Bharath Project	-	-	5.19	-
Promoting Sports	4.30	3.20	1.20	-
Others	-	-	-	-
<b>Total</b>	<b>79.68</b>	<b>10.21</b>	<b>49.07</b>	<b>40.05</b>

**36. SPECIFICIED BANK NOTES**

In terms of ministry of Corporate Affairs Notification No.GSR 308(E) dated 30th March 2017 the disclosure are made for the specified Bank Notes (SBN) held and transacted during the period from 8th November 2016 to 30th December 2016 are given below.

(₹Lakh)			
Particulars	SBNs	Other denomination notes	Total
Closing cash in hand as on 08.11.2016	601.25	12.49	613.74
Add : Permitted receipts	-	1,052.38	1,052.38
Less: Permitted payments	-	4.35	4.35
Less: Amount deposited in Banks	601.25	989.28	1,590.53
<b>Closing cash in hand as on 30.12.2016</b>	<b>-</b>	<b>71.24</b>	<b>71.24</b>



**ANNEXURE VI**  
**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ON RESTATED FINANCIAL INFORMATION**

**1 COMPANY OVERVIEW**

**Half Year ended 30<sup>th</sup> September 2018, Financial Year 2017-18 and 2016-17**

Sakthi Finance Limited ("SFL" or "the Company") is a public limited Company having its Registered Office in Coimbatore, Tamil Nadu. The equity shares and Non-Convertible Debentures of the Company are listed on BSE Limited. The Company is a deposit-taking Non-Banking Financial Company (NBFC) registered with Reserve Bank of India (RBI). The Company has been classified as an Asset Financing Company by RBI. The Company is engaged in the business of Hire Purchase Financing of Commercial Vehicles, Infrastructure Equipments, Machineries, etc.

**Financial Year 2015-16 and Financial Year 2014-15**

Sakthi Finance Limited ("SFL" or "the Company") is a public limited Company having its Registered Office in Coimbatore, Tamil Nadu. The equity shares of the Company are listed on BSE Limited. The Company is a deposit-taking Non-Banking Financial Company (NBFC) registered with Reserve Bank of India (RBI). The Company has been classified as an Asset Financing Company by RBI. The Company is engaged in the business of Hire Purchase Financing of Commercial Vehicles, Infrastructure Equipments, Machineries, etc.

**Financial Year 2013-14**

Sakthi Finance Limited ("SFL" or "the Company") is a public limited Company having its Registered Office in Coimbatore, Tamil Nadu. The equity shares of the Company are listed on Stock Exchanges at Mumbai and Chennai. The Company is a deposit-taking Non-Banking Financial Company (NBFC) registered with Reserve Bank of India (RBI). The Company has been classified as an Asset Financing Company by RBI. The Company is engaged in the business of Hire Purchase Financing of Commercial Vehicles, Infrastructure Equipments, Machineries, etc.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**a. CHANGE IN ACCOUNTING POLICY**

**Financial Year 2016-17**

During the year, the company has changed the policy with regard to amortizing the debenture issue expenses. Accordingly, instead of amortizing the expenses over the tenure of Debentures, the same has been entirely adjusted against the Securities Premium Account as is permitted under Section 52 of the Companies Act 2013. As a result the income from operations and Profit before Tax are higher by ₹ 75.86 lakhs.

**b. Basis of preparation of financial statements**

**Half Year ended 30<sup>th</sup> September 2018, Financial Year 2017-18**

The financial statements of the company have been prepared in accordance with the Generally Accepted Accounting Principles in India (IGAAP) to comply with the accounting standards notified under Section 133 of the Companies Act 2013 read with Rule 7 of The Companies (Accounts) Rules 2014 and the relevant provisions of the Companies Act 2013 as applicable and the guidelines issued by Reserve Bank of India applicable to Non-Banking Financial Companies. The Financial Statements have been prepared on accrual basis under the historical cost convention, except certain fixed assets which have been revalued. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

**Financial Year 2016-17**

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 notified under Section 133 of the Companies Act 2013 read with Rule 7 of The Companies (Accounts) Rules 2014 and the relevant provisions of the Companies Act 2013 as applicable and the guidelines issued by Reserve Bank of India applicable to Non-Banking Financial Companies. The Financial Statements have been prepared on accrual basis under the historical cost convention, except certain fixed assets which have been revalued. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year except as stated in 2(a) above.

**Financial Year 2015-16**

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 and the relevant provisions of the Companies Act 2013 as applicable and the guidelines issued by Reserve Bank of India applicable to Non-Banking Financial Companies. The Financial Statements have been prepared on accrual basis under the historical





convention, except certain fixed assets which have been revalued. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

#### Financial Year 2014-15

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 Sec 133 of The Companies Act 2013 read with rule 70 of The Companies (Accounts) Rules 2014 and the relevant provisions of the Companies Act 2013 (Act 2013)/The Companies Act 1956 (Act 1956), as applicable and the guidance issued by Reserve Bank of India applicable to Non-Banking Financial Companies. The Financial Statements have been prepared on accrual basis under the historical cost convention, except certain fixed assets which have been revalued. The accounting policies adopted in the preparation of financial statements are consistent with those followed in the previous year.

#### Financial Year 2013-14

The Financial statements are prepared under the historical cost convention on accrual basis of accounting except for certain fixed assets which have been revalued and comply with the mandatory Accounting Standards notified by the Central Government under the Companies (Accounting Standards) Rules 2006, the relevant provisions of the Companies Act 1956 and guidelines issued by the Reserve Bank of India applicable to Non-Banking Financial Companies.

#### c. USE OF ESTIMATES

##### Half Year ended 30<sup>th</sup> September 2018, Financial Year 2017-18, 2016-17, 2015-16, 2014-15 and 2013-14

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 on the date of financial statements and the results of operations during the reporting year end. Although the estimates are based on management's best knowledge of current events and actions, actual results could differ from these estimates. Any revisions to the accounting estimates are recognized prospectively in the current and future period.

#### d. TANGIBLE FIXED ASSETS

##### Half Year ended 30<sup>th</sup> September 2018, Financial Year 2017-18, 2016-17, 2015-16, 2014-15 and 2013-14

Tangible assets, other than those which have been revalued, are stated at historical cost less accumulated depreciation. The revalued tangible assets are restated at their estimated replacement value at the time of revaluation.

#### e. DEPRECIATION ON PROPERTY, PLANT AND EQUIPMENT

##### Half Year ended 30<sup>th</sup> September 2018, Financial Year 2017-18

Depreciation on Property, Plant and Equipment is provided on Straight Line Method (SLM) using the rates arrived at based on the Useful Life estimated by the management. The Company has used the following useful life to provide depreciation on property, plant and equipment.

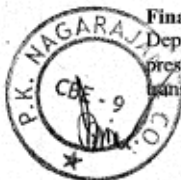
Particulars	Useful Life as prescribed by schedule II of the Companies Act, 2013)	Useful Life estimated by Company
Building	60 years	60 years
Plant and Machinery	15 years	15 years
Plant - Wind Mills	22 years	22 years
Furniture and Fixtures	10 years	10 years
Vehicles	8 years	8 years
Office Equipments	10 years	10 years
Computers	3 years	6 years

The management has considered the useful life of computers as 6 years

Additional depreciation on revalued Property, Plant and Equipment has been transferred from Revaluation Reserve Account to General Reserve Account.

##### Financial Year 2016-17 and 2015-16

Depreciation on tangible Fixed Assets has been determined on Straight Line Method (SLM) as per the Useful Life prescribed in Schedule II to the Companies Act 2013. Additional depreciation on revalued Fixed Assets has been transferred from Revaluation Reserve Account to General Reserve Account.



**Financial Year 2014-15**

Depreciation on Tangible Fixed Assets has been on the Straight Line method (SLM) as per the useful Life prescribed in Schedules II to the Companies Act 2013.

**Financial Year 2013-14**

Depreciation on Fixed Assets is provided on straight line method by adopting the rates as prescribed under Schedule XIV to the Companies Act 1956. For assets acquired costing ₹5,000 each or below, the total cost of the asset has been depreciated.

**f. INTANGIBLE ASSETS****Half Year ended 30<sup>th</sup> September 2018, Financial Year 2017-18**

Intangible Assets are carried at its cost less any accumulated amortization. The depreciable amount of intangible Assets are allocated on a systematic basis over the best estimate of useful life. The management has considered the useful life of Intangible Assets as 6 years.

**Impairment of Assets**

The carrying amount of assets are reviewed at each balance sheet date, if there is any indication of impairment based on internal or external factors. No impairment loss has arisen during the year.

**Financial Year 2016-17, 2015-16 and 2014-15**

Intangible Assets viz. Computer Software are stated at the consideration paid for its acquisition. Intangible assets are amortized based on the management's estimate of useful economic life of the asset, reckoned as 6 years.

**Financial Year 2013-14**

Intangible Assets viz. Computer Software are stated at the consideration paid for its acquisition. Intangible assets are amortized based on the management's estimate of useful economic life of the asset. Its economic life is estimated to be 7 years.

**g. REVENUE RECOGNITION****Half Year ended 30<sup>th</sup> September 2018, Financial Year 2017-18 and 2016-17**

The prudential norms for Income Recognition and Provisioning for Non-performing assets as prescribed by the Reserve Bank of India for Non-Banking Financial Companies have been followed.

Accordingly, revenue recognition has been considered in the accounts on accrual basis only on those assets classified as standard assets as stated below:

- i) a) Hire purchase finance charges are recognized as income under the internal rate of return method.  
b) Interest on advances by way of loans are accounted for, to the extent accrued during the year.
- ii) Income by way of interest on Government securities is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.
- iii) Income from Investments by way of dividend is recognized when the right to receive the payment is established by the balance sheet date.
- iv) Income from power generation is recognized as per the Power Purchase Agreements with State Electricity Board and on supply of power to the grid.

**Financial Year 2015-16**

The prudential norms for Income Recognition and Provisioning for Non-performing assets as prescribed by the Reserve Bank of India for Non-Banking Financial Companies have been followed.

Accordingly, revenue recognition has been considered in the accounts on accrual basis only on those assets classified as standard assets as stated below:

- i) a) Hire purchase finance charges are recognized as income under the internal rate of return method.  
b) Interest on advances by way of loans are accounted for, to the extent accrued during the year.
- ii) Income by way of interest on Government securities is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.

Income from Investments by way of dividend is recognized when the right to receive the payment is established by the balance sheet date.



- iv) Income from power generation is recognized as per the Power Purchase Agreements with State Electricity Board and on supply of power to the grid.
- v) Debenture Issue Expenses:  
The expenditure relating to Public Issue of Debentures is amortised over the tenor of debentures.

#### **Financial Year 2014-15 and 2013-14**

The prudential norms for Income Recognition and Provisioning for Non-performing assets as prescribed by the Reserve Bank of India for Non-Banking Financial Companies have been followed.

Accordingly, revenue recognition has been considered in the accounts on accrual basis only on those assets classified as standard assets as stated below:

- i) a) Hire purchase finance charges are recognized as income under the internal rate of return method.  
b) Interest on advances by way of loans are accounted for, to the extent accrued during the year.
- ii) Income by way of interest on Government securities is recognized on time proportion basis taking into account the amount outstanding and the rate applicable.
- iii) Income from Investments by way of dividend is recognized when the right to receive the payment is established by the balance sheet date.
- iv) Income from power generation is recognized as per the Power Purchase Agreements with State Electricity Board and on supply of power to the grid.

#### **h. INVESTMENTS**

##### **Half Year ended 30<sup>th</sup> September 2018 and Financial Year 2017-18**

Investments, by its nature readily realizable to be held for not more than a year, are classified as current investments. All other investments are classified as Non-current investments which are carried at cost and provision for diminution in value, other than temporary, is considered wherever required. Current Investments are carried at the lower of cost or fair value.

##### **Financial Year 2016-17, 2015-16, 2014-15 and 2013-14**

Long-term investments are carried at cost. Provision for diminution in value is made to recognize a decline, if any, other than temporary, in the value of investments. Current investments are carried at the lower of cost and fair value.

#### **i. EMPLOYEE BENEFITS**

##### **Half Year ended 30<sup>th</sup> September 2018, Financial Year 2017-18, 2016-17, 2015-16, 2014-15 and 2013-14**

##### **i) Defined Contribution Plans**

##### **1. Provident Fund (PF)**

Contributions are made periodically to the PF Commissioner, under the Employees Provident Fund Scheme, in accordance with the provisions of Employees Provident Funds and Miscellaneous Provisions Act 1952. The Company does not have any obligation other than the stipulated periodical contribution to the Provident Fund. The obligations to make a fixed and determinable amount of contributions are recognized as an expense in the year incurred.

##### **2. Superannuation**

The Company contributes a sum equivalent to 15% of eligible employees salary to a Superannuation Fund administered by trustees and managed by Life Insurance Corporation of India (LIC). The company has no liability for future Superannuation Fund benefits other than its annual contribution and recognizes such contribution as an expense in the year incurred.

##### **ii) Defined Benefit Plans**

##### **Gratuity**

The Company makes annual contributions to a Fund administered by Trustees and managed by Life Insurance Corporation of India (LIC). The Company accounts its liability for gratuity based on actuarial valuation determined by LIC as at the Balance Sheet date.

##### **iii) Other Benefits**

Other benefits made available to employees include contributions made by the Company under (a) ESI Scheme (b) Employees Deposit Linked Insurance (c) Group Personal Accident Insurance and (d) Group Mediclaim Benefits. Obligations under these benefits which are in the nature of staff welfare are recognized as expense in the year in which they are incurred.



Leave salary is determined for the period of 12 months ended 31st December of each year and paid fully within the end of the accounting year.

**j. LEASES**

**Half Year ended 30<sup>th</sup> September 2018, Financial Year 2017-18, 2016-17, 2015-16, 2014-15 and 2013-14**

Operating lease payments are recognized as an expense in the Statement of Profit and Loss on the basis of lease term.

**k. EARNING PER SHARE**

**Half Year ended 30<sup>th</sup> September 2018, Financial Year 2017-18, 2016-17, 2015-16, 2014-15 and 2013-14**

Basic earnings per share is calculated by dividing the net profit or loss after tax for the year attributable to equity shareholders less preference dividend by the weighted average number of equity shares outstanding during the year.

For the purpose of calculating diluted earnings per share, the net profit or loss after tax for the year attributable to equity shareholders less preference dividend and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential of equity shares.

**l. CASH AND CASH EQUIVALENTS**

**Half Year ended 30<sup>th</sup> September 2018, Financial Year 2017-18, 2016-17, 2015-16, 2014-15 and 2013-14**

Cash and Cash Equivalents in the Cash Flow statement comprise Cash at Bank and in hand, Cheques on hand, balance in Current Account and short term investments with an original maturity of three months or less.

**m. TAXES ON INCOME**

**Half Year ended 30<sup>th</sup> September 2018, Financial Year 2017-18, 2016-17, 2015-16, 2014-15 and 2013-14**

The tax expenses is the aggregate of current tax and deferred tax charged are credited to the statement of profit and loss for the period. Current tax is the amount of tax payable on the taxable income for the year and determined in accordance with the provisions of the Income Tax Act 1961.

Deferred tax liability is recognized, on timing differences, being the difference between taxable incomes and accounting income that originates in one period and are capable of being reversed in one or more subsequent periods.

Deferred tax assets in respect of carry forward losses are recognized if there is a virtual certainty that there will be sufficient future taxable income available to offset such losses. Other deferred tax assets are recognized if there is reasonable certainty that there will be sufficient future taxable income available to recoup the value of such assets. For the purpose of calculating diluted earnings per share, the net profit or loss after tax for the year attributable to equity shareholders less preference dividend and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential of equity shares.

**n. STOCK ON HIRE**

**Half Year ended 30<sup>th</sup> September 2018, Financial Year 2017-18, 2016-17, 2015-16, 2014-15 and 2013-14**

Stock on Hire represents unexpired and unpaid Instalments under Hire Purchase Finance Agreements. Stock on Hire in relation to repossessed assets is shown separately under other current assets.

**o. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

**Half Year ended 30<sup>th</sup> September 2018, Financial Year 2017-18, 2016-17 and 2015-16, 2014-15 and 2013-14**

Provision is recognized only when there is a present obligation as a result of past event and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are shown by way of notes forming part of the balance sheet. Contingent Assets are neither recognized nor disclosed in the financial statements.



**p. PROVISION AS PER RBI NORMS**

**i) Provision for Non-Performing Assets**

**Half Year ended 30<sup>th</sup> September 2018 and Financial Year 2017-18**

Provision for non-performing assets, doubtful debts, loans and advances have been made as per Master Direction-NBFC-Systemically Important Non-Deposit Taking Company and Deposit taking Company (Reserve Bank) directions 2016.

**For Financial Year 2016-17, 2015-16, 2014-15, 2013-14**

Provision for non-performing assets, doubtful debts, loans and advances have been made as per the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007.

**ii) CONTINGENT PROVISION AGAINST STANDARD ASSETS**

**For Half Year ended 30<sup>th</sup> September 2018 and Financial Year 2017-18**

As per Master Direction-NBFC-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) directions, all Non-Banking Financial Companies are required to make a provision of 0.40% on the Standard Assets as on 31<sup>st</sup> March, 2018. Accordingly, necessary provision has been made

**For Financial Year 2016-17**

RBI by its Notification No.DNBR.011/CGM(CDS)-2015 dated 27th March, 2015 has issued directions to all Non-Banking Financial Companies to make a provision of 0.35% on the Standard Assets as on 31st March, 2017. Accordingly, necessary provision has been made.

**For Financial Year 2015-16**

RBI by its Notification No.DNBR.011/CGM(CDS)-2015 dated March 27th, 2015 has issued directions to all Non-Banking Financial Companies to make a provision of 0.30% on the Standard Assets as on March 31st, 2016. Accordingly necessary provision has been made.

**For Financial Year 2014-15 and 2013-14**

RBI by its Notification No.DNBS.222/CGM(US)-2011 dated 17th January 2011 has issued directions to all Non-Banking Financial Companies to make a provision of 0.25% on the Standard Assets. Accordingly necessary provision has been made.





**ANNEXURE VII SUMMARY STATEMENT OF ADJUSTMENTS TO THE AUDITED FINANCIAL STATEMENTS**

**Statement of restatement adjustments to audited financial statements**

**Impact of Material Adjustment to the Statement of Assets and liabilities**

			(₹ Lakh)
Particulars	2016	2017	
<b>I Securities Premium</b>			
Closing Securities premium account as per the audited balance sheet	1,554.49	801.07	
Opening Securities premium account as per the Restated Financial Information	1,554.49	1,251.79	
Less: NCD issue expenses charged to Security Premium in FY 2015-16	(302.70)	(450.72)	
<b>Closing Securities premium account as per Restated Financial Information</b>	<b>1,251.79</b>	<b>801.07</b>	
<b>II Other Non-Current Asset</b>			
1. Debenture Issue Expenses			
Closing Balance as per the audited balance sheet	162.17	-	
Less: Charged to Securities Premium Account during the FY 2015-16	(125.93)		
Less: Transfer to Other Current Asset	(36.24)		
<b>Closing Balance as per Restated Financial Information</b>	<b>-</b>	<b>-</b>	
<b>III. Other Current Asset</b>			
1. Debenture Issue Expenses			
Closing Balance as per the audited balance sheet	100.90	-	
Less: Charged to Securities Premium Account	(100.90)		
Add: Transfer from Other Non-Current Asset	36.24		
<b>Closing Balance as per Restated Financial Information</b>	<b>36.24</b>	<b>-</b>	
<b>IV. Surplus in Statement of Profit and Loss</b>			
Closing Balance as per the audited balance sheet	1,472.88	1,087.19	
Add: Reversal of Debenture Issue Expenses charged to Security Premium	75.86		
<b>Closing Balance as per Restated Financial Information</b>	<b>1,548.74</b>	<b>1,087.19</b>	

**Impact of Material Adjustment to the Statement of Profit and Loss Account**

			(₹ Lakh)
Particulars	2016	2017	
Profit before tax as per the audited profit and Loss account	2,039.93	2,111.54	
Less: Reversal of Debenture Issue Expenses charged to Security Premium	75.86		
Add: Rectification of Debenture Issue Expenses reversal in profit and loss account		(75.86)	
<b>Profit before tax as restated</b>	<b>2,115.79</b>	<b>2,035.68</b>	

**Explanatory Notes:**

In the financial year 2014-15, the Company incurred debenture issue expenses of ₹ 302.70 lakhs pertaining to Public Issue of Non-Convertible Debentures I and treated the same as prepaid expenses as at 31.03.2015 to amortize over the term of redeemable debentures. Subsequently in the year 2015-16, an amount of ₹ 75.86 lakhs was written off in the statement of profit and loss and remaining expenses of ₹ 162.17 lakhs under "other non-current asset" and ₹ 100.90 lakhs including expenses of ₹ 36.23 lakhs pertaining to Debenture issue II under "Other Current Assets" was classified in the year 2015-16. During the year 2016-17, on account of change in accounting policy of treatment of debenture issue expenses against security premium, the company charged off the entire issue expenses pertaining to both issues amounting to ₹ 753.42 lakhs against security premium.

Had the accounting policy been followed from the beginning, the corresponding amounts in the Balance Sheet would be increased or decreased accordingly, the profit would increase / decrease by ₹ 75.86 lakhs in the respective year



# ANNEXURE VIII SUMMARY STATEMENT OF NETWORTH

(₹Lakh)

Particulars	As at and for the FY ended March 31,					
	As at September, 2018	2018	2017	2016	2015	2014
<b><u>Shareholders Fund</u></b>						
Share Capital	6,500.00	6,137.45	6,050.00	6,050.00	6,057.25	6,000.00
Reserves & Surplus less Revaluation reserve and Capital Reserve	9,063.77	8,958.33	8,457.38	7,391.54	7,047.12	6,185.19
Miscellaneous expenditure (to the extent not written off or adjusted)				(36.23)	(196.68)	
<b>Networth</b>	<b>15,563.77</b>	<b>15,095.78</b>	<b>14,507.38</b>	<b>13,405.31</b>	<b>12,907.69</b>	<b>12,185.19</b>

Networth = Share capital + Reserves and Surplus (excluding Revaluation Reserve) – Miscellaneous Expenditure (to the extent not written off or adjusted)

ANNEXURE IX SUMMARY STATEMENT OF SECURED AND UNSECURED LOANS

A. SECURED LOANS

(₹Lakh)

Particulars	As at September 30, 2018	As at March 31					Repayment	Security Offered	
		2018	2017	2016	2015	2014			
<b>1. Banks- Cash Credit</b>								Repayment on Demand	Refer note 1 below
State Bank of India	4,866.41	2,401.91	6,415.78	4,780.10	7,580.88	7,655.32			
Indian Overseas Bank	1,731.56	1,229.26	443.51	1,789.54	1,791.50	1,888.17			
Bank of India	1,646.65	1,470.38	1,458.57	1,678.84	2,011.10	1,898.87			
Central Bank of India	2,937.46	2,547.32	1,374.86	3,108.40	2,761.76	2,413.38			
The Karnataka Bank Ltd	1,100.31	869.82	642.95	1,415.93	1,256.86	570.07			
Canara Bank	320.88	261.97	307.70	417.06	462.50	244.80			
State Bank of Travancore	-	-	460.66	2,786.23	1,949.47	1,707.48			
The Lakshmi Vilas Bank Ltd	2,780.79	1,810.75	1,059.82	5,886.81	3,945.87	2,046.15			
Interest accrued and due on bank cash credit	42.46	41.31	97.70	77.35	77.65	57.18			
<b>Total (1A)</b>	<b>15,426.52</b>	<b>10,632.72</b>	<b>12,261.55</b>	<b>21,940.26</b>	<b>21,837.58</b>	<b>18,481.42</b>			
<b>1B. Bank Term Loan</b>								Refer note 2b below	Refer note 2b below
The Lakshmi Vilas Bank Ltd	1,014.29	1,521.43	2,535.71	-	-	-			
AU Small Finance Bank Ltd	1,824.32	2,229.73	-	-	-	-			
<b>Total (1B)</b>	<b>2,838.61</b>	<b>3,751.16</b>	<b>2,535.71</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>			
<b>Total (1A + 1B)</b>	<b>18,265.13</b>	<b>14,383.88</b>	<b>14,797.26</b>	<b>21,940.26</b>	<b>21,837.59</b>	<b>18,481.42</b>			





(₹ Lakh)

Particulars	As at September 30, 2018	As at March 31					Repayment	Security Offered
		2018	2017	2016	2015	2014		
2. Financial Institutions / Other Lenders								
SIDBI - Term Loans	-	-	-	-	20.00	356.00	Fully discharged	Fully discharged
TIIC	-	-	37.00	683.00	976.00	-	Fully discharged	Fully discharged
Sundaram Finance Ltd	699.77	853.18	481.20	1,147.35	1,053.61	-	Refer note 2 below	Refer note 2 below
Reliance Capital Ltd	-	-	-	233.31	3,592.00	-	Fully discharged	Fully discharged
Northern ARC Capital Ltd. (Formerly known as IFMR Capital Finance Pvt. Ltd)	274.06	853.95	2,504.20	4,047.04	2,841.99	-	Refer note 2 below	Refer note 2 below
Hinduja Leyland Finance Ltd	2,728.15	3,436.04	3,837.40	2,648.51	3,893.00	-	Refer note 2 below	Refer note 2 below
Mahindra & Mahindra Financial Services Ltd	-	-	565.35	1,062.62	1,500.00	-	Fully discharged	Fully discharged
Interest accrued and due on Financial Institutions / others	31.49	44.36	31.87	56.25	82.14	2.90	Refer note 2 below	Refer note 2 below
Total (2)	3,733.47	5,187.53	7,457.02	9,878.08	13,958.74	358.90		



(₹Lakh)

Particulars	As at September 30, 2018	As at March 31					Repayment	Security Offered
		2018	2017	2016	2015	2014		
3. Debentures								
Non-Convertible Debentures (private placement) (Principal)	7,263.08	5,963.93	4,657.85	7,038.17	13,658.06	28,877.58	Refer note 3 below	Refer note 3 below
Non-Convertible Debentures (Public Issue I & II) (Principal)	16,702.89	20,134.98	21,670.30	10,000.00	-	-		
Interest accrued Debentures (Private Placement)	226.77	272.52	170.36	698.40	1,716.38	2,837.13	Refer note 3 below	Refer note 3 below
Interest accrued Debentures (Public Issue I & II)	2,177.80	2,296.26	1,340.07	634.35	-	-		
Total (3)	26,370.54	28,667.69	27,838.58	18,370.92	15,374.44	31,714.71		
Total (1+2+3)	48,369.14	48,239.10	50,092.86	50,189.26	51,170.77	50,555.02		

Note:

- Cash Credits and Working Capital Demand Loans from Banks are secured by hypothecation of specified hire purchase receivables and personal guarantee of 2/3 directors. For a bank additional collateral security of company's building along with land belonging to a director has been given. There are no over dues in the above accounts.

**2a) Term Loan from Financial Institutions / Other Lenders**

**Sundaram Finance Ltd.**

Sl. No	Amount of Term Loan Sanctioned (₹Lakh)	Rate of Interest (%)	Repayment		Moratorium period	Security Details
			Commencement date	End date		
1	750.00	14.00	08.06.2014	08.05.2016	-	Exclusive charge on 17 Wind Mills situated at Tiruchelveli / Tirupur Dist. in Tamilnadu and also at Motugunda Village Bhavad Taluk Jam Nagar Dist Gujarat and guarantee by a director
2	550.00	14.00	17.08.2014	17.07.2016	-	
3	300.00	14.00	17.08.2014	17.07.2016	-	
4	1,100.00	13.00	08.01.2016	08.11.2017	-	
5	750.00	12.90	03.05.2016	03.04.2017	-	
6	1,000.00	10.25	10.10.2017	10.09.2020	-	

**Northern Arc Capital Ltd (formerly IFMR Capital Finance Pvt. Ltd.)**

Sl. No	Amount of Term Loan Sanctioned (₹Lakh)	Rate of Interest (%)	Repayment		Moratorium period	Security Details
			Commencement date	End date		
1	1,500.00	14.00	27.10.2014	27.09.2016	-	Hypothecation of specified Hire Purchase receivables and personal guarantee by a director
2	1,500.00	13.50	23.03.2015	23.02.2018	-	
3	220.00	13.50	27.03.2015	27.02.2018	-	
4	1,000.00	13.50	14.04.2016	14.09.2018	6 Months	
5	395.00	13.50	12.05.2016	12.10.2018	6 Months	
6	730.00	13.50	19.09.2016	19.02.2019	6 Months	
	350.00	12.90	24.10.2016	23.03.2019	6 Months	
	170.00	12.90	22.11.2016	22.04.2019	6 Months	



**Hinduja Leyland Finance Ltd.**

Sl. No	Amount of Term Loan Sanctioned (₹ Lakh)	Rate of Interest (%)	Repayment		Moratorium period	Security Details
			Commencement date	End date		
1	2,500.00	12.50	07.11.2014	08.10.2017	-	Hypothecation of specified Hire Purchase receivables
2	1,500.00	12.50	07.02.2015	07.04.2018	-	
3	250.00	12.50	07.04.2015	07.06.2018	-	
4	2,800.00	10.71	07.05.2017	07.04.2020	-	
5	1,500.00	10.25	07.03.2018	07.02.2021	-	

**2b. Term Loan from Banks**

**The Lakshmi Vilas Bank Ltd.**

Sl. No	Amount of Term Loan Sanctioned (₹ Lakh)	Rate of Interest (%)	Repayment		Moratorium period	Security Details
			Commencement date	End date		
1	3,000.00	11.55	31.10.2016	30.09.2019	-	Hypothecation of specified Hire Purchase receivables and a personal guarantee by a director

**AU Small Finance Bank Ltd.**

Sl. No	Amount of Term Loan Sanctioned (₹ Lakh)	Rate of Interest (%)	Repayment		Moratorium period	Security Details
			Commencement date	End date		
1	2,500.00	10.65	15.12.2017	15.12.2020	-	Hypothecation of specified Hire Purchase receivables and a personal guarantee by a director

3 As at September 30<sup>th</sup> 2018, 32,06,58,241 (face value of ₹ 1 each) and 4,05,650 (face value of ₹ 1,000 each) Secured Redeemable Non-Convertible Debentures issued on Private Placement basis aggregating to ₹ 7,263.08 lakh and redeemable at par are secured by specified Hire Purchase receivables. The rate of interest varies from 9% to 12%; the date of redemption is reckoned at 12 to 36 months from the date of first allotment in relation to each of the series allotted up to 31st July 2010 and 15 to 36 months in relation to each of the series allotted from 1st August 2010 onwards.

As at September 30<sup>th</sup> 2018, 36,47,900 Secured Redeemable Non-Convertible Debentures of ₹ 100 each aggregating to ₹ 3,647.90 Lakhs are secured by specified Hire purchase receivables and a building situated at Madurai. The rate of interest varies from 11% to 11.50%. The date of redemption is reckoned at 24 to 48 months from the date of allotment i.e. 01.04.2015.

As at September 30<sup>th</sup>, 2018, 13,05,499 Secured Redeemable Non-Convertible Debentures of ₹ 1,000 each aggregating to ₹ 13,054.99 Lakhs are secured by specified Hire purchase receivables and an identified immovable property situated at Coimbatore. The rate of interest varies from 10.25% to 11.00%. The date of redemption is reckoned at 24 to 48 months from the date of allotment i.e. 18.05.2016.

The Secured Redeemable Non- Convertible Debentures outstanding for the Debentures placed on Private Placement basis are secured by specified Hire Purchase receivables and certain immovable properties for the years ended March 31, 2018, 2017, 2016, 2015 and 2014 respectively.

The Secured Redeemable Non- Convertible Debentures outstanding for the Debentures of Public Issues I are secured by building situated at Madurai and specified Hire Purchase receivables a for the years ended March 31, 2018, 2017 and 2016,

The Secured Redeemable Non- Convertible Debentures outstanding for the Debentures of Public Issues II are secured by identified immovable property situated at Coimbatore and specified Hire Purchase receivables for the years ended March 31, 2018 and 2017.



# ANNEXURE XI SUMMARY STATEMENT OF ACCOUNTING RATIOS

## A. EARNINGS PER SHARE (EPS)

Earnings per share calculations are made in accordance with Accounting Standard - 20, \*Earnings Per Share notified under Companies Accounting Standard Rules 2006 as amended

(₹ Lakh)

Particulars	For the Half Year Ended September 30, 2018	For Year ended March 31				
		2018	2017	2016	2015	2014
Net Profit after tax as per Statement of Profit & Loss (₹ Lakh)	a	686.54	1,192.63	1,599.70	1,328.43	1,584.64
Less: Preference Dividend (₹ Lakh)		67.50	133.12	126.38	125.58	120.91
Net Profit after tax for EPS Computation (₹)		619.04	1,059.51	1,473.32	1,202.85	1,463.73
Weighted average number of equity shares outstanding during the year (for Basic EPS)	b	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000
(i) Equity Shares arising on conversion of optionally convertible warrants	c	-	-	-	-	-
(ii) Equity shares for no consideration arising on grant of stock options under ESOP	d	-	-	-	-	-
(iii) Effect of Notional allotment of Shares application money	e	-	-	-	-	-
Weighted average number of equity shares outstanding during the year (for Diluted EPS) (b+c+d+e)	f	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000
Earnings per share (Basic) (₹) (Face Value of ₹10/- per share)	(a/b)	1.24	2.12	2.95	2.41	2.93
Earnings per Share (Diluted) (₹) (Face Value of ₹10/- per share)	(a/f)	1.24	2.12	2.95	2.41	2.93

## B. RETURN ON NET WORTH (RONW)

(₹ Lakh)

Particulars	For the Half Year Ended September 30, 2018	For the year ended March 31				
		2018	2017	2016	2015	2014
<b>SHAREHOLDERS FUNDS</b>						
Share Capital	6,500.00	6,137.45	6,050.00	6,050.00	6,057.25	6,000.00
Optionally Convertible warrants	-	-	-	-	-	-
Reserves and surplus less Revaluation Reserve	9,116.38	9,010.94	8,509.99	7,407.92	6,903.05	6,237.80
Net Worth as at the end of the year	15,616.38	15,148.39	14,559.99	13,457.92	12,960.30	12,237.80
Net profit after tax	686.54	1,192.63	1,599.70	1,328.43	1,584.64	1,415.73
Return on Net Worth (%)	8.78% <sup>#</sup>	7.87%	10.99%	9.87%	12.23%	11.57%

# Note: Return on Net Worth for the Half year ended September 30, 2018 has been computed on annualized basis.



**ANNEXURE X SUMMARY STATEMENT OF CAPITALISATION AS AT 30<sup>th</sup> SEPTEMBER 2018**

(₹Lakh)

Particulars	Pre Issue as at September 30, 2018	Post Issue
<b>Debt:</b>		
Short Term Debt	50,211.81	50,211.81
Long Term Debt	40,457.25	55,457.25
<b>Total Debt (A)</b>	<b>90,669.06</b>	<b>1,05,669.06</b>
<b>Shareholders' Funds:</b>		
Share Capital	6,500.00	6,500.00
Reserves and Surplus less Revaluation Reserve	9,116.38	9,116.38
<b>Total Shareholders' Funds (B)</b>	<b>15,616.38</b>	<b>15,616.38</b>
<b>Long Term Debt /Equity (Shareholders fund) Ratio (A)/(B)</b>	<b>2.59</b>	<b>3.55</b>

**Notes:**

- Short Term Debts includes
  - Interest accrued on Debentures Deposits Subordinated Debts and Cash Credit
  - Current Maturity of Long term debt
  - Unclaimed deposits, debentures and subordinated debts
- The Long term Debt includes Interest accrued on Debentures Deposits Subordinated Debts
- The debt-equity ratio post the issue is indicative and is on account of assumed inflow of ₹ 15,000 lakh from the issue.
- The figures disclosed above are based on the Restated Summary Statement of Assets and Liabilities of the Company as at September 30, 2018.



## ANNEXURE XI SUMMARY STATEMENT OF ACCOUNTING RATIOS

### A. EARNINGS PER SHARE (EPS)

Earnings per share calculations are made in accordance with Accounting Standard - 20. "Earnings Per Share notified under Companies Accounting Standard Rules 2006 as amended

(₹Lakh)

Particulars		For the Half Year Ended September 30, 2018	For Year ended March 31				
			2018	2017	2016	2015	2014
Net Profit after tax as per Statement of Profit & Loss (₹Lakh)	a	686.54	1,192.63	1,599.70	1,328.43	1,584.64	1,415.73
Less: Preference Dividend (₹Lakh)		67.50	133.12	126.38	125.58	120.91	117.00
<b>Net Profit after tax for EPS Computation (₹)</b>		619.04	1,059.51	1,473.32	1,202.85	1,463.73	1,298.73
Weighted average number of equity shares outstanding during the year (for Basic EPS)	b	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000
(i) Equity Shares arising on conversion of optionally convertible warrants	c	-	-	-	-	-	-
(ii) Equity shares for no consideration arising on grant of stock options under ESOP	d	-	-	-	-	-	-
(iii) Effect of Notional allotment of Share application money	e	-	-	-	-	-	-
Weighted average number of equity shares outstanding during the year (for Diluted EPS) (b+c+d+e)	f	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000
<b>Earnings per share (Basic) (₹) (Face Value of ₹10/- per share)</b>	(a/b)	1.24	2.12	2.95	2.41	2.93	2.60
<b>Earnings per Share (Diluted) (₹) (Face Value of ₹10/- per share)</b>	(a/f)	1.24	2.12	2.95	2.41	2.93	2.60

### B. RETURN ON NET WORTH (RONW)

(₹Lakh)

Particulars	For the Half Year Ended September 30, 2018	For the year ended March 31				
		2018	2017	2016	2015	2014
<b>SHAREHOLDERS FUNDS</b>						
Share Capital	6,500.00	6,137.45	6,050.00	6,050.00	6,057.25	6,000.00
Optionally Convertible warrants	-	-	-	-	-	-
Reserves & Surplus less Revaluation reserve and Capital Reserve	9,063.77	8,958.33	8,457.38	7,391.54	7,047.12	6,185.19
Less: Miscellaneous expenditure (to the extent not written off or adjusted)				(36.23)	(196.68)	
<b>Net Worth as at the end of the year</b>	<b>15,563.77</b>	<b>15,095.78</b>	<b>14,507.38</b>	<b>13,405.31</b>	<b>12,907.69</b>	<b>12,185.19</b>
<b>Net profit after tax</b>	<b>686.54</b>	<b>1,192.63</b>	<b>1,599.70</b>	<b>1,328.43</b>	<b>1,584.64</b>	<b>1,415.73</b>
<b>Return on Net Worth (%)</b>	<b>8.82%</b>	<b>7.90%</b>	<b>11.03%</b>	<b>9.91%</b>	<b>12.28%</b>	<b>11.62%</b>

# Note: Return on Net Worth for the Half year ended September 30, 2018 has been computed on annualized basis.

# NET ASSET VALUE (NAV) PER EQUITY SHARE

(₹Lakh)

Particulars	As at September 30, 2018	As at March 31				
		2018	2017	2016	2015	2014
<b>SHAREHOLDERS FUNDS</b>						
Share Capital	6,500.00	6,137.45	6,050.00	6,050.00	6,057.25	6,000.00
Less Preference capital	1,500.00	1,137.45	1,050.00	1,050.00	1,057.25	1,000.00
Share Capital (Exclusive of Preference capital)	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00	5,000.00
Reserves and surplus <i>less</i> (Revaluation reserve and Capital Reserve)	9,063.77	8,958.33	8,457.38	7,391.54	7,047.12	6,185.19
Miscellaneous expenditure (to the extent not written off or adjusted)				(36.23)	(196.68)	
<b>Net Asset Value</b>	<b>14,063.77</b>	<b>13,958.33</b>	<b>13,457.38</b>	<b>12,355.31</b>	<b>11,850.44</b>	<b>11,185.19</b>
<b>Number of Equity Shares outstanding at the end of the year</b>	<b>5,00,00,000</b>	<b>5,00,00,000</b>	<b>5,00,00,000</b>	<b>5,00,00,000</b>	<b>5,00,00,000</b>	<b>5,00,00,000</b>
<b>Net Asset Value per Equity Share (₹)</b>	<b>28.13</b>	<b>27.92</b>	<b>26.91</b>	<b>24.71</b>	<b>23.70</b>	<b>22.37</b>

## FORMULAE

Net profit as appearing in the summary statement of profit and losses has been considered for the purpose of computing the above ratios.

### **Earnings per share (₹)**

Net profit after tax –Restated

Weighted average No. of equity shares outstanding during the year / period

### **Earnings per share (₹) (Diluted)**

Net profit after tax –Restated

Weighted average No. of equity shares outstanding during the year / period including the dilutive potential equity shares

### **Net Asset Value per Share**

Net Worth at the end of the fiscal year/period less preference capital

No. of Equity Shares at the end of the fiscal year/period

**Net Worth** = Equity Share Capital (+) Reserves and Surplus excluding revaluation reserve(-) Miscellaneous Expenditure (to the extent not written off or adjusted)

Return on net worth is arrived at by dividing Profit after tax by net worth at the end of the fiscal year.

# ANNEXURE XII SUMMARY STATEMENT OF TAX SHELTER

(₹Lakh)

Particulars	For the Half Year Ended September 30, 2018	For the year ended March 31				
		2018	2017	2016	2015	2014
<b>Profit as per accounting books</b>	908.34	1,853.95	2,035.68	2,115.79	2,128.96	2,278.66
<b>Permanent Difference</b>						
Donation	1.03	0.79	0.86	2.27	1.39	0.56
Exemptions/(deductions)	(63.15)	(53.64)	(83.43)	(118.14)	(109.48)	(3.05)
Profit on sale of assets/investments	(0.27)	0.36	-	578.94	(73.39)	(271.10)
Others	(52.26)	(50.78)	(536.02)	(253.63)	200.28	(31.98)
<b>Sub Total (A)</b>	<b>(114.65)</b>	<b>(103.27)</b>	<b>(618.59)</b>	<b>209.45</b>	<b>18.80</b>	<b>(305.57)</b>
<b>Temporary Difference</b>						
Disallowance u/s 43B	-	11.41	4.24	16.19	(28.17)	2.83
Depreciation and Lease adjustments	98.78	215.55	85.66	67.85	40.04	105.31
Provision for Standard Assets and NPA	258.24	353.25	204.97	228.87	156.02	91.44
Others	-	93.16	19.35	(129.92)	-	-
<b>Sub Total (B)</b>	<b>357.02</b>	<b>673.36</b>	<b>314.23</b>	<b>183.00</b>	<b>167.89</b>	<b>199.58</b>
<b>Net Adjustments (A + B)</b>	<b>242.37</b>	<b>570.09</b>	<b>(304.36)</b>	<b>392.45</b>	<b>186.69</b>	<b>(105.99)</b>
<b>Taxable Income (Regular)</b>	<b>1,150.71</b>	<b>2,424.04</b>	<b>1,731.32</b>	<b>2,508.24</b>	<b>2,315.65</b>	<b>2,172.67</b>
<b>Regular Tax Rate (%)</b>	<b>29.120%</b>	<b>34.608%</b>	<b>34.608%</b>	<b>34.608%</b>	<b>33.990%</b>	<b>33.990%</b>
<b>Mat Tax Rate (%)</b>	<b>21.549%</b>	<b>21.342%</b>	<b>21.342%</b>	<b>21.342%</b>	<b>20.961%</b>	<b>20.961%</b>
<b>Tax on Accounting Profit</b>	<b>264.51</b>	<b>641.62</b>	<b>704.51</b>	<b>732.23</b>	<b>723.63</b>	<b>774.52</b>
<b>Tax Impact on Net Adjustments MAT adjustment etc</b>	<b>70.58</b>	<b>197.30</b>	<b>(105.33)</b>	<b>135.82</b>	<b>63.46</b>	<b>(36.02)</b>
<b>Interest u/s 234B &amp; 234C</b>	<b>-</b>	<b>-</b>	<b>0.67</b>	<b>17.71</b>	<b>14.96</b>	<b>0.68</b>
<b>Total Taxation</b>	<b>335.09</b>	<b>838.91</b>	<b>599.84</b>	<b>885.76</b>	<b>802.05</b>	<b>739.17</b>
<b>Current Tax Provision for the year</b>	<b>335.08</b>	<b>839.28</b>	<b>599.84</b>	<b>863.07</b>	<b>806.18</b>	<b>780.17</b>

## Notes:

- Profits after tax are often affected by the tax shelters which are available
- Some of these are of a relatively permanent nature while others may be limited in point of time
- Tax provisions are also affected by timing difference which can be reversed in future.
- The above statement has been furnished for completed Financial Years for the year ended 31st March 2018, 2017, 2016, 2015 and 2014 comprising of 12 months and half year ended 30th September 2018 comprising of 6 months.
- The aforesaid Statement of Tax Shelters is based on the Profit/ (Losses) as per the "Restated Summary Statement of Profit and Losses"





# **ANNEXURE XIII SUMMARY STATEMENT OF DIVIDEND PAID/PROPOSED**

## **A. STATEMENT OF DIVIDEND IN RESPECT OF EQUITY SHARES**

Particulars	For the year ended March 31				
	2018	2017	2016	2015	2014
Rate of Dividend (%)	10%	10%	10%	10%	10%
Number of Equity shares on which dividend paid	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000
Face value of the share (₹)	10	10	10	10	10
Amount of Final Dividend (₹)	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000	5,00,00,000
Dividend Distribution Tax (₹)	1,02,77,613	1,01,80,520	1,01,79,000	1,01,80,520	84,97,500
Dividend per Share (₹)	1.00	1.00	1.00	1.00	1.00

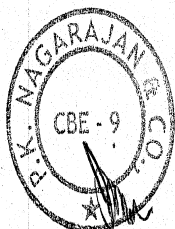
## **B. STATEMENT OF DIVIDEND IN RESPECT OF PREFERENCE SHARES**

Particulars	For the year ended March 31				
	2018	2017	2016	2015	2014
Rate of Dividend (%)	10	10	10	10	10
Number of Preference shares on which dividend paid	11,37,450	10,50,000	10,50,000	10,57,250	10,00,000
Face value of the share (₹)	100	100	100	100	100
Amount of Interim/Final Dividend (₹)	1,10,61,994	1,05,00,000	1,04,33,573	1,00,76,037	1,00,00,000
Dividend Distribution Tax (₹)	22,51,954	21,37,546	21,24,384	20,15,227	16,99,500
Dividend per share (₹)	10.00	10.00	10.00	10.00	10.00

*Note:*

*The amount paid as dividends in the past are not necessarily indicative of the Company's dividend policy in the future.*

Earnings per share calculations are made in accordance with Accounting Standard - 20. "Earnings Per Share notified under Companies Accounting Standard Rules 2006 as amended.

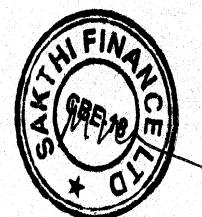
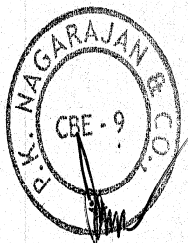


## B. UNSECURED LOANS

(₹Lakh)

Particulars	As at September 30, 2018	As at March 31				
		2018	2017	2016	2015	2014
Fixed Deposits from Public	17,227.95	16,022.43	14,452.24	15,532.69	16,045.63	12,656.49
Interest accrued but not due on Deposits	920.67	1,091.06	1,044.28	961.03	1,134.01	565.54
Unclaimed matured deposits and interest accrued thereon	575.32	318.93	585.05	849.74	522.01	268.80
Subordinated debt	16,087.35	16,578.27	16,578.27	16,578.27	16,578.27	7,925.63
Interest accrued but not due on Subordinated Debts	4,712.13	4,212.80	2,980.71	1,881.64	885.58	142.47
Unclaimed matured Subordinated Debts and interest accrued thereon	275.54	0.00	0.00	0.00	0.00	0.00
Senior Unsecured NCD	2,500.00	2,500.00	2,500.00	2,500.00	0.00	0.00
Interest accrued but not due on Senior unsecured NCD	0.94	0.93	1.85	2.80	0.00	0.00
<b>Total</b>	<b>42,299.90</b>	<b>40,724.42</b>	<b>38,142.40</b>	<b>38,306.17</b>	<b>35,165.50</b>	<b>21,558.93</b>

1. Rate of Interest for fixed deposits as at 31.03.2018 varies from 8% to 8.75% per annum. The tenor of Fixed Deposit ranges from 15 months to 36 months.
2. Rate of Interest for subordinated debt is at 11.50% per annum. The tenor of subordinated debt is 61 months.



## ANNEXURE B : DAY COUNT CONVENTION

### Option I

<b>Company</b>	<b>Sakthi Finance Limited</b>
<b>Face value (per security)</b>	<b>₹ 1,000</b>
<b>Issue Opening Date/ Date of Allotment (tentative)*</b>	[●]
<b>Redemption Date</b>	[●]
<b>Coupon Rate for all Category</b>	[●]
<b>Frequency of the interest payment with specified dates</b>	[●]
<b>Day count convention</b>	Actual/actual

*\*Based on current Issue Closing date and post Issue timelines. Subject to further change.*

<b>Cash flow</b>	<b>Due Date</b>	<b>Date of a payment</b>	<b>No. of days in Coupon</b>	<b>Amount (in ₹)</b>
1 <sup>st</sup> coupon	[●]	[●]	[●]	[●]
2 <sup>nd</sup> coupon	[●]	[●]	[●]	[●]
3 <sup>rd</sup> coupon	[●]	[●]	[●]	[●]
4 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
5 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
6 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
7 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
8 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
9 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
10 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
11 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
12 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
13 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
14 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
15 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
16 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
17 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
18 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
19 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
20 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
21 <sup>st</sup> coupon	[●]	[●]	[●]	[●]
22 <sup>nd</sup> coupon	[●]	[●]	[●]	[●]
23 <sup>rd</sup> coupon	[●]	[●]	[●]	[●]
24 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
<b>Principal/</b>	[●]	[●]	[●]	[●]
<b>Maturity value</b>				

**Option II**

<b>Company</b>	<b>Sakthi Finance Limited</b>
<b>Face value (per security)</b>	₹ 1,000
<b>Issue Opening Date/ Date of Allotment (tentative)*</b>	[●]
<b>Redemption Date</b>	[●]
<b>Coupon Rate for all Category</b>	[●]
<b>Frequency of the interest payment with specified dates</b>	[●] (Annual 2 years)
<b>Day count convention</b>	[●]

\*Based on current Issue Closing date and post Issue timelines. Subject to further change.

<b>Cash flow</b>	<b>Due Date</b>	<b>Date of payment</b>	<b>No. of days in Coupon</b>	<b>Amount (in ₹)</b>
1 <sup>st</sup> coupon	[●]	[●]	[●]	[●]
2 <sup>nd</sup> coupon	[●]	[●]	[●]	[●]
Principal/Maturity value	[●]	[●]	[●]	[●]

**Option III**

<b>Company</b>	<b>Sakthi Finance Limited</b>
<b>Face value (per security)</b>	₹ 1,000
<b>Issue Opening Date/ Date of Allotment (tentative)*</b>	[●]
<b>Redemption Date</b>	[●]
<b>Coupon Rate for all Category</b>	[●]
<b>Frequency of the interest payment with specified dates</b>	[●]
<b>Day count convention</b>	Actual/actual

\*Based on current Issue Closing date and post Issue timelines. Subject to further change.

<b>Cash flow</b>	<b>Due Date</b>	<b>Date of apayment</b>	<b>No. of days in Coupon</b>	<b>Amount (in ₹)</b>
Principal / Maturity Value	[●]	[●]	[●]	[●]

**Option IV**

<b>Company</b>	<b>Sakthi Finance Limited</b>
<b>Face value (per security)</b>	₹ 1,000
<b>Issue Opening Date/ Date of Allotment (tentative)*</b>	[●]
<b>Redemption Date</b>	[●]
<b>Coupon Rate for all Category</b>	[●]
<b>Frequency of the interest payment with specified dates</b>	[●]
<b>Day count convention</b>	[●]

\*Based on current Issue Closing date and post Issue timelines. Subject to further change.

<b>Cash flow</b>	<b>Due Date</b>	<b>Date of apayment</b>	<b>No. of days in Coupon</b>	<b>Amount(in ₹)</b>
1 <sup>st</sup> coupon	[●]	[●]	[●]	[●]
2 <sup>nd</sup> coupon	[●]	[●]	[●]	[●]
3 <sup>rd</sup> coupon	[●]	[●]	[●]	[●]
4 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
5 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
6 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
7 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
8 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
9 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
10 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
11 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
12 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
13 <sup>th</sup> coupon	[●]	[●]	[●]	[●]

Cash flow	Due Date	Date of apayment	No. of days in Coupon	Amount(in ₹)
14 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
15 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
16 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
17 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
18 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
19 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
20 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
21 <sup>st</sup> coupon	[•]	[•]	[•]	[•]
22 <sup>nd</sup> coupon	[•]	[•]	[•]	[•]
23 <sup>rd</sup> coupon	[•]	[•]	[•]	[•]
24 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
25 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
26 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
27 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
28 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
29 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
30 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
31 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
32 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
33 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
34 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
35 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
36 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
Principal/ Maturity value	[•]	[•]	[•]	[•]

#### Option V

Company	Sakthi Finance Limited
Face value (per security)	₹ 1,000
Issue Opening Date/ Date of Allotment (tentative)*	[•]
Redemption Date	[•]
Coupon Rate for all Category	[•]
Frequency of the interest payment with specified dates	[•] (Annual 3 years)
Day count convention	[•]

\*Based on current Issue Closing date and post Issue timelines. Subject to further change.

Cash flow	Due Date	Date of payment	No. of days in Coupon	Amount (in ₹)
1 <sup>st</sup> coupon	[•]	[•]	[•]	[•]
2 <sup>nd</sup> coupon	[•]	[•]	[•]	[•]
3 <sup>rd</sup> coupon	[•]	[•]	[•]	[•]
Principal/Maturity value	[•]	[•]	[•]	[•]

#### OPTION VI

Company	Sakthi Finance Limited
Face value (per security)	₹ 1000.00
Issue Opening Date/ Date of Allotment (tentative)*	[•]
Redemption Date	[•]
Coupon Rate for all Category	[•]
Frequency of the interest payment with specified dates	[•]
Day count convention	[•]

\*Based on current Issue Closing date and post Issue timelines. Subject to further change.

Cash flow	Due Date	Date of apayment	No. of days in Coupon	Amount (in ₹)
Principal / Maturity Value	[•]	[•]	[•]	[•]

**OPTION VII**

<b>Company</b>	<b>Sakthi Finance Limited</b>
<b>Face value (per security)</b>	<b>₹ 1,000</b>
<b>Issue Opening Date/ Date of Allotment (tentative)*</b>	<b>[●]</b>
<b>Redemption Date</b>	<b>[●]</b>
<b>Coupon Rate for all Category</b>	<b>[●]</b>
<b>Frequency of the interest payment with specified dates</b>	<b>[●]</b>
<b>Day count convention</b>	<b>[●]</b>

\*Based on current Issue Closing date and post Issue timelines. Subject to further change.

<b>Cash flow</b>	<b>Due Date</b>	<b>Date of a payment</b>	<b>No. of days in Coupon</b>	<b>Amount(in ₹)</b>
1 <sup>st</sup> coupon	[●]	[●]	[●]	[●]
2 <sup>nd</sup> coupon	[●]	[●]	[●]	[●]
3 <sup>rd</sup> coupon	[●]	[●]	[●]	[●]
4 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
5 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
6 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
7 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
8 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
9 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
10 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
11 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
12 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
13 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
14 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
15 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
16 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
17 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
18 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
19 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
20 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
21 <sup>st</sup> coupon	[●]	[●]	[●]	[●]
22 <sup>nd</sup> coupon	[●]	[●]	[●]	[●]
23 <sup>rd</sup> coupon	[●]	[●]	[●]	[●]
24 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
25 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
26 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
27 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
28 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
29 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
30 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
31 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
32 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
33 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
34 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
35 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
36 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
37 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
38 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
39 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
40 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
41 <sup>st</sup> coupon	[●]	[●]	[●]	[●]

Cash flow	Due Date	Date of a payment	No. of days in Coupon	Amount(in ₹)
42 <sup>nd</sup> coupon	[●]	[●]	[●]	[●]
43 <sup>rd</sup> coupon	[●]	[●]	[●]	[●]
44 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
45 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
46 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
47 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
48 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
Principal/ Maturity value	[●]	[●]	[●]	[●]

#### OPTION VIII

Company	Sakthi Finance Limited
Face value (per security)	₹ 1,000
Issue Opening Date/ Date of Allotment (tentative)*	[●]
Redemption Date	[●]
Coupon Rate for all Category	[●]
Frequency of the interest payment with specified dates	[●]
Day count convention	[●]

\*Based on current Issue Closing date and post Issue timelines. Subject to further change.

Cash flow	Due Date	Date of apayment	No. of days in Coupon	Amount (in ₹)
1 <sup>st</sup> coupon	[●]	[●]	[●]	[●]
2 <sup>nd</sup> coupon	[●]	[●]	[●]	[●]
3 <sup>rd</sup> coupon	[●]	[●]	[●]	[●]
4 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
Principal/Maturity value	[●]	[●]	[●]	[●]

#### OPTION IX

Company	Sakthi Finance Limited
Face value (per security)	₹ 1,000
Issue Opening Date/ Date of Allotment (tentative)*	[●]
Redemption Date	[●]
Coupon Rate for all Category	[●]
Frequency of the interest payment with specified dates	[●]
Day count convention	[●]

\*Based on current Issue Closing date and post Issue timelines. Subject to further change

Cash flow	Due Date	Date of apayment	No. of days in Coupon	Amount (in ₹)
Principal / Maturity Value	[●]	[●]	[●]	[●]

#### OPTION X

Company	Sakthi Finance Limited
Face value (per security)	₹ 1,000
Issue Opening Date/ Date of Allotment (tentative)*	[●]
Redemption Date	[●]
Coupon Rate for all Category	[●]
Frequency of the interest payment with specified dates	[●]
Day count convention	[●]

\*Based on current Issue Closing date and post Issue timelines. Subject to further change.

Cash flow	Due Date	Date of a payment	No. of days in Coupon	Amount(in ₹)
1 <sup>st</sup> coupon	[●]	[●]	[●]	[●]
2 <sup>nd</sup> coupon	[●]	[●]	[●]	[●]
3 <sup>rd</sup> coupon	[●]	[●]	[●]	[●]
4 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
5 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
6 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
7 <sup>th</sup> coupon	[●]	[●]	[●]	[●]

Cash flow	Due Date	Date of a payment	No. of days in Coupon	Amount(in ₹)
8 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
9 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
10 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
11 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
12 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
13 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
14 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
15 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
16 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
17 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
18 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
19 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
20 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
21 <sup>st</sup> coupon	[•]	[•]	[•]	[•]
22 <sup>nd</sup> coupon	[•]	[•]	[•]	[•]
23 <sup>rd</sup> coupon	[•]	[•]	[•]	[•]
24 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
25 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
26 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
27 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
28 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
29 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
30 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
31 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
32 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
33 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
34 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
35 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
36 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
37 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
38 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
39 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
40 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
41 <sup>st</sup> coupon	[•]	[•]	[•]	[•]
42 <sup>nd</sup> coupon	[•]	[•]	[•]	[•]
43 <sup>rd</sup> coupon	[•]	[•]	[•]	[•]
44 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
45 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
46 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
47 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
48 <sup>th</sup> coupon	[•]	[•]	[•]	[•]
49 <sup>th</sup> Coupon	[•]	[•]	[•]	[•]
50 <sup>th</sup> Coupon	[•]	[•]	[•]	[•]
51 <sup>st</sup> Coupon	[•]	[•]	[•]	[•]
52 <sup>nd</sup> Coupon	[•]	[•]	[•]	[•]
53 <sup>rd</sup> Coupon	[•]	[•]	[•]	[•]
54 <sup>th</sup> Coupon	[•]	[•]	[•]	[•]
55 <sup>th</sup> Coupon	[•]	[•]	[•]	[•]
56 <sup>th</sup> Coupon	[•]	[•]	[•]	[•]
57 <sup>th</sup> Coupon	[•]	[•]	[•]	[•]
58 <sup>th</sup> Coupon	[•]	[•]	[•]	[•]
59 <sup>th</sup> Coupon	[•]	[•]	[•]	[•]
60 <sup>th</sup> Coupon	[•]	[•]	[•]	[•]
61 <sup>st</sup> Coupon	[•]	[•]	[•]	[•]
<b>Principal/ Maturity value</b>	[•]	[•]	[•]	[•]



**OPTION XI**

<b>Company</b>	<b>Sakthi Finance Limited</b>
<b>Face value (per security)</b>	₹ 1,000
<b>Issue Opening Date/ Date of Allotment (tentative)*</b>	[●]
<b>Redemption Date</b>	[●]
<b>Coupon Rate for all Category</b>	[●]
<b>Frequency of the interest payment with specified dates</b>	[●]
<b>Day count convention</b>	[●]

\*Based on current Issue Closing date and post Issue timelines. Subject to further change.

<b>Cash flow</b>	<b>Due Date</b>	<b>Date of apayment</b>	<b>No. of days in Coupon</b>	<b>Amount (in ₹)</b>
1 <sup>st</sup> coupon	[●]	[●]	[●]	[●]
2 <sup>nd</sup> coupon	[●]	[●]	[●]	[●]
3 <sup>rd</sup> coupon	[●]	[●]	[●]	[●]
4 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
5 <sup>th</sup> coupon	[●]	[●]	[●]	[●]
6 <sup>th</sup> Coupon (for broken period exceeding 5years)	[●]	[●]	[●]	[●]
Principal/Maturity value	[●]	[●]	[●]	[●]

**OPTION XII**

<b>Company</b>	<b>Sakthi Finance Limited</b>
<b>Face value (per security)</b>	₹ 1,000
<b>Issue Opening Date/ Date of Allotment (tentative)*</b>	[●]
<b>Redemption Date</b>	[●]
<b>Coupon Rate for all Category</b>	[●]
<b>Frequency of the interest payment with specified dates</b>	[●]
<b>Day count convention</b>	[●]

\*Based on current Issue Closing date and post Issue timelines. Subject to further change

<b>Cash flow</b>	<b>Due Date</b>	<b>Date of apayment</b>	<b>No. of days in Coupon</b>	<b>Amount (in ₹)</b>
Principal / Maturity Value	[●]	[●]	[●]	[●]

Note: The amounts in the above illustration of cash flows are rounded to nearest rupee for coupon and redemption payout for a single NCD. At the time of actual coupon payment / redemption, if the total coupon / redemption amount to be paid is a fraction and not an integer, such amount will be rounded off to the nearest integer.

## ANNEXURE C : CREDIT RATING AND RATIONALE



ICRA Limited

### CONFIDENTIAL

Ref. No.: RTG/Chen/109/18-19

February 11, 2019

Mr. M. Balasubramaniam  
Vice Chairman & Managing Director  
Sakthi Finance Limited  
62, Dr. Nanjappa Road  
Coimbatore - 641 018

Dear Sir,

**Re: ICRA Credit Rating for the Rs. 150.00 crore Non-Convertible Debenture (NCD) Programme of Sakthi Finance Limited**

Please refer to the Rating Agreement dated December 13, 2018 for carrying out the rating of the aforesaid NCD Programme. The Rating Committee of ICRA, after due consideration, has assigned the [ICRA]BBB (pronounced as ICRA triple B) rating to the captioned NCD Programme. Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk. The Outlook on the long-term rating is **Stable**.

In any of your publicity material or other document wherever you are using our above rating, it should be stated as [ICRA]BBB(Stable). We would request if you can sign the acknowledgement and send it to us latest by February 14, 2019 as acceptance on the assigned rating. In case you do not communicate your acceptance/non acceptance of the assigned credit rating, or do not appeal against the assigned credit rating by the aforesaid date, the credit rating will be treated by us as non accepted and shall be disclosed on ICRA's website accordingly. This is in accordance with requirements prescribed in the circular dated June 30, 2017 on 'Monitoring and Review of Ratings by Credit Rating Agencies(CRAs)' issued by the Securities and Exchange Board of India.

Any intimation by you about the above rating to any Banker/Lending Agency/Government Authorities/Stock Exchange would constitute use of this rating by you and shall be deemed acceptance of the rating.

This rating is specific to the terms and conditions of the proposed issue as was indicated to us by you and any change in the terms or size of the issue would require the rating to be reviewed by us. If there is any change in the terms and conditions or size of the instrument rated, as above, the same must be brought to our notice before the issue of the instrument. If there is any such change after the rating is assigned by us and accepted by you, it would be subject to our review and may result in change in the rating assigned.

ICRA reserves the right to review and/or, revise the above at any time on the basis of new information or unavailability of information or such other circumstances, which ICRA believes, may have an impact on the rating assigned to you.

Karumuttu Centre, 5<sup>th</sup> Floor  
634, Anna Salai, Nandanam  
Chennai 600035

Tel. : +91.44.45964300  
CIN : L74999DL1991PLC042749

Website : [www.icra.in](http://www.icra.in)  
Email : [info@icraindia.com](mailto:info@icraindia.com)  
Helpdesk : +91.124.2866928

Registered Office : 1105, Kailash Building, 11<sup>th</sup> Floor, 26 Kasturba Gandhi Marg, New Delhi - 110001. Tel. : +91.11.23357940-45

**RATING • RESEARCH • INFORMATION**

**50680**



ICRA

The rating, as aforesaid, however, should not be treated as a recommendation to buy, sell or hold the bonds, debentures and/ or other instruments of like nature to be issued by you.

As mentioned above and in accordance with the aforesaid circular issued by SEBI, you are requested to furnish a monthly 'No Default Statement (NDS)' (in the format enclosed) on the first working day of every month, confirming the timeliness of payment of all obligations against the rated debt programme.

You are also requested to forthwith inform us about any default or delay in repayment of interest or principal amount of the instrument rated, as above, or any other debt instruments/ borrowing and keep us informed of any other developments which may have a direct or indirect impact on the debt servicing capability of the company including any proposal for re-schedulement or postponement of the repayment programmes of the dues/ debts of the company with any lender(s) / investor(s). Further, you are requested to inform us immediately as and when the borrowing limit for the instrument rated, as above, or as prescribed by the regulatory authority(ies) is exceeded.

We thank you for your kind cooperation extended during the course of the rating exercise. Should you require any clarification, please do not hesitate to get in touch with us.

We look forward to your communication and assure you of our best services.

With kind regards,

Yours sincerely,  
for ICRA Limited

(R. Srinivasan)  
Vice President  
r.srinivasan@icraindia.com

(Govindaraj Prabhu M)  
Senior Analyst  
Govindaraj.m@icraindia.com

## Sakthi Finance Limited

February 14, 2019

### Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non Convertible Debentures (NCD)	-	150.00	[ICRA]BBB (Stable); assigned
NCD	276.83	227.16	[ICRA]BBB (Stable); Reaffirmed
		49.67	[ICRA]BBB (Stable); withdrawn
Fund based-Term Loan	39.03	48.81	[ICRA]BBB (Stable); Reaffirmed
Fund based Long Term Facilities from Banks - Cash Credit (CC)	158.73	148.95	[ICRA]BBB (Stable); Reaffirmed
Fund based-Interchangeable!	(32.43)	(28.95)	[ICRA]BBB (Stable)/ [ICRA]A2; Reaffirmed
Fund based Short Term Facilities from Banks (WCDL)	67.00	67.00	[ICRA]A2; Reaffirmed
Fixed Deposits	-	-	MA- (Stable); Reaffirmed
<b>Total</b>	<b>541.49</b>	<b>641.92</b>	

\*Instrument details are provided in Annexure-1; !Sub-limit of Fund based Long Term Facilities from Banks - CC

### Rationale

ICRA has withdrawn the [ICRA]BBB (pronounced ICRA triple B)<sup>1</sup> rating with the Stable outlook for the NCD programmes aggregating Rs. 49.67 crore, at the request of the company, as the debentures were fully redeemed on maturity.

The ratings consider Sakthi Finance Limited' (SFL) experience in the retail financing business and its established franchise in Tamil Nadu and Kerala. The ratings also factor in company's prudent origination, monitoring and collection systems, which have evolved over the last six decades of its operations. The ratings takes cognisance of SFL's proposed rights issue of about Rs.50 crore, which would improve the capitalization from current levels (gearing stood at 6.4 times as of September 2018). The rights issue is currently pending shareholder approval and likely to be concluded in H1FY2020.

The ratings are, however, constrained by SFL' geographically concentrated operations, and the highly competitive business environment which exerts pressure on the company's business growth, and its moderate profitability (net profitability<sup>2</sup> stood at 1.3% in H1FY2019; provisional). The ratings also consider the decline in overall asset quality, with 90+ dpd increasing to 5.8% as of September 2018 from 4.9% as of March 2018, as collections were impacted because of the floods in Kerala in August 2018. ICRA takes note of the company's ability to raise funds through public issue of debentures and retail deposits in the past to support its overall liquidity profile, as incremental funding from banks continues to remain modest in relation to the company's requirements. Currently, the company envisages to raise about Rs.150 crore through public issue of debentures and about Rs.70-80 crore via private placement. SFL' ability to raise funds via debentures and conclude the rights issue in a timely manner would be critical for business growth.

<sup>1</sup> For complete rating scale and definitions, please refer to ICRA's website (www.icra.in) or other ICRA rating publications

<sup>2</sup> Profit after tax / average managed assets



## Outlook: Stable

ICRA believes SFL will continue to benefit from its established market presence in Tamil Nadu and Kerala and its prudent loan origination policies. The outlook may be revised to Positive if SFL is able to grow at a steady pace and improve its capitalisation, liquidity and earnings profiles. The outlook may be revised to Negative if there is a significant weakening in its asset quality, capitalisation or earnings profile or, if SFL's financial flexibility weakens further.

## Key rating drivers

### Credit strengths

**Established franchise and extensive presence in the regional market** – SFL has a track record of more than six decades in the vehicle finance segment, with operations across Tamil Nadu, Kerala, Andhra Pradesh and Karnataka. The company has a good understanding of the target segments, mainly the used commercial vehicle (CV) segment and it has established customer relationships, with about 55-60% of incremental business being from repeat customers.

**Effective origination, monitoring and collection systems** – SFL's extensive presence in vehicle finance along with the Group's presence in related businesses like automotive dealerships has aided in effective origination, prudent appraisal, good market responsiveness, monitoring and collections. The company has a branch-centric operating model with an inhouse origination team, which is responsible for collections, while credit sanctioning is centralised. The company conducts credit bureau checks to screen its customers, followed by field investigation and income assessment and viability analysis as part of its loan origination. Prior to loan disbursement, the company's internal risk control unit verifies the authenticity of the documents submitted. The company is implementing a workflow management system (expected to be completed by March 2019) which will enable management to monitor sourcing and collection activities on a real-time basis, thereby reducing the lead time for loan processing.

**Expected improvement in capital structure post the rights issue** – SFL has a moderate capitalization currently with gearing and capital adequacy of 6.5 times and 16.3% respectively as of September 2018 (6.4 times and 17.2% as of March 2018). The company plans to raise Rs. 50 crore through rights issue in H1FY2020, which is currently pending shareholder approval. The rights issue would enable the company to grow its portfolio at about 8-10% annually over the next three years (FY2020-FY2022), assuming internal generation to be in the range of 4-6%, while capping the gearing at about 5 times. Any higher than expected growth would however warrant incremental capital to maintain gearing at about 5 times.

### Credit challenges

**Stagnant portfolio; regionally concentrated operations** – SFL's portfolio has been stagnant over the past few years on account of modest disbursement growth, relatively high level of prepayments and its own moderate financial flexibility. The portfolio stood at Rs 925 crore as of September 2018 as compared to Rs. 903 crore as of March 2018 (Rs. 906 crore as of March 2017). The company has a regionally concentrated portfolio with Tamil Nadu and Kerala accounting for 89% of the total portfolio as in September 2018. ICRA expects the portfolio share to remain concentrated given the company's limited branch expansion plans in the medium term.

**Increase in delinquencies during H1FY2019** – The company's 90+ dpd increased to 5.8% as of September 2018 from 4.9% as of March 2018 (5.0% as of March 2017), because of the impact of floods in several districts in Kerala. The economic disruption also affected the collections in adjoining districts in Tamil Nadu. This is reflected in the rise in 90+ dpd to 6.0% as of September 2018 from 5.0% as of March 2018 in the two states (Tamil Nadu and Kerala), which constituted bulk of SFL's portfolio. With some recovery in collections during Oct-Dec 2018, the company's overall 90+ dpd declined to 5.2% as of December 2018 vis-a-vis 4.8% as of December 2017, albeit remain higher than the March

2018 level. Going forward, it would be critical for the company to strengthen its collection and undertake overall effective recoveries to improve quality and keep credit cost under control.

**Moderate profitability** – SFL’s margins (net interest margin/ average managed assets) remained stable at 5.6% in H1FY2019 in line with the three-year average (5.7% during FY2016-FY2018). The company’s core profitability (Operating profit/ Average managed assets), however declined to 2.1% in H1FY2019 from 2.3% in FY2018 (2.3% in FY2017) as operating efficiencies were impacted by the weak portfolio expansion. Its net credit cost stood at 0.4% in H1FY2019 vis-a-vis 0.5% in FY2018, as provision cover remained stable at 37% in H1FY2019 (36% in FY2018) . Overall, the company’s net profitability remained moderate at 1.3% in H1FY2019 in line with the prior three-year average (1.3%). SFL’s ability to improve its operating efficiencies and keeping credit costs under control would be critical for incremental profitability.

**Diversification of funding profile critical to meet long-term growth plans** - SFL has limited financial flexibility as continued weaknesses in group entity performances limit its ability to secure incremental funding from some banks. ICRA however notes that, SFL, over the recent past has increased its dependence on retail deposits and debentures, largely via public issuance. Currently, the company envisages raising about Rs.150 crore through public issue of debentures and about Rs.70-80 crore via private placements to HNIs. Further, the proposed rights issue would bolster its ability to secure further retail deposits, which as in September 2018 stood at 1.3 times its net owned funds. SFL would need to diversify its lender’ base to achieve long-term growth plans and for maintaining adequate liquidity.

### Liquidity position:

SFL’s asset liability maturity (ALM) profile is well matched as of December 2018 with no cumulative negative mismatches in the less than one-year buckets. Over the period Jan’19 – Jun’19, the company has average monthly repayment obligation in the range of Rs. 30-35 crore which could be met with monthly loan collections of about Rs. 35 crore over the same period. The company also has unencumbered cash and liquid investments of about Rs. 35 crore and sanctioned undrawn bank lines of about Rs.20 crore as of December 2018.

The company proposes to raise about Rs.150 crore through public debenture issue and Rs.70-80 crore via private placement for its incremental business needs. Ability of the company to raise resources in a timely manner and at competitive rates would be crucial going forward.

### Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">ICRA’s Credit Rating Methodology for Non-Banking Finance Companies</a>
Parent/Group Support	Not applicable
Consolidation / Standalone	The ratings are based on the standalone financial statements of SFL.

### About the company:

Sakthi Finance Limited (SFL), incorporated in 1955, is a part of Sakthi Group, which has a presence across sectors such as sugar, beverages, automobile and transport dealerships, auto components and textiles. SFL primarily finances CVs, which constituted 89% of its total portfolio as in September 2018. The remaining portfolio consisted of loans towards the purchase of cars, construction equipment and other machinery. SFL primarily operates in Tamil Nadu and Kerala, which together accounted for about 89% of the total portfolio.

In FY2018, SFL reported a net profit of Rs. 16.8 crore on a managed asset base of Rs. 1,075.7 crore, compared to a net profit of Rs. 11.9 crore on a managed asset base of Rs. 1,060.9 crore in FY2017. As per the provisional financials for 6MFY2019, the company reported a net profit of Rs. 6.9 crore on a managed asset base of Rs. 1,101.6 crore.

### Key financial indicators (audited)

	FY2017	FY2018
<i>NPA recognition norm</i>	<i>180+ dpd</i>	<i>90+ dpd</i>
Total Income	166.7	167.6
Profit after tax (reported)	16.8	11.9
Net Worth	135.1	140.1
Managed Portfolio	905.6	902.6
Total Managed Assets	1060.9	1075.7
Return on Managed Assets	1.5%	1.0%
Return on Net Worth	12.8%	7.8%
Gearing (reported)	6.6	6.4
Gross NPA%	4.4%	5.2%
Net NPA%	3.1%	3.3%
CAR%	19.7%	17.2%

Amount in Rs. Crore

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

### Rating history for last three years:

Current Rating (FY2019)						Chronology of Rating History for the past 3 years		
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating		Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
				February 2019	April 2018	April 2017	March 2016	December 2014
1 NCD	Long Term	150.00	150.00	[ICRA]BBB (Stable)	-	-	-	-
2 NCD	Long Term	227.16	227.16	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
3 Term Loans	Long Term	48.81	48.81	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
4 Long-term bank facilities - CC	Long Term	148.95	148.95	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)
5 CC / WCDL – Interchangeable	Long Term/ Short Term	(28.95)	(28.95)	[ICRA]BBB (Stable)/ [ICRA]A2	[ICRA]BBB (Stable)/ [ICRA]A2	[ICRA]BBB (Stable)/ [ICRA]A2	[ICRA]BBB (Stable)/ [ICRA]A2	[ICRA]BBB (Stable)/ [ICRA]A2
6 Short-term bank facilities - WCDL	Short Term	67.00	67.00	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2	[ICRA]A2
7 Fixed deposits	Long Term	-	-	MA- (Stable)	MA- (Stable)	MA- (Stable)	MA- (Stable)	MA- (Stable)
8 NCD	Long Term	49.67	-	[ICRA]BBB (Stable) withdrawn	[ICRA]BBB (Stable)	[ICRA]BBB (Stable)	-	-

### Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website [www.icra.in](http://www.icra.in)



### Annexure-1: Instrument Details

ISIN No	Instrument	Date of Issuance /Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Unutilized	NCD	NA	NA	NA	150.00	[ICRA]BBB (Stable)
INE302E07060	NCD	1-Apr-15	11.50%	1-Apr-19	19.43	[ICRA]BBB (Stable)
INE302E07078	NCD	1-Apr-15	11.50%	1-Apr-19	2.72	[ICRA]BBB (Stable)
INE302E07086	NCD	1-Apr-15	-	1-Apr-19	14.33	[ICRA]BBB (Stable)
INE302E07110	NCD	18-May-16	10.50%	18-May-19	8.01	[ICRA]BBB (Stable)
INE302E07128	NCD	18-May-16	10.50%	18-May-19	3.34	[ICRA]BBB (Stable)
INE302E07136	NCD	18-May-16	10.92%	18-May-19	8.79	[ICRA]BBB (Stable)
INE302E07144	NCD	18-May-16	11.00%	18-May-20	60.50	[ICRA]BBB (Stable)
INE302E07151	NCD	18-May-16	11.00%	18-May-20	9.56	[ICRA]BBB (Stable)
INE302E07169	NCD	18-May-16	11.46%	18-May-20	40.34	[ICRA]BBB (Stable)
INE302E08019	NCD	29-Mar-16	13.50%	15-Apr-22	25.00	[ICRA]BBB (Stable)
Unutilized	NCD	NA	NA	NA	35.13	[ICRA]BBB (Stable)
NA	Term loan 1	21-Sep-16	-	30-Sep-19	7.60	[ICRA]BBB (Stable)
NA	Term loan 2	31-Oct-17	-	15-Dec-20	16.21	[ICRA]BBB (Stable)
Unutilized	Term loan	NA	-	NA	25.00	[ICRA]BBB (Stable)
NA	Fund based Long Term Facilities from Banks - CC	NA	-	NA	148.95	[ICRA]BBB (Stable)
NA	Fund based- Interchangeable (CC/ WCDL)	NA	-	NA	(28.95)	[ICRA]BBB (Stable) / [ICRA]A2
NA	Fund based Short Term Facilities from Banks (WCDL)	NA	-	NA	67.00	[ICRA]A2
NA	Fixed deposits	NA	-	NA	-	MA- (Stable)
INE302E07037	NCD	1-Apr-15	11.25%	1-Apr-18	6.42	[ICRA]BBB (Stable); withdrawn
INE302E07045	NCD	1-Apr-15	11.25%	1-Apr-18	1.94	[ICRA]BBB (Stable); withdrawn
INE302E07052	NCD	1-Apr-15	-	1-Apr-18	6.98	[ICRA]BBB (Stable); withdrawn
INE302E07094	NCD	18-May-16	10.25%	18-May-18	12.68	[ICRA]BBB (Stable); withdrawn
INE302E07102	NCD	18-May-16	10.65%	18-May-18	21.65	[ICRA]BBB (Stable); withdrawn

Source: SFL

### Annexure-2: List of entities considered for consolidated analysis: Not applicable

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## About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit [www.icra.in](http://www.icra.in)

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## ANNEXURE D : CONSENT LETTER FROM THE DEBENTURE TRUSTEE

**CATALYST**

Believe in yourself... Trust us!



CL/PUN/18-19/DEB/90

February 04, 2019

To

**Sakthi Finance Limited**

62, Dr. Nanjappa Road  
Post Box No. 3745  
Coimbatore-641 018

PROPOSED PUBLIC ISSUE BY SAKTHI FINANCE LIMITED (THE "**COMPANY**" OR "**ISSUER**") OF SECURED REDEEMABLE NON-CONVERTIBLE DEBENTURES AND UNSECURED REDEEMABLE NON-CONVERTIBLE DEBENTURES OF FACE VALUE OF ₹1,000 EACH ("**NCDs**") FOR BASE ISSUE OF UP TO ₹100 CRORE WITH AN OPTION TO RETAIN OVER-SUBSCRIPTION UP TO ₹50 CRORE FOR ISSUANCE OF ADDITIONAL NCDs, AGGREGATING UP TO ₹150 CRORE ("HEREINAFTER REFERRED TO AS "**ISSUE**")

Dear Sir(s),

We, the undersigned, hereby consent to be named as the Debenture Trustee pursuant to Regulation 4(4) of the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 as amended. We further extend our consent and no objection to our name being inserted in the Draft Prospectus to be filed with stock exchange(s) where NCDs are proposed to be listed (**Stock Exchange(s)**) for the purpose of receiving the public comments and to be forwarded to Securities and Exchange Board of India (**SEBI**) and in the Prospectus to be filed with Registrar of Companies, Tamilnadu, Coimbatore (**ROC**), Stock Exchange(s) and SEBI, which the Company intends to circulate in respect of the proposed Issue and also in all related advertisements and communications sent pursuant to the Issue of NCDs.

The following details with respect to us may be disclosed

Sr. No.	Particulars	Details
1	Name	Catalyst Trusteeship Limited
2	Address	GDA House, First Floor, Plot No. 85, S. No. 94 & 95, Bhusari Colony (Right), Kothrud, Pune- 411038
3	Tel No.	+91 (020) 2528 0081
4	Fax No.	+91 (020) 2528 0275
5	E-mail	dt@ctltrustee.com
6	Website	www.catalysttrustee.com
7	Investor Grievance Email	dt@ctltrustee.com
8	Contact person	Ms. Rakhi Kulkarni
9	Compliance Officer	Ms. Rakhi Kulkarni
10	SEBI Registration No.	IND000000034

Page 1 of 2





We enclose a copy of our registration certificate and declaration regarding our registration with SEBI in the required format. We confirm that we are registered with the SEBI and that such registration is valid and that we have not been prohibited by SEBI to act as an intermediary in capital market issues. We further confirm that no enquiry/ investigation is/ was being conducted by SEBI on us.

We confirm that we will immediately inform the Company of any change and/ or update to the above information until the date when the NCDs commence trading on the BSE Limited. In the absence of any such communication from us, the above information should be taken as updated information until the NCDs commence trading on BSE Limited.

We also authorise you to deliver a copy of this letter of consent to RoC, the stock exchange(s), SEBI, pursuant to the provisions of Section 26 and 32 of the Companies Act 2013 and other applicable laws and to other regulatory authority as required by law.

Yours faithfully

**For and on behalf of Catalyst Trusteeship Limited**

A handwritten signature in blue ink, appearing to read 'Rakhi Kulkarni'.

**Authorized Signatory**

**Name: Rakhi Kulkarni**

**Designation: Assistant Vice President & Compliance Officer, DT Division**

**Date: February 04, 2019**

**Place: Pune**

## DECLARATION REGARDING REGISTRATION WITH SEBI

**Sakthi Finance Limited**  
62, Dr. Nanjappa Road  
Post Box No. 3745  
Coimbatore-641 018

SUB: PROPOSED PUBLIC ISSUE BY SAKTHI FINANCE LIMITED (THE "COMPANY" OR "ISSUER") OF SECURED REDEEMABLE NON-CONVERTIBLE DEBENTURES AND UNSECURED REDEEMABLE NON-CONVERTIBLE DEBENTURES OF FACE VALUE OF ₹1,000 EACH ("NCDs") FOR BASE ISSUE OF UP TO ₹100 CRORE WITH AN OPTION TO RETAIN OVER-SUBSCRIPTION UP TO ₹50 CRORE FOR ISSUANCE OF ADDITIONAL NCDs, AGGREGATING UP TO ₹150 CRORE ("HEREINAFTER REFERRED TO AS "ISSUE")

We hereby confirm that as on date of the following details in relation to our registration with the Securities and Exchange Board of India (SEBI) as a Debenture Trustee are true and correct.

SI No	Particular	Details
1	Registration Number	IND000000034
2	Date of Registration/Renewal of Registration	July 29, 2016
3	Date of Expiry of Registration	Permanent
4	If applied for Renewal, Date of Application	NA
5	Details of communication from SEBI prohibiting from acting as Debenture Trustee	Nil
6	Details of any pending inquiry/investigation being conducted by the SEBI	Nil
7	Details of any penalty imposed by SEBI	Nil

We confirm that we will immediately inform the Company of any change and/or update to the above information until the date when the NCDs commence trading on the BSE Limited. In the absence of any such communication from us, the above information should be taken as updated information until the NCDs commence trading on BSE Limited.

Yours faithfully

For and on behalf of Catalyst Trusteeship Limited



**Authorized Signatory**

**Name: Rakhi Kulkarni**

**Designation: Assistant Vice President & Compliance Officer, DT Division**



डिबेंचर न्यासी

फॉर्म ४  
FORM-B

DEBENTURE TRUSTEE

भारतीय प्रतिभूति और विनियम बोर्ड  
SECURITIES AND EXCHANGE BOARD OF INDIA

(डिबेंचर न्यासी) विनियम, 1993  
(DEBENTURE TRUSTEE) REGULATIONS, 1993

000258

(विनियम 8)  
(Regulation 8)

(Regulation 8A)

रजिस्ट्रीकरण प्रमाणपत्र  
CERTIFICATE OF REGISTRATION PERMANENT REGISTRATION

- 1) भारत, भारतीय प्रतिभूति और विनियम बोर्ड अधिनियम, 1992 के अधीन डिबेंचर न्यासी के लिए बनाए गए विनियमों और विनियमों के साथ जोड़ते हुए अधिनियम की धारा-12 की उपधारा (1) द्वारा प्रदत्त शक्तियों का प्रयोग करते हुए,  
1) In exercise of the powers conferred by sub-section (1) of section 12 of the Securities and Exchange Board of India Act, 1992, read with the rules and regulations made thereunder for the debenture trustee the Board hereby grants a certificate of registration to

CATALYST TRUSTEESHIP LIMITED  
GDA HOUSE, PLOT NO. 85,  
BHUSARI COLONY (RIGHT), PAUD ROAD  
PUNE - 411 038  
MAHARASHTRA

को नियमों में, शर्तों के अधीन रहते हुए और विनियमों के अनुसार डिबेंचर न्यासी के रूप में रजिस्ट्रीकरण का प्रमाणपत्र इसके द्वारा प्रदान करता है।  
as a debenture trustee subject to the conditions in the rules and in accordance with the regulations.

- 2) डिबेंचर न्यासी के लिए रजिस्ट्रीकरण कोड  
2) Registration Code for the debenture trustee is **IND000000034**  
3) जब तक नवीकृत न किया जाए, रजिस्ट्रीकरण का प्रमाणपत्र  
3) Unless renewed, the certificate of registration is valid from to तक, विद्यमान है।

3) This Certificate of Registration shall be valid for permanent, unless suspended or cancelled by the Board.



आपका से  
भारतीय प्रतिभूति और विनियम बोर्ड  
के लिए और उनकी ओर से  
By order  
For and on behalf of  
Securities and Exchange Board of India

स्थान Place: **MUMBAI**

तारीख Date: **JULY 29, 2016**

*M. J. Sonparote*  
**MEDIA SONPAROTE**  
प्रामाणिकृत-हस्ताक्षरकर्ता Authorised Signatory