



## 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 and a fresh Certificate of Incorporation was obtained from Registrar of Companies, Madras. The corporate identity number of our Company is L65910TZ1955PLC000145.

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).

**Registered Office:** 62, Dr. Nanjappa Road, Post Box No. 3745, Coimbatore-641 018, Tamil Nadu.

**Tel No:** +91 422 2231471-474; **Fax No:** +91 422 2231915; **Website:** www.sakthifinance.com.

For further details of changes in Registered Office of our Company, refer chapter titled “History and Certain Corporate Matters” beginning on page 78.

**Company Secretary and Compliance Officer:** Mr. S. Venkatesh; **Tel No:** +91 422 4236207; **Fax No:** +91 422 2231915; **Email:** svenkatesh@sakthifinance.com

**PUBLIC ISSUE BY SAKTHI FINANCE LIMITED (“COMPANY” OR THE “ISSUER”) OF SECURED REDEEMABLE NON CONVERTIBLE DEBENTURES OF FACE VALUE OF ₹ 100 EACH (“NCD”) AGGREGATING UPTO ₹ 10,000 LAKH (HEREINAFTER REFERRED TO AS THE “ISSUE”). THE ISSUE IS BEING MADE UNDER THE SECURITIES AND EXCHANGE BOARD OF INDIA (ISSUE AND LISTING OF DEBT SECURITIES) REGULATIONS, 2008, AS AMENDED (“DEBT REGULATIONS”).**

**PROMOTERS: DR. M. MANICKAM AND MR. M. BALASUBRAMANIAM.** For further details refer to the chapter titled “Our Promoters” on page 91.

### 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 “Risk Factors” from page 12 to page 26. 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 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 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 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 their letter no. Surv/Chen/281/14-15 dated November 5, 2014 assigned, and letter no. Reval/Chen/130/14-15 dated February 12, 2015 reaffirmed, a rating of “[ICRA] BBB (Stable)” for an amount of up to ₹10,000 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 the Annexure B to this Prospectus for rationale for the above ratings.

### PUBLIC COMMENTS




The Draft Prospectus dated January 19, 2015 has been filed with BSE Limited (“BSE”), the Designated Stock Exchange pursuant to regulation 6 (2) of the Debt Regulations. The Draft Prospectus was uploaded by the BSE on its website www.bseindia.com and was open for public comments for a period of seven Working Days from the date of filing of the Draft Prospectus.

### LISTING

The NCDs offered through this 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 February 03, 2015. For the purposes of the Issue, BSE shall be the Designated Stock Exchange.

### COUPON RATE, COUPON PAYMENT FREQUENCY, MATURITY DATE, MATURITY AMOUNT AND ELIGIBLE INVESTORS

For details relating to Coupon Rate, Coupon Payment Frequency, Maturity Date and Maturity Amount of the NCDs, refer chapter titled “Terms of the Issue” beginning on page 164 of this Prospectus. For details relating to eligible investors please refer chapter titled “The Issue” on page 41.

LEAD MANAGER TO THE ISSUE	REGISTRAR TO THE ISSUE	DEBENTURE TRUSTEE
 <p><b>DALMIA SECURITIES PRIVATE LIMITED</b> Khetan Bhavan, Room No. 17, 2nd Floor, 198, Jamshedji Tata Road, Mumbai - 400 020 <b>Tel No:</b> + 91 22 30272829/32/33 <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. Indrajit Bhagat/ Ms. Swati Agrawal <b>Compliance Officer:</b> Ms. Piyali Deb <b>SEBI Registration No:</b> INM 000011476</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 6549995, 2539835-36 <b>Fax No:</b> + 91 422 2539837 <b>Email:</b> info@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> INR 000000775</p>	 <p><b>GDA TRUSTEESHIP LIMITED</b> “GDA House”, First Floor, Plot No 85, S No 94 &amp; 95S, Bhusari Colony (Right), Kothrud, Pune - 411 038 <b>Tel No:</b> + 91 20 25280081 <b>Fax No:</b> + 91 20 25280275 <b>Email:</b> dt@gdatrustee.com <b>Website:</b> www.gdatrustee.com <b>Investor Grievance Email:</b> dt@gdatrustee.com <b>Contact person:</b> Mr. Jatin Bhat <b>Compliance Officer:</b> Mr. Jatin Bhat <b>SEBI Registration No:</b> IND000000034</p>

### ISSUE PROGRAMME\*

ISSUE OPENS ON	February 27, 2015	ISSUE CLOSES ON	March 19, 2015
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\* 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 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 may be permitted by BSE.

GDA Trusteeship Limited has vide its letter dated January 12, 2015 given its consent for its appointment as Debenture Trustee to the Issue and for its name to be included in this Prospectus and in all the subsequent periodical communications sent to the holders of the Debentures issued pursuant to this Issue.

A copy of the Prospectus shall be filed with the Registrar of Companies, Tamil Nadu, Coimbatore in terms of the section 26 of the Companies Act, 2013, along with the requisite endorsed/ certified copies of all requisite documents. For more information, see the chapter titled “Material Contracts and Documents for Inspection” on page 229.

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## SECTION I: GENERAL

### DEFINITIONS AND ABBREVIATIONS

This 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 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 having its Registered Office 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.
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 Board of our Company.
NCD Issuance Committee	The committee constituted by our Board of Directors by a board resolution dated February 8, 2014.
Equity Shares	Equity shares of our Company of face value of ₹10 each.
NBFC	Non-Banking Financial Company as defined under Section 45-IA of the RBI Act, 1934.
NPA	Non Performing Asset.
Promoters	Dr. M. Manickam and Mr. M. Balasubramaniam.
Preference Shares	10% Redeemable Cumulative Preference Shares of face value of ₹ 100 each.
Memorandum/ Memorandum of Association/ MoA	Memorandum of Association of Sakthi Finance Limited.
Reformatted Financial Statements	The reformatted statement of assets and liabilities of the Company as at, September 30, 2014, March 31, 2014, March 31, 2013, March 31, 2012, March 31, 2011 and March 31, 2010 and, the related reformatted statement of profit and loss and the reformatted statement of cash flows for the half year ended September 30, 2014 and for the financial years ended March 31, 2014, March 31, 2013, March 31, 2012, March 31, 2011 and March 31, 2010, prepared on the basis of audited financial statements of the Company as examined by our Company’s Statutory Auditors, M/s. P.N. Raghavendra Rao & Co.
Registered Office	The registered office 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 India.
Statutory Auditor/Auditor	The statutory auditor of our Company being M/s. P.N. Raghavendra Rao & Co.

#### Issue related terms

Term	Description
Allotment/ Allot/ Allotted	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	A successful Applicant to whom the NCDs are being/have been allotted 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.

<b>Term</b>	<b>Description</b>
Application Form	The form used by an Applicant for applying for the NCDs under the Issue through the ASBA or non-ASBA process, 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/ Escrow Collection Bank(s)	The banks which are clearing members and registered with SEBI as bankers to the Issue, with whom the Escrow Account will be opened as specified on page 30.
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 186.
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.
Category I	<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, co-operative banks, and regional rural banks incorporated in India, multilateral and bilateral development financial institutions, state industrial development corporations, which are authorized to invest in the NCDs;</li> <li>• Indian provident funds, pension funds, superannuation funds and gratuity funds, authorized to invest in the NCDs;</li> <li>• Indian 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>• Indian 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; 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	<p>Persons eligible to apply to the Issue which include:</p> <ul style="list-style-type: none"> <li>• Companies, societies and bodies corporate registered under the applicable laws in India and authorised to invest in NCDs;</li> <li>• Trusts settled under the Indian Trusts Act, 1882 and other 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>• Statutory bodies/ Corporations;</li> <li>• Cooperative banks;</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; and</li> <li>• Partnership firms formed under applicable laws in India in the name of the partners, authorized to invest in the NCDs.</li> </ul>
Category III	<ul style="list-style-type: none"> <li>• Resident Indian individuals; and</li> <li>• Hindu Undivided Families applying through the Karta.</li> </ul>
Credit Rating Agency	For the present Issue, Credit Rating Agency is ICRA.
Dalmia Securities/DSPL	Dalmia Securities Private Limited.
Debt Application Circular	Circular no. CIR/IMD/DF-1/20/2012 issued by SEBI on July 27, 2012.
“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 Allotment.

<b>Term</b>	<b>Description</b>
“Debenture Holder(s)” or “NCD Holder(s)”	Any person holding the NCDs and whose name appears on the beneficial owners list provided by the Depositories (in case of NCDs in dematerialized form) and/or whose name appears in the Register of Debenture Holders maintained by the Issuer (in case of NCDs in physical form).
“Debentures” or “NCDs”	Secured redeemable non-convertible debentures of our Company of face value of ₹100 each proposed to be issued by our Company in terms of the Prospectus.
Debt Listing Agreement	The listing agreement entered into/ to be entered into between our Company and BSE in connection with the listing of debt securities of our Company.
Debt Regulations	SEBI (Issue and Listing of Debt Securities) Regulations, 2008, issued by SEBI, effective from June 06, 2008 as amended from time to time.
Debenture Trustee/ Trustee	Trustee for the Debenture Holders in this case being GDA Trusteeship Limited.
Debenture Trustee Agreement	Agreement dated January 17, 2015 entered into between our Company and GDA Trusteeship Limited.
Debenture Trust Deed	Trust deed to be entered into between the Debenture Trustee and the Company.
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. 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 Depository, demographic details of the investor such as address, PAN, bank account details for printing on refund orders or used for funding through electronic mode, as applicable and occupation.</p> <p>The above Demographic Details would be used for all correspondence with the Applicants including mailing of refund orders/ Allotment Advice and printing of bank particulars on refund/interest order 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, 1996, 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.
Designated Branches	Such branches of the SCSBs which shall collect the ASBA Applications 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.
Designated Date	The date on which the Escrow Collection Banks transfer the funds from the Escrow Account and the Registrar issues instructions to SCSBs for transfer of funds from the ASBA accounts to the Public Issue Accounts in terms of the Prospectus and the Escrow Agreement.
Designated Stock Exchange	BSE Limited (“BSE”).
Draft Prospectus	The draft prospectus dated January 19, 2015 filed by our Company with the Designated Stock Exchange in accordance with the provisions of the Companies Act/relevant provisions of the Companies Act, 2013 applicable as on the date of this Prospectus and the Debt Regulations.
Escrow Accounts	Accounts opened with the Escrow Collection Bank(s) into which the Members of the Syndicate and the Trading Members, as the case may be, will deposit Application Amounts from non-ASBA Applicants and in whose favour non-ASBA Applicants will issue cheques or bank drafts in respect of the Application Amount while submitting the Application Form, in terms of the Prospectus and the Escrow Agreement.



<b>Term</b>	<b>Description</b>
Escrow Agreement	Agreement dated February 12, 2015 entered into amongst the Company, the Registrar to the Issue, the Lead Manager, the Escrow Collection Bank(s) and the Refund Bank for collection of the Application Amounts and where applicable, refunds of the amounts collected from the Applicants (other than ASBA Applicants) on the terms and conditions thereof.
Equity Listing Agreement	The listing agreement entered into between our Company and the relevant stock exchanges in connection with the listing of the Equity Shares of our Company.
ICRA	ICRA Limited.
Issue/Issue Size	Public issue of NCDs by our Company aggregating upto ₹ 10,000 lakh.
Issue Closing Date	March 19, 2015, or such early or extended date as may be decided by the Board or the duly constituted committee of the Board.
Issue Opening Date	February 27, 2015
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 this Prospectus.
Lead Broker(s)	Dalmia Securities Private Limited, Integrated Enterprises (India) Limited, R R Equity Brokers Private Limited, SMC Global Securities Limited and VCK Share & Stock Broking Services Limited,
Lead Manager/LM	Dalmia Securities Private Limited.
Lead Manager MoU	Memorandum of Understanding dated January 19, 2015 executed between the Company and the Lead Manager.
Market Lot	1 (One) NCD.
Members of the Syndicate	Lead Manager and the Lead Brokers.
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 Prospectus.
Prospectus / Offer Document	The Prospectus dated February 18, 2015 to be filed with the ROC in accordance with the Debt Regulations containing <i>inter alia</i> the coupon rate for the NCDs and certain other information.
Public Issue Account	An account opened with the Banker(s) to the Issue to receive monies from the Escrow Accounts and the SCSBs, as the case may be, on the Designated Date.
Record Date	The date for payment of interest in connection with the NCDs or redemption of the NCDs, which shall be 7(seven) days prior to the date on which interest is due and payable, and/or the date of redemption. 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 as the Record Date.
Refund Account(s)	The account opened with the Refund Bank(s), from which refunds, if any, of the whole or part of the Application Amount (excluding Application Amounts from ASBA Applicants) shall be made.
Refund Bank	IndusInd Bank Limited.
Register of Debenture Holders	The register of Debenture Holders maintained by the Issuer in accordance with the provisions of the Companies Act, 2013 and by the Depositories in case of Debenture(s) held in dematerialised form, and/or the register maintained by the Registrar.
“Registrar to the Issue” or “Registrar”	S.K.D.C Consultants Limited.
Registrar MoU	Memorandum of understating dated January 16, 2015 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 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 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.
Stock Exchange	BSE.
Syndicate ASBA	An Application submitted by an ASBA Applicant through the Members of the Syndicate and Trading Members instead of the Designated Branches of the SCSBs.

<b>Term</b>	<b>Description</b>
Syndicate ASBA Application Locations	Application centres at cities specified in the SEBI Circular no. CIR/CFD/DIL/1/2011 dated April 29, 2011, viz Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat where the Members of the Syndicate and Trading Members shall accept ASBA Applications.
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 of the NCDs.
Trading Members	Individuals or companies registered with SEBI as “trading members” who hold the right to trade in stocks listed on the Stock Exchange, through whom investors can buy or sell securities listed on the Stock Exchange, a list of which are available on <a href="http://www.bseindia.com/memberdir/members.asp">www.bseindia.com/memberdir/members.asp</a> (for Trading Members of BSE).
“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.
Working Days	All days excluding Sundays or a public holiday in India or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881, except with reference to Issue Period, where working days shall mean all days, excluding Saturdays, Sundays and public holiday, which are working days for commercial banks in India.

#### **Conventional and general terms or abbreviations**

<b>Term/Abbreviation</b>	<b>Description/ Full Form</b>
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.
BSE	BSE Limited.
CAGR	Compounded Annual Growth Rate.
CDR	Corporate Debt Restructuring.
CDSL	Central Depository Services (India) Limited.
Companies Act	Companies Act, 1956, as amended.
Companies Act, 2013	Companies Act, 2013 to the extent notified 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.
ESI	Employees State Insurance.
FDI	Foreign Direct Investment.
FDI Policy	The Government policy and the regulations (including the applicable provisions of the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 issued by the Government of India prevailing on that date in relation to foreign investments in the 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.

<b>Term/Abbreviation</b>	<b>Description/ Full Form</b>
FIIIs	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 31 <sup>st</sup> of that particular year.
GDP	Gross Domestic Product.
GoI or Government	Government of India.
HUF	Hindu Undivided Family.
ICAI	Institute of Chartered Accountants of India.
IFRS	International Financial Reporting Standards.
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 Operator
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.
NR or “Non-resident”	A person resident outside India, as defined under FEMA.
OCB	Overseas Corporate Bodies.
p.a.	Per annum.
PAN	Permanent Account Number.
PAT	Profit After Tax.
PFI	Public Financial Institution, as defined under provision of the Companies Act, 2013.
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.
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, 2009, as amended from time to time.
TDS	Tax Deducted at Source.
USA	United States of America.
USD	US dollar.



## Business / Industry related terms

Term/Abbreviation	Description/ Full Form
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
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
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 12, defined terms have the meaning given to such terms in that section.
2. In the chapter titled “**Statement of Tax Benefits**” beginning on page 52, defined terms have the meaning given to such terms in that chapter.
3. In the chapter titled “**Our Business**” beginning on page 67, defined terms have the meaning given to such terms in that chapter.
4. In the chapter titled “**Financial Statements**” beginning on page 93, defined terms have the meaning given to such terms in that chapter.
5. In the paragraph titled “**Disclaimer Clause of SEBI**” on page 197 and “**Disclaimer Clause of BSE**” on page 198 in the chapter “**Other Regulatory and Statutory Disclosures**” beginning on page 197 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 190, defined terms have the meaning given to such terms in that chapter.
7. In the chapter titled “**Key Regulations and Policies**” beginning on page 204, 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 214, 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 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.

### **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 and the Companies Act, 2013, to the extent applicable.

The Reformatted Financial Statements along with the examination reports, as issued by our Company’s Statutory Auditor, M/s. P.N. Raghavendra Rao & Co in the chapter titled “*Financial Statements*” beginning at page 93.

In this 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 on March 31<sup>st</sup> of that year.

The degree to which the Indian GAAP financial statements included in this 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 Prospectus should accordingly be limited.

### **Industry and market data**

Unless stated otherwise, industry and market data used throughout this Prospectus has been obtained from industry publications. Industry 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 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 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 Prospectus, references to “₹”, “Indian Rupees”, “INR”, “Rs.” and “Rupees” are to the legal currency of India. Except where stated otherwise in this Prospectus, for the purposes of this Prospectus data will be given in ₹ lakh.

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this 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 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 statement. 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 Prospectus, including in the section titled “Risk Factors” on page 12.*

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 “Our Business” beginning on pages 12, 60 and 67, 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 Prospectus. The forward-looking statements contained in this 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 Prospectus before making any investment decision relating to the NCDs. The risk factors set forth 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, result 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 forth below, we are not in a position to specify or quantify the financial or other implications of any of the risks mentioned herein. 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 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 Prospectus. Unless the context otherwise requires, the financial information used in this section is derived from and should be read in conjunction with the Reformatted 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 promoters and promoter group have received a show cause notice bearing reference number EAD-6/AK/VRP/29297/2014 dated October 8, 2014 from the SEBI for violation of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 ("SEBI Takeovers Regulations"). Any adverse order by SEBI could affect our ability to conduct business, which would in turn result in material adverse effect on our business and results of operations.***

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) Rule, 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 Takeovers Regulations in respect of acquisition of 85,000 and 1,750 Equity Shares representing 0.282% and 0.006% of the paid up capital of our Company, respectively. The Acquirers have submitted their reply vide letters dated October 27, 2014 requesting SEBI for a personal hearing. The SEBI vide its letter bearing reference EA-6/AK/VRP/31053/2014 dated October 31, 2014 granted the Acquirers an opportunity of personal hearing on November 25, 2014. In the personal hearing, the authorized representative of the Acquirers submitted their desire to avail the settlement order and agreed to submit the application for the same. Subsequently, the Company has submitted the settlement application to SEBI on December 27, 2014. Any adverse order by SEBI may affect the financial conditions of our promoters and promoter group, which in turn result in material adverse effect on our business and reputation.

- 2. Our company is involved in number of legal proceedings and in the event of any or all proceedings being unsuccessful, it may have an adverse effect on the financial conditions of the Company.***

Our Company is involved in certain legal proceedings, including civil suits, consumer cases and tax disputes. These legal proceedings are pending at various levels of adjudication before various courts/ forum, investigating authorities and tribunals. Our Company has been incurring cost in defending these proceedings. We cannot provide any assurance in relation to the outcome of these proceedings. Any adverse orders in any or all the proceedings may have an adverse effect on our financial condition. Further, there is no assurance that similar proceedings will be initiated against us in the future. For the details, please refer to chapter titled "*Pending Proceedings and Statutory Defaults*" beginning on page 190.

3. ***Our Company's promoter directors are promoter directors of one of our group companies, whose liabilities to some of its lenders have been restructured under the Corporate Debt Restructuring (CDR) mechanism. In the event of the group company not adhering to the covenants of the CDR mechanism, it shall have an impact on the business operation, financial position and reputation of our Company.***

Promoter directors of our Company are also promoter directors in Sakthi Sugars Limited, one of our group companies listed in BSE and NSE. Sakthi Sugars Limited, had, as on March 31, 2014, overdues to the extent of ₹ 11,547 lakh of principal and Interest of ₹ 6,097 lakh towards loan from several bankers/FI. The loans are secured by, *inter alia*, personal guarantee of Promoter Directors of our Company. The liabilities of Sakthi Sugars Limited, pertaining to lenders under the CDR mechanism, have been restructured under the CDR mechanism, with effect from November 1, 2008 subject to compliance of certain conditions by our promoter directors, which *inter alia* includes conversion of the unsecured loans brought in by one of our group companies, to equity share capital of Sakthi Sugars Limited. Our promoters have since complied with the same through a preferential allotment of equity shares against unsecured loans. This CDR restructure has been reworked with effect from April 1, 2014 and the documentation for the same is in progress. Failure to comply with any other terms and conditions stipulated under the CDR mechanism, by Sakthi Sugars Limited and/ or our company's promoter directors, in this regard might have an impact on the financial position of our promoter directors, which in turn may adversely affect operations and reputation of our Company.

4. ***Two other listed group companies, have defaulted in meeting statutory dues and institutional dues. In the event of the statutory authorities/ lenders initiating any action against the group companies and their promoters, the same shall have an impact on the business operation, financial position and reputation of our Company.***

Promoter directors of our Company are also promoter directors in Sakthi Sugars Limited, listed at BSE and NSE and Chamundeswari Sugars Limited, listed at Madras Stock Exchange Limited.

Sakthi Sugars Limited has, as on December 31, 2014, statutory defaults to the extent of ₹ 175.93 lakh and institutional defaults aggregating to ₹ 8,699.12 lakh. Sri Chamundeswari Sugars Limited has, as on December 31, 2014, statutory defaults to the extent of ₹ 100.39 lakh and institutional default aggregating to ₹ 3,829.17 lakh. These institutional dues are secured by the assets of the company and/or guarantee of our promoter directors. For further details on the aforesaid defaults, refer chapter titled "Pending Proceedings and Statutory Defaults" on page 190 of this Prospectus.

In the event of the statutory bodies/ lenders initiating any proceedings against the group companies and/or their promoter directors in this regard might have an impact on the financial position of our promoter directors which in turn may affect operations and reputation of our Company.

5. ***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 High Court of Madras. In the event of the petitions getting admitted against the group company the same shall have an impact on the reputation of our promoter directors, which in turn may affect reputation of our company.***

Sakthi Sugars Limited, one of our group companies has issued FCCB. Bondholders of Sakthi Sugars Limited ("Petitioners"), holding UDS 1 Million foreign currency convertible bonds ("FCCBs") have filed Company Petitions ("CP") in C.P.No.19 of 2012 & C.P.No.212 of 2012 before the High Court of Madras for winding up of the company on the ground that the company is unable to pay the bondholders, which Petition is yet to be admitted by the High Court. There was a compromise reached with the Petitioners for payment of the principal sum due together with future interest thereon, but that such payment could not be made on account of delayed grant of permission by RBI and difficulties expressed by the authorized dealers in effecting the payment, owing to the Company being under the Corporate Debt Restructuring mechanism. The said Petitioners have filed applications for restoration of the CP and the said restoration Applications are pending. Further, the trustee to the Bondholders has filed a Company Petition in C.P.No.102 of 2014 purportedly on the mandate of requisite majority of the Bondholders to wind up the Company, on the ground that the Company is unable to redeem the FCCB. This Petition is also still to be admitted by the High Court. In the meantime and in the circumstances, the board of directors of the company at its meeting held on July 15, 2014 approved a scheme for discharge of outstanding FCCB's through partial conversion and partial deferred payment. The Company has filed the proposed Scheme with Stock Exchanges and SEBI. SEBI has issued letter of observation dated January 15, 2015. The Scheme is in the process of being filed with Madras High Court for further process and approval.

In the event of the failure of the above said scheme and the admission of the winding up petition, in this regard might have an impact on the financial position of Sakthi Sugars Limited, which in turn will have an impact on the financial position of our promoter directors and reputation of our Company.



**6. Our financial performance is highly sensitive to interest rate volatility, which could cause 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 operations, which comprised more than 90% of our total revenue for FY 2014, 2013 and 2012.

We borrow funds on both fixed and floating rates. A majority of our liabilities, such as our secured non-convertible redeemable debentures, subordinated debt and fixed deposits carry fixed rates of interest and the remaining borrowings from banks are linked to the respective banks' benchmark prime lending rate/ base rates. As of September 30, 2014, 72.07% of our 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 simultaneously 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 sensitive 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.

**7. Our business requires raising substantial capital 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 ongoing profitability are, in large part, dependent upon our timely access to, and the costs associated with, raising capital. 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 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 vide its circular RBI/2012-13/560 DNBS (PD) CC No. 330/03.10.001/2012-13 dated June 27, 2013 and RBI/2013-14/115 DNBS(PD) CC No.349/03.10.001/2013-14 dated July 02, 2013 issued certain guidelines with respect to raising money through private placement by NBFCs in the form of non-convertible debentures. These guidelines include restrictions on the number of investors in an issue to 49 investors, minimum subscription amount for a single investor of ₹ 25 lakh and in multiples of ₹ 10 lakh thereafter, prohibition on providing loan against its own debentures, etc.

This has resulted in limiting the Company's ability to raise fresh debentures on private placement basis. A significant portion of our debt matures each year. Out of the total outstanding borrowing, ₹ 22,455.77 lakh is on account of non-convertible debentures issued by our Company as of September 30, 2014. Further, the non-convertible debentures amounting to ₹ 13,775.45 lakh, will mature during the next 12 months. In order to retire these instruments, we either will need to refinance this debt, which could be difficult in the event of volatility in the credit markets, or raise equity capital or generate sufficient cash from operation.

Further RBI, vide its circular no. RBI/2014-15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 issued certain guidelines about the limit for acceptance of deposits across the sector by reducing the same for rated Asset Finance Company from 4 times to 1.5 times of Net Owned Funds ("NoF") with immediate effect. As on September 30, 2014, our Company has public deposit amounting to ₹ 20,990.75 lakh, being 1.80 times of NoF. This will result in limiting the company's ability to accept fresh deposits or renewal of existing deposits and our Company 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 constrain our ability to raise funds at attractive rates. Any disruption in our primary funding sources at competitive costs would have a material adverse effect on our liquidity and financial condition.

**8. *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 1.45%, 1.14%, 0.83% and 0.66% as of September 30, 2014, March 31, 2014, March 31, 2013 and March 31, 2012 respectively, while our net NPAs as a percentage of loan assets were 0.58%, 0.49%, 0.29% and 0.23% as of September 30, 2014, March 31, 2014, March 31, 2013 and March 31, 2012, 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 the 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. Further, the RBI, vide its circular RBI/2014-15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 (“**RBI Circular 2014**”) issued revised stringent norms for asset classification. As per the above RBI Circular, an asset is to be classified as NPA if overdue is for 3 months, as against present classification norms of 12 months. This is to be achieved in a progressive manner by March 31, 2018. This would have an impact on the NPA levels of our company, which would affect our Company’s profitability and financial position.

The Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (“**Prudential Norms**”) prescribe the provisioning required in respect of outstanding loan portfolio. Should the overall credit quality of our loan portfolio deteriorate, the current level of our provisions may not be adequate to cover further increase in the amount of our non -performing assets. Moreover, there also can be no assurance that there will be no further deterioration in our provisioning coverage as a percentage of gross NPAs or otherwise, or that the percentage of NPAs that we will be able to recover will be similar to our past experience of recoveries of NPAs. In the event of any further deterioration in our NPA portfolio, there could be an even greater, adverse impact on our results of operations and/or cash flows. Further, as per the RBI Circular 2014, provisioning on standard assets has also been increased from 0.25% to 0.40%, in a phased manner, by the end of March 2018. This would enhance our requirements of provisioning thereby affect our financial position.

**9. *Our customer portfolio is mainly 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 vulnerable to the target customers could affect our business, financial condition, 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 impacted.

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, so there is less financial information available about the creditworthiness of individuals, particularly our client segment who is 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 for 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.

**10. *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 interest for the financing facilities provided by us to our customers, the vehicles purchased by our customers are hypothecated 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 a slow 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 may not 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 favorable 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.

**11. *Significant parts of our collections are in cash 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. While, there has been no reported past history of misappropriation or fraud, and we have taken insurance policies and coverage for cash in safes and adequate measures to prevent any unauthorized transaction, fraud or misappropriation by our employees, officers and representatives, this may adversely affect our cash flow and profitability. Any proceeding in connection with any fraud, misappropriation by employees, officers and representatives may affect our reputation.

**12. *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 of September 30, 2014, we had a total debt of ₹ 78,907.65 lakh, and we will continue to incur additional indebtedness in the future. Most of our borrowings are secured by our immovable, hire purchase receivable 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 the 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 downturns, may be limited in our ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions.

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 142 of this 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 all amounts due under such facilities and the enforcement of any security provided. 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 dedicate 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 raising, further financing. 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 price of our NCDs being adversely affected.

**13. *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 an increase in 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 the 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.

**14. *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 90% of our business from 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 diversified national presence. If there is a sustained downturn in the economy of South India or a sustained change in consumer preferences in those regions, our financial position may be adversely affected.

**15. *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 a 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.

**16. 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 forth certain information with respect to our credit ratings:

Rating Agency	Instruments	Rating	Limit (₹ lakh)
ICRA Limited	Non convertible debentures	[ICRA]BBB(Stable)	20,000
ICRA Limited	Long term bank facilities - CC	[ICRA]BBB(Stable)	6,900
ICRA Limited	CC/WCDL –Interchangeable Limits	[ICRA]BBB(Stable)/ [ICRA]A2	13,688
ICRA Limited	Term loans	[ICRA]BBB(Stable)	188
ICRA Limited	Short term bank facilities -WCDL	[ICRA]A2	5,700
ICRA Limited	Fixed deposit	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 net interest margin and our business. In addition, downgrades of our credit ratings could increase the possibility of additional terms and conditions being added to any additional financing or refinancing arrangements in the future.

**17. 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 14.36% from ₹ 43,864.98 lakh as of March 31, 2010 to ₹ 75,035.05 lakh as of March 31, 2014. 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% (The compliance to the revised Tier I capital will be: 8.5% by end of March 2016 and 10% by end of March 2017). Our capital adequacy ratio computed on the basis of applicable RBI requirements was 21.55% and 21.41% as of March 31, 2014 and September 30, 2014, with Tier I capital comprising 12.72% and 12.72%, 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.

**18. 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 to 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 are located.

***19. 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.

***20. We may be unable to adequately protect our intellectual property rights since our logo is 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.***

The logo of our Company has not been registered under Indian Trademark Act, 1999. Since our logo is 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 such claims and the scope of the proprietary rights of others. Any such litigation could be time consuming and costly and the outcome cannot be guaranteed. We may not be able to detect any unauthorized use or take appropriate and timely steps to enforce or protect our intellectual property. Furthermore, we may be subject to claims alleging breach of third party intellectual property rights.

***21. Our ability to assess, monitor and manage risks inherent in our business differs from the standards of some of our counterparts 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.

***22. 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, in the event 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.

**23. *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 of December 31, 2014, our promoters and promoter group, own in aggregate 64.21% of our 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.

**24. *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. We cannot assure you 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 the 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 Disclosure*" on page 125 of this Prospectus.

**25. *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.

**26. *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 authorities. 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. For instance, the RBI, vide its circular RBI/2014-15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 issued a slew of regulatory changes for maintaining higher capital, recognizing bad loan earlier and increasing provisioning on bad loans. In case of any such changes that the RBI may introduce in future could adversely affect our business, profitability and cash flows. Moreover, these laws and regulations can be amended, supplemented or changed at any time such that we may be required to restructure our activities and incur additional expenses to comply with such laws and regulations, which could materially and adversely affect our business and our financial performance.

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 the 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.

- 27. *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, 2014, 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 us, 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.

- 28. *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 breakdown. 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.

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 you 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.

- 29. *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 promoter director of our Company in terms of a lease agreement executed on March 31, 1986 for a period of 30 years ending on March 31, 2016. If the owner of the land does not renew in a timely manner or at all, aforesaid lease agreement on terms and conditions acceptable to us, we may temporarily suffer a disruption in administration till we shift to another location.

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

Except for 2 branch offices, which are owned by us, all our branches and customer service point 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 seeks to renew an agreement on terms and conditions unfavorable to us, we may suffer a 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 respect to our immovable properties 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.

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

As of December 31, 2014, we have 441 employees on our rolls. Currently, none of our employees is a member of a labor union. 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.

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

**32. *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 50. 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 bearing 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**

**33. *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.

**34. *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 you 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.

**35. *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 530 of the Companies Act, 1956. In the event of bankruptcy, liquidation or winding-up, there may not be sufficient assets remaining to pay amounts due on the NCDs.



**36. *Failure to comply with the requirements in connection with creation of adequate Debenture Redemption Reserve, (“DRR”), for the NCDs issued pursuant to this Prospectus and/or be able 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 otherwise.***

Section 71 of the Companies Act, 2013, read with Rule 18 made under Chapter IV of 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 issued through the Issue. In addition, as per Rule 18(7)(e) under Chapter IV of 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 30<sup>th</sup> 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 31<sup>st</sup> 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 during the 31<sup>st</sup> day of March of that year. This may have a bearing on the timely redemption of the NCDs by our Company.

**37. *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 no. Surv/Chen/281/14-15 dated November 5, 2014 assigned, and *vide* its letter no. Reval/Chen/130/14-15 dated February 12, 2015 reaffirmed, a rating of “[ICRA] BBB (Stable)” for an amount of up to ₹ 10,000 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 B* for the rationale for the above rating.

**38. *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 develop and may accordingly be adversely affected.***

There can be no assurance that an active market for the NCDs will develop. If an active market for the NCDs fails to develop 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 above-mentioned factors may adversely affect the liquidity and market price of the NCDs, which may trade at a discount to the price at which you purchase the NCDs and/or be relatively illiquid.

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

We cannot assure you that the monies refundable to you, on account of (a) withdrawal of your 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 to you 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.

**40. *This 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 Prospectus includes certain unaudited financial information in relation to our Company, for the quarter ended December 31, 2014, in respect of which the Statutory Auditor of our Company have issued their Limited Review Reports



dated February 14, 2015. As this financial information has been subject only to limited review as required by Clause 41 of the Equity Listing Agreement of the stock exchange 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, 2014, 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 Prospectus.

## **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 *interalia* 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 the 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 abroad 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 thereby adversely impacting our Company’s profitability, the quality of its portfolio 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 this 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 neighboring countries. Also, some of India's neighboring 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. Some of these countries have also experienced pandemics, including the outbreak of avian flu. These economies could be affected by the extent and severity of such natural disasters and pandemics which could, in turn affect the financial services sector of which our Company is a part. Prolonged spells of abnormal rainfall, drought and other natural calamities could have an adverse impact on the economy, which could in turn adversely affect 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. *Global economic instability or slow-down is likely to adversely affect our business and our results of operations.***

Economic developments outside India have adversely affected the economy. Our business is affected by domestic and international economic conditions, including rates of economic growth and the impact that such economic conditions have on consumer spending. The current global economic downturn has led to an increased level of consumer delinquencies, lack of consumer confidence, decreased market valuations and liquidity, increased market volatility and a widespread reduction of business activity generally. The resulting economic pressure and dampened consumer sentiment may adversely affect our business and our results of operations. There can be no assurances that government responses to the disruptions in the financial markets will restore consumer confidence, stabilize the markets or increase liquidity and the availability of credit. Continuation or worsening of this downturn or general economic conditions may have an adverse effect on our business, liquidity and results of operations.

**9. *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 2014, India experienced a trade deficit of USD 137.5 billion, which decrease from trade deficit of USD 190.20 billion in fiscal year 2013. As per press release of RBI dated October 14, 2014, the trade deficit for April - September 2014-15 was estimated at USD 70398.58 million. 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.

**10. *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.

**11. *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, value added tax, turnover tax, service tax, 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. For example, a new goods and services tax regime is expected to be introduced in next fiscal year, and the scope of the service tax is proposed to be enlarged. The statutory corporate income tax in India, which includes a tax, an education cess on the tax and the surcharge, is currently 33.99%. The central or state government may in the 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.

**12. *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 totalled USD 319,475 million as on January 09, 2015 (*Source: RBI Website as on January 16, 2015*). 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.

**13. *Public companies in India, including our Company, may be required to prepare financial statements under the IFRS or a variation thereof, namely IND AS. The transition to IND AS is still unclear and we may be negatively affected by this transition.***

Public companies in India, including our Company, may be required to prepare their annual and interim financial statements under IFRS or a variation thereof. Recently, the ICAI has released a near - final version of the Indian Accounting Standards [Ind AS, 101 "First Time Adoption of Indian Accounting Standards ("IND AS")"]. The MCA, on February 25, 2011 has notified that the IND AS will be implemented in a phased manner, and the date of such implementation will be notified at a later date. The MCA has not yet notified the date of implementation of the IND AS. There is currently a significant lack of clarity on the adoption and convergence with IND AS and we currently do not have a set of established practices on which to draw or in forming judgments regarding the implementation of an application, and 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 IFRS and therefore, financial statements prepared under IND AS may differ substantially from financial statements prepared under IFRS. 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, Indian GAAP or IFRS. As we adopt IND AS reporting, we may encounter difficulties in the ongoing process of implementing and enhancing our management information systems. There can be no assurance that our adoption of IND AS, if required, 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.

**PROMINENT NOTES**

1. This is a public issue of NCDs by our Company aggregating upto ₹ 10,000 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 82 and 45 of this 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 disclosed in the chapter titled "*Financial Statements*" beginning on page 93 of this 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, 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 Registrar to the Issue.
6. In the event of oversubscription to the Issue, allocation of NCDs will be as per the "*Basis of Allotment*" set out on page 187 of this Prospectus.
7. Our Equity Shares are presently listed on the BSE.
8. 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 190 of this 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 45 IA 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  
**Fax No:** +91 422 2231915  
**Email:** sakthif\_info@sakthifinance.com  
**Website:** www.sakthifinance.com

For details of change in Registered Office, refer to the chapter titled “*History and Certain Corporate Matters*” on page 78.

#### **Registration Details**

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

#### **Chief Financial Officer**

**Dr. S. Veluswamy**  
Sakthi Finance Limited  
62, Dr. Nanjappa Road,  
Post Box No. 3745,  
Coimbatore - 641018, Tamil Nadu  
**Tel No:** +91 422 4236206  
**Fax No:** +91 422 2231915  
**Email:** svelusamy@me.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

**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, Debenture Certificates (for Applicants who have applied for Allotment in physical form), refund orders and interest on the Application Amounts.**

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, 2<sup>nd</sup> Floor,  
198, Jamshedji Tata Road, Mumbai - 400020

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

**Fax No:** + 91 22 30272820

**Email:** sfl.ncd@dalmiasec.com

**Website:** www.dalmiasec.com

**Investor Grievance Email:** grievances@dalmiasec.com

**Contact person:** Mr. Indrajit Bhagat/ Ms. Swati Agrawal

**Compliance Officer:** Ms. Piyali Deb

**SEBI Registration No:** INM000011476

#### **Debenture Trustee**

##### **GDA TRUSTEESHIP LIMITED**

'GDA House', First Floor, Plot No 85, S No 94 & 95,  
Bhusari Colony (Right), Kothrud, Pune-411038

**Tel No:** + 91 20 25280081

**Fax No:** + 91 20 25280275

**Email:** dt@gdatrustee.com

**Website:** www.gdatrustee.com

**Investor Grievance Email:** dt@gdatrustee.com

**Contact person:** Mr. Jatin Bhat

**Compliance Officer:** Mr. Jatin Bhat

**SEBI Registration No:** IND000000034

The Debenture Trustee by its letter dated January 12, 2015 has consented to act as a Debenture Trustee in relation to the Issue under regulation 4(4) of the Debt Regulation. See Annexure C on page 238 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 6549995, 2539835-36

**Fax No:** + 91 422 2539837

**Email:** info@skdc-consultants.com

**Website:** www.skdc-consultants.com

**Investor Grievance Email:** sflncd@skdc-consultants.com

**Contact person:** Mr. K. Jayakumar

**Compliance Officer:** Mrs. Vijayalakshmi Narendra

**SEBI Registration No:** INR 000000775



**Statutory Auditors****M/s. P.N. Raghavendra Rao & Co,  
Chartered Accountants**

No. 23/2, Viswa Paradise Apartments  
Second Floor, Kalidas Road, Ramnagar, Coimbatore - 641009  
**Tel No:** +91 422 2232440/2236997  
**Fax No:** + 91422 2230375  
**Email:**pnraudit@gmail.com  
**Firm Registration No:** 003328S

**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

**Lenders to our Company:**

<b>Banks</b>	
<b>State Bank of India</b> 1443, Trichy Road, P.B No. 3902, Coimbatore - 641018 <b>Tel:</b> +91 422 2302944/3983/2961; <b>Fax:</b> +91422 2302962 <b>Email:</b> sbi.07536@sbi.co.in	<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> coimbatore@ktkbank.com
<b>Central Bank of India</b> No 1237, Trichy Road, Coimbatore -641 018 <b>Tel:</b> +91 422 2305966; <b>Fax:</b> +91 422 2305966 <b>Email:</b> bmcoim1269@centralbank.co.in	<b>The Lakshmi Vilas Bank Limited</b> Uppilpalayam, Coimbatore - 641018 <b>Tel:</b> +91 422 2300630; <b>Fax:</b> +91 422 2300643 <b>Email:</b> uppilpalayam@lvbank.in
<b>State Bank of Travancore</b> 725-B,Avinashi Road, Coimbatore -641 018 <b>Tel:</b> +91 422 2221058/2222411; <b>Fax:</b> +91 422 2222302 <b>Email:</b> pnpalayam@sbt.co.in	<b>Bank of India</b> Coimbatore MCB, First Floor, Chamber Towers, 8/732, Avinashi Road, Coimbatore 641018 <b>Tel:</b> 91 422 2221868; <b>Fax:</b> 91 422 2221869 <b>Email:</b> mcb.coimbatore@bankofindia.co.in
<b>Canara Bank</b> Gandhipuram, Cross Cut Road, Coimbatore 641012 <b>Tel:</b> + 91 422 2236107/2231950; <b>Email:</b> managercbe1206@canarabank.co.in	<b>Indian Overseas Bank</b> Specialized Large Corporate Branch, No. 10 Kannusamy Street, R S Puram, Coimbatore 641002 <b>Tel:</b> + 91 422 2544214; <b>Fax:</b> + 91 4222544213 <b>Email:</b> largeco@coisco.ioibnet.co.in
<b>Other Financial Institutions</b>	
<b>Small Industries Development Bank of India</b> May Flower Building, Balasundaram Road, Coimbatore -641 018 <b>Tel:</b> +91 422 2206000; <b>Fax:</b> +91 422 2206001 <b>Email:</b> manojp@sidbi.in; shaju@sidbi.in	<b>Sundaram Finance Limited</b> 21, Patullos Road, Chennai - 600 002 <b>Tel:</b> + 91 44 2852 1181; <b>Fax:</b> +91 44 28586641 <b>Email:</b> wecare@sundaramfinance.in
<b>Reliance Capital Limited</b> Manchester Square, S-3, Second Floor, No. 14,Puliyakulam Road, Coimbatore - 641037 <b>Tel:</b> + 91422 3980423; <b>Fax:</b> +91422 3980442 <b>Email:</b> ramesh.vr.subramanian@relianceada.com	<b>IFMR Capital Finance Private Limited</b> 10 <sup>th</sup> Floor -Phase 1, IIT – Madras Research Park Kanagam Village, Taramani, Chennai- 600 113 <b>Tel:</b> + 91 44 66687381; <b>Fax:</b> +91 44 66687010 <b>Email:</b> contact.capital@ifmr.co.in
<b>Hinduja Leyland Finance Limited</b> 1, Sardar Patel Road, Guindy, Chennai - 600 032 <b>Tel:</b> + 91 044 39252525 <b>Email:</b> balaji@hindujaleylfinance.com	<b>The Tamilnadu Industrial Investment Corporation Limited</b> 692, Anna Salai, Nandanam, Chennai – 600 035 <b>Tel:</b> +91 44 24331203; <b>Fax:</b> +91 44 24347150 <b>Email:</b> tiiclttd@vsnl.com

### **Credit Rating Agency**

#### **ICRA Limited**

1105, Kailash Building, 11th Floor,  
26, Kasturba Gandhi Marg,  
New Delhi - 110001

**Tel No:** +911123357940-50

**Fax No:** +9111 23357014

**Email:** a.karthik@icraindia.com

**Website:** www.icra.in

**Contact person:** Ms. Vibha Batra

**SEBI Registration No:** IN/CRA/003/1999

### **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. Surv/Chen/281/14-15 dated November 05, 2014 assigned, and *vide* its letter no. Reval/Chen/130/14-15 dated February 12, 2015 reaffirmed, a rating of "[ICRA] BBB (Stable)" for an amount of upto ₹ 10,000 lakh for the NCDs. Instruments with this rating are considered to have an adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry a low credit risk.

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.

### **Escrow Collection Banks / Bankers to the Issue**

#### **IndusInd Bank Limited**

Cash Management Services,  
PNA House, 4<sup>th</sup> Floor, Plot No.57,  
Road No. 17, Near SRL, MIDC,  
Andheri (East), Mumbai - 400 093

**Tel No:** +91 22 61069361 - 61069300

**Fax No:** +91 22 66238021

**Email:** Suresh.esaki@indusind.com

**Contact Person:** Mr. Suresh Esaki

**Website:** www.indusind.com

**SEBI Regn No.:** INBI00000002

#### **State Bank of India**

New Issue Department, Capital Market Br. (11777),  
Charanjit Rai Marg, Fort, Mumbai 400001, Maharashtra.

**Tel No:** +91 22 22094927 / 22094932;

**Fax No:** +91 22 22094921;

**Email:** nib.11777@sbi.co.in

**Contact Person:** Mrs. Leena Kamat

**Website:** www.sbi.co.in

**SEBI Regn No.:** INBI00000038

#### **The Lakshmi Vilas Bank Limited**

No.1, Head Quarters Road,  
First Floor, Uppilipalayam,  
Coimbatore - 641018

**Tel No:** +91 422 2300643/ 2300630;

**Email:** uppilipalayam\_bm@lvbank.in

**Contact Person:** Mr. R. Sreekumar

**Website:** www.lvbank.com

**SEBI Regn No.:** INBI00000057

## **Refund Bank**

### **IndusInd Bank Limited**

Cash Management Services,  
PNA House, 4<sup>th</sup> Floor, Plot No. 57,  
Road No. 17, Near SRL, MIDC,  
Andheri (East), Mumbai - 400 093  
**Tel No:** +91 22 61069361 / 61069300  
**Fax No:** +91 22 66238021  
**Email:** Suresh.esaki@indusind.com  
**Contact Person:** Mr. Suresh Esaki  
**Website:** www.indusind.com  
**SEBI Regn No.:** INBI00000002

## **Self Certified Syndicate Banks**

The banks which are registered with 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 on <http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries> or at such other website as may be prescribed by SEBI from time to time.

## **Syndicate SCSB Branches**

In relation to ASBA Applications submitted to the Lead Manager, the Lead Brokers, sub-brokers or the Trading Members of the Stock Exchange only in the specified cities (Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat), the list of branches of the SCSBs at the Specified Cities named by the respective SCSBs to receive deposits of ASBA Applications from such Lead Manager, Lead Brokers, sub-brokers or the Trading Members of the Stock Exchange is provided on <http://www.sebi.gov.in/sebiweb/home/list/5/33/0/0/Recognised-Intermediaries>.

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

### **Dalmia Securities Private Limited**

Ideal Plaza, Suite No. S 401, Fourth Floor,  
11/1, Sarat Bose Road, Kolkata- 700020  
**Tel No:** +91 33 66120500;  
**Fax No:** +91 33 22806643;  
**Email:** piyali.deb@dalmiasec.com;  
**Contact Person:** Ms. Piyali Deb  
**Website:** www.dalmiasec.com  
**SEBI Registration No.:** BSE: INB010684638; NSE INB230645339  
**Investors Grievances Email:** grievances@dalmiasec.com

### **Integrated Enterprises (India) Limited**

15, First Floor, Modern House, Dr. V.B. Gandhi Marg,  
Fort Mumbai - 400023  
**Tel No:** +91 22 4066 1800;  
**Fax No:** +91 22 2287 4676;  
**Email:** krishnan@integratedindia.in;  
**Contact Person:** Mr. V Krishnan  
**Website:** www.integratedindia.in  
**SEBI Registration No.:** BSE: INB011271831; NSE: INB231271835  
**Investors Grievances Email:** krishnan@integratedindia.in

**R.R. Equity Brokers Private Limited**

47, M.M. Road, Rani Jhansi Marg,  
Jhandewalan, New Delhi- 110 055

**Tel No:** +91 011 23636362 - 63;

**Fax No:** +91 011 23636746;

**Email:** jeetesh@rrfcl.com;

**Website:** www.rrfcl.com/ www.rrfinance.com

**Contact Person:** Mr. Jeetesh Kumar

**SEBI Reg. No.:** NSE: INB231219636; BSE: INB011219632

**Investor Grievance Email:** investors@rrfcl.com

**SMC Global Securities Limited**

17, Netaji Subhash Marg, Opposite Golcha Cinema,  
Daryaganj, New Delhi 110 002

**Tel No:** +91 9818620470/ 9810059041;

**Fax No:** +91 11 23263297;

**Email:** mkg@smcindiaonline.com, neerajkhanna@smcindiaonline.com;

**Contact Person:** Mahesh Gupta

**Website:** www.smctradeonline.com

**SEBI Registration No:** BSE: INB011343937; NSE: INF230771431

**Investor Grievance Email:** neerajkhanna@smcindiaonline.com

**VCK Share & Stock Broking Services Limited**

202 Malhotra Chambers, 31/33 Police Court Lane,  
Fort, Mumbai 400001

**Tel No:** +91 22 66325731 / 66333022;

**Fax No:** +91 22 66325737;

**Email:** pankaj@vckgroup.org;

**Contact Person:** Pankaj Mehta

**Website:** www.vckgroup.com

**SEBI Registration No:** BSE: INB010469139;

**Investor Grievance Email:** pankaj@vckgroup.org

**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”.

**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 Issue, *i.e.* ₹ 7500 lakh, prior to the Issue Closing Date, the entire subscription amount shall be refunded to the Applicants within 12 days from the date of Closure of the Issue. The refunded subscription amount shall be credited only to the account from which the relevant subscription amount was remitted. In the event, there is a delay, by the Issuer in making the aforesaid refund, our Company will pay 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 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 CIR/IMD/DF-1/20/2012) dated July 27, 2012.

## Utilisation of Issue proceeds

Our Board of Directors certifies that:

- 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;
- the allotment letter shall be issued or application money shall be refunded within the time specified in chapter titled “Issue Procedure” on page 168, failing which interest shall be due to be paid to the applicants at the rate of 15% for the delayed period;
- 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;
- details of all unutilised monies out of the Issue, if any, shall be disclosed under an appropriate head in our balance sheet indicating the form in which such unutilised monies have been invested;
- we shall utilize the Issue proceeds only upon creation of security as stated in this Prospectus in the chapter titled “Issue Structure” beginning on page 150; and
- 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.

## Issue Programme

<b>ISSUE OPENS ON</b>	February 27, 2015
<b>ISSUE CLOSES ON*</b>	March 19, 2015

*\* 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 through advertisement/s in at least one leading national daily newspaper.*

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 BSE, on Working Days during the Issue Period. On the Issue Closing Date, the 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.

Due to limitation of time available for uploading the Applications on the Issue Closing Date, Applicants are advised to submit their Application Forms one day prior to the Issue Closing Date and, not later than 3.00 p.m (Indian Standard Time) on the Issue Closing Date. Applicants are cautioned that in the event a large number of Applications are received on the Issue Closing Date, all applications may not be uploaded due to lack of sufficient time. Such Applications that cannot be uploaded will not be considered for allocation under the Issue.

Application Forms will only be accepted on Working Days during the Issue Period. Neither our Company, nor the Lead Manager, Lead Brokers or Trading Members of the Stock Exchange are liable for any failure in uploading the Applications due to failure in any software/ hardware systems or otherwise.



## SUMMARY OF BUSINESS

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 hypothecation of 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. We have network of 49 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 Tamilnadu Electricity Board and Gujarat Urja Vikas Nigam Limited. At present, we have an aggregate of 20 windmills with capacity of 6,950 kW located in the States of Tamilnadu and Gujarat.

Our Company was incorporated in the year 1955 and has a track record of more than three decades of experience 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, cogeneration, wind energy and transportation.

We believe in stable growth policy with control on assets quality. Our total income increased to ₹ 13,810.66 lakh for FY 2014 from ₹ 7886.20 lakh for FY 2010 at a CAGR of 15.04%. Our net profit after tax increased to ₹ 1415.73 lakh for the FY 2014 from ₹ 628.18 for the FY 2010 at CAGR of ₹ 22.52%. Our gross NPAs as a percentage of loan assets as of March 31, 2013 and March 31, 2014 were 0.83% and 1.14%, respectively. Our Net NPAs as a percentage of loan assets as of March 31, 2013 and March 31, 2014 were 0.29% and 0.49%, respectively. As on September 30, 2014, our gross NPA as a percentage of loan assets and Net NPAs as a percentage of loan assets are 1.45% and 0.88% respectively.

Our capital adequacy ratio as of March 31, 2013, March 31, 2014 and September 30, 2014, computed on the basis of applicable RBI requirements, were 15.91%, 21.55% and 21.41% respectively. Our Tier I capital as of March 31, 2013, March 31, 2014 and September 30, 2014 were 13.11%, 12.72% and 12.72 %, respectively.

A summary of our key operational and financial parameters for the last three completed financial years are as follows:

Particulars	As at and for the half year ended September 30, 2014	As at and for the FY ended March 31,		
		2014	2013	2012
	Audited	Audited	Audited	Audited
Net worth*	12,969.44	12,237.81	11,524.05	10,509.81
Total Debt of which @				
Non current maturities of long term borrowing	26,191.26	16,379.84	4,741.38	3,627.91
Non current maturities of short term borrowing	35,745.17	45,824.81	54,976.51	51,474.73
Current maturities of long term borrowing**	16,971.22	9,898.98	7,047.66	5,626.02
Net fixed assets(including CWIP and intangible assets)	5,914.03	6,009.36	6,241.53	6,784.66
Non-current assets	8,198.59	7,550.46	7,775.20	7,871.74
Cash and cash equivalents	4,397.95	3,030.83	2,643.92	1,710.42
Current investments	-	115.98	-	447.75
Current assets	89,323.45	82,666.13	75,896.67	68,923.14
Current liabilities @	82,514.32	75,922.58	69,789.79	63,678.65
Assets under management #	78,426.66	75,035.05	69,275.58	63,303.15
Off Balance sheet assets	-	-	-	-
Income from hire purchase operations	6,698.83	12,644.05	11,763.90	10,839.88
Interest expenses	4,322.07	7,863.72	7,259.28	6,699.60
Provisioning and write-offs	258.10	543.28	446.92	391.39
Profit after tax	731.64	1,415.73	1,399.85	1,161.70

\* Networth= Share capital + reserves and surplus (excluding revaluation reserve) – miscellaneous expenditure (to the extent not written off or adjusted)

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

@ Total debt is exclusive of interest accrued thereon. The same has been included in the current liabilities.

# Asset under management means the stock on hire

The following table sets forth, as of the dates indicated, data regarding our NPAs and Capital Adequacy Ratios

Particulars	As at and for the half year ended September 30, 2014	As at and for the FY ended March 31,		
		2014	2013	2012
Gross NPA (₹lakh)	1,227.28	909.81	606.81	442.16
Net NPA (₹ lakh)	484.31	390.62	214.40	152.10
Total loan assets (₹lakh)	84,549.25	79,499.27	73,241.47	66,888.42
Net loan assets (₹lakh)	83,806.28	78,980.08	72,849.06	66,598.36
% of gross NPA to total loan assets	1.45	1.14	0.83	0.66
% of net NPA to net loan assets	0.58	0.49	0.29	0.23
<b>Tier I Capital Adequacy Ratio (%)</b>	<b>12.72</b>	<b>12.72</b>	<b>13.11</b>	<b>13.25</b>
<b>Tier II Capital Adequacy Ratio (%)</b>	<b>8.69</b>	<b>8.83</b>	<b>2.80</b>	<b>3.09</b>

## OUR STRENGTHS

### *Unique Business Model*

We are an asset finance company with primary focus on financing pre-owned commercial vehicles. Our target customers comprise SRTTO/MRTO, primarily hails from rural/semi-urban area. These SRTTOs/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, which satisfy the need of the target customers.

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

We have an experience of more than three decades 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. Under 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 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 arrangement with the CSPs is cost effective as they function from Small Office Home Office (SOHO) provided by our Company without being a formal branch setup.

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 more than three decades focusing on southern region of India particularly in the states of Tamil Nadu and Kerala. We have a network of 49 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 six (6) 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 in Sakthi Group.

### **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 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 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. We have recently established Sakthi Excellence Academy ("SEA") in association with Kumaraguru College of Technology through which fresh graduates are being imparted exclusive training so as to make them ready to fit in at marketing officers' level in our Company.

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

We generate our funding requirements from several sources including issuance of non-convertible debenture on private placement basis, working capital loan from banks/financial institution and fixed deposit from retail investors.

As on March 31, 2013 out of total debt funding, around 67% was sourced through the issue of non-convertible debentures on private placement basis. However, on account of RBI circular stipulating the restrictions on issue of non-convertible debenture on private placement, our company has reduced acceptance of funds from issue of non-convertible debenture on private placement basis. Accordingly, as on September 30, 2014, out of total debt funding nearly 28.46% was sourced through the issue of non-convertible debentures on private placement basis. Further RBI, vide its circular RBI/2014-15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 issued certain guidelines about the limit for acceptance of deposits across the sector by reducing the same for rated Asset Finance Company from 4 times to 1.5 times of NoF with immediate effect. As on September, 30 2014, our company has raised fixed deposit of ₹ 20,990.75 lakh which is 1.80 times of NoF. Under the current scenario, we plan to mobilize the fund requirement by other alternatives viz securitization of hire purchase receivable, banks funding or by public issue of non-convertible debentures. Hence, to mobilize the fund from any of the aforesaid sources at competitive cost, we intend to improve our credit rating.

***Upgrade the 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.

For further information on our business please refer to the chapter titled “*Our Business*” beginning on page 67.

## SUMMARY FINANCIAL INFORMATION

The following tables present an extract of Reformatted Financial Statements. The Reformatted Financial Statements should be read in conjunction with the examination report thereon issued by our Statutory Auditor and statement of significant accounting policies and notes to accounts on the Reformatted Financial Statements contained in the chapter titled “Financial Statements” beginning on page 93.

### REFORMATTED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

(₹lakh)

Particulars	As at September 30, 2014	As at March, 31,				
		2014	2013	2012	2011	2010
<b>EQUITY AND LIABILITIES</b>						
<b>Shareholders' Funds</b>						
Share Capital	6,000.00	6,000.00	6,000.00	5,690.30	3,010.70	3,010.70
Reserves and Surplus	9,007.71	8,294.01	7,882.08	7,418.93	6,680.42	3,576.64
	<b>15,007.71</b>	<b>14,294.01</b>	<b>13,882.08</b>	<b>13,109.23</b>	<b>9,691.12</b>	<b>6,587.34</b>
<b>Share Application money pending allotment</b>		-	-	<b>7.00</b>	<b>1,578.63</b>	<b>1,053.63</b>
<b>Non-Current Liabilities</b>						
Long-Term Borrowings	26,191.26	16,379.84	4,741.38	3,627.91	4,536.94	5,082.33
Deferred Tax Liabilities (Net)	837.24	923.48	840.72	845.34	739.94	579.31
	<b>27,028.50</b>	<b>17,303.32</b>	<b>5,582.10</b>	<b>4,473.25</b>	<b>5,276.88</b>	<b>5,661.64</b>
<b>Current Liabilities</b>						
Short-Term Borrowings	35,745.17	45,824.81	54,976.51	51,474.73	44,800.72	33,589.44
Other Current Liabilities	18,587.50	11,312.13	8,004.80	6,598.25	5,927.23	6,880.08
Short-Term Provisions	1,153.16	1,482.32	1,226.38	1,132.42	788.66	189.46
	<b>55,485.83</b>	<b>58,619.26</b>	<b>64,207.69</b>	<b>59,205.40</b>	<b>51,516.61</b>	<b>40,658.98</b>
	<b>97,522.04</b>	<b>90,216.59</b>	<b>83,671.87</b>	<b>76,794.88</b>	<b>68,063.24</b>	<b>53,961.60</b>
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Fixed Assets						
- Tangible Assets	5,594.79	5,689.77	6,208.00	6,759.34	7,045.50	3,490.07
- Intangible Assets	319.24	319.59	33.53	25.32	34.44	21.63
- Capital Work-in-Progress	6.88	4.50	-	-	-	-
- Intangible Assets under Development	-	-	207.51	-	-	-
Non-Current Investments	2,070.48	1,296.14	1,124.91	726.48	1,177.23	1,182.23
Long-Term Loans and Advances	207.20	240.46	201.25	360.60	344.57	455.45
Other Non-Current Assets	-	-	-	-	39.77	-
	<b>8,198.59</b>	<b>7,550.46</b>	<b>7,775.20</b>	<b>7,871.74</b>	<b>8,641.51</b>	<b>5,149.38</b>
<b>Current Assets</b>						
Current Investments	-	115.98	-	447.75	-	-
Stock on Hire	78,426.66	75,035.05	69,275.58	63,303.15	52,935.98	43,864.98
Trade Receivables	185.74	88.74	372.74	348.76	187.00	60.34
Cash and Bank Balances	4,397.95	3,030.83	2,643.92	1,710.42	2,799.57	2,625.14
Short-Term Loans and Advances	5,821.16	4,116.46	3,481.21	2,981.22	3,283.95	2,158.32
Other Current Assets	491.94	279.07	123.22	131.85	215.24	103.45
	<b>89,323.45</b>	<b>82,666.13</b>	<b>75,896.67</b>	<b>68,923.14</b>	<b>59,421.73</b>	<b>48,812.22</b>
	<b>97,522.04</b>	<b>90,216.59</b>	<b>83,671.87</b>	<b>76,794.88</b>	<b>68,063.24</b>	<b>53,961.60</b>



# REFORMATTED SUMMARY STATEMENT OF PROFIT AND LOSS

(₹ lakh)

Particulars	Half year ended September 30, 2014	For the year ended March,31,				
		2014	2013	2012	2011	2010
<b>Revenue from Operations</b>						
Income from Operations	6,971.50	13,183.32	12,204.71	11,194.30	8,836.87	7,591.22
Other Income	246.25	627.34	667.24	421.34	329.71	294.98
<b>Total Revenue from Operations</b>	<b>7,217.75</b>	<b>13,810.66</b>	<b>12,871.95</b>	<b>11,615.64</b>	<b>9,166.58</b>	<b>7,886.20</b>
<b>Expenses</b>						
Employee Benefits Expense	875.35	1,701.00	1,720.41	1,625.91	1,123.00	773.34
Finance Costs	4,322.07	7,863.72	7,259.28	6,699.60	5,592.62	4,995.35
Depreciation and Amortization Expense	140.15	245.55	286.68	281.54	220.01	164.03
Other Expenses	562.70	1,178.45	1,025.62	900.16	762.96	722.46
Provisions and Write off	245.47	522.36	431.48	366.09	239.67	178.39
Contingent Provision against Standard Assets	12.63	20.92	15.44	25.30	135.12	-
<b>Total Expenses</b>	<b>6,158.37</b>	<b>11,532.00</b>	<b>10,738.91</b>	<b>9,898.59</b>	<b>8,073.38</b>	<b>6,833.57</b>
<b>Profit before Exceptional and Extraordinary Items and Tax</b>	<b>1,059.38</b>	<b>2,278.66</b>	<b>2,133.04</b>	<b>1,717.05</b>	<b>1,093.20</b>	<b>1,052.62</b>
Exceptional Items	-	-	-	-	-	-
<b>Profit before Extraordinary Items and Tax</b>	<b>1,059.38</b>	<b>2,278.66</b>	<b>2,133.04</b>	<b>1,717.05</b>	<b>1,093.20</b>	<b>1,052.62</b>
Extraordinary Items	-	-	-	-	-	-
<b>Profit before Tax</b>	<b>1,059.38</b>	<b>2,278.66</b>	<b>2,133.04</b>	<b>1,717.05</b>	<b>1,093.20</b>	<b>1,052.62</b>
Tax Expense:						
- Current Tax	413.97	780.17	691.66	451.26	255.43	175.61
- MAT Credit (Entitlement) / Utilization	-	-	31.13	-	(131.86)	-
- Deferred Tax	(86.23)	82.76	(4.61)	105.38	160.64	249.97
- Provision for Taxation-earlier years	-	-	15.01	(1.29)	15.40	(1.15)
<b>Profit for the year</b>	<b>731.64</b>	<b>1,415.73</b>	<b>1,399.85</b>	<b>1,161.70</b>	<b>793.59</b>	<b>628.18</b>
<b>Surplus for the year carried to Balance Sheet</b>	<b>731.64</b>	<b>1,415.73</b>	<b>1,399.85</b>	<b>1,161.70</b>	<b>793.59</b>	<b>628.18</b>
<b>Earnings per Equity Share</b>						
Par Value per Equity Share (₹)	10.00	10.00	10.00	10.00	10.00	10.00
Basic (₹)	1.46	2.60	2.58	3.85	2.64	2.09
Diluted (₹)	1.46	2.60	2.58	3.85	1.73	1.76

# REFORMATTED CASH FLOW STATEMENT

(₹ lakh)

Particulars	Half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
<b>A. CASH FLOW FROM OPERATING CTIVITIES</b>						
Net profit before tax	1059.38	2278.66	2133.04	1717.05	1093.20	1052.62
Adjustments for:						
Add: Finance cost	4322.07	7863.72	7259.28	6699.60	5592.62	4995.35
Depreciation and Amortisation expense	140.15	245.55	286.68	281.54	220.01	164.03
Refund received from FBT - Earlier years	0.00	0.00	0.00	1.30	0.00	0.00
Provision for Wealth Tax - Earlier years	0.00	0.00	0.00	(0.01)	0.00	0.00
Increase / (Decrease) in diminution in value of Investments	0.00	0.00	0.00	0.00	0.04	0.00
Increase / (Decrease) in provision against Non Performing Assets	223.78	126.78	102.34	70.83	76.56	(8.36)
Increase / (Decrease) in provision against Standard Assets	12.63	20.92	15.44	25.30	135.12	0.00
Loss / (Profit) on sale of assets	0.00	(271.10)	(166.38)	(0.08)	(2.60)	2.06
Loss /(Profit) on sale and redemption of long term investments	(4.02)	1.40	(0.75)	0.00	0.00	3.64
Interest received	(245.35)	(477.65)	(378.75)	(312.50)	(497.90)	(165.96)
Dividend Received	(1.25)	(3.05)	(2.80)	(2.53)	(2.50)	(2.50)
Operating profit before working capital changes	5507.39	9785.23	9248.10	8480.50	6614.55	6040.88
(Increase) / Decrease in net Stock on Hire	(3391.61)	(5759.47)	(6003.68)	(10336.10)	(9093.67)	(9685.41)
(Increase) / Decrease in Trade receivables	(97.00)	284.00	(1170.59)	(394.85)	0.00	0.00
(Increase) / Decrease in Cash and Bank Balances	(300.98)	(509.73)	0.32	185.08	(12.49)	40.44
(Increase) / Decrease in Long Term / Short Term Loans and Advances	(2322.35)	(2178.23)	(338.39)	199.78	(1420.94)	156.17
Increase / (Decrease) in Other Current Liabilities	699.81	3307.33	(437.70)	(673.98)	109.60	(611.81)
Cash used in operations	95.26	4929.13	1298.06	(2539.57)	(3802.95)	(4059.73)
Finance costs	(4322.07)	(7863.72)	(6837.23)	(6133.52)	(5378.57)	(4433.23)
Direct taxes paid	338.09	676.00	721.07	335.00	229.56	227.08
<b>Net cash used in Operating Activities (A)</b>	<b>(3888.72)</b>	<b>(2258.59)</b>	<b>(4818.10)</b>	<b>(8338.09)</b>	<b>(8951.96)</b>	<b>(8265.88)</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>						
Purchase of fixed assets	(40.30)	(142.10)	(98.51)	(46.95)	(1216.93)	(1016.33)
Assets under Development	(6.88)	(4.50)	-	-	-	-
Intangible Assets under Development	-	-	(207.51)	-	-	-
Sale of fixed Assets	0.00	305.49	279.97	0.08	91.37	0.86
Sale / redemption of Long Term Investments	115.98	176.00	50.00	3.00	5.00	95.00
Gross Additions / (Deletions) to Investments	(774.34)	(464.61)	0.07	-	-	-
Interest received	245.35	477.65	380.46	312.36	498.45	168.06
Dividend Received	1.25	3.05	2.80	2.53	2.50	2.50
<b>Net cash from Investing Activities (B)</b>	<b>(458.94)</b>	<b>350.98</b>	<b>407.28</b>	<b>271.02</b>	<b>(619.61)</b>	<b>(749.91)</b>
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from issue of Share Capital	-	0.00	302.70	1326.79	525.00	500.00
Proceeds from Long and Short Term Borrowings	5013.86	2486.76	5628.83	6179.09	3850.44	1151.60
Increase / (Decrease) in Secured Non convertible debentures	-	-	-	-	5767.96	6764.06
Increase / (Decrease) in Fixed deposits	-	-	-	-	(409.78)	1547.23
Dividend paid including Corporate Dividend tax	-	(701.97)	(691.66)	(349.91)	-	-
<b>Net Cash from Financing Activities (C)</b>	<b>5013.86</b>	<b>1784.79</b>	<b>5239.87</b>	<b>7155.97</b>	<b>9733.62</b>	<b>9962.89</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	<b>666.19</b>	<b>(122.82)</b>	<b>829.05</b>	<b>(911.10)</b>	<b>162.05</b>	<b>947.10</b>
Cash and cash equivalents at the beginning of the year	2404.48	2527.30	1698.27	2609.37	2447.31	1500.20
Cash and cash equivalents at the end of the year	3070.67	2404.48	2527.30	1698.27	2609.37	2447.31
<b>Components of cash and cash equivalents at the end of the year:</b>						
Cash on hand	206.84	1328.89	1346.35	616.02	859.20	556.30
Balance with Banks						
- cheques, drafts on hand	1767.50	766.64	576.59	378.28	1057.83	1084.76
- in current accounts	1096.33	308.95	604.36	703.97	692.34	806.25

## THE ISSUE

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

<b>Issuer</b>	Sakthi Finance Limited
<b>Lead Manager</b>	Dalmia Securities Private Limited
<b>Debenture Trustee</b>	GDA Trusteeship Limited
<b>Registrar to the Issue</b>	S.K.D.C Consultants Limited
<b>Issue</b>	Public Issue of secured redeemable non-convertible debentures of face value of ₹ 100 each, aggregating upto ₹ 10,000 lakh.
<b>Type and Nature of instrument</b>	Secured, redeemable, non-convertible debentures of our Company of face value of ₹ 100 each.
<b>Mode of issue</b>	Public Issue.
<b>Face Value (in ₹/ NCD)</b>	₹ 100.00.
<b>Issue Price (in ₹/ NCD)</b>	₹ 100.00.
<b>Minimum application size</b>	₹10,000 (100 NCDs). (for all options of NCDs, namely Options I, II, III, IV, V, VI VII and VIII either taken individually or collectively).
<b>In Multiples of</b>	₹1000 (10 NCDs after the minimum application size).
<b>Eligible Investors</b>	Refer the chapter titled “ <i>Issue Procedure - Who can apply</i> ” on page 169.
<b>Seniority</b>	Senior (to clarify, 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 would constitute secured obligations of ours and shall rank <i>pari passu inter se</i> , present and future 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 first and exclusive charge in favour of the Debenture Trustee on current assets, book debts, loans, receivable (including hire purchase receivables) and mortgage over an identified immovable property of our Company as may be decided mutually agreed between our Company and the Debenture Trustee.
<b>Stock Exchange proposed for listing of the NCDs</b>	BSE Limited (“BSE”).
<b>Listing and timeline for listing</b>	The NCDs shall be listed within 12 Working Days of Issue Closing Date.
<b>Mode of Allotment</b>	Both in physical and dematerialised form.
<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 NCDs to be issued in terms of the Prospectus together with all interest due on the NCDs, as well as all costs, charges, all fees, remuneration of Debenture Trustee and expenses payable in respect thereof shall be secured.</p> <p>Our Company will create security on current assets, book debts, loans, receivable (including hire purchase receivables) and mortgage over the identified immovable property, by way of first and exclusive charge, in favour of the Debenture Trustee for the NCD Holders to ensure 100% asset cover for the NCDs, which shall be free from any encumbrances.</p> <p>For further details please refer to the chapter titled “<i>Issue Structure–Security</i>” on page 161 of this Prospectus.</p>
<b>Who can apply</b>	Please refer to the chapter titled “ <i>Issue Procedure – Who can apply</i> ” beginning on page 169.
<b>Issue size</b>	Public Issue by our Company of secured redeemable NCDs aggregating upto ₹10,000 lakh.
<b>Pay-in date</b>	3 (three) Business Days from the date of upload of application in the book building system of BSE or the date of realisation of the cheques/demand drafts, whichever is later.
<b>Application Money</b>	The entire Application Amount is payable on submitting the application.
<b>Rating of the Instrument</b>	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/281/14-15 dated November 5, 2014 assigned, and <i>vide</i> its letter no. Reval/Chen/130/14-15 dated February 12, 2015 reaffirmed, a rating of “[ICRA] BBB (Stable)” for an amount of upto ₹ 10,000 lakh for the NCDs. Instruments with this rating are considered to have an adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry a low credit risk.

	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.
<b>Record Date</b>	<p>The date for payment of interest in connection with the NCDs or redemption of the NCDs, which shall be 7 (seven) 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>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 as the Record Date.</p>
<b>Issue Schedule***</b>	The Issue shall be open from February 27, 2015 to March 19, 2015 with an option to close earlier and/or extend up to a period as may be determined by a Board or duly constituted committee of the Board.
<b>Objects of the Issue</b>	Please refer the chapter titled “ <i>Objects of the Issue</i> ” on page 50.
<b>Details of utilisation of Proceeds</b>	Please refer the chapter titled “ <i>Objects of the Issue</i> ” on page 50.
<b>Coupon rate, Coupon payment dates, redemption premium</b>	Please refer the chapter titled “ <i>Issue Structure</i> ” beginning on page 150.
<b>Tenor</b>	Please refer the chapter titled “ <i>Issue Structure</i> ” beginning on page 150.
<b>Coupon payment frequency</b>	Please refer the chapter titled “ <i>Issue Structure</i> ” beginning on page 150.
<b>Redemption dates and amount</b>	Please refer the chapter titled “ <i>Issue Structure</i> ” beginning on page 150.
<b>Working Days Convention/ Day Count Convention / Effect of holidays on payments</b>	<p><b>Working Days Convention</b></p> <p>All days excluding, Sundays and a public holiday in Mumbai or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881, except with reference to Issue Period where working days shall mean all days, excluding Saturdays, Sundays and public holidays in India or at any other payment center notified in terms of the Negotiable Instruments Act, 1881.</p> <p><b>Day Count Convention</b></p> <p>Interest shall be computed on a 365 days-a-year basis on the principal outstanding on the NCDs. However, where the interest period (start date to end date) includes February 29, interest shall be computed on 366 days a-year basis, on the principal outstanding on the NCDs.</p> <p><b>Effect of holidays on payments</b></p> <p>If the date of payment of interest does not fall on a Working Day, then the succeeding Working Day will be considered as the effective date for such payment of interest with interest for such additional period (the “<b>Effective Date</b>”). Such additional interest will be deducted from the interest payable on the next date of payment of interest. Interest and principal or other amounts, if any, will be paid on the Effective Date. 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 preceding Working Day, along with coupon/interest accrued on the NCDs until but excluding the date of such payment.</p>
<b>Issue Opening Date</b>	February 27, 2015
<b>Issue Closing Date</b>	March 19, 2015
<b>Interest on Application Money</b>	Please refer to the chapter titled “ <i>Issue Structure- Interest on Application Money</i> ” on page 162
<b>Put/Call option</b>	There is no put and call option on the NCDs
<b>Deemed date of Allotment</b>	Deemed Date of Allotment shall be the date as decided by the Board or the duly authorised committee of the Board constituted by resolution of the Board dated February 8, 2014, and as

	mentioned on the Allotment Advice / letter of regret. All benefits under the NCDs including payment of interest will accrue to the NCD Holders from the Deemed Date of Allotment. Actual Allotment may occur on a date other than the Deemed Date of Allotment.
<b>Default interest</b>	Refer the chapter titled “ <i>Issue Structure – Events of Default</i> ” on page 162.
<b>Day count basis</b>	Actual. For further details, see the chapter titled “ <i>Issue Structure</i> ” on page 155
<b>Transaction Documents</b>	Lead Manager MoU dated January 19, 2015 executed between the Company and the Lead Manager; Registrar MoU dated January 16, 2015 between the Company and the Registrar to the Issue; Debenture Trustee Agreement dated January 17, 2015 executed between the Company and the Debenture Trustee; Lead Brokers MoU dated February 10, 2015 executed between Lead Brokers, Company and Lead Manager; Escrow Agreement dated February 12, 2015 executed between the Company, the Registrar, the Escrow Collection Banks and the Lead Manager; Agreed form of the draft Debenture Trust Deed to be executed between the Company and the Debenture Trustee.
<b>Conditions precedent and subsequent to the Issue</b>	The conditions precedent and subsequent to disbursement will be finalised upon execution of the Debenture Trust Deed.
<b>Events of default</b>	Please refer to the chapter titled “ <i>Issue Structure- Events of Default</i> ” on page 162.
<b>Cross Default</b>	Please refer to the chapter titled “ <i>Issue Structure- Events of Default</i> ” on page 162.
<b>Roles and responsibility of the Debenture Trustee</b>	Please refer the section titled “ <i>Issue Structure – Trustees for the NCD Holders</i> ” on page 162.
<b>Settlement Mode</b>	Please refer to the chapter titled “ <i>Issue Structure- Payment on Redemption</i> ” on page 159.
<b>Governing law and jurisdiction</b>	The Issue shall be governed in accordance with the laws of the Republic of India and shall be subject to jurisdiction with the competent Courts of Jurisdiction under section 2(39) of the Companies Act, 2013 being High Court of Madras and appropriate jurisdictional courts in Coimbatore, India.

\* Please refer to Annexure 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.

\*\* As per Section 29 of the Companies Act, 2013, debentures may be issued to the public only in dematerialised form. In this regard, we had sought permission from SEBI for issuance of NCDs pursuant to this Issue in physical as well as dematerialised form. Thereafter we have received approval from SEBI, vide letter dated March 14, 2014, for issuance of NCDs pursuant to this Issue in physical as well as dematerialised form.

\*\*\* The subscription list shall remain open at the commencement of banking hours and close at the close of banking hours for the period as indicated, with an option for early closure or extension by such period, as may be decided by the Board or the duly authorised committee of the Board. In the event of such early closure or extension of subscription list 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 on or before such earlier date or extended date of closure.

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 Stock Exchange.



## TERMS AND CONDITIONS IN CONNECTION WITH THE NCDs

The NCDs being issued are in the form of secured, redeemable, non-convertible debentures of face value of ₹ 100 each. The principal terms of each option of NCDs are set out below:

Options	I	II	III	IV	V	VI	VII	VIII
Frequency of interest payment	Monthly	Cumulative	Monthly	Annually	Cumulative	Monthly	Annually	Cumulative
Category of investor who can apply	All categories of Investors (I, II and III)							
Minimum application	₹ 10,000 (100 NCDs) (for all options of NCDs, namely option I, option II, option III, option IV, option V, option VI, option VII and option VIII either taken individually or collectively)							
In multiples of	₹ 1000 (10 NCDs) after minimum application							
Face value of NCDs (₹ / NCD)	₹100							
Issue Price (₹ / NCD)	₹100							
Tenor from Deemed Date of Allotment (in months)	24	24	36	36	36	48	48	48
Coupon (%) for all Category of Investor(s)	11	NA	11.25	11.25 <sup>@</sup>	NA	11.50	11.50 <sup>@</sup>	NA
Effective Yield (per annum) for all Category of Investor(s)	11	11.46	11.25	11.73	11.73	11.5	12.01	12.01
Mode of interest payment*	Through various options available							
Amount (₹/ NCD) on maturity for all Category of Investor(s) *	100	124.24	100	100	139.49	100	100	157.38
Maturity Date (from Deemed Date of Allotment) (in months)	24	24	36	36	36	48	48	48

<sup>@</sup> The interest will be calculated on quarterly compounding basis and will be paid at the end of each year;

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

## CAPITAL STRUCTURE

### Details of share capital

The share capital of our Company as of December 31, 2014 is set forth below:

Share capital	Amount (₹ lakh)
<b>Authorised share capital</b>	
5,50,00,000 Equity Shares of ₹ 10 each	5,500.00
20,00,000 10% Redeemable Cumulative Preference Shares of ₹ 100 each	2,000.00
<b>Total</b>	<b>7,500.00</b>
<b>Issued, subscribed and paid-up share capital</b>	
5,00,00,000 Equity Shares of ₹ 10 each	5,000.00
10,00,000 10% Redeemable Cumulative Preference Shares of ₹ 100 each	1,000.00
<b>Total</b>	<b>6,000.00</b>
<b>Securities premium account</b>	<b>1,554.49</b>

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

### Notes to capital structure

#### 1. Changes in the authorised share capital of our Company

The details of changes in the authorised share capital of our Company during the last five years as of December 31, 2014 are:

Date of shareholders meeting	Particulars of change	AGM / EGM
September 14, 2010	The authorised share capital of our Company was increased from ₹ 4,500 lakh divided into 4,00,00,000 equity shares of ₹10 each and 5,00,000 redeemable cumulative preference shares of ₹ 100 each to ₹ 6,000 lakh divided into 5,50,00,000 equity shares of ₹ 10 each and 5,00,000 redeemable cumulative preference shares of ₹ 100 each	AGM
September 28, 2011	The authorised share capital of our Company was increased from ₹ 6,000 lakh divided into 5,50,00,000 equity shares of ₹10 each and 5,00,000 10% redeemable cumulative preference shares of ₹ 100 each to ₹ 7,500 lakh divided into 5,50,00,000 equity shares of ₹ 10 each and 20,00,000 10% redeemable cumulative preference shares of ₹ 100 each	AGM

#### 2. Equity Share capital history of our Company

The details of changes in Equity Share capital of our Company during the last five years as on December 31, 2014 are:

Date of allotment	No. of Equity Shares allotted	Face value (₹)	Issue price (₹)	Nature of Consideration	Nature of allotment	Cumulative No. of shares	Cumulative paid-up Equity Share capital (₹lakh)	Cumulative Equity Share premium (₹lakh)
March 31, 2012	1,98,93,019	10.00	11.10	Cash	Preferential issue <sup>1</sup>	5,00,00,000	5,000.00	1,554.49

<sup>1</sup>Preferential allotment of equity shares to promoter group – Sakthifinance Financial Services Limited (47,18,225), Sakthi Financial Services (Cochin) Private Limited (15,49,910), The Gounder and Company Auto Limited (30,51,676), ABT Values Limited (24,74,500), ABT Foundation Limited (24,74,500) and others (non-promoter group) - Avdhoot Finance & Investment Private Limited (56,24,208).

### 3. Preference Share capital history of our Company:

The details of changes in 10% Redeemable Cumulative Preference Shares capital of our Company during the last five years as of December 31, 2014 are:

Date of allotment	No. of Preference Shares allotted	Face value (₹)	Issue 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 31, 2012	6,90,300	100	100	Cash	Private Placement <sup>1</sup>	6,90,300	690.30	-
April 25, 2012	1,71,250	100	100	Cash	Private Placement <sup>2</sup>	8,61,550	861.55	-
July 06, 2012	1,20,700	100	100	Cash	Private Placement <sup>3</sup>	9,82,250	982.25	-
September 07, 2012	17,750	100	100	Cash	Private Placement <sup>4</sup>	10,00,000	1,000.00	-

<sup>1</sup> Private Placement of 6,90,300 - 10% Redeemable Cumulative Preference Shares to other than promoters and promoter group.

<sup>2</sup> Private Placement of 1,71,250 - 10% Redeemable Cumulative Preference Shares to other than promoters and promoter group.

<sup>3</sup> Private Placement of 1,20,700 - 10% Redeemable Cumulative Preference Shares to other than promoters and promoter group.

<sup>4</sup> Private Placements of 17,750 - 10% Redeemable Cumulative Preference Shares to other than promoters and promoter group.

### 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. Shareholding pattern of our Company

The following is the shareholding pattern of our Company as on December 31, 2014

Sr. No	Category of shareholder	No. of share holders	Total no. of shares	Total no. of shares held in dematerialized form	Total shareholding as % of total no. of shares		Shares pledged or otherwise encumbered	
					As a % of (A+B)	As a % of (A+B + C)	Number of shares	% of total no. of shares
<b>(A)</b>	<b>Shareholding of promoter and promoter group</b>							
<b>(1)</b>	<b>Indian</b>							
(a)	Individuals / Hindu Undivided Family	6	855691	855691	1.71	1.71	-	-
(b)	Central Government/ State Government (s)	-	-	-	-	-	-	-
(c)	Bodies Corporate	12	31251434	31251434	62.50	62.50	5185025	16.59
(d)	Financial Institutions/ Banks	-	-	-	-	-	-	-
(e)	Any Others (Specify)	-	-	-	-	-	-	-
	<b>Sub Total A(1)</b>	<b>18</b>	<b>32107125</b>	<b>32107125</b>	<b>64.21</b>	<b>64.21</b>	<b>5185025</b>	<b>16.15</b>
<b>(2)</b>	<b>Foreign</b>							
(a)	Individuals (Non-Resident Individuals/ Foreign Individuals)	-	-	-	-	-	-	-
(b)	Bodies Corporate	-	-	-	-	-	-	-
(c)	Institutions	-	-	-	-	-	-	-
(d)	Qualified Foreign Investor	-	-	-	-	-	-	-
(e)	Any Other (specify)	-	-	-	-	-	-	-
	<b>Sub Total A(2)</b>							
	<b>Total shareholding of promoter and promoter group (A)</b>							
	<b>(A) = (A)(1) + (A)(2)</b>	<b>18</b>	<b>32107125</b>	<b>32107125</b>	<b>64.21</b>	<b>64.21</b>	<b>5185025</b>	<b>16.15</b>

Sr. No	Category of shareholder	No. of share holders	Total no. of shares	Total no. of shares held in dematerialized form	Total shareholding as % of total no. of shares		Shares pledged or otherwise encumbered	
					As a % of (A+B)	As a % of (A+B + C)	Number of shares	% of total no. of shares
<b>(B)</b>	<b>Public shareholding</b>							
<b>1.</b>	<b>Institutions</b>							
(a)	Mutual Funds / UTI	-	-	-	-	-	-	-
(b)	Financial Institutions / Banks	5	2200	-	0.00	0.00	-	-
(c)	Central Government/ State Government(s)	-	-	-	-	-	-	-
(d)	Venture Capital Funds	-	-	-	-	-	-	-
(e)	Insurance Companies	-	-	-	-	-	-	-
(f)	Foreign Institutional Investors	-	-	-	-	-	-	-
(g)	Foreign Venture Capital Investors	-	-	-	-	-	-	-
(h)	Qualified Foreign Investor	-	-	-	-	-	-	-
(i)	Any Other (specify)	-	-	-	-	-	-	-
	<b>Sub Total</b>	<b>5</b>	<b>2200</b>	<b>-</b>	<b>0.00</b>	<b>0.00</b>	<b>-</b>	<b>-</b>
<b>2.</b>	<b>Non-Institutions</b>							
(a)	Bodies Corporate	146	7935360	6987483	15.87	15.87	-	-
(b)	Individuals							
	I. Individual shareholders holding nominal share capital up to Rs. 1 lakh	14467	3994218	2379181	7.99	7.99	-	-
	II. Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	37	1270481	1027331	2.54	2.54	-	-
(c)	Qualified Foreign Investor	-	-	-	-	-	-	-
(d)	<b>Any others (Specify)</b>							
	Directors and their Relatives	3	12175	12175	0.03	0.03	-	-
	Non Resident Indians	23	76128	74528	0.15	0.15	-	-
	Overseas Corporate Bodies	1	4450000	-	8.90	8.90	-	-
	Clearing Members	24	16993	16993	0.04	0.04	-	-
	Hindu Undivided Families	101	135320	135320	0.27	0.27	-	-
	<b>Sub Total (B) (2)</b>	<b>14802</b>	<b>17890675</b>	<b>10633011</b>	<b>35.79</b>	<b>35.79</b>	<b>-</b>	<b>-</b>
	<b>Total Public shareholders (B) = (B)(1) + (B)(2)</b>	<b>14807</b>	<b>17892875</b>	<b>10633011</b>	<b>35.79</b>	<b>35.79</b>	<b>-</b>	<b>-</b>
	<b>Total (A)+(B)</b>	<b>14825</b>	<b>50000000</b>	<b>42740136</b>	<b>100.00</b>	<b>100.00</b>	<b>5185025</b>	<b>10.37</b>
<b>(C)</b>	<b>Shares held by custodians and against which Depository Receipts have been issued</b>							
1.	Promoter and Promoter Group	-	-	-	-	-	-	-
2.	Public	-	-	-	-	-	-	-
	<b>Grand Total (A)+(B)+(C)</b>	<b>14825</b>	<b>50000000</b>	<b>42740136</b>	<b>100.00</b>	<b>100.00</b>	<b>5185025</b>	<b>10.37</b>

51,85,025 Equity Shares held by the Promoter Group representing 10.37% of the total Equity Share capital of our Company as on December 31, 2014 has been pledged or otherwise encumbered.

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 which is a promoter of our Company; and (c) the Directors of our Company and their relatives, within six months immediately preceding the date of filing this Prospectus.

#### 8. Top ten equity shareholders of our Company as on December 31, 2014

Sr. No	Name of shareholder	No. of Equity Shares of face value of ₹ 10 each	No of Equity shares in dematerialized form	Total Shareholding as % of total no of equity shares
1	ABT Limited	87,27,400	87,27,400	17.45
2	Sakthifinance Financial Services Limited	81,10,000	81,10,000	16.22
3	Avdhoot Finance & Investment Private Limited	56,24,208	56,24,208	11.25
4	Bridgewater Investment Corporation Limited	44,50,000	-	8.90
5	The Gounder & Company Auto Limited	39,25,000	39,25,000	7.85

Sr. No	Name of shareholder	No. of Equity Shares of face value of ₹ 10 each	No of Equity shares in dematerialized form	Total Shareholding as % of total no of equity shares
6	Sakthi Financial Services Cochin Private Limited	34,11,246	34,11,246	6.82
7	ABT Values Limited	24,75,000	24,75,000	4.95
8	ABT Foundation Limited	24,75,000	24,75,000	4.95
9	Sakthi Management Services (Coimbatore) Limited	11,35,434	11,34,594	2.27
10	Sakthi Sugars Limited	10,40,000	10,40,000	2.08

**9. Top ten preference shareholder of our Company as on December 31, 2014**

Sr. No	Name of Shareholder	No. of Preference Shares of face value of ₹100 each	Total Shareholding as % of total no of Preference shares
1	Jayanth Balakrishna	1,00,000	10.00
2	Jayanth Balakrishna	50,000	5.00
3	Jayashree Jayanth	50,000	5.00
4	Maya Sreekumar	13,000	1.30
5	M. Indirani	11,900	1.19
6	C. Gopalsamy	10,500	1.05
7	Balakrishnan Lakshminarayanan	10,000	1.00
8	S. Kalidhas	10,000	1.00
9	T.N.K. Ramesh	10,000	1.00
10	AR. Kasi	10,000	1.00

**10. Top ten holders of secured redeemable non-convertible debentures (retail) as on December 31, 2014**

Sr. No	Name of debenture holder	Aggregate Amount (₹ lakh)
1	Raghupathy Swaminathan	74.00
2	Krishna Moorthy M	70.00
3	Brahmavidyanayaki K.	55.00
4	Rajalingam G.	50.00
5	Balakrishnan Lakshminarayanan B	35.00
6	Vinu Praba V S V S	35.00
7	Girija S M	30.00
8	Chinnaswamy V S	29.00
9	Nagarathinam S.	25.00
10	Pravin Krishna R.	25.00

**11. Top ten holders of subordinate debt instruments as on December 31, 2014**

Sr. No	Name of debt instrument holder	Aggregate Amount (₹ lakh)
1	Raghupathy Swaminathan	44.00
2	Balachandran S	41.00
3	Indirani R	40.78
4	Pakkirisamy	40.00
5	Swathanthra Ramaiah	38.25
6	Ravikumar	30.58
7	Ramu	28.80
8	Mani	28.00
9	Rajasekar	26.93
10	Selvi	25.00



12. 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.

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

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

**15. Debt - equity ratio:**

The debt-equity ratio of our Company, prior to this Issue is based on a total outstanding debt of ₹ 78,907.65 lakh and shareholder funds amounting to ₹ 12,969.44 lakh as on September 30, 2014.

Particulars	Prior to the Issue (as on September 30, 2014)	(₹ lakh) Post the Issue**
<b>Debt</b>		
Long term borrowing	26,191.26	36,191.26
Short term borrowing	35,745.17	35,745.17
Current maturities of long term borrowings*	16,971.22	16,971.22
<b>Total Debt</b>	<b>78,907.65</b>	<b>88,907.65</b>
<b>Shareholders' funds</b>		
Share capital	6,000.00	6,000.00
Reserves and Surplus (excluding revaluation reserve)	6,969.44	6,969.44
<i>Less: Miscellaneous expenditure (to the extent not written off or adjusted)</i>	-	-
<b>Total Shareholders Fund</b>	<b>12,969.44</b>	<b>12,969.44</b>
<b>**Debt Equity Ratio (Number of times)</b>	6.08	6.85

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

\*\* The debt-equity ratio post the Issue is indicative and is on account of assumed inflow of ₹ 10,000 lakh from the Issue as on September 30, 2014. The actual debt-equity ratio post the 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 142.

## OBJECTS OF THE ISSUE

### Issue Proceeds

Our Company has filed this Prospectus for a public issue of NCDs aggregating upto ₹10,000 lakh. The details of the proceeds of the Issue are summarized below:

Particulars	Estimated Amount (₹ lakh)
Gross proceeds to be raised through the Issue	10,000.00
Less: Issue related expenses	332.52
Net proceeds of the Issue after deducting the Issue related expenses	9,667.48

The net proceeds raised through this Issue will be utilized for following activities in the ratio provided as below:

Sr. No	Objects of the fresh issue	(%) of amount proposed to be financed from net Issue Proceeds
1	Financing activities	atleast 75
2	For general corporate purposes	Upto 25

*\* The Net Proceeds will be first utilized towards the financing activities. 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. Financing activities

We are an asset finance company engaged in financing of commercial vehicles and infrastructure equipment. The net proceeds from this Issue will be utilized for the aforesaid financing activities 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 ₹ 332.52 lakh and the entire costs would be financed by Issue proceeds. The Issue expenses consists of fees payable to the Lead Manager, Registrar, legal advisor 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 200 of this 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 bearing liquid instruments including deposits with banks and investments in liquid (not equity) mutual funds or temporarily deploy the funds in investment grade interest bearing 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. Further, in accordance with the Debt Listing Agreement, our Company will furnish to the BSE on a half yearly basis, counter signed by Debenture Trustee, a statement indicating material deviations, if any, in the use of Issue proceeds and shall also publish the same in newspapers simultaneously with the half yearly financial results. We shall utilize the proceeds of the Issue only upon execution of the documents for creation of Security as stated in this Prospectus in the chapter titled "*Issue Structure*" on page 150 and upon the listing of the NCDs.

**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.

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 usual course of business.

Further, our Company undertakes that Issue proceeds 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.

## STATEMENT OF TAX BENEFITS

To

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

Dear Sirs,

### **Statement of Possible Tax Benefits available to the debenture holders of Sakthi Finance Limited, Coimbatore**

We, **P.N. Raghavendra Rao & Co.**, (ICAI Reg. No. 003328S), Coimbatore, hereby report that the enclosed statement states the possible tax benefits available to the Company and to the Debenture holders of the Company under the Income-tax Act, 1961 and the Wealth-tax Act, 1957 (as amended by the Finance Act, 2014), 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 the Company or 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 may or may not choose to fulfill.

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.

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.N. Raghavendra Rao & Co.**,  
Chartered Accountants  
Firm Regn. No.:003328S

**P.R.VITTEL**  
Partner  
Membership No.18111

**Place :** Coimbatore  
**Date :** January 17, 2015

## **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. 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<sup>1</sup>, 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 its 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 INCOMETAX ACT, 1961 ('I.T. ACT')**

#### **I. To the Resident Debenture Holder**

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 I.T. Act and such tax would need to be withheld at the time of credit/payment as per the provisions of Section 193 of the I.T. 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 there under (*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 I.T. 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 I.T. Act in the prescribed Form 15G verified in the prescribed manner to the 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 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".

To illustrate, as on 01.04.2014 –

- the maximum amount of income not chargeable to tax in case of individuals (other than senior citizens and super senior citizens) and HUFs is ₹ 2,50,000/-;
- in the case of every individual being a resident in India, who is of the age of 60 years or more but less than 80 years at any time during the Financial year (Senior Citizen) is ₹ 3,00,000/-;

<sup>1</sup>Refer Section 2 (18) (b) (B) of the I.T. Act



- In the case of every individual being a resident in India, who is of the age of 80 years or more at any time during the Financial year (Super Senior Citizen) is ₹ 5,00,000 for Financial Year 2014-15.

Further, section 87A provides a rebate of 100 percent of income-tax or an amount of Rs 2,000 whichever is less to a resident individual whose total income does not exceed ₹ 5,00,000.

(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 I.T. 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 I.T. 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.
3. As per the provisions of section 2(29A) of the IT Act, read with section 2(42A) of the I.T. 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 I.T. 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.

However as per the third proviso to section 48 of I.T. Act, benefit of indexation of cost of acquisition under second proviso of section 48 of I.T. Act, is not available in case of bonds and debenture, except capital indexed bonds. Accordingly, long term capital gains arising to the Debenture Holder(s), would be subject to tax at the rate of 10%, computed without indexation, as the benefit of indexation of cost of acquisition is not available in case of debentures.

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 I.T. 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 I.T. Act. Further, where the debentures are sold by the Debenture Holder(s) before maturity, the gains arising there from are generally treated as capital gains or business income as the case may be. However, there is an exposure that the Indian Revenue Authorities (especially at lower level) may seek to challenge the said characterization (especially considering the provisions explained in Para V below) and hold the such gains/income as interest income in the hands of such Debenture Holder(s).

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

1. A non-resident Indian has an option to be governed by Chapter XII-A of the I.T. Act, subject to the provisions contained therein which are given in brief as under:
  - (a) Under section 115E of the I.T. 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 115F of the I.T. 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 I.T. Act in accordance with and subject to the provisions contained therein.
  - (c) Under section 115G of the I.T. Act, it shall not be necessary for a non-resident Indian to file a return of income under section 139(1) of the I.T. 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 I.T. Act in accordance with and subject to the provisions contained therein.
  - (d) Under section 115H of the I.T. 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 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 I.T. Act, a Non-Resident Indian may opt not to be governed by the provisions of Chapter XII-A of the I.T. 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 I.T. Act
3. Under Section 195 of the I.T. 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 at the normal rates for Short Term Capital Gains if the payee Debenture Holder is a Non Resident Indian.
4. The income tax deducted shall be increased by a surcharge as under:
- (a) In the case of non-resident Indian surcharge at the rate of 10% of such tax where the income or the aggregate of such income paid or likely to be paid and subject to the deduction exceeds ₹ 1,00,00,000.
  - (b) 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 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.

Further, 2% education cess and 1% secondary and higher education cess on the total income tax (including surcharge) is also deductible.

5. As per section 90(2) of the I.T. 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 I.T. Act or at the rate provided in the DTAA, whichever is more beneficial to the assessee. However, submission of Tax Residency Certificate ('TRY') 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 1 August 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 I.T. 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 I.T. Act. Further, where the debentures are sold by the Debenture Holder(s) before maturity, the gains arising there from are generally treated as capital gains or business income as the case may be. However, there is an exposure that the Indian Revenue Authorities (especially at lower level) may seek to challenge the said characterization (especially considering the provisions explained in Para V below) and hold the such gains/income as interest income in the hands of such Debenture Holder(s).

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

1. In accordance with and subject to the provisions of section 115AD of the I.T. 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) and short-term capital gains are taxable at 30% (plus applicable surcharge and education and secondary and higher education cess). The benefit of cost indexation will not be available. Further, benefit of provisions of the first proviso of section 48 of the I.T. Act will not apply.
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. The Finance Act, 2013 (by way of insertion of a new section 194LD in the I.T. 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 FIIs and Qualified Foreign Investor in respect of rupee denominated bond of an Indian company between June 1, 2013 and June 1, 2015 provided such rate does not exceed the rate as may be notified<sup>2</sup> by the Government.
4. In accordance with and subject to the provisions of section 196D(2) of the I.T. Act, no deduction of tax at source is applicable in respect of capital gains arising on the transfer of debentures by FIIs.
5. The CBDT has issued a Notification No. 9 dated 22 January 2014 which provides that Foreign Portfolio Investors (FPI) registered under SEBI (Foreign Portfolio Investors) Regulations, 2014 shall be treated as FII for the purpose of Section 115AD of the I.T. Act.
6. The provisions at para II (4, 5 and 6) above would also apply to FIIs.

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<sup>2</sup> Refer Notification No. 56/2013 [F.No.149/81/2013-TPL]/SO 2311(E), dated 29-7-2013. As per the said Notification, in case of bonds issued on or after the 1st day of July, 2010, the rate of interest shall not exceed 500 basis points (bps) over the Base Rate of State Bank of India applicable on the date of issue of the said bonds.

### **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 authorised 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 I.T. Act subject to and in accordance with the provisions contained therein. Further, as per the provisions of section 196 of the I.T. 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 I.T. 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.

### **V. General Anti-Avoidance Rules ('GAAR')**

In terms of Chapter XA of the I.T. Act, General Anti-Avoidance Rules may be invoked notwithstanding anything contained in the I.T. Act. By this Rule, any arrangement entered into by an assessee may be declared to be impermissible avoidance arrangement as defined in that Chapter and the consequence would be *inter-alia* denial of tax benefit, applicable w.e.f 1-04-2016. 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 23<sup>th</sup> September, 2013.

**VI. Exemption under Sections 54EC and 54F of the I.T. Act**

1. Under section 54EC of the I.T. Act, 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 certain notified bonds 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 bonds are transferred or converted into money 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 the bonds are transferred or converted into money. Budget 2014 has also introduced an amendment to section 54EC and from 01.04.2015 onwards, the investment made by the assessee in the long term specified asset, out of capital gains arising from the transfer of one or more original asset, during the financial year in which the original asset or assets are transferred and in the subsequent financial year does not exceed ₹ 50 lakh. Where the benefit of section 54EC of the I.T. Act has been availed of on investments in the notified bonds, a deduction from the income with reference to such cost shall not be allowed under section 80C of the I.T. Act.
2. As per the provisions of section 54F of the I.T. Act, any long-term capital gains on transfer of a long-term capital asset (not being residential house) 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.

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 I.T. 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 I.T. Act to furnish his PAN to the person responsible for deduction of tax at source.
2. *Sec 206AA*
  - (a) Section 206AA of the I.T. 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 I.T. 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)(vii) of the I.T. Act, where an Individual or Hindu Undivided Family receives debentures from any person on or after 1st October, 2009:

- (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 I.T. 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 12AA.

**IX. Where the Debenture Holder is a person located in a Notified Jurisdictional Area ('NJA') under section 94A of the I.T. 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 I.T. Act -

- All parties to such transactions shall be treated as associated enterprises under section 92A of the I.T. 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 I.T. Act unless the assessee furnishes an authorisation 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 or rates in force;
  - (ii) at the rate specified in the relevant provision of the I.T. Act; or
  - (iii) at the rate or of thirty per cent.

**B. IMPLICATIONS UNDER THE WEALTH TAX ACT, 1957**

Wealth-tax is not levied on investment in debentures under section 2(ea) of the Wealth-tax Act, 1957.

**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 Wealth Tax Act, 1957 (collectively referred to as 'direct tax laws') 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 I.T. Act and such tax would need to be withheld at the time of credit/payment as per the provisions of Section 194A of the I.T. Act.



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

### 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 of 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 Quarterly review on retail non-banking finance companies quarter ended March 31, 2014 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) of ₹ 57417.91 billion (at constant price 2004-05 prices) (at current prices ₹ 104728.07 billion) (Source: CIA Factbook) at the end of financial year 2014, (Source: RBI and CSO, GoI) is the fourth largest economy in the world after USA, European Union and China. A snapshot on the sectoral growth of GDP for the last five years at constant price (at factor cost 2004-05 prices) is furnished below:

YoY Growth (%)	2010	2011	2012	2013	2014
<b>GDP</b>	8.59	8.91	6.69	4.47	4.74
<b>Agriculture &amp; Allied</b>	0.81	8.60	5.02	1.42	4.71
<b>Industry</b>	10.16	8.25	6.69	0.91	(0.15)
<b>Services</b>	10.02	9.19	7.06	6.25	6.18

Source: Reserve Bank of India and CSO GoI.

Notes: Figures for 2011-12 are based on 2<sup>nd</sup> revised estimates and 2012-13 based on 1<sup>st</sup> revised estimates and 2013-14 are provisional.

The global financial crisis also hit the Indian economy and economic growth slashed to 6.72% in the financial year 2008-09. However, with buoyant domestic demand, accommodative policies and stimulus packages announced by the government, macroeconomic environment improved in the later year and the economy registered a growth of 8.59% in the financial year 2010. The economy grew at a further higher rate in the financial year 2011 and registered an impressive growth of 8.91% in 2010-11 on growth from all the sectors. However, the inflationary situation and investment slowdown led to deceleration in the GDP growth, which was witnessed across all Emerging markets economy and the growth rate decelerated to 6.69% in 2012 and further to 4.47% in 2012-13. Due to pick up in the economy, the GDP showed a marginal growth of 4.74% in 2013-14. The GDP for the Q1 2014-15 was ₹ 14383.88 billion while the same at current Price was ₹ 26973.03 billion (RBI Hand book of Statistics).

## GLOBAL PROSPECT

The IMF World Economic Outlook (October 2014 updates) has stated that the global growth is forecast to strengthen to 3.5% in H2 of 2014 and 3.8% in 2015. The above update also projects the GDP growth for India at 5.6% and 6.4% for CY 2014 and CY 2015, respectively. At the same time, the update also cautions that the emerging markets (India is one) face the problems of domestic weaknesses and capital outflows which could hamper their projected growth.

## STRUCTURE OF INDIA'S FINANCIAL SERVICES INDUSTRY

The RBI is the central regulatory and supervisory authority for the Indian financial system. SEBI and the Insurance Regulatory and Development Authority (IRDA) regulate the capital markets and insurance sector, respectively. A variety of financial intermediaries in the public and private sectors participate in India's financial sector, including the following:

- Commercial banks;
- NBFCs;
- Specialized financial institutions like the National Bank for Agriculture and Rural Development (NABARD), the Export-Import Bank of India (EXIM Bank), the Small Industries Development Bank of India (SIDBI) and the Tourism Finance Corporation of India (TFCI), Industrial Investment Bank of India (IIBI) and National Housing Bank (NHB);
- Securities brokers;
- Investment banks;
- Insurance companies;
- Mutual funds and
- Venture capital funds.

## NON-BANKING FINANCIAL COMPANIES (NBFCs)

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. 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.

The RBI defines an NBFC as a company registered under the Companies Act, 1956 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-Bank 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. However, with effect from, December 6, 2006, NBFCs registered with the RBI have been reclassified as (i) asset finance companies (“AFCs”); (ii) investment companies (“IC”); and (iii) loan companies (“LC”). 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.

The following table presents the details of various financial indicators of various financial institutions in India.

(Per cent)

Item	End-March	Scheduled Commercial Banks (SCBs)	Scheduled Urban Co-operative Banks (UCBs)	All India Financial Institutions (AIFIs)	Primary Dealers (PDs)	Deposit taking NBFCs	NBFCs-ND-SI
1	2	3	4	5	6	7	8
CRAR #	2013	13.9	12.7	19.9	39.4	22.3	28.0
	2014	13.0	12.6	17.8	48.6	22.2	28.3
Core CRAR #	2013	10.3				19.0	24.3
	2014	10.1				17.8	25.0
Gross NPAs to Gross Advances	2013	3.4	5.4	0.6		2.5	3.5
	2014	4.1	5.4	0.6		3.1	4.0
Net NPAs to Net Advances	2013	1.7	1.3	0.2		0.8	1.6
	2014	2.2	1.6	0.1		1.0	2.0
Return on Assets	2013	1.1	0.9	1.0	1.5	2.7	2.1
	2014	0.8	0.7	0.9	1.9	2.7	2.2
Return on Equity	2013	12.9		9.5	10.1	15.4	8.6
	2014	9.5		8.8	13.3	15.0	8.8
Efficiency (Cost/Income Ratio)	2013	46.2	50.4	17.0	27.2	72.2	73.9
	2014	48.0	56.1	18.8	30.6	76.5	72.1
Interest Spread (Per Cent)	2013	1.9		2.0		3.6	5.3
	2014	1.9		1.9		3.7	5.6
Liquid Assets to Total Assets	2013	28.8	33.6			9.1	4.8
	2014	28.4	35.2			10.7	4.8
Restructured Assets to Gross Advances	2013	5.8	0.5				
	2014	5.9	0.6				

#: Mar-13 as per Basel II and Mar-14 as per Basel III.

**Note:** 1. Core CRAR is calculated as Tier-I Capital/Total Risk Weighted Assets.

2. Liquid assets include cash and bank balances and investments in government securities.

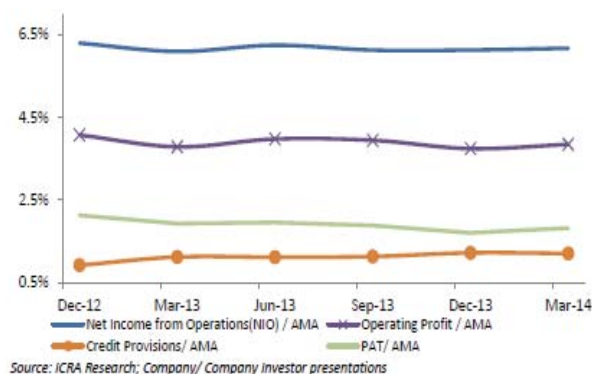
3. Audited data for NABARD, SIDBI and EXIM for the year ended March 31, 2013.

4. Audited data for NHB for the year ended June 30, 2013; in case of NHB the financial year is July to June.

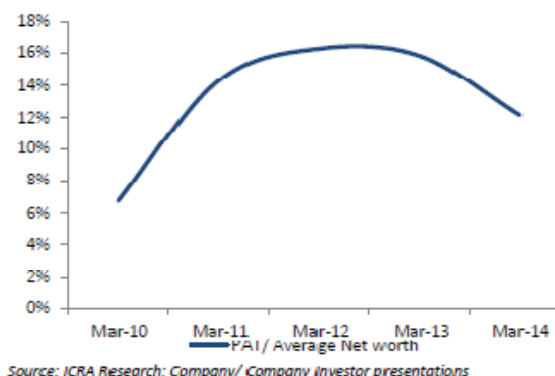
5. Un-audited data for March 31, 2014 for NABARD, SIDBI and NHB and audited data for EXIM.

**Source:** OSMOS returns (SCBs); Off-site surveillance returns (UCBs); PD returns (PDs); COSMOS returns (NBFCs); data received from FIs.

## PROFITABILITY OF NBFCs



## MOVEMENT OF RETURN ON EQUITY

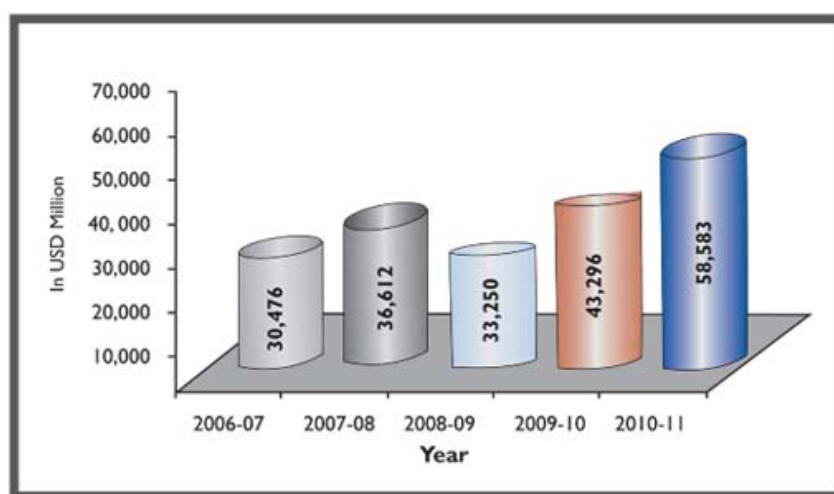


The net income from operations (NIO, net income from operations less Interest expenses) in FY 2014 dipped marginally (by 5 bp) to ~6.1%, notwithstanding the ~20 bps easing in cost of funds, as yields for the sector came down on account of the impact of the rising NPA level. Furthermore, consolidated industry yields could also be lower on account of a reduction in portfolio proportion in higher yielding gold loans (portfolio has declined to 12% in March 2014 against 16% in the previous year). The average cost of operations for NBFCs increased by 5-7 bp to ~2.6% in FY2014. Furthermore credit provisioning for the industry has been pushed up by ~15 bp to 1.2% in FY 2014 due to the build-up in delinquencies across most asset classes due to the difficult operating environment. It is believed that over the short term, delinquency pressure for NBFCs is likely to continue which could increase credit provisioning levels for the sector. In light of the rise in credit costs and dip in NIMs, consolidated net profitability (PAT/AMA) moderated to about 1.8% in FY 2014 against 2.2% in FY 2013. This also resulted in a dip in return on net worth to ~12% in FY2014 from ~15% in FY2013. (Source: Report of Quarterly review on retail non-banking finance companies quarter ended March 31, 2014 and Industry Outlook).

## AUTOMOBILE INDUSTRY

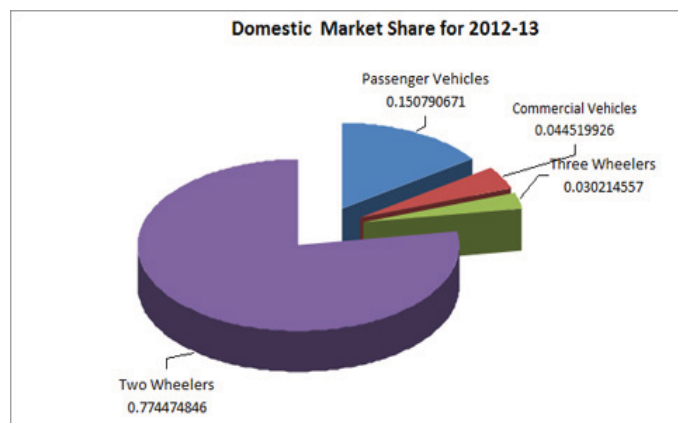
In terms of global ranking, the Indian automotive industry is the sixth largest vehicle manufacturer globally. Today, it is the largest manufacturer of tractor; 2<sup>nd</sup> largest in two wheelers; first largest commercial vehicle market and fourth largest passenger car market in Asia as one of the largest sectors in India, turnover of the Automobile Industry represent roughly 6 % of India GDP, while contributing nearly 21.0% to in excess duty collection. It provides direct and indirect employment to 13.1 million people. (GOI Report on Automotive Industry).

GROSS TURNOVER OF THE AUTOMOBILE INDUSTRY IN INDIA  
2006-07 TO 2010-11



Source: SIAM

Market of the automobile broadly comprises of two wheelers, three wheelers, commercial vehicles and passenger vehicles. In the year 2012-13, market share of two wheelers was the highest i.e. 77.44% and followed by passenger vehicles (15.08%), commercial vehicles (4.45%) and three wheelers (3.02%). (Source: SIAM)

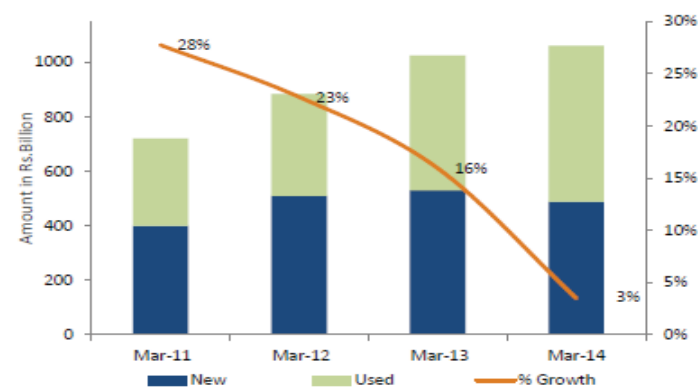


*Source: SIAM*

## VEHICLE FINANCING INDUSTRY

The banks, NBFCs, and unorganized players form part of Vehicle Financing Industry. The banks are mainly present in financing the younger fleet *i.e.* vehicles between 0-4 years old, passenger cars and two wheelers segment, ruling the urban areas whereas the NBFCs and other unorganized players financing of vehicles such as cars, commercial vehicles (CVs), passenger cars, tractors, utility vehicles (UVs), and two wheelers; it also comprises financing of consumer durables, and of plant and machinery mainly tapping the rural and semi urban areas. The urban market is a matured market crowded with bunch of banks and few NBFCs. The rural and semi urban market are now the most lucrative markets to tap the customers. Although it is an attractive market, the risk of NPAs, loan repayments and collections, providing banking habits among the masses remains as a major challenge. The NBFCs are mainly present in this segment charging high yields due to higher risk, provisions and administration cost.

## COMMERCIAL VEHICLE FINANCING



*Source: ICRA Research; Company/ Company investor presentations*

### Movement of NBFC-managed portfolio in the CV segment

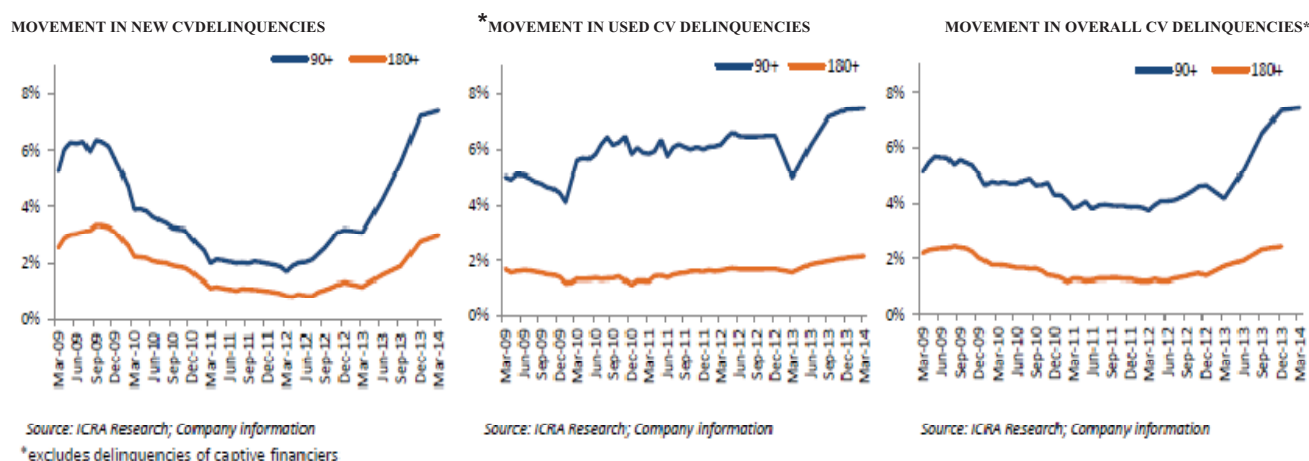
The CV segment is the largest asset segment of NBFCs and accounted for 30% of total NBFC retail credit as on March 31, 2014. However in FY 2014 pressure on new CV sale volumes resulted in NBFCs registering a modest 3% growth largely driven by credit towards the used vehicle segment. Used vehicle portfolio of NBFCs grew by about 16%, while new vehicle portfolio de-grew by about 8% in FY 2014.

The proportion of used CV financing increased to about 54% of the total CV credit as in March 2014 as against 48% in March 2013 and 42% in March 2012. The proportion of used vehicle segment increased steadily over the last two financial years, as demand for new vehicles slowed. The above phenomenon could also be attributed to the top-up loans extended by the CV financiers to their existing customers, which accounted for as high as 20% of the incremental disbursements made during the year.



During the first half of FY2014, freight rate movement was sluggish in relation to the increase in fuel costs adversely impacting viability of CV operators. Trends in freight movements during the latter half of the year however suggest some alleviation of such pressures. For instance, freight rates on key routes across the country increased by about 9-10% largely during H2 FY 2014 as compared to a 14% rise in diesel costs. Adjusted for fuel consumption, the rise in freight rate appears to be commensurate with the hike in diesel prices. The recent freight hike in May 2014 also provides a favorable view.

At the same time cash flows of CV operators continue to remain stretched as fleet utilization levels remain low at 65-70%. The same has also contributed to CV operators choosing to defer purchase of new vehicles. However, it is observed that enquiries have witnessed an increase during the months of May and June. Nevertheless, translation of the same into sales/financing remains to be seen. (Source: *Quarterly review on retail non-banking finance companies quarter ended March 31, 2014 and Industry Outlook*)



The asset quality performance of the CV segment is closely linked to the state of the economy and industry, both of which have been under pressure in the recent past. Pressure on freight availability, route viability and delay in receipt of payments has adversely impacted cash flows of the CV operators. As a result, delinquency rates of the CV segment have risen considerably in FY 2014 in both 90+ and 180+ days' overdue buckets. Deterioration in delinquency levels has been more acute in the new CV segment, where 90+ days delinquencies have increased to ~7.3-7.5% in March 2014 as against ~3% in March 2013. The used CV segment has also shown a weakening in delinquency level, though the extent of deterioration is lower with the 90+ day delinquency increasing to ~7.5% in March 2014 as against 5% in March 2013.

The buildup in delinquencies is a culmination of the impact of pressure on viability of transport operators and subdued freight demand. A large proportion of the new CV portfolio of NBFCs is deployed to larger fleet operators operating on long haul/inter-city routes based on long term contracts with corporate. Stress on corporate cash flows resulting in a delay in payments along with low freight load availability has adversely impacted the repayment capacities of such operators. The viability of CV operators with corporate contracts has also been affected as typically such contracts allow for a pass through of fuel price changes when fuel price change exceeds a pre-determined percentage. Since diesel prices are being revised upwards by small increments (~50 paisa/month), CV operators under such contracts were unable to pass on the fuel price increases for a large part of FY 2014. The same is reflected in the buildup of delinquencies in the new CV segment. On the other hand, small fleet operators/ individual borrower segments largely operating LCVs have fared relatively better so far on the back of local demand and agricultural activities. However, the effects of a prolonged economic and industrial slowdown have percolated to the local economic activities as well, resulting in an increase in delinquency rates and lumpy slippages in asset quality in the small borrower segment, more so due to their inherently weak financial standing. Therefore, more prudence is now being observed by the NBFCs on incremental lending with LTVs being brought down by 5-10% across asset segments.

Performance trends in Q4 FY2014 however suggest some tapering off in delinquency buildup, which could be a culmination of the financial year end phenomenon (when delinquencies typically come down) and also as freight rates have started inching upwards towards the latter part of FY 2014 on the back of better agriculture-related freight, thereby alleviating some of the pressure on transporter cash flows. Freight rates across key routes have increased by ~10% in FY2014 (largely towards the latter half of the year) compared to 14% rise in diesel cost. Adjusted for fuel consumption, the rise in freight rates appears to be commensurate with the hike in diesel prices.



In the near term however, the delinquency levels are expected to remain at elevated levels until freight/load availability for transporters improves. The post-election optimism will need to be translated to higher levels of capital formation and industrial production in order to facilitate the same. (Source: *Quarterly review on retail non-banking finance companies quarter ended March 31, 2014 and Industry Outlook*)

## CONSTRUCTION EQUIPMENT FINANCING



The Construction Equipment (CE) industry continues to be adversely affected by the slow pace of infrastructure development and subdued investment outlook. Although the mining restrictions have eased to an extent in the states of Karnataka and Orissa, the activity levels continues to be lower than in the past resulting in lower capacity utilization and limited incremental demand.

CE loan portfolio at ₹ 335 billion as in March 2014 declined by about 5% in FY 2014. Clearance of stalled infrastructure projects is expected to revive the growth outlook for the CE segment, although the pace of revival is expected to remain cautious in FY 2015 and demand for credit is expected to revive only toward the latter part of the year. (Source: *Quarterly review on retail non-banking finance companies quarter ended March 31, 2014 and Industry Outlook*)

## OUR BUSINESS

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 hypothecation of 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. We have network of 49 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 Tamilnadu Electricity Board and Gujarat Urja Vikas Nigam Limited. At present, we have an aggregate of 20 windmills with capacity of 6,950 kW located in the States of Tamilnadu and Gujarat.

Our Company was incorporated in the year 1955 and has a track record of more than three decades of experience 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, cogeneration, wind energy and transportation.

We believe in stable growth policy with control on assets quality. Our total income increased to ₹ 13,810.66 lakh for FY 2014 from ₹ 7886.20 lakh for FY 2010 at a CAGR of 15.04%. Our net profit after tax increased to ₹ 1415.73 lakh for the FY 2014 from ₹ 628.18 for the FY 2010 at CAGR of ₹ 22.52%. Our gross NPAs as a percentage of loan assets as of March 31, 2013 and March 31, 2014 were 0.83% and 1.14%, respectively. Our Net NPAs as a percentage of loan assets as of March 31, 2013 and March 31, 2014 were 0.29% and 0.49%, respectively. As on September 30, 2014, our gross NPA as a percentage of loan assets and Net NPAs as a percentage of loan assets are 1.45% and 0.88% respectively.

Our capital adequacy ratio as of March 31, 2013, March 31, 2014 and September 30, 2014, computed on the basis of applicable RBI requirements, were 15.91%, 21.55% and 21.41% respectively. Our Tier I capital as of March 31, 2013, March 31, 2014 and September 30, 2014 were 13.11%, 12.72% and 12.72%, respectively.

A summary of our key operational and financial parameters for the last three completed financial years are as follows:

Particulars	(₹lakh)			
	As at and for the half year ended September 30, 2014	As at and for the FY ended March 31,		
		2014	2013	2012
	Audited	Audited	Audited	Audited
Net worth*	12,969.44	12,237.81	11,524.05	10,509.81
Total Debt of which @				
Non current maturities of long term borrowing	26,191.26	16,379.84	4,741.38	3,627.91
Non current maturities of short term borrowing	35,745.17	45,824.81	54,976.51	51,474.73
Current maturities of long term borrowing**	16,971.22	9,898.98	7,047.66	5,626.02
Net fixed assets (including CWIP and intangible assets)	5,914.03	6,009.36	6,241.53	6,784.66
Non-current assets	8,198.59	7,550.46	7,775.20	7,871.74
Cash and cash equivalents	4,397.95	3,030.83	2,643.92	1,710.42
Current investments	-	115.98	0.00	447.75
Current assets	89,323.45	82,666.13	75,896.67	68,923.14
Current liabilities @	82,514.32	75,922.58	69,789.79	63,678.65
Assets under management #	78,426.66	75,035.05	69,275.58	63,303.15
Off Balance sheet assets	-	-	-	-
Income from hire purchase operations	6,698.83	12,644.05	11,763.90	10,839.88
Interest expenses	4,322.07	7,863.72	7,259.28	6,699.60
Provisioning and write-offs	258.10	543.28	446.92	391.39
Profit after tax	731.64	1,415.73	1,399.85	1,161.70

\* Networth= Share capital + reserves and surplus (excluding revaluation reserve) – miscellaneous expenditure (to the extent not written off or adjusted)

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

@ Total debt is exclusive of interest accrued thereon. The same has been included in the current liabilities.

# Asset under management means the stock on hire

The following table sets forth, as of the dates indicated, data regarding our NPAs and Capital Adequacy Ratios

Particulars	As at and for the half year ended September 30, 2014	As at and for the FY ended March 31,		
		2014	2013	2012
Gross NPA (₹ lakh)	1,227.28	909.81	606.81	442.16
Net NPA (₹ lakh)	484.31	390.62	214.40	152.10
Total loan assets (₹ lakh)	84,549.25	79,499.27	73,241.47	66,888.42
Net loan assets (₹ lakh)	83,806.28	78,980.08	72,849.06	66,598.36
% of gross NPA to total loan assets	1.45	1.14	0.83	0.66
% of net NPA to net loan assets	0.58	0.49	0.29	0.23
<b>Tier I Capital Adequacy Ratio (%)</b>	<b>12.72</b>	<b>12.72</b>	<b>13.11</b>	<b>13.25</b>
<b>Tier II Capital Adequacy Ratio (%)</b>	<b>8.69</b>	<b>8.83</b>	<b>2.80</b>	<b>3.09</b>

## OUR STRENGTHS

### *Unique Business Model*

We are an asset finance company with primary focus on financing pre-owned commercial vehicles. Our target customers comprise SRT0/MRTO, primarily hails from rural/semi-urban area. These SRT0s/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, which satisfy the need of the target customers.

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

We have more than three 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. Under 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 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 arrangement with the CSPs 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 more than three decades focusing on southern part of India particularly in the states of Tamil Nadu and Kerala. We have a network of 49 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 six (6) 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 in Sakthi Group.

### **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 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 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. We have recently established Sakthi Excellence Academy ("SEA") in association with Kumaraguru College of Technology through which fresh graduates are being imparted exclusive training so as to make them ready to fit in at marketing officer's level in our Company.

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

We generate our funding requirements from several sources including issuance of non-convertible debenture on private placement basis, working capital loan from banks/financial institution and fixed deposit from retail investors.

As on March 31, 2013 out of total debt funding, around 67% was sourced through the issue of non-convertible debentures on private placement basis. However, on account of recent RBI circular stipulating the restrictions on issue of non-convertible debenture on private placement, our company has reduced acceptance of funds from issue of non-convertible debenture on private placement basis. Accordingly, as on September 30, 2014, out of total debt funding around 28% was sourced through the issue of non-convertible debentures on private placement basis. Further RBI, vide its circular RBI/2014-15/299 DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 issued certain guidelines about the limit for acceptance of deposits across the sector by reducing the same for rated Asset Finance Company from 4 times to 1.5 times of NoF with immediate effect. As on September, 30 2014, our company has raised fixed deposit of ₹ 20,990.75 lakh, 1.80 times of NoF. Under the current scenario, we plan to mobilize the fund requirement by other alternatives viz securitization of hire purchase receivable, banks funding or by public issue of non-convertible debentures. Hence, to mobilize the fund from any of the aforesaid sources at competitive cost, we intend to improve our credit rating.

### ***Upgrade the 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.

The basic process of the business is explained below:

### ***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 September 30, 2014, we have network of 49 branches located in 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 residents 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.

### ***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. 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 fulfilment 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 for particularly vehicular records, insurance policy, chassis number genuineness *etc.*, to eliminate risk at the nip itself, to facilitate genuine customers getting into our books by liaisoning with various departments like RTO, Insurance *etc.* and to have ‘Trust but verify’ mechanism. After re-verification by RCU department, the instruction will be given to the branch concerned for the disbursement of loan and for execution of loan agreement and other documents/requirements, wherever applicable.

### ***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:

- *Vehicle type: We finance only to commercial vehicle (goods vehicle/ passenger vehicle) and infrastructure/construction assets, which has income generating capacity that reduce our credit risk. We have classified certain target assets under*



negative/low profile category depending upon vehicle model, liquidity in market, market perception etc. We do not extend finance to assets classified under negative /low profile category.

- *Customers Type:* We primarily provide the vehicle finance to SRTOs/ MRTOs. To mitigate the credit risk, we classify customers under negative /low 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.
- *Category of Customers:* We segregate the eligible target customers into four categories on the basis of their credit track record viz (a) excellent track record (**ETR**); (b) good track record [**GTR**]; (c) acceptable track record [**ATR**]; and (4) no track record (first time customer) [**FTC**]. In case of new entrant, we adopt very stringent credit criteria with respect to Loan to Value ratio, interest rate, guarantors etc. Further our exposure limit and loan to value ratio depend upon category of customers.
- *Loan to Value ratio(LTV):* As a part of Credit Policy, we have pre-determined market value matrix for all eligible assets (including commercial/ constructions/ Infrastructure vehicles).Based on customer category i.e. ETR/GTR/ATR/FTC etc., the Loan to Value is arrived.
- *Exposure Limit:* We stipulate limit on quantum of amount and number of vehicle to be financed and overall exposure to a customer depending upon number of vehicles owned /operated by them, experience in the transport filed / capacity to deploy the assets / immovable property owned by them etc. We have delegated sanctioning power to various grades of sanctioning authority depending upon the exposure to a particular customer/group customer.

#### *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 such 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.

#### **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 assets 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 installments due.

We monitor the track record of our customers regularly on monthly basis covering outstanding tenure and amount of loan, number of installments 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 installments. 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 due, 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 due, we take legal recourse against the borrower and guarantors.

### WINDMILL OPERATION

In addition to finance business, we generate power from windmills and sell the same to Tamilnadu Electricity Board and Gujarat Urja Vikas Nigam Limited. At present, we have 20 windmills with aggregate capacity of 6,950 kW located in the States of Tamilnadu and Gujarat. The details of our windmills are given as under:

Location	Number of windmills	Total capacity (kW)	Land area (Acre)
Kulasekaramangalam, Sankarankoil Taluk, Tirunelveli Dist.	3	1,800	5.42
Ponnapuram Village, Dharapuram, Tirupur Dist.	3	675	20.00
Munduvlampatti Village, Dharapuram, Tirupur Dist.	3	750	5.10
Veppilankulam, Tirunelveli Dist.	8	1,800	4.73
Panathampatti, Metrathi Village, Udumalpet, Tirupur Dist.	1	225	1.97
Mouje Village, Mota Gunda, Bhavnas Taluk, Jamnagar Dist.*	2	1,700	4.94*
<b>Total</b>	<b>20</b>	<b>6,950</b>	<b>42.16</b>

\* All the aforesaid land 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 2014 of ₹ 48,628.52 lakh as against ₹ 29,609.42 lakh for FY 2010, achieving a CAGR of 13.20% during the period under consideration. The break-up of disbursals across our business operations are as under:

Disbursement	For FY March 31,									
	2014		2013		2012		2011		2010	
	₹ lakh	%	₹ lakh	%	₹ lakh	%	₹ lakh	%	₹ lakh	%
Commercial Vehicle Finance	40,380.82	83.04	41,202.46	87.59	39,062.81	92.71	32,578.29	92.74	26,276.52	88.74
Infrastructure Equipment Finance	2,816.09	5.79	2,154.07	4.58	931.17	2.21	860.92	2.45	1,548.03	5.23
Others	5,431.61	11.17	3,681.05	7.83	2,138.54	5.08	1,688.01	4.81	1,784.87	6.03
<b>Total</b>	<b>48,628.52</b>	<b>100</b>	<b>47,037.58</b>	<b>100</b>	<b>42,132.52</b>	<b>100</b>	<b>35,127.22</b>	<b>100</b>	<b>29,609.42</b>	<b>100</b>

#### Asset quality

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 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 forth details regarding the classification of our credit exposure into different class of assets defined by RBI Guidelines.

Assets	As on				As on March 31,							
	September 30, 2014		2014		2013		2012		2011		2010	
	₹ lakh	%	₹ lakh	%	₹ lakh	%	₹ lakh	%	₹ lakh	%	₹ lakh	%
Standard/net loan assets	83321.97	98.55	78589.46	98.86	72634.65	99.17	66446.26	99.34	56044.69	99.24	45,899.12	99.56
NPA of which:	1227.28	1.45	909.81	1.14	606.82	0.83	442.16	0.66	426.87	0.76	204.11	0.44
Sub-standard	719.72	0.85	697.34	0.88	387.49	0.53	228.97	0.34	200.23	0.35	118.00	0.25
Doubtful	317.92	0.41	174.61	0.22	209.58	0.29	213.19	0.32	127.57	0.23	13.42	0.03
Loss	189.69	0.22	37.86	0.05	9.75	0.01	0.00	0.00	99.07	0.18	72.69	0.16
<b>Total assets</b>	<b>84549.25</b>	<b>100</b>	<b>79499.27</b>	<b>100</b>	<b>73421.47</b>	<b>100</b>	<b>66888.42</b>	<b>100</b>	<b>56471.56</b>	<b>100</b>	<b>46103.23</b>	<b>100</b>
<b>Net NPA*</b>	<b>484.31</b>	<b>0.58*</b>	<b>390.62</b>	<b>0.49*</b>	<b>214.40</b>	<b>0.29*</b>	<b>152.09</b>	<b>0.23*</b>	<b>207.64</b>	<b>0.37*</b>	<b>204.12</b>	<b>0.44*</b>

\* (%) is on net loan assets

## Funding sources

We source our funds requirement through a combination of equity, deposits and debt depending upon the prevailing cost of the debt and its forecast of future movement. The total funds deployed and combination of the shareholders fund and debt fund for the last five years is as under:

As on	Shareholders' Funds* (₹lakh)	Total Debt funds # (₹lakh)	Debt Equity Ratio
September 30, 2014	12,969.44	78,907.65	6.08
March 31, 2014	12,237.81	72,103.63	5.89
March 31, 2013	11,524.05	66,765.54	5.79
March 31, 2012	10,509.81	60,728.65	5.78
March 31, 2011	7,031.02	53,994.14	7.68
March 31, 2010	6,587.33	44,542.86	6.76

\*Share capital + reserves and surplus (excluding revaluation reserve)-miscellaneous expenditure (to the extent not written off or adjusted)

# Secured and unsecured loan

## 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	(₹ lakh)					
	As on		As on March 31,			
	September 30, 2014	2014	2013	2012	2011	2010
<b>SECURED LOANS</b>						
Redeemable non-convertible debentures	22455.77	31714.70	45737.15	42579.80	37332.28	31384.53
Term loans from financial institutions, and corporate	4076.65	356.00	571.80	1759.53	1378.33	2113.93
Cash credit and demand Loans from Bank	16958.58	18484.32	14653.23	13344.09	10115.45	5529.65
<b>TOTAL SECURED LOANS [A]</b>	<b>43491.00</b>	<b>50555.02</b>	<b>60962.18</b>	<b>57683.42</b>	<b>48826.06</b>	<b>39028.11</b>
<b>UNSECURED LOANS</b>						
Fixed deposits	20990.75	13480.51	5803.36	3045.23	5168.08	5514.75
Subordinated debt	14425.90	8068.10	-	-	-	-
<b>TOTAL UNSECURED LOANS [B]</b>	<b>35416.65</b>	<b>21548.61</b>	<b>5803.36</b>	<b>3045.23</b>	<b>5168.08</b>	<b>5514.75</b>
<b>TOTAL LOAN FUNDS [A+B]</b>	<b>78907.65</b>	<b>72103.63</b>	<b>66765.54</b>	<b>60728.65</b>	<b>53994.14</b>	<b>44542.86</b>

\* the above figure include interest accrued and due thereon.

Our major sources of debt funding comprise issue of redeemable non-convertible debentures on private placement basis. We have also been gradually increasing exposure to bank finance particularly cash credit and demand loan from bank.

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, 2014 was ₹ 16,958.58 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, 2014, we had fixed deposits outstanding of ₹ 20,990.75 lakh.

The average cost of debt fund is as under:

March 31, 2014	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010
11.33%	11.39%	11.68%	11.35%	12.63%

We believe that we have developed 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% (The compliance to the revised Tier I capital will be: 8.5% by end of March 2016 and 10% by end of March 2017).

The following table sets out our CRAR as of the dates indicated

Particulars	As on September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
<b>Capital adequacy ratio (%)</b>	<b>21.23</b>	<b>21.55</b>	<b>15.91</b>	<b>16.34</b>	<b>13.51</b>	<b>13.13</b>
Tier I capital (%)	12.72	12.72	13.11	13.25	11.01	13.13
Tier II capital (%)	8.69	8.83	2.80	3.09	2.50	-

(₹ lakh except CRAR)

As on	As on September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
Eligible Tier I Capital	11650.21	10918.24	10490.52	9794.19	7031.02	6587.34
Eligible Tier II Capital	7951.74	7581.2	2236.98	2280.41	1598.18	0.00
<b>Total capital</b>	<b>19601.95</b>	<b>18499.44</b>	<b>12727.5</b>	<b>12074.60</b>	<b>8629.20</b>	<b>6587.34</b>
<b>Risk Assets</b>						
Adjusted value of funded risk assets	92321.61	85840.76	80008.99	73913.84	63838.70	50144.25
Adjusted value of non -funded risk assets	-	-	-	-	15.56	15.56
Total risk weighted assets	92321.61	85840.76	80008.99	73913.84	63854.26	50159.81
<b>Capital Adequacy Ratio (%)</b>	<b>21.23</b>	<b>21.55</b>	<b>15.91</b>	<b>16.34</b>	<b>13.51</b>	<b>13.13</b>

### Credit rating

The following table sets forth certain information with respect to our credit ratings

Rating Agency	Instruments	Rating	Limit (₹ lakh)
ICRA Limited	Non convertible debenture	[ICRA] BBB(Stable)	20,000
ICRA Limited	Long term bank facilities - CC	[ICRA] BBB(Stable)	6,900
ICRA Limited	CC/WCDL –interchangeable limits	[ICRA] BBB(Stable)/ [ICRA]A2	13,688
ICRA Limited	Term loans	[ICRA] BBB(Stable)	188
ICRA Limited	Short term bank facilities - WCDL	[ICRA] A2	5,700
ICRA Limited	Fixed deposit	MA- (Stable)	-

### 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 breakdown. 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

We are exposed to several risks in the course of our business *viz* interest rate risk, liquidity risk and credit risk. We have evolved a strong, integrated and comprehensive risk-assessment process which has resulted in stable growth with good asset

quality. 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.

The key risks and risk mitigation process we apply to address these risks are summarized below:

#### ***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 predominantly 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 tenure, 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.

#### ***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 model, and our high 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.

#### ***Cash management risk***

Our branches collect and deposit approximately one-third of our customers' payments in cash. Lack of proper cash management practices could lead to losses. To address cash management risks, we have developed advanced cash management checks that we employ at every level to track and tally accounts. Moreover, we conduct regular audits to ensure the highest levels of compliance with our cash management systems. Further, we have taken insurance policies and coverage for cash in safes.

### **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 level and installing effective system. Our total employee strength was 441 as on December 31, 2014.

We have built up our human resource primarily by recruiting experience personnel in the segments. We also identify interested fresh graduate 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.

To serve this purpose, we have established Sakthi Excellence Academy in association with Kumaraguru College of Technology through which fresh graduates are being imparted exclusive training so as to make them ready to fit in at marketing officers' level. 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 and this enables them to develop strong relationships with our customers.

Our organizational structure established 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 setup application for automating the hire purchase, finance accounting and fixed deposits related operation in an integrated manner to support the growth and enhance the associated service. At present, for hire purchase operation we are using an application S3G [Smartlend 3<sup>rd</sup> Generation] and for financial accounting/costing/assets management and fixed deposits operation, we are using an ERP software application SAP. The requisite hardware, software, networking and power-conditioning components are in place to support the effective deployment of the enhanced software application environment.

All the business units including the branches are well connected to the Coimbatore head office to access the centralized software applications in a secure manner. Automation is being done in all possible avenues including the enablement of the marketing officers with computers, hand-held devices for handling the collections effectively etc. All users including branches interact through emails and the facilities like video-conferencing are being introduced.

## **PROPERTY**

Our Registered Office is situated at 62, Dr. Nanjappa Road, Coimbatore 641 018. Our registered office building is owned by us while the land on which the registered office built was acquired by our Company on lease basis from Sri. M. Srinivaasan, promoter director of our Company. 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 operation. For details of land for windmills operation, please refer page 72 of chapter titled "*Our Business*" of this Prospectus. We also hold 5 other immovable properties used for various other purposes by our Company.

## **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 NBFCs backed by banks 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 of 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 Prospectus, our Company has not entered into any collaboration, any performance guarantee or assistance in marketing by any collaborators.



## 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, 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 a 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 network of 49 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 67.

### 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 ₹ 1000 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 ₹ 1,000 lakh</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 25 branch offices</li> </ul>
1988-89	<ul style="list-style-type: none"> <li>Fixed deposit acceptance crossed ₹ 6,000 lakh</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>

FY	Particulars
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> <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 ₹ 3,000 lakh</li> </ul>
1999-01 (18 months)	<ul style="list-style-type: none"> <li>• Net worth crossed ₹ 3000 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 ₹ 34,255 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 are delisted from MSE</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 incorporate 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 this Prospectus, our Company does not have any holding company.

**Subsidiary company**

As on the date of this 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 this 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 this Prospectus, we have 6 (six) Directors on our Board out of which one is executive director and five are non-executive directors. Further, our Board consists of three independent Directors.

The following table sets forth details regarding the Board as on date of this 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> 58 years <b>DIN:</b> 00102233 <b>Address:</b> No. 25, Rukmani Nagar, Ramanathapuram, Coimbatore-641045	December 11, 1990	1. Sakthi Auto Component Limited; 2. Sakthi Sugars Limited; 3. Sri Chamundeswari Sugars Limited; 4. ABT Industries Limited; 5. ABT Limited; 6. ABT Foods Limited; 7. ABT Foods Retailing (India) Limited; 8. Kovai Medical Center and Hospital Limited; 9. The Gounder and Company Auto Limited; 10. Sakthi Properties (Coimbatore) Limited; 11. ABT (Madras) Private Limited; 12. ABT (Madurai) Private Limited; 13. ABT (Trichy) Private Limited; 14. ABT Infosystem Private Ltd; 15. ABT Textiles Private Limited; 16. ABT Transports Private Limited; 17. ABT Two Wheelers Private Limited; 18. Anamallais Bus Transport Private Limited; 19. Turbotech Precision Engineering (P) Limited; 20. Nachimuthu Industrial Association (Section 25 Company of Companies Act 1956); 21. ABT Healthcare Private Limited; 22. EniT Solutions Private Limited; 23. Virgo Equipments Traders Private Limited
<b>Mr. M Balasubramaniam</b> <b>Designation:</b> Vice Chairman and Managing Director <b>Status:</b> Executive and Non-Independent <b>Age :</b> 56 Years <b>DIN :</b> 00377053 <b>Address :</b> No.27 & 28, Rukmani Nagar Ramanathapuram Coimbatore-641045	August 21, 1985	1. ABT Industries Limited; 2. ABT Limited; 3. Sakthi Sugars Limited; 4. Sri Chamundeswari Sugars Limited; 5. ABT Finance Limited; 6. Sakthi Management Services (Coimbatore) Limited; 7. The Gounder and Company Auto Limited; 8. Sakthi Auto Component Limited; 9. ABT Foods Retailing (India) Limited; 10. Sakthifinance Financial Services Limited; 11. ABT Foundation Limited; 12. ABT Foods Limited; 13. Sri Alagu Tex Private Limited; 14. ABT Textiles Private Limited; 15. Anamallais Bus Transport Private Limited; 16. Nachimuthu Industrial Association (Section 25 Company of Companies Act 1956); 17. Coimbatore Innovation and Business Incubator

Name, Designation, Status, Age, DIN and Address	Date of Appointment	Other Directorships
<b>Mr. M. Srinivaasan</b> <b>Designation :</b> Director <b>Status:</b> Non-Executive and Non- Independent <b>Age :</b> 48 Years <b>DIN :</b> 00102387 <b>Address :</b> “Swagatham” 742, Krishna Temple Road Indira Nagar, Bengaluru – 560 038	April 18, 1994	1. Sri Chamundeswari Sugars Limited; 2. Sakthi Sugars Limited; 3. ABT Industries Limited; 4. ABT Limited; 5. Sakthi Management Services (Coimbatore) Limited; 6. The Gounder and Company Auto Limited; 7. Sakthi Auto Component Limited; 8. Sakthi Properties (Coimbatore) Limited; 9. Nachimuthu Industrial Association (Section 25 Company of Companies Act 1956)
<b>Mr. A. Shanmugasundaram</b> <b>Designation :</b> Director <b>Status:</b> Non-Executive and Independent <b>Age :</b> 78 Years <b>DIN :</b> 00001434 <b>Address :</b> 226, Tea Estate Compound, Race Course Road, Coimbatore – 641018	September 10, 1979*	1. Sakthi Coffee Estates Private Limited; 2. ARC Retreading Company Pvt Limited; 3. Anamallais Engineering Pvt Limited; 4. ABT Energy Pvt Limited; 5. Sri Sakthi Textiles Limited; 6. Anamallais Bus Transport Pvt. Limited; 7. Nachimuthu Industrial Association (Section 25 Company of Companies Act 1956)
<b>Dr. A. Selvakumar</b> <b>Designation :</b> Director <b>Status:</b> Non Executive and Independent <b>Age:</b> 59 Years <b>DIN :</b> 01099806 <b>Address :</b> A-109 Raheja Enclave, 236, Race Course Road, Coimbatore – 641018	March 30, 2001*	1. Sri Chamundeswari Sugars Limited; 2. Sri Sakthi Textiles Limited; 3. Akashiq Data Care India Private Limited; 4. Encore IT Services Solutions Private Limited
<b>Mr. P. S. Gopalakrishnan</b> <b>Designation :</b> Director <b>Status:</b> Non Executive and Independent <b>Age :</b> 79 Years <b>DIN :</b> 00001446 <b>Address :</b> B-202, “Keshav Dugar”, 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

\* In terms of Section 149 of the Companies Act 2013, the Company has appointed Mr. A. Shanmugasundaram, 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.

## Profile of Directors

**Dr. M. Manickam** (58 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 an experience of about 33 years in the field of Business and industries. He plays an advisory role in SFL. He is the Executive Chairman of Sakthi Sugars Limited. He is also Chairman and Managing Director of Sakthi Auto Component Limited. In recognition of his contribution for Management of Agro Processing Industries and Agricultural Development, he was awarded the “Doctor of Science” (*Honoris Causa*) by Tamilnadu Agricultural University, Coimbatore in July 2010. He was the President of Indian Sugar Mills Association (1996-97). Presently, he is a Member of State Level Information Technology Task Force constituted by the Government of Tamilnadu and Council of Agricultural Research Society, Pune.



**Mr. M. Balasubramaniam** (56 Years), Vice Chairman and Managing Director of our Company, holds Masters Degree in Commerce from Madras University and a Masters Degree in Business Administration from Notre Dame University, USA. He joined our Company as a Director in the year 1985 and has been associated with our Company since then. He is also Managing Director of Sakthi Sugar Limited. He has an experience of 29 years in the field of finance, auto and sugar industries. 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.

**Mr. M. Srinivaasan** (48 Years), Director of our Company, 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 21 years in the field of sugar industry. He is also Joint Managing Director of Sakthi Sugar Limited. 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.

**Mr. A. Shanmugasundaram** (78 Years), Director of our Company is an Intermediate. He has experience in many industries such as automobiles, tyre retreading, consumer durables, agriculture etc. He is the Managing Director of ARC Retreading Company Private Limited, Anamallais Retreading Company Private Limited, Sakthi Coffee Estates Private Limited and Managing Partner of M/s N Mahalingam & Co. He has experience of more than 50 years in the field of automobiles, tyre retreading, consumer durables etc.

**Dr. A. Selvakumar** (59 Years), Director of our Company, 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 35 years of experience in the field of system applications. At present, he is heading a software company.

**Mr. P. S. Gopalakrishnan** (79 Years), Director of our Company, 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 an experience of more than 50 years in the field of Banking and Finance. .

#### **Confirmation**

None of the current directors of our Company appear on the list of 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 our Company for a period of five years with effect from September 29, 2010, pursuant to a resolution of the Board of Directors of our Company on August 5, 2010 and the approval of the shareholders of our Company pursuant to a resolution passed at their AGM held on September 14, 2010.

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 14, 2010), is as follows:

<b>Salary</b>	₹ 1,50,000 per month
<b>Perquisites</b>	<p>Not exceeding the annual salary as may be decided by the Board of Directors from time to time.</p> <p>In addition to the salary, Mr. M. Balasubramaniam shall also be entitled to the following perquisites:</p> <ol style="list-style-type: none"> <li>Contribution to Provident and Superannuation Funds to the extent not taxable under the Income Tax Act, 1961;</li> <li>Gratuity at the rate of half a month's salary for each completed year of service; and</li> <li>Encashment of leave at the end of tenure as per the rules of the Company.</li> </ol>
<b>Commission</b>	1% on the Net Profits of our Company, subject to a maximum ceiling specified in Section III of Part II of Schedule XIII to the Companies Act, 1956.

The remuneration paid to him for the last FY 2013-14 is as under:

Particulars	(₹ lakh)
Salary	18.00
Perquisites	6.16
Commission	24.22
<b>Total</b>	<b>48.38</b>

#### 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 the various meetings of the Board and of the Committees of the Board.

The details of sitting fees paid to our non-executive directors during the FY ended March 31, 2014 are:

Name	(₹ lakh)
Dr. M. Manickam	0.40
Mr. M. Srinivaasan	0.80
Mr. A. Shanmugasundaram	0.60
Dr. A. Selvakumar	1.00
Mr. P. S. Gopalakrishnan	0.50
Mr. S. Ragothaman	0.40

#### 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 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 this 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 directors, partners, members or trustees and promoters 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 director of our Company, none of the Directors of our Company have any interest in promotion of our Company.

Except as otherwise stated in this Prospectus and statutory registers maintained by the Company in this regard, none of our Directors have interest in any immovable property acquired by our Company in the preceding two years of filing this 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. Further, none of our Directors have

interest in any immovable property proposed to be acquired except proposed purchase of land admeasuring 200 cents for its own use, *i.e.* for construction of corporate office and training centre at a cost not exceeding ₹ 1,000 lakh appx. (including registration charges, *etc*) from ABT Foundation Limited where our promoter directors are interested. The proposed acquisition will be financed through the internal accruals and, not from the Issue proceeds. The same was approved by our Company at its Board meeting held on November 14, 2014 and no further action has been taken in this regard.

Except as stated in the chapter titled “*Financial Statements- Related Party Disclosure*” on page 125 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 have taken any loan from our Company.

#### **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 share.

The details of the Equity Shares held in our Company by our Directors, as on the date of this Prospectus are:

<b>Sr. No.</b>	<b>Name of the Director</b>	<b>Number of Shares held</b>	<b>(%) of the total paid-up equity capital</b>
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	Mr. A. Shanmugasundaram	7,875	0.01
5	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 this 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 in the three years preceding the date of this Prospectus are as follows:

<b>Name</b>	<b>Designation</b>	<b>DIN</b>	<b>Date of appointment</b>	<b>Date of resignation</b>	<b>Remarks</b>
S. Ragothaman	Director	00042395	June 30, 2009	January 14, 2015	Resignation

#### **Corporate Governance**

We are in compliance with the requirements of corporate governance as mandated in 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 (DNBS.PD/CC 94/03.10.042/2006-07) dated May 8, 2007 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 6 Directors. In compliance with Clause 49 of the Equity Listing Agreement, of the 6 Directors on our Board, we have one executive Director and five non-executive Directors. Our Chairman is a Non-Executive Director. Further, of the 6 Directors, we have three Independent Directors, two non executive non-independent directors and one executive non-independent director.

#### **Details of various Committees of the Board**

Our Company has constituted the following committees:

- Audit Committee
- Nomination and Remuneration Committee
- Stakeholders Relationship Committee
- Corporate Social Responsibility(CSR) Committee'

- e) Asset Liability Management Committee
- f) Risk Management Committee
- g) Credit Committee
- h) Borrowing Committee
- i) NCD Issuance Committee

The details of these Committees are as follows:

#### A. Audit Committee

The members of the Audit Committee are:

Sr. No	Name of the Member	Designation	Nature of Directorship
1.	Dr A Selvakumar	Chairman	Non executive and Independent
2.	Mr. A Shanmugasundaram	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 powers and terms of reference of this Committee are wide enough to cover the matters specified for Audit Committee under Clause 49 of the Listing Agreement as well as in Section 292A of the Companies Act 1956 and are as follows:

- Oversight of the Company's financial reporting process and disclosure of financial information;
- Recommend the appointment, re-appointment and if required, replacement or removal of Statutory Auditors, fixation of audit fees and approving payments of any other services;
- Review with management the annual and quarterly financial statements before submission to the Board;
- Review with management, performance of Statutory and Internal Auditors and adequacy of internal control systems;
- Review the adequacy of internal audit function;
- Discussion with internal auditors of any significant findings and follow-up;
- Review the findings of any internal investigations by the internal auditors;
- Discussion with Statutory Auditors before the audit commences, of the nature and scope of audit as well as post audit discussion to ascertain any area of concern;
- Look into reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors;
- Review the functioning of whistle blower mechanism;
- Review the following information:
  - Management discussion and analysis of financial condition and results of operations;
  - Statement of significant related party transactions;
  - Management letters / letters of internal control weaknesses issued by the statutory auditors;
  - Internal audit reports relating to internal control weaknesses;
  - The appointment, removal and remuneration of the Chief Internal Auditor; and
  - The financial statements, in particular the investments made by unlisted subsidiary companies.

In addition to the above, the following disclosures are made to the Audit Committee, as and when applicable:

- Basis of related party transactions
- Disclosure of Accounting treatment; and
- Utilization / application of proceeds from public issues, right issues, preferential issues etc, if any.

The Company has now 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 amended Clause 49 of the Equity Listing Agreement.

#### B. Nomination and Remuneration Committee

The members of the Nomination and Remuneration Committee are:

Sr. 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. A. Shanmugasundaram	Member	Non executive and Independent

**Terms of reference of Nomination and Remuneration Committee, *inter alia*, include:**

The Nomination and Remuneration Committee determines and recommends remuneration including commission, perquisites, and allowances payable to Vice Chairman and Managing Director. The company has complied with the non-mandatory requirement of Clause 49 regarding Nomination and Remuneration Committee.

The Company has now adopted a Nomination and Remuneration Committee Charter. The role of Nomination and Remuneration Committee has been enhanced / modified as required under Section 178 of the Companies Act 2013 and amended Clause 49 of the Equity Listing Agreement.

**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:

Sr. No	Name of the Member	Designation	Nature of Directorship
1.	Dr M Manickam	Chairman	Nonexecutive 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 function of the committee is to redress the grievances of Shareholders' / Investors' and to 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 now constituted a CSR Committee of the Board consisting of three directors on August 9, 2014.

The members of the CSR Committee are:

Sr. 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 indicate the activities to be undertaken as specified in Schedule VII to the Companies Act, 2013 and shall also recommend the amount of expenditure to be incurred on the CSR activities, to monitor the CSR Policy of the Company from time to time and prepare a transparent monitoring mechanism for ensuring implementation of the projects / programmes / activities proposed to be undertaken by the Company and to do all such acts, deeds and things as may be required in connection with the CSR activities.

**E. Asset Liability Management Committee**

The members of the Asset Liability Management Committee are:

Sr. No	Name of the Member	Designation	Nature of Directorship
1.	Mr. M Balasubramaniam	Chairman	Executive and non independent
2.	Dr. S. Veluswamy	Member	-

**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:

Sr. 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 are:

Sr. No	Name of the Member	Designation	Nature of Directorship
1.	Mr. M. Balasubramaniam	Chairman	Executive and non independent
2.	Mr. Ramachandran	Member	-
3.	Mr. K. Guruprasad	Member	-
4.	Dr. G. Sundar	Member	-
5.	Mr. G. Muniasamy	Member	-
6.	Mr. N. Radhakrishnan	Member	-
7.	Mr. A. Joseph Sagayaraj	Member	-

### 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. Borrowing Committee

The members of the Borrowing Committee are

Sr. No	Name of the Member	Designation	Nature of Directorship
1.	Mr. M. Balasubramaniam	Chairman	Executive and non Independent
2.	Dr. M. Manickam	Member	Nonexecutive and non Independent
3.	Mr. A Shanmugasundaram	Member	Non executive and Independent

### Terms of reference of the Borrowing Committee

The Committee is authorized to borrow, accept and approve sanctions/ modifications of credit facilities with the bankers and other financial institutions upto an amount not exceeding ₹ 30,000 lakh.

## I. NCD Issuance Committee

The members of the NCD Issuance Committee are

Sr. 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 Independent

### Terms of reference of the NCD Issuance Committee

- 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;

- e. 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;
- f. 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;
- g. 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;
- h. Appointing the Registrars and other intermediaries to the NCD Issue, in accordance with the provisions of the Debt Regulations;
- i. 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;
- j. 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;
- k. Authorization of the maintenance of a register of holders of the NCDs;
- l. Finalization of the basis of allotment of the NCDs including in the event of oversubscription;
- m. Finalization of the allotment of the NCDs on the basis of the applications received;
- n. Acceptance and appropriation of the proceeds of the NCD Issue; and
- o. 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 certificates, and/or to give such direction as it deems fit or as may be necessary or desirable with regard to the NCD Issue.

## 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:



### **Dr. M. Manickam, Chairman**

Dr. M. Manickam (58 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 33 years in the field of Business and Industries. He plays an advisory role in SFL. He is the Executive Chairman of Sakthi Sugars Limited. He is also the 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” (*Honoris Causa*) by Tamilnadu Agricultural University, Coimbatore in July 2010. He was the President of Indian Sugar Mills Association (1996-97). Presently, he is a Member of State Level Information Technology Task Force constituted by the Government of Tamilnadu and Council of Agricultural Research Society, Pune.

**Driving License No:** TN6620110003344

**Voter ID No. :** TN/20/104/0558520

**PAN:** ACWPM5801F

**Passport No :** Z1774887



### **Mr. M. Balasubramaniam, Vice Chairman and Managing Director**

Mr. M. Balasubramaniam (56 Years), Vice Chairman and Managing Director of our Company, holds 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 is also the Managing Director of Sakthi Sugars Limited. 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.

**Driving License No:** TN01 19940006870

**Voter ID No :** JRT2243475

**PAN:** ABEPB2022Q

**Passport No :** Z1740284

*As per the offer document dated October 31, 2007 (in connection with previous rights issue of Equity Shares) Dr. N. Mahalingam was shown as a promoter of our Company, who passed away on October 02, 2014.*

### **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.

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) Rule, 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 Takeovers Regulations 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. Acquirers have submitted their reply vide letters dated October 27, 2014 requesting SEBI for a personal hearing. The SEBI vide its letter bearing reference EA6/AK/VRP/31053/2014 dated October 31, 2014 granted promoters an opportunity of personal hearing on November 25, 2014. In the personal hearing, the authorized representative of the Acquirers submitted their desire to avail the

settlement order and agreed to submit the application for the same. Subsequently, the Company has submitted the settlement application to SEBI on December 27, 2014.

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.

### 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 see the chapter titled “*Financial Statements - Related Party Disclosure*” on page 125 of this 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 of 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.

Except as otherwise stated in this Prospectus and statutory registers maintained by the Company in this regard, our promoters have no interest in any immovable property acquired by our Company in the last two years from the date of this Prospectus, or in any transaction with respect to the acquisition of land, construction of building or supply of machinery.

Further, none of our Promoters have interest in any immovable property proposed to be acquired except purchase of land admeasuring 200 cents for its own use, *i.e.* for construction of corporate office and training centre at a cost not exceeding ₹ 1,000 lakh appx. (including registration charges, etc) from ABT Foundation Limited, being one of the promoter group entities. The proposed acquisition will be financed through the internal accruals and, not from the Issue proceeds. The same was approved by our Company at its Board meeting held on November 14, 2014 and no further action has been taken in this regard.

Our Promoters have given certain personal guarantees in relation to loan facilities availed by our Company.

*Our promoters do not propose to subscribe to this Issue.*

### Details of shares allotted to our Promoters during the last three Financial Years

#### A. Equity Shares

Sr. No	Nature of Transaction	Date of Allotment	No. of Equity Shares	Issue Price (₹)
1	Preferential issue	March 31, 2012	1,42,68,811*	11.10

*\* The aforesaid shares allotted to the companies belonging to the promoter group*

#### B. Preference Shares

During the last three financial years, our company has not allotted any Preference Shares to any of the Promoters.

### Details of Promoters holding in the Company as on December 31, 2014

#### A. Equity Shares

Sr. No	Name of the Shareholder	Total No. of Equity Shares held	% of shareholding to the total equity share capital	No. of 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.*

#### B. Preference Shares

As on the date of this Prospectus, none of the Promoters hold any Preference Shares in our Company.

## SECTION V: FINANCIAL INFORMATION

### FINANCIAL STATEMENTS

Sr. No.	Particulars	Page No.
1	Auditors' report on the Reformatted Financial Statements of our Company as at and for, half year ended September 30, 2014 and financial years ended March 31, 2014, 2013, 2012, 2011 and 2010 as issued by the Statutory Auditor.	92 - 94
2	Financial Information of our Company as at and for, half year ended September 30, 2014 and financial years ended March 31, 2014, 2013, 2012, 2011 and 2010.	95-139

**Report of auditors on the Reformatted Financial Statements of Sakthi Finance Limited as at and for the half year ended September 30, 2014 and financial years ended March 31, 2014, 2013, 2012, 2011 and 2010**

To

The Board of Directors  
**Sakthi Finance Limited**  
62, Dr Nanjappa Road  
Coimbatore – 641 018  
Tamilnadu  
India

Dear Sirs,

1. We, **M/s P.N. Raghavendra Rao & Co.**, (ICAI Reg. No. 003328S), Coimbatore, have examined the reformatting financial statements of Sakthi Finance Limited (**“the Company”**) as at and for the half year ended September 30, 2014 and financial years ended March 31, 2014, 2013, 2012, 2011 and 2010 (**“the Reformatted Financial Statements”**) annexed to this report for the purposes of inclusion in the Draft Prospectus / Prospectus to be filed by the Company in connection with the proposed offer of Secured Redeemable Non-Convertible Debentures (**NCDs**) of ₹ 100/- each (face value) amounting to ₹ 10,000 lakh of Sakthi Finance Limited, approved by NCD Issuance Committee which is authorized by the Board of Directors and prepared by the Company by taking into consideration the requirements of:-
  - a. Section 26(1)(b)(i) of the Companies Act, 2013 ('the Act') and Rule 4(1) of the Companies (Prospectus and Allotment of Securities) Rules, 2014; and
  - b. the Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 (the **“Debt Regulations”**) issued by the Securities and Exchange Board of India (**“SEBI”**), as amended from time to time in pursuance of Section 11 of the Securities and Exchange Board of India Act, 1992 (the **“SEBI Act”**).

The preparation of such Reformatted Financial Statements is the responsibility of the Company's Management (**“Management”**). Our responsibility is to report on such statements based on our procedures.

2. We report that the Reformatted Financial Statements have been compiled by Management from the audited financial statements of the Company as at and for half year ended September 30, 2014 and financial years ended March 31, 2014, 2013, 2012, 2011 and 2010 and from the books of account underlying such audited financial statements of the Company, which were approved by the Board of Directors and which have been audited by us and in respect of which we have issued our audit opinions dated January 17, 2015, May 28, 2014, May 29, 2013, May 29, 2012, May 30, 2011 and May 26, 2010 respectively to the Members of the Company.
3. We have examined the Reformatted Financial Statements prepared by the Company and approved by the Board of Directors, taking into consideration the requirements of The Revised Guidance Note on Reports in Company Prospectus issued by the Institute of Chartered Accountants of India.
4. For the purpose of our examination of Reformatted Financial statements of the Company as at and for half year ended September 30, 2014 and financial years ended March 31, 2014, 2013, 2012, 2011 and 2010, we have placed reliance on the following:
  - a. The audited financial statements of the Company as at and for half year ended September 30, 2014 and financial years ended March 31, 2014, 2013, 2012, 2011 and 2010; and
  - b. The audited financial statements, books of account underlying the audited Standalone financial statements and related workings prepared by the Company as at and for the half year ended September 30, 2014 and financial years ended March 31, 2014, 2013, 2012, 2011 and 2010.

5. In consideration of the requirements of Section 26(1)(b)(i) of the Act and Rule 4(1) of the Companies (Prospectus and Allotment of Securities) Rules, 2014, the SEBI Regulations, terms of our engagement agreed with you, we further report that:
- a. The Reformatted Summary Statement of Assets and Liabilities and the notes forming part an integral part thereof, Reformatted Summary Statement of Profit and Loss and the notes forming part thereof and the Reformatted Summary Statement of Cash Flow (**‘Reformatted Summary Statements’**) of the Company, as at and for half year ended September 30, 2014 and financial years ended March 31, 2014, 2013, 2012, 2011 and 2010 examined by us, have been set out in Annexure I to V to this report. These Reformatted Summary Statements have been prepared after regroupings that, in management’s opinion, are appropriate and which are more fully described in Notes to Reformatted Financial Statements and Significant Accounting Policies of the Company. (Refer Annexure VI)
  - b. Based on the above, we state that:
    - These Reformatted Financial Statements have been presented in “Rupees in Lakh” solely for the convenience of readers.
    - The Reformatted Summary Statements have to be read in conjunction with relevant Notes to Reformatted Financial Statements and Significant Accounting Policies given as per Annexure VI ;
    - The figures of earlier years / periods have been regrouped (but not restated retrospectively for any changes in accounting policy), wherever necessary, to confirm to the classification adopted for the Reformatted Financial Statements. ;
    - There are no extraordinary items which need to be disclosed separately in the Reformatted Financial Statements;
    - There are no qualification in the Auditors’ Reports that require adjustments to the figures in the Reformatted Financial Statements and
    - These Reformatted Financial Statements conform to the requirements of Schedule III of Companies Act, 2013.
6. In the preparation and presentation of the Reformatted Financial Statements based on audited financial statements as referred to in paragraph 4 above, no adjustments have been made for any events occurring subsequent to the dates of the audit reports specified in paragraph 2 above.
7. As stated in our audit reports referred to in paragraph 2 above, we conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India to enable us to issue an opinion on the General Purpose Financial Statements. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
8. Our audits referred to in paragraph 2 above were carried out for the purpose of certifying the general purpose financial statements taken as a whole. For none of the periods referred to in paragraph 2 above, did we perform audit tests for the purpose of expressing an opinion on individual balances of account or summaries of selected transactions, and accordingly, we express no such opinion on the reformatted financial statements.



9. We have neither audited nor reviewed any financial statements of the Company as of any date or for any period subsequent to September 30, 2014. Accordingly, we express no opinion on the financial position, results of operations or cash flows of the Company as of any date or for any period subsequent to September 30, 2014.

**Other Financial Information:**

10. At the Company's request, we have also examined the following financial information proposed to be included in the offer document prepared by the management and approved by NCD Issuance Committee which is authorized by the Board of Directors of the Company and annexed to this report relating to the Company for half year ended September 30, 2014 and financial years ended March 31, 2014, 2013, 2012, 2011 and 2010 respectively:
- a. Notes to Reformatted Financial Statements and Significant Accounting Policies (Annexure VI)
  - b. Capitalisation Statement as at September 30, 2014(Annexure VII)
  - c. Statement of Secured and Unsecured Loans (Annexure VIII)
  - d. Statement of Accounting Ratios (Annexure IX- A/B/C)
  - e. Statement of Dividend (Annexure X)
  - f. Statement of Contingent Liabilities (Annexure XI)
  - g. Statement of Tax Shelter (Annexure XII)
11. In our opinion, the Reformatted financial information as disclosed in the Annexure to this report, read with the respective Notes to Reformatted Financial Statements and Significant Accounting Policies in Annexure VI, have been prepared by the Company by taking into considering the requirements of Section 26(1)(b)(i) of the Act and Rule 4(1) of the Companies (Prospectus and Allotment of Securities) Rules, 2014 and the Regulations.
12. We have no responsibility to update our report for events and circumstances occurring after the date of the report.
13. This report should not in any way be construed as a re-issuance or re-dating of any of the previous audit reports issued by us nor should this be construed as a new opinion on any of the financial statements referred to herein.
14. This report is intended solely for your information and for inclusion in the Draft Prospectus/Prospectus filed in connection with the proposed offer of Secured Redeemable Non-Convertible Debentures of Sakthi Finance Limited as stated in paragraph 1 above, and is not to be used, referred to or distributed for any other purpose, without our prior written consent.

For P.N Raghavendra Rao & Co.  
Chartered Accountants  
ICAI Firm Registration Number: 003328S

P R Vittel  
Partner  
Membership Number: 18111

Coimbatore

Date: January 17, 2015

ANNEXURE I-REFORMATTED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

(₹Lakh)

Particulars	Notes	As at	As at March, 31,				
		September 30, 2014	2014	2013	2012	2011	2010
<b>EQUITY AND LIABILITIES</b>							
<b>Shareholders' Funds</b>							
Share Capital	1	6,000.00	6,000.00	6,000.00	5,690.30	3,010.70	3,010.70
Reserves and Surplus	2	9,007.71	8,294.01	7,882.08	7,418.93	6,680.42	3,576.64
		<b>15,007.71</b>	<b>14,294.01</b>	<b>13,882.08</b>	<b>13,109.23</b>	<b>9,691.12</b>	<b>6,587.34</b>
<b>Share Application money pending allotment</b>			-	-	<b>7.00</b>	<b>1,578.63</b>	<b>1,053.63</b>
<b>Non-Current Liabilities</b>							
Long-Term Borrowings	3	26,191.26	16,379.84	4,741.38	3,627.91	4,536.94	5,082.33
Deferred Tax Liabilities (Net)	4	837.24	923.48	840.72	845.34	739.94	579.31
		<b>27,028.50</b>	<b>17,303.32</b>	<b>5,582.10</b>	<b>4,473.25</b>	<b>5,276.88</b>	<b>5,661.64</b>
<b>Current Liabilities</b>							
Short-Term Borrowings	5	35,745.17	45,824.81	54,976.51	51,474.73	44,800.72	33,589.44
Other Current Liabilities	6	18,587.50	11,312.13	8,004.80	6,598.25	5,927.23	6,880.08
Short-Term Provisions	7	1,153.16	1,482.32	1,226.38	1,132.42	788.66	189.46
		<b>55,485.83</b>	<b>58,619.26</b>	<b>64,207.69</b>	<b>59,205.40</b>	<b>51,516.61</b>	<b>40,658.98</b>
		<b>97,522.04</b>	<b>90,216.59</b>	<b>83,671.87</b>	<b>76,794.88</b>	<b>68,063.24</b>	<b>53,961.60</b>
<b>ASSETS</b>							
<b>Non-Current Assets</b>							
Fixed Assets	8						
- Tangible Assets		5,594.79	5,689.77	6,208.00	6,759.34	7,045.50	3,490.07
- Intangible Assets		319.24	319.59	33.53	25.32	34.44	21.63
- Capital Work-in-Progress		6.88	4.50	-	-	-	-
- Intangible Assets under Development		-	-	207.51	-	-	-
Non-Current Investments	9	2,070.48	1,296.14	1,124.91	726.48	1,177.23	1,182.23
Long-Term Loans and Advances	10	207.20	240.46	201.25	360.60	344.57	455.45
Other Non-Current Assets	11	-	-	-	-	39.77	-
		<b>8,198.59</b>	<b>7,550.46</b>	<b>7,775.20</b>	<b>7,871.74</b>	<b>8,641.51</b>	<b>5,149.38</b>
<b>Current Assets</b>							
Current Investments	12	-	115.98	-	447.75	-	-
Stock on Hire	13	78,426.66	75,035.05	69,275.58	63,303.15	52,935.98	43,864.98
Trade Receivables	14	185.74	88.74	372.74	348.76	187.00	60.34
Cash and Bank Balances	15	4,397.95	3,030.83	2,643.92	1,710.42	2,799.57	2,625.14
Short-Term Loans and Advances	16	5,821.16	4,116.46	3,481.21	2,981.22	3,283.95	2,158.32
Other Current Assets	17	491.94	279.07	123.22	131.85	215.24	103.45
		<b>89,323.45</b>	<b>82,666.13</b>	<b>75,896.67</b>	<b>68,923.14</b>	<b>59,421.73</b>	<b>48,812.22</b>
		<b>97,522.04</b>	<b>90,216.59</b>	<b>83,671.87</b>	<b>76,794.88</b>	<b>68,063.24</b>	<b>53,961.60</b>

As per our report attached

For P.N. Raghavendra Rao & Co.,  
Chartered Accountants  
Firm Regn. No.:003328S

**P.R.VITTEL**  
Partner  
Membership No.18111

**Place :** Coimbatore  
**Date :** January 17, 2015

For and on behalf of the Board  
**M. Balasubramaniam**  
**Vice Chairman and Managing Director**

**S. Venkatesh**  
**Company Secretary**

**M. Manickam**  
**Chairman**

**S. Veluswamy**  
**Chief Financial Officer**

ANNEXURE II -REFORMATTED SUMMARY STATEMENT OF PROFIT AND LOSS

(₹ Lakh)

Particulars	Notes	Half year ended September 30, 2014	For the year ended March,31,				
			2014	2013	2012	2011	2010
<b>Revenue from Operations</b>							
Income from Operations	18	6,971.50	13,183.32	12,204.71	11,194.30	8,836.87	7,591.22
Other Income	19	246.25	627.34	667.24	421.34	329.71	294.98
<b>Total Revenue from Operations</b>		<b>7,217.75</b>	<b>13,810.66</b>	<b>12,871.95</b>	<b>11,615.64</b>	<b>9,166.58</b>	<b>7,886.20</b>
<b>Expenses</b>							
Employee Benefits Expense	20	875.35	1,701.00	1,720.41	1,625.91	1,123.00	773.34
Finance Costs	21	4,322.07	7,863.72	7,259.28	6,699.60	5,592.62	4,995.35
Depreciation and Amortization Expense	22	140.15	245.55	286.68	281.54	220.01	164.03
Other Expenses	23	562.70	1,178.45	1,025.62	900.16	762.96	722.46
Provisions and Write off	24	245.47	522.36	431.48	366.09	239.67	178.39
Contingent Provision against Standard Assets		12.63	20.92	15.44	25.30	135.12	
<b>Total Expenses</b>		<b>6,158.37</b>	<b>11,532.00</b>	<b>10,738.91</b>	<b>9,898.59</b>	<b>8,073.38</b>	<b>6,833.57</b>
<b>Profit before Exceptional and Extraordinary Items and Tax</b>		1,059.38	2,278.66	2,133.04	1,717.05	1,093.20	1,052.62
Exceptional Items			-	-	-	-	-
<b>Profit before Extraordinary Items and Tax</b>		1,059.38	2,278.66	2,133.04	1,717.05	1,093.20	1,052.62
Extraordinary Items			-	-	-	-	-
<b>Profit before Tax</b>		1,059.38	2,278.66	2,133.04	1,717.05	1,093.20	1,052.62
Tax Expense:							
- Current Tax		413.97	780.17	691.66	451.26	255.43	175.61
- MAT Credit (Entitlement) / Utilization		-	-	31.13	-	(131.86)	-
- Deferred Tax		(86.23)	82.76	(4.61)	105.38	160.64	249.97
- Fringe Benefit Tax			-	-	-	-	-
- Provision for Taxation- earlier years			-	15.01	(1.29)	15.40	(1.15)
<b>Profit for the year</b>		<b>731.64</b>	<b>1,415.73</b>	<b>1,399.85</b>	<b>1,161.70</b>	<b>793.59</b>	<b>628.18</b>

(₹ Lakh)

Particulars	Notes	Half year ended September 30, 2014	For the year ended March,31,				
			2014	2013	2012	2011	2010
Surplus for the year carried to Balance Sheet		731.64	1,415.73	1,399.85	1,161.70	793.59	628.18
Earnings per Equity Share	32						
Par Value per Equity Share (₹)		10.00	10.00	10.00	10.00	10.00	10.00
Basic (₹)		1.46	2.60	2.58	3.85	2.64	2.09
Diluted (₹)		1.46	2.60	2.58	3.85	1.73	1.76

As per our report attached

For P.N. Raghavendra Rao & Co.,  
Chartered Accountants  
Firm Regn. No.:003328S

For and on behalf of the Board  
**M. Balasubramaniam**  
Vice Chairman and Managing Director

**M. Manickam**  
Chairman

**P.R.VITTEL**  
Partner  
Membership No.18111

**S. Venkatesh**  
Company Secretary

**S. Veluswamy**  
Chief Financial Officer

**Place :** Coimbatore  
**Date :** January 17, 2015

**ANNEXURE III -REFORMATTED CASH FLOW STATEMENT**
*(₹ Lakh)*

Particulars	Half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>						
Net profit before tax	1059.38	2278.66	2133.04	1717.05	1093.20	1052.62
Adjustments for:						
Add: Finance cost	4322.07	7863.72	7259.28	6699.60	5592.62	4995.35
Depreciation and Amortisation expense	140.15	245.55	286.68	281.54	220.01	164.03
Refund received from FBT - Earlier years	0.00	0.00	0.00	1.30	0.00	0.00
Provision for Wealth Tax - Earlier years	0.00	0.00	0.00	(0.01)	0.00	0.00
Increase / (Decrease) in diminution in value of Investments	0.00	0.00	0.00	0.00	0.04	0.00
Increase / (Decrease) in provision against Non Performing Assets	223.78	126.78	102.34	70.83	76.56	(8.36)
Increase / (Decrease) in provision against Standard Assets	12.63	20.92	15.44	25.30	135.12	0.00
Loss / (Profit) on sale of assets	0.00	(271.10)	(166.38)	(0.08)	(2.60)	2.06
Loss / (Profit) on sale and redemption of long term investments	(4.02)	1.40	(0.75)	0.00	0.00	3.64
Interest received	(245.35)	(477.65)	(378.75)	(312.50)	(497.90)	(165.96)
Dividend Received	(1.25)	(3.05)	(2.80)	(2.53)	(2.50)	(2.50)
Operating profit before working capital changes	<b>5507.39</b>	9785.23	9248.10	8480.50	6614.55	6040.88
(Increase) / Decrease in net Stock on Hire	(3391.61)	(5759.47)	(6003.68)	(10336.10)	(9093.67)	(9685.41)
(Increase) / Decrease in Trade receivables	(97.00)	284.00	(1170.59)	(394.85)	0.00	0.00
(Increase) / Decrease in Cash and Bank Balances	(300.98)	(509.73)	0.32	185.08	(12.49)	40.44
(Increase) / Decrease in Long Term / Short Term Loans and Advances	(2322.35)	(2178.23)	(338.39)	199.78	(1420.94)	156.17
Increase / (Decrease) in Other Current Liabilities	699.81	3307.33	(437.70)	(673.98)	109.60	(611.81)
Cash used in operations	<b>95.26</b>	4929.13	1298.06	(2539.57)	(3802.95)	(4059.73)
Finance costs	(4322.07)	(7863.72)	(6837.23)	(6133.52)	(5378.57)	(4433.23)
Direct taxes paid	338.09	676.00	721.07	335.00	229.56	227.08
<b>Net cash used in Operating Activities (A)</b>	<b>(3888.72)</b>	(2258.59)	(4818.10)	(8338.09)	(8951.96)	(8265.88)
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>						
Purchase of fixed assets	(40.30)	(142.10)	(98.51)	(46.95)	(1216.93)	(1016.33)
Assets under Development	(6.88)	(4.50)	-	-	-	-
Intangible Assets under Development	-	-	(207.51)	-	-	-
Sale of fixed Assets	0.00	305.49	279.97	0.08	91.37	0.86
Sale / redemption of Long Term Investments	115.98	176.00	50.00	3.00	5.00	95.00
Gross Additions / Deletions to Investments	(774.34)	(464.61)	0.07	-	-	-
Interest received	245.35	477.65	380.46	312.36	498.45	168.06
Dividend Received	1.25	3.05	2.80	2.53	2.50	2.50
<b>Net cash from Investing Activities (B)</b>	<b>(458.94)</b>	<b>350.98</b>	<b>407.28</b>	<b>271.02</b>	<b>(619.61)</b>	<b>(749.91)</b>



Particulars	Half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>						
Proceeds from issue of Share Capital	-	0.00	302.70	1326.79	525.00	500.00
Proceeds from Long and Short Term Borrowings	5013.86	2486.76	5628.83	6179.09	3850.44	1151.60
Increase / (Decrease) in Secured Non convertible debentures	0.00	0.00	0.00	0.00	5767.96	6764.06
Increase / (Decrease) in Fixed deposits	0.00	0.00	0.00	0.00	(409.78)	1547.23
Dividend paid including Corporate Dividend tax	0.00	(701.97)	(691.66)	(349.91)	0.00	0.00
<b>Net Cash from Financing Activities (C)</b>	<b>5013.86</b>	<b>1784.79</b>	<b>5239.87</b>	<b>7155.97</b>	<b>9733.62</b>	<b>9962.89</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents (A+B+C)</b>	666.19	(122.82)	829.05	(911.10)	162.05	947.10
Cash and cash equivalents at the beginning of the year	2404.48	2527.30	1698.27	2609.37	2447.31	1500.20
Cash and cash equivalents at the end of the year	3070.67	2404.48	2527.30	1698.27	2609.37	2447.31
<b>Components of cash and cash equivalents at the end of the year:</b>						
Cash on hand	206.84	1328.89	1346.35	616.02	859.20	556.30
Balance with Banks						
- cheques, drafts on hand	1767.50	766.64	576.59	378.28	1057.83	1084.76
- in current accounts	1096.33	308.95	604.36	703.97	692.34	806.25

As per our report attached

For P.N. Raghavendra Rao & Co.,  
Chartered Accountants  
Firm Regn. No.:003328S

For and on behalf of the Board  
**M. Balasubramaniam**  
Vice Chairman and Managing Director

**M. Manickam**  
Chairman

**P.R.VITTEL**  
Partner  
Membership No.18111

**S. Venkatesh**  
Company Secretary

**S. Veluswamy**  
Chief Financial Officer

**Place :** Coimbatore  
**Date :** January 17, 2015

ANNEXURE IV -NOTES TO REFORMATTED SUMMARY STATEMENT OF ASSETS AND LIABILITIES

1. SHARE CAPITAL

(₹ Lakh)

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
<b>Authorised Share Capital</b>						
55,000,000 Equity shares of ₹10/- each	5500.00	5500.00	5500.00	5500.00	5500.00	4000.00
2,000,000 10% Redeemable Cumulative Preference Shares of ₹100/- each	2000.00	2000.00	2000.00	2000.00	500.00	500.00
	<b>7500.00</b>	<b>7500.00</b>	<b>7500.00</b>	<b>7500.00</b>	<b>6000.00</b>	<b>4500.00</b>
<b>Issued, Subscribed and Paid up Share capital</b>						
50,000,000 Equity shares of ₹10/- each fully paid up	5000.00	5000.00	5000.00	5000.00	3010.70	3010.70
1,000,000 10% Redeemable Cumulative Preference Shares of ₹100/- each fully paid	1000.00	1000.00	1000.00	690.30	-	-
	<b>6000.00</b>	<b>6000.00</b>	<b>6000.00</b>	<b>5690.30</b>	<b>3010.70</b>	<b>3010.70</b>

a) Reconciliation of shares outstanding at the beginning and end of the period

Particulars	As at September 30, 2014				As at March 31,							
	2014		2013		2012		2011		2010			
	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	3,01,06,981	3,010.70	3,01,06,981	3,010.70	3,01,06,981	3,010.70
Add : Fresh issue of Shares during the year	-	-	-	-	-	-	1,98,93,019	1,989.30	-	-	-	-
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	3,01,06,981	3,010.70	3,01,06,981	3,010.70
Redeemable Cumulative Preference Shares	-	-	-	-								
Number of Shares at the beginning of the year	10,00,000	1,000.00	10,00,000	1,000.00	6,90,300	690.30	-	-	-	-	-	-

Particulars	As at September 30, 2014				As at March 31,							
	2014		2013		2012		2011		2010			
	No. of Shares	(₹ Lakh)	No. of Shares	(₹ Lakh)	No. of Shares	(₹ Lakh)	No. of Shares	(₹ Lakh)	No. of Shares	(₹ Lakh)	No. of Shares	(₹ Lakh)
<i>Add :</i> Fresh issue of Shares during the year	-	-	-	-	3,09,700	309.70	6,90,300	690.30	-	-	-	-
Number of Shares at the end of the year	10,00,000	1,000.00	10,00,000	1,000.00	10,00,000	1,000.00	6,90,300	690.30	-	-	-	-

**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.

During the year FY 2011-12, the Company made a preferential issue of 1,98,93,019 equity shares of ₹ 10 each at ₹ 11.10 per share aggregating to ₹ 2208.13 lakh to promoter group companies and a non-promoter company in terms of the approval of members obtained at their meeting held on March 19, 2012 and in-principle approval of Stock Exchanges. The Allotment Committee of Directors at their meeting held on March 31, 2012 has allotted the shares to the respective allottees. Consequently, the equity share capital of the company stands increased to ₹ 50 crore from ₹ 30.11 crores with effect from that date. These equity shares along with the pre-preferential shareholdings of allottees were subject to lock-in and restricted from being sold/transferred/hypothecated/pledged, as per SEBI (ICDR) Regulations 2009. At present, 1,42,68,811 equity shares allotted to promoter group companies are locked in till March 31, 2015.

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.

**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 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.

#### **DIVIDEND ON EQUITY - IN PAST FIVE YEARS**

The Board of Directors at their meeting held on May 28, 2014, have 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, 2014 amounts to ₹ 584.98 lakh including corporate dividend tax of ₹ 84.98 lakh.

The Board of Directors at their meeting held on May 29, 2013 have recommended a dividend of ₹ 1 per share (10% of the par value of ₹ 10) for the year ended 31<sup>st</sup> March 2013. The dividend recommended was approved by the members at the 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, 2013 amounts to ₹ 584.98 lakh including corporate dividend tax of ₹ 84.98 lakh.

The Board of Directors at their meeting held on May 29, 2012 have recommended a dividend of ₹ 1 per share (10% of the par value of ₹ 10) for the year ended March 31, 2012. The dividend recommended was approved by the members at the Annual General Meeting. The total dividend appropriation for the year ended March 31, 2012 amounts to ₹ 581.11 lakh including corporate dividend tax of ₹ 81.11 lakh.

The Board of Directors at their meeting held on May 30, 2011 have recommended a dividend of ₹ 1 per share (10% of the par value of ₹ 10) for the year ended March 31, 2011. The dividend recommended was approved by the members at Annual General Meeting. The amount of per share dividend recognised as distribution to equity shareholders is ₹ 1 per share (₹ 1 per share). The total dividend appropriation for the year ended March 31, 2011 amounts to ₹ 349.91 lakh including corporate dividend tax of ₹ 48.84 lakh.

No dividend was declared in FY 2009-10.

#### **DIVIDEND ON PREFERENCE SHARES DETAILS**

The Board of Directors at their Meeting held on March 28, 2014, have declared an interim 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 lakh including a Corporate Dividend Tax of ₹ 17 lakh.

The Board of Directors at their Meeting held on March 30, 2013, have declared an interim of ₹ 10/- per share, (including *pro rata* dividend) for the year ending March 31, 2013. The total dividend appropriation for the year ended March 31, 2013 amounts to ₹ 110.33 lakh including a Corporate Dividend Tax of ₹ 15.40 lakh.

The Board of Directors at their Meeting held on May 29, 2012, have recommended a *pro rata* dividend of ₹ 0.027/- per share, (10% *pro rata* dividend for a day on a par value of ₹ 100/-) for the March 31, 2012, as the allotment was made on March 31, 2012 only. The dividend was approved by the Members at Annual General Meeting. The total dividend appropriation for the year ended March 31, 2012 amounts to ₹ 0.22 lakh including a Corporate Dividend Tax of ₹ 0.03 lakh.

c) Details of shareholders holding more than 5% shares in the capital of the company

Name of the Shareholder	As at September 30, 2014		As at March 31,									
	% 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	% of Holding	No. of Shares
<b>Equity Shares with Voting Rights</b>												
ABT Limited	17.45	8,727,400	17.45	8,727,400	17.45	8,727,400	17.45	8,727,400	17.45	8,727,400	17.45	8,727,400
Sakthi Finance Financial Services Limited	16.22	8,110,000	16.22	8,110,000	16.22	8,110,000	16.22	8,110,000	16.22	8,110,000	16.22	8,110,000
Avdhoot Finance and Investment Private Limited	11.25	5,624,208	11.25	5,624,208	11.25	5,624,208	11.25	5,624,208	11.25	5,624,208	11.25	5,624,208
Bridgewater Investment Corporation Limited	8.90	4,450,000	8.90	4,450,000	8.90	4,450,000	8.90	4,450,000	8.90	4,450,000	8.90	4,450,000
The Gounder and Company Auto Limited	7.85	3,925,000	7.85	3,925,000	7.85	3,925,000	7.85	3,925,000	7.85	3,925,000	7.85	3,925,000
Sakthi Financial Services (Cochin) Private Limited	6.82	3,411,246	6.82	3,411,246	6.82	3,411,246	6.82	3,411,246	6.82	3,411,246	6.82	3,411,246
<b>Redeemable Cumulative Preference Shares</b>												
Mr. Jayanth Balakrishna	15.00	150,000	15.00	150,000	15.00	150,000	14.49	1,00,000	-	-	-	-

2. RESERVES AND SURPLUS

Particulars	As at September 30, 2014		As at March 31,			
	2014	2013	2012	2011	2010	
<b>Capital Reserve</b>						
Balance as at the Opening and Closing of the year	52.61	52.61	52.61	52.61	52.61	52.61
<b>Securities Premium Account</b>						
Opening Balance	1,554.49	1,554.49	1,554.49	1,335.67	1,335.67	1,335.67
Add : Premium on shares received during the year	-	-	-	218.82	-	-
<b>Closing Balance</b>	<b>1,554.49</b>	<b>1,554.49</b>	<b>1,554.49</b>	<b>1,554.49</b>	<b>1,335.67</b>	<b>1,335.67</b>
<b>Revaluation Reserve</b>						
Opening Balance	2,056.21	2,358.03	2,599.42	2,660.10	-	-
Add : Addition on revaluations during the year	-	-	-	-	2,660.10	-
	2,056.21	2,358.03	2,599.42	2,660.10	2,660.10	-
Less : On disposal of Fixed Assets	-	255.88	181.85	-	-	-
Transfer to Statement of Profit and Loss	17.94	45.94	59.54	60.68	-	-
<b>Closing Balance</b>	<b>2,038.27</b>	<b>2,056.21</b>	<b>2,358.03</b>	<b>2,599.42</b>	<b>2,660.10</b>	<b>-</b>
<b>General Reserve</b>						
Balance as at the Opening of the year	1,500.00	1,500.00	1,500.00	1,500.00	-	-

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
Balance as at the closing of the year	1,500.00	1,500.00	1,500.00	1,500.00	1,500.00	-
<b>Statutory Reserve as per Section 45IC of the RBI Act 1934</b>						
Opening Balance	1,563.58	1,280.43	1,000.46	768.12	609.40	483.76
Add : Transfer from surplus in Statement of Profit and Loss	-	283.15	279.97	232.34	158.72	125.64
<b>Closing balance</b>	<b>1,563.58</b>	<b>1,563.58</b>	<b>1,280.43</b>	<b>1,000.46</b>	<b>768.12</b>	<b>609.40</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 profits after tax available for appropriation.						
<b>Surplus in Statement of Profit and Loss</b>						
Opening Balance	1,567.12	1,136.52	711.95	363.92	1,578.96	1,076.41
Add : Profit after tax for the year	731.64	1,415.73	1,399.85	1,161.70	793.59	628.18
<b>Total</b>	<b>2,298.76</b>	<b>2,552.25</b>	<b>2,111.80</b>	<b>1,525.62</b>	<b>2,372.55</b>	<b>1,704.59</b>
<b>Less: Appropriations</b>						
Provision for Interim dividend on Preference shares (₹ 10/- per share)	-	100.00	94.93	0.19	-	-
Tax on Interim dividend on Preference Shares	-	17.00	15.40	0.03	-	-
Provision for Equity Dividend (₹ 1 per share)	-	500.00	500.00	500.00	301.07	-
Tax on Dividend-Equity Shares	-	84.98	84.98	81.11	48.84	-
Transfer to Statutory Reserve	-	283.15	279.97	232.34	158.72	-
Transfer to General Reserve	-	-	-	-	1500.00	125.64
<b>Closing Surplus</b>	<b>2,298.76</b>	<b>1,567.12</b>	<b>1,136.52</b>	<b>711.95</b>	<b>363.92</b>	<b>1578.95</b>
<b>Total</b>	<b>9,007.71</b>	<b>8,294.01</b>	<b>7,882.08</b>	<b>7,418.93</b>	<b>6,680.42</b>	<b>3,576.64</b>

### 3. LONG-TERM BORROWINGS

(₹ Lakh)

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
<b>Secured</b>						
Debentures (Refer Note 5)	399.31	1,181.65	1,477.04	1,761.97	1,372.43	1,014.96
Term Loans from Financial Institutions	1,954.00	20.00	328.00	949.48	819.53	1,336.93
	<b>2,353.31</b>	<b>1,201.65</b>	<b>1,805.04</b>	<b>2,711.45</b>	<b>2,191.96</b>	<b>2,351.89</b>
<b>Unsecured</b>						
Deposits	9,412.05	7,110.09	2,936.34	916.46	2,344.98	2,730.44
Subordinated Debts	14,425.90	8,068.10	-	-	-	-
	<b>23,837.95</b>	<b>15,178.19</b>	<b>2,936.34</b>	<b>916.46</b>	<b>2,344.98</b>	<b>2,730.44</b>
<b>Total</b>	<b>26,191.26</b>	<b>16,379.84</b>	<b>4,741.38</b>	<b>3,627.91</b>	<b>4,536.94</b>	<b>5,082.33</b>



**a) Nature of security and terms of repayment for Debentures**

Secured Redeemable Non-Convertible Debentures of the face value of ₹1 each and redeemable at par are secured by specified Hire Purchase receivables, 15 windmills along with land and four buildings situated at Mumbai, Coimbatore, Madurai and Chennai. The rate of interest varies from 10.25% to 10.50%; Tenor of debentures is 15 to 36 months

**b) Term loans from Small Industries Development Bank of India (SIDBI) are secured as under:**

Sr. No.	Amount of Term Loan Sanctioned	Rate of Interest (%)	Repayment		Moratorium Period (Months)	Security details	Amount outstanding as on (₹Lakh)					
			Commencement date	End date			30.09.2014	31.03.2014	31.03.2013	31.03.2012	31.03.2011	31.03.2010
1	600.00 (TL-II)	12.25	01.10.2008	01.06.2011	3	Hypothecation of specified Hire Purchase receivables and by collateral security a lease hold Land/ Building and guarantee by two directors	-	-	-	-	60.00	276.00
2	750.00 (TL-III)	12	10.03.2010	10.11.2012	3		-	-	-	181.25	454.25	727.25
3	500.00 (TL-IV)	12	10.12.2010	10.08.2013	3		-	-	75.80	257.60	439.40	-
4	1000.00 (TL-V)	13.50	01.04.2012	01.03.2015	3		188.00	356.00	496.00	1000.00	-	-

**Term loan from The Tamilnadu Industrial Investment Corporation Limited (TIIC) is secured as under:**

Sr. No.	Amount of Term loan Sanctioned	Rate of Interest (%)	Repayment		Moratorium Period (Months)	Security details	Amount outstanding as on (₹Lakh)					
			Commencement date	End date			30.09.2014	31.03.2014	31.03.2013	31.03.2012	31.03.2011	31.03.2010
1	662.68	12	01.10.2008	01.07.2014	6	Secured by 3 nos of Vestas RRB make 600 KW WEGS, existing Wind Mill lands to the extent of 45 acres and Personal Guarantee by two Directors	-	-	-	320.68	424.68	522.68
2	750.00	14.75	01.08.2009	30.06.2012	3	Hire Purchase assets and further guaranteed by two directors of the company.	-	-	-	-	-	588.00

c) Term loan from other Financial Institutions is secured as under:

i. Sundaram Finance Ltd

Sr. No.	Amount of Term Loan Sanctioned	Rate of Interest (%)	Repayment		Moratorium Period (Months)	Security details	Amount outstanding as on (₹Lakh)					
			Commencement date	End date			30.09.2014	31.03.2014	31.03.2013	31.03.2012	31.03.2011	31.03.2010
1	750.00	14	08.06.2014	08.05.2016	-	Exclusive charge on 15 numbers of Wind Mills of the Company situated at Tirunelveli district and Tirupur district, Tamilnadu	639.83	-	-	-	-	-
2	550.00	14	17.08.2014	17.07.2016	-	Exclusive charge on 2 number of Wind Mills of the Company situated at Mouje Village, Mota Gunda, Bhavad Taluk, Jamnagar dist., Gujarat, 3 Nos of wind mills along with 6 Acres of land situated at Tenkasi, Tirunelveli dist.	508.48	-	-	-	-	-
3	300.00	14	17.08.2014	17.07.2016	-	Bhavad Taluk, Jamnagar dist., Gujarat, 3 Nos of wind mills along with 6 Acres of land situated at Tenkasi, Tirunelveli dist.	277.34	-	-	-	-	-

ii. **Reliance Capital Ltd**

Sr. No.	Amount of Term Loan Sanctioned	Rate of Interest (%)	Repayment		Moratorium Period (Months)	Security details	Amount outstanding as on (₹ Lakh)					
			Commencement date	End date			30.09.2014	31.03.2014	31.03.2013	31.03.2012	31.03.2011	31.03.2010
1	1000.00	15%	01.09.2014	01.08.2016	-	Hire Purchase assets and further guaranteed by a director of the Company	963.01	-	-	-	-	-

iii. **IFMR Capital Finance Pvt Ltd**

Sr. No.	Amount of Term Loan Sanctioned	Rate of Interest (%)	Repayment		Moratorium Period (Months)	Security details	Amount outstanding as on (₹ Lakh)					
			Commencement date	End date			30.09.2014	31.03.2014	31.03.2013	31.03.2012	31.03.2011	31.03.2010
1	1500.00	14%	27.10.2014	27.09.2016	-	Hire Purchase assets and further guaranteed by a Director of the company.	1500.00	-	-	-	-	-

d) **Repayment / Interest Terms for Deposits and Term loans**

1. There are no defaults in repayment of fixed deposits, debentures and term loans.
2. Rate of Interest for fixed deposits varies from 9% to 11% per annum. The tenor of fixed deposit range from 12 months to 36 months.
3. Rate of Interest for subordinated debts is at 11.50% per annum. The tenor of subordinated debt is 61 months.

#### 4. DEFERRED TAX LIABILITIES (NET)

(₹ Lakh)

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
<b>Tax effect of items constituting deferred tax liability:</b>						
On difference between book balance and tax balance of depreciation	1,108.05	1,045.81	1,098.53	1,072.95	964.05	720.24
<b>Tax effect of items constituting deferred tax assets:</b>						
Provision for NPA/Contingent Provision against Standard Assets	<b>270.81</b>	118.56	184.38	146.16	224.10	140.93
Provision for fall in value of Investments	-	-	0.02	0.02	-	-
Brought forward business losses	-	3.77	73.41	81.43	-	-
	<b>270.81</b>	<b>122.33</b>	<b>257.81</b>	<b>227.61</b>	<b>224.10</b>	<b>140.93</b>
<b>Total</b>	<b>837.24</b>	<b>923.48</b>	<b>840.72</b>	<b>845.34</b>	<b>739.94</b>	<b>579.31</b>

#### 5. SHORT-TERM BORROWING

(₹ Lakh)

Particulars	As at	As at March 31,				
	September 30, 2014	2014	2013	2012	2011	2010
<b>Secured Loans</b>						
Debentures (Refer to Note 3)	18891.08	27400.57	40,372.51	38,169.31	34,715.19	28,118.57
<b>From Banks</b>						
Cash Credit and Working Capital Demand Loans	16,854.09	18,424.24	14,604.00	13,305.42	10,085.53	5,470.87
<b>Total</b>	<b>35,745.17</b>	<b>45,824.81</b>	<b>54,976.51</b>	<b>51,474.73</b>	<b>44,800.72</b>	<b>33,589.44</b>

Cash Credits and Working Capital Demand Loans from Banks are repayable on demand and are secured by hypothecation of specified hire purchase assets and personal guarantee of directors, besides Collateral security of company's building along with land belonging to a director to a bank. There is no default in repayment of loans and interest thereon.

## 6. OTHER CURRENT LIABILITIES

(₹ Lakh)

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
<b>Current Maturities of Long-Term Debt :</b>						
Debentures	286.32	1387.78	2,342.56	1,154.26	874.33	1,344.51
Term Loans from Financial Institutions	2122.65	336.00	243.80	810.05	558.80	777.00
Deposits	10433.97	5837.08	2,388.71	1,706.33	2,370.06	2,388.22
	<b>12,842.94</b>	<b>7,560.86</b>	<b>4,975.07</b>	<b>3,670.64</b>	<b>3,803.19</b>	<b>4,509.73</b>
Interest accrued but not due on Deposits / NCD	577.53	408.20	341.01	245.09	236.97	225.53
Interest accrued and due on Bank Cash Credit	104.49	60.08	49.23	38.67	29.92	58.77
Unclaimed dividends	522.59	122.74	114.93	10.13	3.10	3.22
Application money received for allotment of securities and due for refund and interest accrued thereon	-	-	-	0.71	-	-
Unclaimed matured deposits and interest accrued thereto	602.44	258.48	289.64	246.62	261.90	246.69
Unclaimed matured debentures and interest accrued thereto	2843.82	1611.36	1,392.71	1,425.00	324.52	830.36
Unclaimed Interest Warrants	0.00	10.32	7.93	5.26	0.97	65.02
Employees related Statutory obligations	-	-	10.08	9.27	7.91	5.83
Advances from Customers	785.74	732.16	552.07	702.77	81.94	53.17
Security Deposits	0.45	0.45	0.45	0.66	0.66	0.45
Tax Deducted at source	24.01	52.65	40.58	20.45	13.21	5.83
Liability for Expenses	280.03	486.49	218.32	214.59	1,158.15	871.98
Other Payables	3.46	8.34	12.78	8.39	4.80	3.50
<b>Total</b>	<b>18,587.50</b>	<b>11,312.13</b>	<b>8,004.80</b>	<b>6,598.25</b>	<b>5,927.23</b>	<b>6,880.08</b>

- As at end of each financial year there was no amount due to be transferred to Investor Education and Protection Fund
- 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 September 30, 2014	As at 31st March				
		2014	2013	2012	2011	2010
<b>Provision for Employee Benefits</b>						
Provision for bonus	86.72	77.12	73.04	69.19	50.01	39.76
Provision for gratuity (net)	-	-	-	7.15	3.88	3.88
	<b>86.72</b>	<b>77.12</b>	<b>73.04</b>	<b>76.34</b>	<b>53.89</b>	<b>43.64</b>
<b>Other Provisions</b>						
Provision for Taxation (Net of Advance tax and MAT Credit)	113.97	104.16	-	24.17	30.43	3.11
Contingent Provision against Standard Assets	209.42	196.79	175.87	160.43	135.12	-
Provision for Non Performing Assets	742.97	519.19	392.41	290.07	219.23	142.67
Provision for diminution in value of Investments	0.08	0.08	0.08	0.08	0.08	0.04
Provision for preference dividend	-	-	-	0.19	-	-
Provision for tax on Preference dividend	-	-	-	0.03	-	-
Provision for proposed equity dividend	-	500.00	500.00	500.00	301.07	-
Provision for tax on proposed equity dividend	-	84.98	84.98	81.11	48.84	-
	<b>1,066.44</b>	<b>1,405.20</b>	<b>1,153.34</b>	<b>1,056.08</b>	<b>734.77</b>	<b>145.82</b>
<b>Total</b>	<b>1,153.16</b>	<b>1,482.32</b>	<b>1,226.38</b>	<b>1,132.42</b>	<b>788.66</b>	<b>189.46</b>

### a) Provision as per RBI Norms

#### i. Provision for Non-Performing Assets

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

The 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.

## 8. FIXED ASSETS

(₹ lakh)

Sr. No	Particulars	As at September 30, 2014	Gross Block as at March 31,				
			2014	2013	2012	2011	2010
	<b>TANGIBLE ASSETS</b>						
1	Land	707.78	707.78	750.92	818.00	818.00	545.95
2	Buildings	2317.54	2,308.89	2,301.12	2,269.75	2,252.15	441.08
3	Plant and Machinery	109.30	93.64	92.44	81.44	78.81	60.14
4	Plant - Wind Mills	3568.52	3,568.52	4,356.52	5,025.22	5,025.22	3,411.45
5	Furniture and Fixtures	143.81	140.46	128.14	122.00	111.40	106.92
6	Vehicles	74.66	74.66	69.17	68.68	68.68	57.24



Sr. No	Particulars	As at September 30, 2014	Gross Block as at March 31,				
			2014	2013	2012	2011	2010
7	Office Equipments	365.58	358.82	346.06	315.77	299.74	274.65
	<b>TOTAL (A)</b>	<b>7287.19</b>	<b>7,252.77</b>	<b>8,044.37</b>	<b>8,700.86</b>	<b>8,654.00</b>	<b>4,897.43</b>
	<b>INTANGIBLE ASSETS</b>						
1	Computer Software	417.11	388.79	91.27	72.13	72.13	51.84
	<b>TOTAL (B)</b>	<b>417.11</b>	<b>388.79</b>	<b>91.27</b>	<b>72.13</b>	<b>72.13</b>	<b>51.84</b>
	<b>ASSETS UNDER DEVELOPMENT</b>						
1	Building	6.88	4.50	-	-	-	-
2	Intangible	-	-	207.51	-	-	-
	<b>TOTAL (C)</b>	<b>6.88</b>	<b>4.50</b>	<b>207.51</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>TOTAL ( A + B + C )</b>	<b>7,711.18</b>	<b>7,646.06</b>	<b>8,343.15</b>	<b>8,772.99</b>	<b>8,726.13</b>	<b>4,949.27</b>

(₹ lakh)

Sr. No	Particulars	As at September 30, 2014	Accumulated Depreciation/Amortization as at March 31,				
			2014	2013	2012	2011	2010
	<b>TANGIBLE ASSETS</b>						
1	Land	-	-	-	-	-	-
2	Buildings	268.81	250.11	212.91	171.52	135.04	126.09
3	Plant and Machinery	57.59	55.88	53.29	49.87	47.05	44.74
4	Plant - Wind Mills	907.31	812.84	1147.64	1326.42	1061.09	885.45
5	Furniture and Fixtures	119.78	117.54	108.31	100.51	93.06	87.35
6	Vehicles	38.23	34.27	39.16	33.96	28.76	32.30
7	Office Equipments	300.69	292.36	275.06	259.24	243.49	231.41
	<b>TOTAL (A)</b>	<b>1692.40</b>	<b>1563.00</b>	<b>1836.37</b>	<b>1941.52</b>	<b>1608.49</b>	<b>1407.34</b>
	<b>INTANGIBLE ASSETS</b>						
1	Computer Software	97.87	69.20	57.74	46.81	37.68	30.21
	<b>TOTAL (B)</b>	<b>97.87</b>	<b>69.20</b>	<b>57.74</b>	<b>46.81</b>	<b>37.68</b>	<b>30.21</b>
	<b>ASSETS UNDER DEVELOPMENT</b>						
1	Building	-	-	-	-	-	-
2	Intangible	-	-	-	-	-	-
	<b>TOTAL (C)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>TOTAL ( A + B + C )</b>	<b>1,790.27</b>	<b>1632.20</b>	<b>1894.11</b>	<b>1988.33</b>	<b>1646.17</b>	<b>1437.55</b>

(₹ lakh)

Sr. No	Particulars	As at September 30, 2014	Net Block as at March 31,				
			2014	2013	2012	2011	2010
TANGIBLE ASSETS							
1	Land	707.78	707.78	750.92	818.00	818.00	545.95
2	Buildings	2048.73	2058.78	2088.21	2098.23	2117.11	314.99
3	Plant and Machinery	51.71	37.76	39.15	31.57	31.76	15.40
4	Plant - Wind Mills	2661.21	2755.68	3208.88	3698.80	3964.13	2526.00
5	Furniture and Fixtures	24.03	22.92	19.83	21.49	18.34	19.57
6	Vehicles	36.43	40.39	30.01	34.72	39.92	24.94
7	Office Equipments	64.89	66.46	71.00	56.53	56.25	43.24
TOTAL (A)		5594.79	5689.77	6208.00	6759.34	7,045.51	3490.09
INTANGIBLE ASSETS							
1	Computer Software	319.24	319.59	33.53	25.32	34.45	21.63
TOTAL (B)		319.24	319.59	33.53	25.32	34.45	21.63
ASSETS UNDER DEVELOPMENT							
1	Building	6.88	4.50	-	-	-	-
2	Intangible	-	-	207.51	-	-	-
TOTAL (C)		6.88	4.50	207.51	-	-	-
TOTAL ( A + B + C )		5920.91	6013.86	6449.04	6784.66	7079.96	3511.72

## 9. NON-CURRENT INVESTMENTS (AT COST) OTHER THAN TRADE

(₹ lakh)

Particulars			As at September 30, 2014	As at March 31,				
				2014	2013	2012	2011	2010
Investments in Equity Instruments								
Quoted – Associates	Number	Face Value per unit (₹)						
Sakthi Sugars Limited	552833	10	226.10	226.10	226.10	226.10	226.10	226.10
Sri Bhagavathi Textiles Limited	5	100	0.04	0.04	0.04	0.04	0.04	0.04
Sri Chamundeswari Sugars Limited	186666	10	7.82	7.82	7.82	7.82	7.82	7.82
Quoted – Others								
Bannari Amman Sugars Limited	10000	10	7.60	7.60	7.60	7.60	7.60	7.60
Chokani International Limited	100	10	0.02	0.02	0.02	0.02	0.02	0.02
Stiles India Limited	100	10	0.02	0.02	0.02	0.02	0.02	0.02
			241.60	241.60	241.60	241.60	241.60	241.60
Unquoted – Associates								
ABT Industries Limited	150000	10	15.00	15.00	15.00	15.00	15.00	15.00
Sakthi Beverages Limited	125000	10	12.50	12.50	12.50	12.50	12.50	12.50

Particulars			As at September 30, 2014	As at March 31,				
				2014	2013	2012	2011	2010
Sakthi Soft Drinks Pvt Limited	30000	10	3.00	3.00	3.00	3.00	3.00	3.00
<b>Unquoted – Others</b>								
ABT Co-operative Stores Limited	500	10	0.05	0.05	0.05	0.05	0.05	0.05
PSTS Heavy Lift & Shift Ltd	30000	10	-	-	-	-	3.00	3.00
Sakthi Properties (Coimbatore) Ltd	50000		-	-	-	-	-	5.00
			<b>30.55</b>	<b>30.55</b>	<b>30.55</b>	<b>30.55</b>	<b>33.55</b>	<b>38.55</b>
<b>Investments in Government Securities</b>								
<b>Quoted</b>								
Bonds of Central and State Governments #	1787000	100	1,798.33	1,023.99	852.76	454.26	902.01	902.01
<b>Unquoted</b>								
National Saving Certificates			-	-	-	0.07	0.07	0.07
<b>Net carrying amount of Investments</b>			<b>2,070.48</b>	<b>1,296.14</b>	<b>1,124.91</b>	<b>726.48</b>	<b>1,177.23</b>	<b>1,182.23</b>
Aggregate Book value of Quoted Investments less provision for diminution in value of Investments								
			1999.91	1,265.59	1,094.36	695.86	1,143.61	1,143.61
Aggregate Market Value of Quoted Investments								
			2030.46	1,323.62	971.69	602.49	1,124.75	1,137.12
Aggregate Book value of Unquoted Investments								
			30.55	30.55	30.55	30.62	33.62	38.62

# Investments made to comply with the requirements of the directives issued by the Reserve Bank of India

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 January 04, 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.

#### 10. LONG TERM LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD UNLESS STATED OTHERWISE)

(₹ Lakh)

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
Security Deposits (Secured, Considered Good)	106.02	104.90	85.49	86.96	90.21	84.78
Advance Payment of Income Tax (Net of Provision) -relating to prior years	31.74	89.59	-	58.90	57.50	155.99
Other loans and advances	69.44	45.97	115.76	214.74	196.86	214.68
<b>Total</b>	<b>207.20</b>	<b>240.46</b>	<b>201.25</b>	<b>360.60</b>	<b>344.57</b>	<b>455.45</b>

# 11. OTHER NON-CURRENT ASSETS (UNSECURED, CONSIDERED GOOD)

(₹ Lakh)

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
MAT Credit Entitlement	-	-	-	-	39.77	-
<b>Total</b>	-	-	-	-	<b>39.77</b>	-

# 12. CURRENT INVESTMENTS (AT COST AND FAIR VALUE)

(₹ Lakh)

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
Investments in Government Securities						
Quoted						
Bonds of Central and State Governments #	-	115.98	-	447.75	-	-
Total	-	115.98	-	447.75	-	-
Aggregate Book Value of Quoted Investments	-	115.98	-	447.75	-	-
Aggregate Market Value of Quoted Investments	-	115.98	-	447.75	-	-

# Investments made to comply with the requirements of the directives issued by the Reserve Bank of India

In accordance with Reserve Bank of India Circular No. RBI/2006-2007/225/DNBS(PD)C.C No.87/03.02.004/2006-07 dated January 04, 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.

# 13. STOCK ON HIRE

(₹ Lakh)

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
Net Investment in Stock on Hire	78,426.66	75,035.05	69,275.58	63,303.15	52,935.98	43,864.98
<b>Total</b>	<b>78,426.66</b>	<b>75,035.05</b>	<b>69,275.58</b>	<b>63,303.15</b>	<b>52,935.98</b>	<b>43,864.98</b>

As per Accounting Standard (AS-19) on Lease, the details of hire purchase receivables (Stock on hire) for the contracts executed are given below:

(₹ Lakh)

Particulars	Gross						Net					
	As at September 30, 2014	As at March 31,					As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010		2014	2013	2012	2011	2010
Less than one year	52213.63	45740.41	41732.74	40446.62	29815.38	25282.53	41554.57	34655.73	31247.44	29479.58	21565.34	18559.58
Later than one year and not later than 5 years	44550.88	49185.18	46622.55	41638.86	37073.52	29921.45	36872.09	40379.32	38028.14	33823.57	31281.71	25305.40
Later than 5 years	-	-	-	-	90.36	-	-	-	-	-	88.93	-
<b>Total</b>	<b>96764.51</b>	<b>94925.59</b>	<b>88355.29</b>	<b>82085.48</b>	<b>66979.26</b>	<b>55203.98</b>	<b>78426.66</b>	<b>75035.05</b>	<b>69275.58</b>	<b>63303.15</b>	<b>52935.98</b>	<b>43864.98</b>

#### 14. TRADE RECEIVABLES (SECURED, CONSIDERED GOOD UNLESS STATED OTHERWISE)

(₹ Lakh)

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
Receivables outstanding for a period exceeding six months						
- Dues from sale of Wind Power	185.74	88.74	372.74	348.76	187.00	60.34
Other receivables	-	-	-	-	-	-
<b>Total</b>	<b>185.74</b>	<b>88.74</b>	<b>372.74</b>	<b>348.76</b>	<b>187.00</b>	<b>60.34</b>

#### 15. CASH AND BANK BALANCES

(₹ Lakh)

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
<b>Cash and Cash Equivalents</b>						
Cash on hand	206.84	1,328.89	1,346.35	616.02	859.20	556.30
Balance with Banks:						
- Cheques, drafts on hand	1,767.50	766.64	576.59	378.28	1,057.83	1,084.76
- Current Accounts	1,096.33	308.95	604.36	703.97	692.34	806.25
<b>Other Bank Balances</b>						
In Margin Money Deposits :						
- Deposits with Original Maturity of more than 12 months	804.59	503.61	1.69	2.02	187.10	174.61
In Earmarked Accounts :						
- Unpaid Dividend Accounts	522.69	122.74	114.93	10.13	3.10	3.22
<b>Total</b>	<b>4,397.95</b>	<b>3,030.83</b>	<b>2,643.92</b>	<b>1,710.42</b>	<b>2,799.57</b>	<b>2,625.14</b>

**16. SHORT TERM LOANS AND ADVANCES (UNSECURED, CONSIDERED GOOD UNLESS STATED OTHERWISE)**
*(₹ Lakh)*

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
Prepaid Expenses:						
- Insurance Premium	42.12	8.48	12.01	10.81	8.35	7.80
- Annual Maintenance Contract Payments	2.24	0.71	1.60	1.67	-	-
Advance Tax and TDS (Net of Provision)	-	-	68.93	-	-	-
Service Tax Credit Receivable	4.80	7.75	5.98	1.01	13.07	15.71
Loans and Advances to Employees	229.30	200.59	180.37	141.86	113.34	88.22
Other Loans and Advances:						
- Secured, considered good	1.60	81.09	275.21	146.64	-	-
- Unsecured, considered good	5,541.10	3,817.84	2,937.11	2,679.23	3,149.20	2,046.58
<b>Total</b>	<b>5,821.16</b>	<b>4,116.46</b>	<b>3,481.20</b>	<b>2,981.22</b>	<b>3,283.95</b>	<b>2,158.32</b>
<b>Due from an officer of the company</b>	<b>3.55</b>	<b>3.95</b>	<b>3.11</b>	<b>2.64</b>	<b>3.42</b>	<b>1.08</b>

**17. OTHER CURRENT ASSETS**
*(₹ Lakh)*

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
Stock on Hire of assets repossessed	450.66	247.14	99.25	68.00	99.07	76.41
Interest accrued on deposits	32.79	22.36	17.19	18.90	18.75	19.30
Stock of Stationery	8.49	9.57	6.78	5.17	5.32	2.25
MAT Credit Entitlement	-	-	-	39.78	92.09	5.50
<b>Total</b>	<b>491.94</b>	<b>279.07</b>	<b>123.22</b>	<b>131.85</b>	<b>215.24</b>	<b>103.45</b>



# ANNEXURE V -NOTES TO REFORMATTED SUMMARY STATEMENT OF PROFIT AND LOSS

## 18. INCOME FROM OPERATIONS

(₹ Lakh)

Particulars	For the half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
Income from Hire purchase operations	6698.83	12644.05	11763.90	10839.88	8281.14	7424.64
Interest from:						
- Loans and other receipts	164.38	397.99	318.06	248.92	425.48	87.42
- Banks deposits	23.87	22.49	0.84	0.03	9.57	11.26
- Long Term Investments	57.10	48.32	59.85	32.01	62.85	67.28
- Current Investments	-	8.84	-	31.55	-	-
Income from Sell-down receivables	-	-	-	-	-	(22.53)
Bad debts recovery	27.32	61.63	62.06	41.91	57.84	23.15
<b>Total</b>	<b>6971.50</b>	<b>13183.32</b>	<b>12204.71</b>	<b>11194.30</b>	<b>8836.87</b>	<b>7591.22</b>

## 19. OTHER INCOME

(₹ Lakh)

Particulars	For the half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
Interest on Income Tax		-	-	-	13.31	0.13
Income from Wind mill -Sale of Electricity	219.51	317.22	472.48	407.96	285.64	235.30
<b>Dividend Income</b>						
- Non-Current Investments	1.25	3.05	2.80	2.53	2.50	2.50
Other non-operating income (net of expenses directly attributable to such income):						
- Profit on sale of fixed assets /Redemption of long term investments	4.02	271.10	167.13	0.08	2.77	6.98
- Rental income	20.62	35.19	24.23	9.98	24.68	48.63
- Miscellaneous income	0.85	0.78	0.60	0.79	0.81	1.44
<b>Total</b>	<b>246.25</b>	<b>627.34</b>	<b>667.24</b>	<b>421.34</b>	<b>329.71</b>	<b>294.98</b>

## 20. EMPLOYEE BENEFITS EXPENSE

(₹ lakh)

Particulars	For the half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
Salaries and wages	782.87	1470.08	1544.75	1422.90	958.26	642.10
Contributions to Provident and Other Funds	29.45	59.54	48.52	46.29	36.05	31.07
Staff Welfare Expenses	63.03	171.38	127.14	156.72	128.69	100.17
<b>Total</b>	<b>875.35</b>	<b>1701.00</b>	<b>1720.41</b>	<b>1625.91</b>	<b>1123.00</b>	<b>773.34</b>

## 21. FINANCE COSTS

(₹ lakh)

Particulars	For the half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
Interest Expense on:						
- Debentures	1,403.56	4,309.20	4,743.85	4,258.48	3,689.78	3,286.70
- Term Loans from Financial Institutions	105.35	62.48	158.01	161.81	244.58	354.29
- Cash Credit from Banks	1,118.27	2,064.51	1,710.14	1,784.66	934.33	560.84
- Deposits	968.07	941.70	515.35	361.12	550.63	447.72
- Subordinated Debts	646.04	325.66	-	-	-	-
Bank Charges	39.29	118.58	88.73	132.48	97.29	68.77
Other Financial Charges	41.49	41.59	43.20	1.04	76.01	277.03
<b>Total</b>	<b>4322.07</b>	<b>7863.72</b>	<b>7259.28</b>	<b>6699.60</b>	<b>5592.62</b>	<b>4995.35</b>

## 22. DEPRECIATION AND AMORTIZATION EXPENSE

(₹ lakh)

Particulars	For the half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
Depreciation	130.30	280.03	335.29	333.10	212.54	155.38
Less: Transfer to Revaluation Reserve	17.94	45.94	59.54	60.68	-	-
	<b>112.36</b>	<b>234.09</b>	<b>275.75</b>	<b>272.42</b>	<b>212.54</b>	<b>155.38</b>
Add: Amortization Expenses	27.79	11.46	10.93	9.12	7.48	8.65
<b>Total</b>	<b>140.15</b>	<b>245.55</b>	<b>286.68</b>	<b>281.54</b>	<b>220.01</b>	<b>164.03</b>

## 23. OTHER EXPENSES

(₹ lakh)

Particulars	For the half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
Rent	47.91	80.96	68.88	54.76	44.82	37.34
Rates, Taxes and Licences	33.06	62.07	58.97	50.69	41.92	40.56
Communication	29.58	55.19	50.47	43.02	44.72	46.99
Insurance	8.53	20.60	21.13	14.57	12.24	8.02
Travelling and Conveyance	204.90	354.40	304.41	257.93	183.18	174.86
Printing and Stationery	26.64	53.04	51.31	43.97	38.51	32.32
Power and Fuel	12.27	35.26	44.07	17.22	20.36	25.60
Advertisements	12.75	43.60	27.41	24.27	31.88	28.62
<b>Auditors Remuneration</b>						
As Auditor:						

Particulars	For the half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
- Audit Fee	3.00	6.00	6.00	6.00	2.50	2.50
- Tax Audit Fee	-	0.20	1.40	1.00	0.67	0.67
- Limited Review Fee	-	1.00	1.00	1.00	2.68	2.69
In Other Capacity:						
- Certification Fee	2.93	1.20	0.45	3.61	-	-
- Reimbursement of Expenses	0.35	1.93	2.75	0.76	2.42	2.30
Legal and Professional Charges	47.25	127.56	97.71	70.61	78.82	77.23
<b>Repairs and Maintenance on:</b>						
- Buildings	33.32	64.94	57.07	40.77	35.35	44.15
- Machinery	41.12	127.37	82.89	111.91	85.04	69.49
- Other Assets	25.26	49.23	51.77	54.80	79.61	68.90
Filing Fees	2.69	3.07	2.91	10.12	9.70	16.30
Directors' Sitting Fees	2.60	3.70	4.30	3.60	1.70	0.78
Miscellaneous Expenses	28.54	85.73	90.72	89.55	46.64	30.47
Loss on Sale of Assets	-	-	-	-	0.17	12.68
Loss on Sale / Redemption of SLR Investments	-	1.40	-	-	-	-
Provision against investments	-	-	-	-	0.04	-
<b>Total</b>	<b>562.70</b>	<b>1178.45</b>	<b>1025.62</b>	<b>900.16</b>	<b>762.96</b>	<b>722.46</b>

#### 24. PROVISIONS AND WRITE OFF

(₹ lakh)

Particulars	For the half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
Provision against Non-Performing Assets (Net)	193.70	70.52	68.20	55.28	55.76	(16.82)
Bad Debts - Trade and other receivables written off	51.77	451.84	363.28	310.81	183.91	195.21
<b>Total</b>	<b>245.47</b>	<b>522.36</b>	<b>431.48</b>	<b>366.09</b>	<b>239.67</b>	<b>178.39</b>

#### 25. COMMITMENTS

(₹ lakh)

Particulars	For the half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	-	-	30.00	49.00	-	-

26. 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.

**27. EXPENDITURE IN FOREIGN CURRENCY ON ACCOUNT OF**
*(₹ lakh)*

Particulars	For the half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
Travelling	1.26	22.72	17.08	-	2.27	9.38

**28. REMITTANCE IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDEND**

Particulars	For the half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
Year to which the dividend relates	2013-14	2012-13	2011-12	2010-11	-	-
No. of non-resident share holders	-	1	1	1	-	-
No. of shares on which dividend remittance was made	-	44,50,000	44,50,000	44,50,000	-	-
Amount remitted (₹ lakh)	-	44.50	44.50	44.50	-	-

**29. DISCLOSURE REQUIREMENTS UNDER AS- 15 – EMPLOYEE BENEFITS**
*(₹ Lakh)*

Sr. No	Particulars	For the year ended March 31,				
		2014	2013	2012	2011	2010
	<b>Principal Actuarial Assumptions</b> (Expressed as weighted averages)					
	Discount rate	8.00%	8.00%	8.00%	8.00%	8.00%
I.	Salary Escalation rate	4.00%	4.00%	4.00%	4.00%	4.00%
	Attrition rate	3.00%	18.60%	18.60%	18.60%	15.95%
	Expected rate of return on Plan Assets	8.16%	9.25%	9.25%	8.00%	8.00%
	<b>Changes in the present value of the obligation (PVO) – Reconciliation of Opening and closing balances</b>					
	PVO at the beginning of the period	135.75	128.30	102.79	78.76	71.26
	Interest cost	10.86	10.26	8.22	6.30	5.70
	Current service cost	10.75	10.27	8.56	6.75	5.73
II.	Past service cost – (non-vested benefits)	-	-	-	-	-
	Past service cost – (vested benefits)	-	-	-	-	-
	Benefits paid	(16.48)	(3.82)	(7.09)	(6.77)	(4.86)
	Actuarial loss / (gain) on obligation	9.49	(9.26)	15.81	17.75	0.93
	PVO as at the end of the period	150.37	135.75	128.30	102.79	78.76
	<b>Changes in the fair value of plan assets – Reconciliation of Opening and Closing balances</b>					
III.	Fair value of plan Assets at the beginning of the period	166.17	121.15	88.61	81.68	38.94
	Expected return on plan assets	13.56	13.18	3.19	7.14	5.68
	Contributions	0.36	35.66	36.44	8.56	41.92

Sr. No	Particulars	For the year ended March 31,				
		2014	2013	2012	2011	2010
	Benefits paid	(16.48)	(3.82)	(7.09)	(6.77)	(4.86)
	Actuarial loss/(gain) on plan assets	-	-	-	-	-
	Fair value of Plan Assets as at the end of the period	163.61	166.17	121.15	88.61	81.68
	<b>Actual Return on Plan Assets</b>					
IV.	Expected return on plan assets	13.56	13.18	3.19	7.14	5.68
	Actuarial gain / (loss) on plan assets	-	-	-	-	-
	Actual return on plan assets	13.56	13.18	3.19	7.14	5.68
	<b>Actuarial Gain / Loss recognized</b>					
	Actuarial gain / (loss) for the period– Obligation	9.49	9.26	(15.81)	(17.75)	(0.93)
V.	Actuarial gain / (loss) for the period– Plan Assets	-	-	-	-	-
	<b>Total (gain)/ loss for the period</b>	<b>9.49</b>	<b>(9.26)</b>	<b>15.81</b>	<b>17.75</b>	<b>0.93</b>
	Actuarial (gain) / loss recognized in the period	9.49	(9.26)	15.81	17.75	0.93
	Unrecognised actuarial (gain) / Loss at the end of the year	-	-	-	-	-
	<b>Amounts recognized in the Balance Sheet and related Analyses</b>					
	Present value of the obligation	150.37	135.75	128.30	102.79	78.76
	Fair value of Plan Assets	163.61	166.17	121.15	88.61	81.68
VI.	Difference	(13.24)	(30.42)	(7.15)	(14.18)	2.92
	Unrecognised transitional liability	-	-	-	-	-
	Unrecognised past service cost – non vested benefits	-	-	-	-	-
	Liability recognized in the Balance Sheet	(13.24)	(30.42)	7.15	14.18	(2.92)
	<b>Expenses recognized in the statement of Profit and Loss</b>					
	Current service cost	10.75	10.27	8.56	6.75	5.73
	Interest cost	10.86	10.26	1.67	6.30	5.70
	Expected return on plan assets	(13.56)	(13.18)	(3.19)	(7.14)	(5.68)
VII.	Actuarial (gain) / loss recognized in the year	9.49	(9.26)	15.81	17.75	0.93
	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	17.54	(1.91)	22.85	23.67	6.68
	Movements in the liability recognized in the Balance Sheet					
	Opening net liability	(30.42)	7.15	20.74	5.63	32.32
VIII.	Expenses as above	(17.54)	(1.91)	22.85	23.67	6.68
	Contributions paid	(0.36)	(35.66)	(36.44)	(15.11)	(41.92)
	Closing net liability	(48.32)	(30.42)	7.15	14.19	(2.92)
	Amount for the current period					
	Present value of obligations	150.37	135.75	128.30	102.79	78.76
IX.	Plan Assets	163.61	166.17	121.15	82.05	81.68
	Surplus / (Deficit)	13.24	30.42	(7.15)	(20.74)	2.92
	Experience adjustments on plan liabilities – (loss) / gain	-	-	-	-	(0.93)

Sr. No	Particulars	For the year ended March 31,				
		2014	2013	2012	2011	2010
	Actuarial (loss)/gain on obligation	(9.49)	9.26	(15.81)	(17.75)	-
	Experience adjustments on plan assets – (loss) / gain	-	-	-	-	-
<b>X.</b>	Major categories of Plan Assets					
	Fund manager by insurer	100%	100%	100%	100%	100%
<b>XI.</b>	Enterprise's best estimate of contribution during next year	(17.54)	1.91	22.85	23.67	6.68

*Note: Gratuity is provided based on valuation as determined by Life Insurance Corporation of India which is provided on yearly basis. Hence the provision of the information for the period ended September 30, 2014 does not arise.*

### 30. 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.

### 31. RELATED PARTY DISCLOSURES

Relationships	Sep 2014	2014	2013	2012	2011	2010
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 Industries Ltd.	ABT Industries Ltd.	ABT Industries Ltd.
	ABT Foundation Ltd.	ABT Foundation Ltd.	ABT Foundation Ltd.	ABT Foundation Ltd.	ABT Foundation Ltd.	ARC Retreading Co. Pvt. Ltd.
	ABT Industries Ltd.	ABT Industries Ltd.	ABT Industries Ltd.	ARC Retreading Co. Pvt. Ltd.	ARC Retreading Co. Pvt. Ltd.	N Mahalingam & Co
	ARC Retreading Co. Pvt. Ltd.	ARC Retreading Co. Pvt. Ltd.	ARC Retreading Co. Pvt. Ltd.	ABT Values Ltd.	ABT Values Ltd.	Nachimuthu Industrial Association
	Sakthi Realty Holdings Ltd.	Sakthi Realty Holdings Ltd.	ABT Values Ltd.	N Mahalingam & Co	N Mahalingam & Co	Sakthi Beverages Ltd.
	N Mahalingam & Co	N Mahalingam & Co	N Mahalingam & Co	Nachimuthu Industrial Association	Nachimuthu Industrial Association	Sakthi Finance Financial Services Ltd.
	Nachimuthu Industrial Association	Nachimuthu Industrial Association	Nachimuthu Industrial Association	Sakthi Beverages Ltd.	Sakthi Beverages Ltd.	Sakthi Logistic Services Ltd.
	Sakthifinance Financial Services Ltd.	Sakthifinance Financial Services Ltd.	Sakthifinance Financial Services Ltd.	Sakthifinance Financial Services Ltd.	Sakthifinance Financial Services Ltd.	Sakthi Sugars Ltd.
	Sakthifinance Holdings Ltd.	Sakthifinance Holdings Ltd.	Sakthi Logistic Services Ltd	Sakthi Logistic Services Ltd.	Sakthi Logistic Services Ltd.	Sri Bhagavathi Textiles Ltd.

<b>Relationships</b>	<b>Sep 2014</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
	Sakthi Sugars Ltd.	Sakthi Sugars Ltd.	Sakthi Sugars Ltd.	Sakthi Properties (Coimbatore) Ltd.	Sakthi Properties (Coimbatore) Ltd.	Sri Chamundeswari Sugars Ltd.
	Sri Chamundeswari Sugars Ltd.	Sri Chamundeswari Sugars Ltd.	Sri Chamundeswari Sugars Ltd.	Sakthi Sugars Ltd.	Sakthi Sugars Ltd.	Sri Sakthi Textiles Ltd.
	Sri Sakthi Textiles Ltd.	Sri Sakthi Textiles Ltd.	Sri Sakthi Textiles Ltd.	Sri Bhagavathi Textiles Ltd.	Sri Bhagavathi 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.	Sri Chamundeswari Sugars Ltd.	Sri Chamundeswari Sugars Ltd.	
				Sri Sakthi Textiles Ltd.	Sri Sakthi Textiles Ltd.	
				The Gounder and Company Auto Ltd.	The Gounder and Company Auto Ltd.	
Key Management Personnel	Sri M. Balasubramaniam	Sri M. Balasubramaniam	Sri M. Balasubramaniam	Sri M. Balasubramaniam	Sri M. Balasubramaniam	Sri M. Balasubramaniam
	Vice Chairman and Managing Director	Vice Chairman and Managing Director	Vice Chairman and Managing Director	Vice Chairman and Managing Director	Vice Chairman and Managing Director	Vice Chairman and Managing Director
Relatives of Key Management Personnel	Dr. N. Mahalingam, Father	Dr. N. Mahalingam, Father	Dr. N. Mahalingam, Father	Dr. N. Mahalingam, Father	Dr. N. Mahalingam, Father	Dr. N. Mahalingam, Father
	Smt M. Mariammal, Mother	Smt M. Mariammal, Mother	Smt M. Mariammal, Mother	Smt M. Mariammal, Mother	Smt M. Mariammal, Mother	Smt M. Mariammal, Mother
	Dr. M. Manickam, Brother	Dr. M. Manickam, Brother	Dr. M. Manickam, Brother	Dr. M. Manickam, Brother	Dr. M. Manickam, Brother	Dr. M. Manickam, Brother
	Sri M. Srinivaasan, Brother	Sri M. Srinivaasan, Brother	Sri M. Srinivaasan, Brother	Sri M. Srinivaasan, Brother	Sri M. Srinivaasan, Brother	Sri M. Srinivaasan, Brother
	Smt Vinodhini Balasubramaniam, Wife	Smt Vinodhini Balasubramaniam, Wife	Smt Vinodhini Balasubramaniam, Wife	Smt Vinodhini Balasubramaniam, Wife	Smt Vinodhini Balasubramaniam, Wife	Smt Vinodhini Balasubramaniam, Wife



Transactions with Related Parties made during the years

(₹ lakh)

Sr. No	Nature of Transactions	For the half year ended September 30, 2014	For the year ended March 31,				
			2014	2013	2012	2011	2010
<b>1</b>	<b>Income</b>						
	<b>Rent received</b>						
	Sakthifinance Financial Services Ltd	2.20	4.40	4.37	4.12	4.12	3.78
	ABT Industries Ltd.	7.62	13.84	12.81	12.60	12.60	12.60
	<b>Finance Charges and Interest</b>						
	ABT Ltd.	-	-	-	2.60	11.00	22.83
	<b>Rendering of Services</b>						
	Sakthi Properties (Coimbatore) Ltd	-	-	-	-	2.28	2.34
	<b>Dividend Income</b>						
	ABT Industries Ltd.	-	1.80	1.80	-	-	-
<b>2</b>	<b>Expenses</b>						
	<b>Purchase of fuel</b>						
	N. Mahalingam & Co	7.28	22.71	35.09	28.95	23.93	18.81
	<b>Repairing of vehicles</b>						
	ABT Ltd.	-	-	0.38	0.45	0.43	1.03
	<b>Rent paid</b>						
	M. Balasubramaniam	1.20	2.40	2.40	2.40	2.40	2.40
	M. Srinivaasan	0.30	0.60	0.60	0.60	1.09	0.48
	<b>Resource Mobilisation Charges</b>						
	Sakthifinance Financial Services Ltd	41.51	41.17	-	-	76.35	276.32
	<b>Printing charges</b>						
	Nachimuthu Industrial Association	9.17	16.07	12.70	11.50	12.77	5.97
	<b>Deputation Charges</b>						
	Sakthifinance Financial Services Ltd	47.82	144.01	228.44	224.74	148.53	-
	<b>Remuneration</b>						
	M. Balasubramaniam	10.20	24.16	25.43	24.76	18.11	10.92
	<b>Commission</b>						
	M. Balasubramaniam	-	24.22	22.16	18.44	13.17	10.62
	<b>Sitting Fees</b>						
	M. Manickam	0.30	0.40	0.50	0.40	0.16	0.08
	M. Srinivaasan	0.20	0.80	0.70	0.70	0.16	0.06
<b>3</b>	<b>Loans and Advances given:</b>						
	ABT Ltd.	-	-	-	-	25.99	97.74
<b>4</b>	<b>Liabilities for Expenses Payable:</b>						
	Sakthi Sugars Ltd.	0.10	0.34	0.73	0.47	0.65	0.70
	N. Mahalingam and Co.	0.17	2.37	3.70	0.15	0.04	0.07
	Nachimuthu Industrial Association	0.12	1.99	1.70	2.69	1.33	0.63

Sr. No	Nature of Transactions	For the half year ended September 30, 2014	For the year ended March 31,				
			2014	2013	2012	2011	2010
	Sakthifinance Financial Services Ltd	-	-	-	-	4.18	-
<b>5</b>	<b>Share Application Money received</b>						
	The Gounder & Co. Auto Ltd	-	-	-	-	223.63	223.63
	ABT Values Ltd	-	-	-	-	330.00	330.00
	ABT Foundation Ltd	-	-	-	-	1025.00	500.00

### 32. DISCLOSURE AS REQUIRED UNDER CLAUSE 32 OF THE LISTING AGREEMENT

Amount of loans /advances in nature of loans outstanding from subsidiaries and associates

(₹ lakh)

Sr. No	Nature of Transactions	Outstanding as on September 30, 2014	Outstanding as on March 31,				
			2014	2013	2012	2011	2010
<b>a</b>	<b>Subsidiary</b>						
	Sakthi Properties (Coimbatore) Ltd	-	-	-	-	-	12.19
<b>b</b>	<b>Associates</b>						
	ABT Ltd	-	-	-	-	25.99	97.74
	ABT Industries Ltd	-	-	-	-	-	11.27
	Sakthi Management Services Ltd	-	-	-	-	-	5.10
	Sakthifinance Financial Services Ltd	-	-	-	-	-	0.21
	Sakthi Financial Services (Cochin) Pvt. Ltd.	-	-	-	-	-	30.55

### 33. LEASES

(₹ lakh)

Particulars	For the half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
The Company has taken various office premises under operating lease. The lease payments recognised in the statement of Profit and Loss A/c	46.23	68.28	68.27	53.31	44.30	37.33

### 34. EARNINGS PER SHARE

Particulars	For the half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
Profit after tax (₹ lakh) (A)	731.64	1415.73	1399.85	1161.70	793.59	628.18
Less: Preference dividend (₹ lakh)	-	117.00	110.33	0.22	-	-
Profit after Preference dividend (₹ lakh)	731.64	1298.73	1289.52	1161.48	793.59	628.18
Weighted average number of equity shares (B)	50000000	50000000	50000000	30161334	30106981	30106981
The nominal value per equity share (₹)	10.00	10.00	10.00	10.00	10.00	10.00
Earnings per share - Basic (₹) (A/B)	1.46	2.60	2.58	3.85	2.64	2.09
- Diluted (₹)	1.46	2.60	2.58	3.85	1.73	1.76

35. Disclosure as required in terms of para 13 of NB (Dep. Accepting holding) Companies Prudential Norms (Reserve Bank) Directions 2007

(₹ lakh)

Sr. No	Particulars	For the year ended March 31,					
		2014		2013	2012	2011	2010
		Amount outstanding	Amount overdue	Amount outstanding	Amount outstanding	Amount outstanding	Amount outstanding
(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	31714.70		45737.15	42579.80	37332.28	31384.53
	: Unsecured	-		-	-	-	-
	(Other than falling within the meaning of Public deposit)						
	(b) Deferred Credits	-		-	-	-	-
	(c) Term Loans	358.90		576.17	1773.22	1383.65	7643.57
	(d) Inter-Corporate loans and borrowing	-		-	-	-	-
	(e) Commercial paper	-		-	-	-	-
	(f) Public Deposits	13480.51	258.48#	5803.36	3045.23	5168.08	5514.75
	(g) Subordinated Debts	8068.10		-	-	-	-
	(h) Other Loans - Cash Credit	18481.43		14648.86	13330.40	10110.13	5524.09
(2)	<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	13480.51	258.48#	5803.36	3045.23	5168.08	5514.75
	(d) Subordinated Debts	8068.10	-	-	-	-	-
	# Represents unclaimed deposits						

Sr. No	Particulars	Amount outstanding for the year ended March 31,				
		2014	2013	2012	2011	2010
(3)	<b>Assets side:</b>					
	<b>Break-up of Loans and Advances including bills receivables (Other than those included in (4) below):</b>					
	(a) Secured	521.28	1010.50	923.92	578.87	691.70
	(b) Unsecured	3834.79	2975.76	2707.76	3179.15	1826.41
(4)	<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	-	-	-	-	-

Sr. No	Particulars	Amount outstanding for the year ended March 31,				
		2014	2013	2012	2011	2010
	(b) Operational Lease	-	-	-	-	-
	(2) Assets on Hire including Hire charges under Sundry Debtors					
	(a) Stock on Hire	75035.05	69275.58	63303.15	52935.98	43864.97
	(b) Repossessed Assets	247.14	99.25	68.00	99.07	76.40
	(3) Other Loans counting towards AFC activities					
(5)	<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	-	-	447.75	-	-
	(v) Others	-	-	-	-	-
	2. Unquoted					
	(i) Shares : (a) Equity	-	-	-	-	-
	(b) Preference	-	-	-	-	-
	(ii) Debentures and Bonds	-	-	-	-	-
	(iii) Units of Mutual Funds	-	-	-	-	-
	(iv) Government Securities	-	-	-	-	-
	(v) Others	-	-	-	-	-
	Long Term Investments :					
	1. Quoted					
	(i) Shares: (a) Equity	241.60	241.60	241.60	241.60	235.10
	(b) Preference	-	-	-	-	-
	(ii) Debentures and Bonds	-	-	-	-	-
	(iii) Units of Mutual Funds	-	-	-	-	-
	(iv) Government Securities	1139.97	852.76	454.26	902.01	902.01
	(v) Others	-	-	-	-	-
	2. Unquoted :					
	(i) Shares : (a) Equity	30.55	30.55	30.55	33.55	38.55
	(b) Preference	-	-	-	-	-
	(ii) Debentures and Bonds	-	-	-	-	-
	(iii) Units of Mutual Funds	-	-	-	-	-
	(iv) Government Securities	-	-	0.07	0.07	0.07
	(v) Others	-	-	-	-	-

(6) Borrower group-wise classification of assets financed as in 3 and 4 above

Sr. No	Category	Amount net of provisions as on March 31,									
		2014		2013		2012		2011		2010	
		Secured	Unsecured	Secured	Unsecured	Secured	Unsecured	Secured	Unsecured	Secured	Unsecured
1.	Related parties										
(a)	Subsidiaries									12.19	
(b)	Companies in the same group										
(c)	Other related parties							25.99		97.74	47.14
2.	Other than related parties	75284.28	6360.45	69992.92	2975.76	64005.01	2707.76	53368.69	3179.15	44392.67	1767.08
	<b>Total</b>	<b>75284.28</b>	<b>6360.45</b>	<b>69992.92</b>	<b>2975.76</b>	<b>64005.01</b>	<b>2707.76</b>	<b>53394.68</b>	<b>3179.15</b>	<b>44502.60</b>	<b>1814.22</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,									
	2014		2013		2012		2011		2010	
	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	-	-	-		-		-		5.00	5.00
(b) Companies in the same group	-	-	-		-		-		-	
(c) Other related parties	129.15	261.46	138.83	261.47	168.13	261.46	242.64	261.46	255.03	261.46
2. Other than related parties	1225.02	1150.58	863.41	863.36	912.73	912.69	915.73	915.69	915.70	915.73
<b>Total</b>	<b>1354.17</b>	<b>1412.04</b>	<b>1002.24</b>	<b>1124.83</b>	<b>1080.86</b>	<b>1174.15</b>	<b>1158.37</b>	<b>1177.15</b>	<b>1175.73</b>	<b>1182.19</b>

(8) Other information

Particulars	Amount as on March 31,				
	2014	2013	2012	2011	2010
(i) Gross Non Performing Assets					
(a) Related parties	-	-	-	-	-
(b) Other than Related parties	909.81	606.81	442.16	426.87	346.79
(ii) Net Non Performing Assets					
(a) Related parties	-	-	-	-	-
(b) Other than Related parties	390.63	214.40	152.10	207.64	204.12
(iii) Assets acquired in satisfaction of debt	-	-	-	-	-

## ANNEXURE VI – NOTES ON REFORMATTED SUMMARY FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 1. Company Overview

Sakthi Finance Limited (“SFL” or “the Company”) is a public limited Company having its Registered Office in Coimbatore, Tamilnadu. 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. Basis of preparation of financial statements

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, read with general circular 15/2013 13<sup>th</sup> September, 2013 issued by ministry of Corporate Affairs in respect of Section 133 of the Companies Act 2013. The relevant provisions of the Companies Act, 1956 and the guidelines issued by the Reserve Bank of India applicable to Non-Banking Financial Companies.

#### b. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities 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.

#### c. Fixed Assets

Fixed assets, other than those which have been revalued, are stated at historical cost less accumulated depreciation. The revalued fixed assets are restated at their estimated current replacement value.

#### d. Depreciation

- i. Depreciation on Fixed Assets is provided on straight line method by adopting the rates as prescribed under Schedule XIV to the Companies Act 1956.
- ii. For assets acquired costing ₹ 5,000 each or below, the total cost of the asset has been depreciated.

#### e. Intangible Assets

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.

#### f. Revenue Recognition

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.

**g. Investments**

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.

**h. Employee Benefits**

**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, as a result of which making of provision is not necessary.

**i. Leases**

Operating lease payments are recognized as an expense in the Statement of Profit and Loss.

**j. Earnings per share**

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.

**k. Taxes on Income**

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 income 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.

**l. Stock on Hire**

Stock on hire under Hire purchase agreements including repossessed stocks on hire are stated at agreement value less installments received.

**m. Provision as per RBI Norms**

**(i) Provision for Non Performing Assets**

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**

RBI by its Notification No.DNBS.222/CGM(US)-2011 dated January 17, 2011 has issued directions to all Non-Banking Financial Companies to make a provision of 0.25% on the Standard Assets.

ANNEXURE VII: CAPITALIZATION STATEMENT AS AT SEPTEMBER 30, 2014

(₹ lakh)

Particulars	Pre Issue as at September 30, 2014	Post Issue
<b>Debt:</b>		
Short Term Debt	52,716.39	52,716.39
Long Term Debt (A)	26,191.26	36,191.26
<b>Total Debt</b>	<b>78,907.65</b>	<b>88,907.65</b>
<b>Shareholders' Funds:</b>		
Share Capital	6,000.00	6,000.00
Reserves and Surplus less Revaluation Reserve	6,969.44	6,969.44
<b>Total Shareholders' Funds (B)</b>	<b>12,969.44</b>	<b>12,969.44</b>
<b>Long Term Debt /Equity (Shareholders fund) Ratio (A)/(B)</b>	<b>2.02</b>	<b>2.79</b>

**Notes:**

- Short Term Debts includes
  - Interest Accrued on Debentures, Deposits, Subordinated Debts and Cash Credit
  - Current Maturity of Long term debt
  - Unclaimed deposits and debentures
- 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 ₹10000 lakh from the issue.
- The figures disclosed above are based on the Reformatted Summary Statement of Assets & Liabilities of the Company as at September 30, 2014

# ANNEXURE VIII: STATEMENT OF SECURED LOANS AND UNSECURED LOANS

## A. SECURED LOANS

(₹Lakh)

Particulars	As at September 30, 2014	As at March 31,					Repayment	Security Offered
	2014	2013	2012	2011	2010			
1. Banks- Cash Credit								
State Bank of India	6493.51	7655.32	7362.88	5864.57	4020.71	-	Repayment on Demand	Refer note 1 below
Indian Overseas Bank	1868.33	1888.17	1307.54	1519.76	378.41	1448.30		
Bank of India	1573.59	1898.87	1404.14	1839.45	1712.15	1334.73		
Central Bank of India	2105.14	2413.38	1997.32	1150.48	1113.90	1009.13		
Karnataka Bank Ltd	1164.96	570.07	658.73	723.03	705.56	353.47		
Canara Bank	299.60	244.80	336.42	301.59	112.50	341.72		
Syndicate Bank	-	-	-	-	-	362.51		
State Bank of Travancore	1471.47	1707.48	570.71	960.11	1180.55	207.53		
Lakshmi Vilas Bank Ltd	1877.49	2046.15	966.26	946.43	861.97	295.98		
South Indian Bank ltd	-	-	-	-	-	(1.65)		
Catholic Syrian Bank Ltd	-	-	-	-	(0.22)	119.16		
Interest Accrued and due on bank cash credit	104.49	60.08	49.23	38.67	29.92	58.77		
<b>Total (1)</b>	<b>16958.58</b>	<b>18484.32</b>	<b>14653.23</b>	<b>13344.09</b>	<b>10115.45</b>	<b>5529.65</b>		
2. Financial Institutions / Others								
SIDBI - Term Loans	188.00	356.00	571.80	1438.85	953.65	1003.25	Refer note 2 below	Refer note 2 below
TIIC	-	-	-	320.68	424.68	1110.68	Fully discharged	
Sundaram Finance Ltd	1425.63	-	-	-	-	-	Refer note 2 below	Refer note 2 below
Reliance Capital Ltd	963.01	-	-	-	-	-	Refer note 2 below	Refer note 2 below
IFMR Capital Finance Pvt. Ltd	1500.00	-	-	-	-	-	Refer note 2 below	Refer note 2 below
<b>Total (2)</b>	<b>4076.64</b>	<b>356.00</b>	<b>571.80</b>	<b>1759.53</b>	<b>1378.33</b>	<b>2113.93</b>		
3.Debentures								
Non Convertible Debentures	22455.77	31714.70	45737.15	42579.80	37332.28	31384.53	Refer note 3 below	Refer note 3 below
<b>Total (1+2+3)</b>	<b>43490.99</b>	<b>50555.02</b>	<b>60962.18</b>	<b>57683.42</b>	<b>48826.06</b>	<b>39028.11</b>		

**Note:**

1. Cash Credits/Working Capital Demand Loans from Banks are secured by hypothecation of specified hire purchase assets and personal guarantee of directors, besides Collateral security of company's building along with land belonging to a director to a bank.
2. Term Loans from Small Industries Development Bank of India is secured by hypothecation of specified Hire Purchase Assets and guaranteed by two Directors. Repayment terms of the loans are as under:

Sr. No	Amount of Term Loan Sanction	Rate of Interest	Repayment		Moratorium Period
			Commencements Date	End Date	
1	1000.00 (TL-V)	13.50%	01.04.2012	01.03.2015	3 months

- b. Sundaram Finance Ltd is secured by hypothecation of 20 Windmills of the Company. Repayment terms of the loans are as under:

Sr. No	Amount of Term Loan Sanction	Rate of Interest	Repayment		Moratorium Period
			Commencements Date	End Date	
1	750 (TL-I)	14%	08.06.2014	08.05.2016	-
2	550 (TL-II)	14%	17.08.2014	17.07.2016	-
3	300 (TL - III)	14%	17.08.2014	17.07.2016	-

- c. Reliance Capital Ltd is secured by hypothecation of specified Hire Purchase Assets and guaranteed by Managing Director. Repayment terms of the loans are as under:

Sr. No	Amount of Term Loan Sanction	Rate of Interest	Repayment		Moratorium Period
			Commencements Date	End Date	
1	1000.00	15%	01.09.2014	01.08.2016	-

- d. IFMR Capital Finance Pvt Ltd is secured by hypothecation of specified Hire Purchase Assets and guaranteed by Managing Director. Repayment terms of the loans are as under:

Sr. No	Amount of Term Loan Sanction	Rate of Interest	Repayment		Moratorium Period
			Commencements Date	End Date	
1	1500.00	14%	27.10.2014	27.09.2016	-

3. Secured Redeemable Non-Convertible Debentures redeemable at par are secured by specified Hire Purchase receivables, immovable properties situated at Mumbai and Madurai. The rate of interest varies from 10.25% to 10.50%; Tenor varies from 15 to 36 months.
4. Repayment term schedule details are furnished for the loans which are not yet discharged as at September 30, 2014.

## B. UNSECURED LOANS

(₹Lakh)

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
Fixed Deposit from Public	20990.75	13480.51	5803.36	3045.23	5168.08	5514.75
Subordinated debt	14425.90	8068.10	-	-	-	-
<b>Total</b>	<b>35416.65</b>	<b>21548.61</b>	<b>5803.36</b>	<b>3045.23</b>	<b>5168.08</b>	<b>5514.75</b>

1. Rate of Interest for fixed deposits as at 31.3.2014 varies from 9% to 11% per annum. The tenor of fixed deposit range from 12 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 IX - A: STATEMENT OF ACCOUNTING RATIOS -EARNINGS PER SHARES (EPS)

Earnings per share calculations are done in accordance with Accounting Standard - 20. "Earnings Per Share, notified under Accounting Standards ('AS') under Companies Accounting Standard Rules, 2006, as amended

(₹lakh)

Particulars		For the half year ended September 30, 2014	For Year ended March 31,				
			2014	2013	2012	2011	2010
Net Profit after tax as per Statement of Profit & Loss (₹)	a	731.64	1,415.73	1,399.85	1,161.70	793.59	628.18
Less: Preference Dividend(₹)		-	117.00	110.33	0.22	-	-
<b>Net Profit after tax for EPS Computation (₹)</b>		<b>731.64</b>	<b>1,298.73</b>	<b>1,289.53</b>	<b>1,161.48</b>	<b>793.59</b>	<b>628.18</b>
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	3,01,61,334	3,01,06,981	3,01,06,981
(i) Equity Shares arising on conversion of optionally convertible warrants	c		0	0	0	0	0
(ii) Equity shares for no consideration arising on grant of stock options under ESOP	d		0	0	0	0	0
(iii) Effect of Notional allotment of Share application money	e		0	0	0	13,003,570	9,874,727
Weighted average number of equity shares outstanding during the year (for Diluted EPS) (b+c+d+e)	f	50,000,000	50,000,000	50,000,000	30,161,334	43,110,551	39,981,708
<b>Earnings per share (Basic) (₹) (Face Value of ₹10/- per share)</b>	<b>(a/b)</b>	<b>1.46</b>	<b>2.60</b>	<b>2.58</b>	<b>3.85</b>	<b>2.64</b>	<b>2.09</b>
<b>Earnings per Share (Diluted) (₹) (Face Value of ₹10/- per share)</b>	<b>(a/f)</b>	<b>1.46</b>	<b>2.60</b>	<b>2.58</b>	<b>3.85</b>	<b>1.84</b>	<b>1.57</b>

For Notional conversion of Share Application Money for computation of diluted EPS, average share price of last six months of the year has been taken.

Note: EPS for the half year ended September 30, 2014 represents EPS for the period of six months.

**ANNEXURE IX - B: STATEMENT OF ACCOUNTING RATIOS - RETURN ON NET WORTH (RONW)**
*(₹ lakh)*

Particulars	For the half year ended September 30, 2014	For the year ended March 31,				
		2014	2013	2012	2011	2010
<b>SHAREHOLDERS FUNDS</b>						
Share Capital	6,000.00	6,000.00	6,000.00	5,690.30	3,010.70	3,010.70
Optionally Convertible warrants	-	-	-	-	-	-
Reserves and surplus less Revaluation Reserve	6,969.44	6,237.81	5,524.05	4,819.51	4,020.33	3,576.64
<b>Net Worth as at the end of the year</b>	<b>12,969.44</b>	<b>12,237.81</b>	<b>11,524.05</b>	<b>10,509.81</b>	<b>7,031.02</b>	<b>6,587.33</b>
<b>Net profit after tax</b>	<b>731.64</b>	<b>1,415.73</b>	<b>1,399.85</b>	<b>1,161.70</b>	<b>793.59</b>	<b>628.18</b>
<b>Return on Net Worth (%)</b>	<b>11.28%</b>	<b>11.57</b>	<b>12.15</b>	<b>11.05</b>	<b>11.29</b>	<b>9.54</b>

\* Return on Networth for the half year ended September 30, 2014 has been computed on annualized basis.

**Note:** Share application money not included in the above, pending allotment as at close of the year is as under.

*(₹ lakh)*

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
Share application money pending allotment (equity shares)	-	-	-	-	1578.63	1053.63

**ANNEXURE IX - C: STATEMENT OF ACCOUNTING RATIOS - NET ASSET VALUE (NAV) PER EQUITY SHARE**

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
<b>SHAREHOLDERS FUNDS</b>						
Share Capital(₹Lakh)	6,000.00	6,000.00	6,000.00	5,690.30	3,010.70	3,010.70
Optionally Convertible warrants	-	-	-	-	-	-
Reserves and surplus less Revaluation reserve (₹Lakh)	6969.44	6,237.81	5,524.05	4,819.51	4,020.33	3,576.64
Net Asset Value(₹Lakh)	12969.43	12,237.81	11,524.05	10,509.81	7,031.02	6,587.33
<b>Number of Equity Shares outstanding at the end of the year</b>	<b>50000000</b>	<b>50000000</b>	<b>50000000</b>	<b>50000000</b>	<b>30106981</b>	<b>30106981</b>
<b>Net Asset Value per Equity Share (₹)</b>	<b>25.94</b>	<b>24.48</b>	<b>23.05</b>	<b>21.02</b>	<b>23.35</b>	<b>21.88</b>

**Note:** Share application money not included in the above, pending allotment as at close of the year is as under

*(₹ lakh)*

Particulars	As at September 30, 2014	As at March 31,				
		2014	2013	2012	2011	2010
Share application money pending allotment (equity shares)	-	-	-	-	1578.63	1053.63

## FORMULAE

Net profit, as appearing in the summary statement of profit and losses has been considered for the purpose of computing the above ratios.	
Net worth is computed after including share application money.	
Earnings per share (₹)	$\frac{\text{Net profit after tax – Restated}}{\text{Weighted average No. of equity shares outstanding during the year / period}}$
Earnings per share (₹) (Diluted)	$\frac{\text{Net profit after tax – Restated}}{\text{Weighted average No. of equity shares outstanding during the year / period including the dilutive potential equity shares}}$
Net Asset Value per Share	$\frac{\text{Net Worth at the end of the fiscal year/period}}{\text{No. of Equity Shares at the end of the fiscal year/period}}$
Net Worth = Equity Share Capital (+) Reserves and Surplus excluding revaluation reserve	
Return on net worth is arrived at by dividing Profit after tax by net worth at the end of the fiscal year.	

## ANNEXURE-X: STATEMENT OF DIVIDEND

### Statement of Dividend in respect of Equity Shares

Particulars	For the year ended March 31,				
	2014	2013	2012	2011	2010
Rate of Dividend (%)	10%	10%	10%	10%	-
Number of Equity shares on which dividend paid	50,000,000	50,000,000	50,000,000	30,106,981	30,106,981
Face value of the share (₹)	10.00	10.00	10.00	10.00	10.00
Amount of Final Dividend (₹)	50,000,000.00	50,000,000.00	50,000,000.00	30,106,981.00	-
Dividend Distribution Tax (₹)	8,497,500.00	8,497,500.00	8,111,250.00	4,884,105.00	-
Dividend per Shares (₹)	1.00	1.00	1.00	1.00	1.00

### Statement of Dividend in respect of Preference Shares

Particulars	For the year ended March 31,				
	2014	2013	2012	2011	2010
Rate of Dividend (%)	10	10	10	-	-
Number of Preference shares on which dividend paid	10,00,000	10,00,000	6,90,300	-	-
Face value of the share (₹)	100.00	100.00	100.00	-	-
Amount of Final Dividend (₹)	10,00,000.00	9,492,609.00	18,912.00	-	-
Dividend Distribution Tax (₹)	1,699,500.00	1,539,939.00	3,068.00	-	-
Dividend per share (₹)	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.
- For the six months ended September 30, 2014, the no interim dividend has been declared on Equity Shares and Preference Shares.



**ANNEXURE XI: STATEMENT OF CONTINGENT LIABILITIES**
*(₹ lakh)*

Particulars	As at September 30,	As at March 31,				
	2014	2014	2013	2012	2011	2010
Collaterals given to a Bank / Financial Institution	-	-	-	-		2.33
Income Tax and Interest Tax issues pending before Appellate Authorities	-	-	-	-	31.11	31.11
Future dues on sell down receivables excluding cash collateral	-	-	-	-	-	-
Guarantee for collection of managed business and future payable thereon	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	31.11	33.44

**ANNEXURE-XII STATEMENT OF TAX SHELTER**
*(₹ lakh)*

Particulars	For the year ended March 31,				
	2014	2013	2012	2011	2010
<b>Profit as per accounting books</b>	2278.66	2133.04	1717.05	1093.20	1052.62
<b>Permanent Difference</b>					
Donation	0.56	0.22	0.43	1.49	4.25
Exemptions/(deductions)	(3.05)	(60.31)	(2.48)	(2.46)	(26.86)
Delay in remittance	-	-	-	-	-
Profit on sale of assets/investments	(271.10)	(166.38)	-	-	2.06
Others	(31.98)	-	(0.08)	(2.60)	0.14
<b>Sub Total (A)</b>	<b>(305.57)</b>	<b>(226.47)</b>	<b>(2.13)</b>	<b>(3.58)</b>	<b>(20.42)</b>
<b>Temporary Difference</b>					
Disallowance u/s 43B	2.83	3.68	13.63	10.25	39.76
Depreciation and Lease adjustments	105.31	158.55	(404.66)	(787.29)	(656.95)
Provision for Standard Assets	91.44	83.64	80.58	190.88	(16.82)
Others	-	-	0.54	1.92	-
<b>Sub Total (B)</b>	<b>199.58</b>	<b>245.87</b>	<b>(309.91)</b>	<b>(584.24)</b>	<b>(634.01)</b>
<b>Net Adjustments (A + B)</b>	<b>(105.99)</b>	<b>19.41</b>	<b>(312.05)</b>	<b>(587.82)</b>	<b>(654.44)</b>
<b>Taxable Income (Regular)</b>	<b>2172.67</b>	<b>2152.45</b>	<b>1405.01</b>	<b>505.38</b>	<b>398.19</b>
Regular Tax Rate (%)	33.990	32.445	32.445	33.220	33.990
Mat Tax Rate (%)	20.961	20.008	20.007	19.930	16.995
Tax on Accounting Profit	774.52	692.06	557.10	363.16	357.79
Tax Impact on Net Adjustments, MAT adjustment etc	5.66	(0.40)	(105.84)	(107.73)	(182.18)
<b>Total Taxation</b>	<b>780.17</b>	<b>691.66</b>	<b>451.26</b>	<b>255.43</b>	<b>175.61</b>
Current Tax Provision for the year	780.17	691.66	451.26	255.43	175.61

**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, comprising of 12 months
- The aforesaid Statement of Tax Shelters is based on the Profit/ (Losses) as per the "Reformatted Summary Statement of Profit and Losses"

## FINANCIAL INDEBTEDNESS

Set forth below is a brief summary of our Company's outstanding secured borrowings of ₹ 40,871.63 lakh and unsecured borrowings of ₹ 34,056.34 lakh, as on September 30, 2014, together with a brief description of certain significant terms of such financing arrangements.

### I. SECURED BORROWINGS AVAILED BY OUR COMPANY

Sr. No	Types of loan	Amount outstanding as on September 30, 2014 (₹ lakh)
A	Term loans	4,076.66
B	Cash credit and short term working capital demand loan/facilities	16,854.09
C	Retail non-convertible debentures issued on a private placement basis	19,940.88
	<b>Total</b>	<b>40,871.63</b>

#### A. Term loans

Set forth below is a brief summary of our secured term loans as on September 30, 2014.

Sr. No	Name of lenders and details of documentation	Amount sanctioned (₹ lakh)	Amount outstanding (₹ lakh)	Repayment date/ schedule	Rate of Interest	Prepayment, penalty, rescheduling and default clause	Security
1	<b>Small Industrial Development Bank of India</b> Letter of Intent dated December 23, 2011 Loan agreement dated and Deed of hypothecation dated December 26, 2011	1,000.00	188.00	Repayable after moratorium period of 3 months from 1st disbursement of the Loan i.e. from May 2011 in 36 installments, comprising first 35 monthly installments of ₹ 28 lakh each and last 36 <sup>th</sup> instalment of ₹ 20 lakh.	Base rate + 0.75%	Note 1	Hypothecation of specified hire purchase receivables, exclusive charge by way of hypothecation in favour of SIDBI, on all equipments, plant, machinery, motor vehicles and other assets acquired out of SIDBI's loan.
2	<b>Reliance Capital Limited</b> Deed of hypothecation dated July 18, 2014 Loan agreement dated July 11, 2014	1,000.00	963.01	24 monthly installments.	15%	Note 2	Hypothecation of hire purchase agreement and the receivables.
3	<b>IFMR Capital Finance Private Limited</b> Deed of hypothecation and facility agreement dated September 25, 2014	1500.00	1500.00	24 monthly installments.	14%	Note 3	Hypothecation of specified hire purchase receivables.
4	<b>Sundaram Finance Limited</b>  Deed of Hypothecation dated May 06, 2014	HP loan :  ₹ 750.00	639.83	The total amount of ₹ 8.65 lakh is repayable in 24 instalments. The first installment payable date June 08, 2014.	14.00 %	Note 4	The property charge consists of 15 numbers of VESTAS RRB Wind Electric Generators situated at Dharapuram, Tirupur District and Tirunelveli dist Tamilnadu.

Sr. No	Name of lenders and details of documentation	Amount sanctioned (₹ lakh)	Amount outstanding (₹ lakh)	Repayment date/schedule	Rate of Interest	Prepayment, penalty, rescheduling and default clause	Security
5	<b>Sundaram Finance Limited</b> Deed of hypothecation dated July 25, 2014	HP Loan : ₹ 550.00	508.48	The total amount of ₹ 632.06lakh is repayable in 24 installments. The first installment payable date is August 08, 2014.	14.00 %	Note 4	2 Nos. Games a Wind Turbine Generator
6	<b>Sundaram Finance Limited</b>  Deed of hypothecation dated July 25, 2014	HP loan : ₹ 300.00	277.34	The total amount of ₹ 344.75 lakh is repayable in 24 installments. The first installment payable date is August 17, 2014.	14.00 %	Note 4	3 Nos. Vesta RRB Wind Electric Generators
<b>Total</b>			<b>4076.66</b>				

**Note 1**

<b>Prepayment</b>	Permitted subject to approval from SIDBI and acceptance of terms and conditions proposed by SIDBI at that time.
<b>Rescheduling</b>	SIDBI has right to revise, vary, postpone repayment of the loan subject to terms and conditions proposed at that time.
<b>Penalty</b>	Non-payment of installments of principal, interest and all other monies (except penal interest) on their respective due dates, shall carry penal interest at the rate of 2% per annum for the period of default.
<b>Default</b>	SIDBI has right to collect HP amount/lease rentals from HP/lease of the Company.

**Note 2**

<b>Prepayment</b>	Permitted subject to prepayment charge of 2% on the amount pre paid
<b>Rescheduling</b>	NIL
<b>Penalty</b>	Non Payment of installments of principal, interest and all other monies on their respective due dates, shall carry penal interest at the rate of 2% per annum for the period of default
<b>Default</b>	In the event of default, the Company shall be liable to pay entire outstanding dues and lenders has right to invoke security as also taken other legal action for recovery of dues.

**Note 3**

<b>Prepayment</b>	Permitted subject to prepayment charge of 2% on the amount pre paid <i>plus</i> applicable statutory taxes if the facility is prepaid within 12 months from the date of the agreement. No prepayment penalty shall be payable in case prepayment after the expiry of 12 months from date of agreement.
<b>Rescheduling</b>	NIL
<b>Penalty</b>	Rate of interest <i>plus</i> 5% p.a
<b>Default</b>	In the event of default the company shall be liable to pay entire outstanding dues and lender has a right to invoke security as also take other legal action for recovery of dues.

**Note 4**

<b>Prepayment</b>	3% on outstanding hire purchase finance amount as on date of prepayment closure
<b>Rescheduling</b>	NIL
<b>Penalty</b>	30% per annum on the installment in arrears
<b>Default</b>	In the event of default, the company shall be liable to pay the following by way of liquidated damages and not by way of penalty within 10 days from the date of receipt of notice from the lender. (a) arrears of installments (b) installment payable for the remaining period (c) additional finance charges (d) interest on cost, charges, expenses and other monies (e) services charges (f) other sums and charges whatsoever nature payable on account of the company's default in complying with the terms and conditions of the agreement. In the event of default, the company shall bound to return the assets to the lender at cost of the company at such location as the lender may designate.

**B. Cash credit and short term working capital demand loan/facilities**

Set forth below is a brief summary of our secured Cash credit and short term working capital demand loan/facilities as on September 30, 2014. Our cash credit and working capital demand loan are all repayable upon demand by the respective lenders.

Sr. no	Name of lenders and details of documentation	Amount sanctioned (₹ lakh)	Amount outstanding (₹ lakh)	Rate of interest	Security
1	<b>Indian Overseas Bank</b>  Letter of Hypothecation dated April 28, 2014  Consent Cum Authorization Letter dated April 28, 2014  Sanction letter dated August 06, 2014	WCDL: 1200.00 CC : 800.00 <b>Total : 2000.00</b>	1,868.33	Base Rate + 2.75%	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  Sanction letter dated November 27, 2013  Agreement for book debt/ receivables dated November 27, 2013	CC: 1200.00	1,164.96	Base Rate + 2%	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.
3	<b>Bank of India</b> Modification of charge letter dated January 29, 2013  Sanction letter dated April 12, 2014	WCDL: 1200.00 CC : 800.00 <b>Total: 2000.00</b>	1,573.59	Base Rate + 3.65%	All machinery. plant, equipment and other assets of any kind with all their accessories, peripheral, software, components, spares, and stores, whether manufactured or purchased by or belonging to the company and all present and future debts and other outstanding monies receivable, claims and all rental and other charges payable to the company including assets covers under HP/ Hypothecation loan / agreement and the resultant receivable, loan and underlying assets covering and second hand vehicles machineries and equipment.
4	<b>Central Bank of India</b>  Letter of hypothecation dated November 13, 2013 Letter of hypothecation, book-debts-loans dated November 13, 2013	WCDL: 1200.00 CC : 1800.00 <b>3000.00</b>	2,105.14	Base Rate + 3%	Hypothecation of hire purchase receivables. Assignment of HP documents and hypothecation of assets under HP documents.
5	<b>Canara Bank</b>  Bank letter dated January 24, 2013  Renewal sanction letter dated June 19, 2014	WCDL: 300.00 CC : 100.00 <b>Total: 400.00</b>	299.60	Base Rate + 3.75%	Exclusive charge on hypothecated assets purchased out of bank finance plus related HP receivables.

Sr. no	Name of lenders and details of documentation	Amount sanctioned (₹ lakh)	Amount outstanding (₹ lakh)	Rate of interest	Security
6	<b>State Bank of India</b> Supplemental agreement of loan for increase in overall limit dated February 11, 2013 Sanction letter dated October 13, 2014	CC : 7500.00	6,493.51	Base Rate + 2.50%	Hypothecation of hire purchase receivables. Assignment of HP documents and hypothecation of assets under HP documents. Equitable mortgage over the land and building situated at S.F. No 161/2, Dr. Nanjappa Road, Coimbatore, Land belonging to Mr. M. Srinivaasan, Director.
7	<b>State Bank of Travancore</b> Supplemental agreement of hypothecation dated September 20, 2013 Supplemental agreement of loan dated September 20, 2013	CC: 2000.00	1471.47	Base Rate + 2.20%	Hypothecation of assets covered under HP Agreement and resultant receivables and other accruals.
8	<b>The Lakshmi Vilas Bank Limited</b> Agreement for cash credit and over draft dated September 25, 2013 Sanction letter dated March 28, 2014	WCDL: 1200.00 CC: 800.00	1877.49	Base Rate + 2.25%	Hypothecation of specific HP agreements and receivables arising therefrom as well as charge/negative lien over underlying specific assets covering new two/four wheelers, and second hand vehicles.
<b>Total</b>			<b>16,854.09</b>		

WCDL: Working capital demand loan; CC: Cash Credit; HP: Hire purchase

### C. Retail non-convertible debentures issued on a private placement basis

Our Company has issued secured, redeemable, non-convertible debentures of face value of ₹ 1 (“**Retail NCDs**”) to retail subscribers on a private placement basis. These retail secured, redeemable, non-convertible debentures have been allotted on a continuing basis and the terms of conditions of these, when issued, including coupon rates, have been decided by the Board of Directors. The Retail NCDs carry rate of interest in the range from 10.25% to 10.50% p.a. Given below is a brief summary of our secured non-convertible debentures as on September 30, 2014.

#### Fixed income scheme

Maturing in	Amount as on September 30, 2014 (₹ lakh)	Date of allotment	Security
36 months from the allotment date	7,684.97	From March 31, 2007 to March 31, 2014	Mortgage over identified immovable property owned by our Company.
24 months from the allotment date	1,304.33		Hypothecation over identified hire-purchase loans of our Company, including book-debts and receivables thereon, both present and future.
15 months from the allotment date	246.75		
12 months from the allotment date	8.65		
<b>Total</b>	<b>9,244.70</b>		

#### Cumulative income scheme

Maturing in	Amount as on September 30, 2014 (₹ lakh)	Date of allotment	Security
36 months from the allotment date	7,247.10	From March 31, 2007 to March 31, 2014	Mortgage over identified immovable property owned by our Company.
24 months from the allotment date	2,240.11		Hypothecation over identified hire-purchase loans of our Company, including book-debts and receivables thereon, both present and future.
18 months from the allotment date	0.10		
15 months from the allotment date	1,195.84		
12 months from the allotment date	13.03		
<b>Total</b>	<b>10,696.18</b>		

\* The aforesaid retail NCDs also include the unclaimed amount

## II. UNSECURED BORROWINGS AVAILABLE BY OUR COMPANY

(₹ lakh)

Sr. No	Types of loan	Amount outstanding as on September 30, 2014
A	Fixed deposits	20,059.53
B	Subordinated debt	13,996.81
	<b>Total</b>	<b>34,056.34</b>

### A. Fixed deposits

As a deposit taking non banking financial company, we accept both non cumulative and cumulative basis unsecured deposits from the public, which are accepted in multiples of ₹ 1,000 with a minimum deposit amount of ₹ 10,000 which are redeemable from a period ranging from 12 months to 36 months from the date of the deposit. The fixed deposit carries rate of interest in the range from 9% to 11% p.a. Set forth below is a brief summary of the fixed deposits as on September 30, 2014

Type of instrument	Amount outstanding as on September 30, 2014 (₹ lakh)*	Repayment date/ schedule	Credit rating
Fixed deposits non cumulative scheme	7,336.10	12-36 months from the date of the deposit/ renewal	ICRA Limited
Fixed deposits cumulative scheme	12,723.43	12-36 months from the date of the deposit/ renewal	MA- (Stable)
<b>Total</b>	<b>20,059.53</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 debentures 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 in a tenure ranging of 61 months, at interest rates of 11.5% p.a. Set forth below is a brief summary of our retail subordinated debt as on September 30, 2014.

Type of instrument	Amount outstanding as on September 30, 2014 (₹ lakh)	Repayment date/ schedule	Date of allotment	Credit rating
Retail subordinated debt (fixed income)	7,846.27	Tenure of	August 01, 2013 to	N A
Retail subordinated debt (cumulative income)	6,150.54	61 months	June 30, 2014	
<b>Total</b>	<b>13,996.81</b>			

## 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:

- 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;
- to undertake or permit any merger, amalgamation or compromise with its shareholders, creditors or effect any scheme of amalgamation or reconstruction;
- to create or permit any charges or lien on any mortgaged or hypothecated properties;
- to amend its MOA and AOA or alter its capital structure;
- to make any major investments by way of deposits, loans, share capital, etc. in any manner.
- to effect a change of ownership or control, or management of the Company;
- to enter into long term contractual obligations directly affecting the financial position of the Company;
- to borrow or obtain credit facilities from any bank or financial institution;
- to undertake any guarantee obligations on behalf of any other company;
- to change its practice with regard to the remuneration of Directors;
- to compound, or realise any of its book debts and loan receivables including gold 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;
13. to enter into any transaction with its affiliates or transfer any funds to any group or associate concern; and
14. to make any major investments by way of deposits, loans, share capital, *etc.* in any manner.

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 this 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

*Save as disclosed hereinafter, there have been no material developments since September 30, 2014 which effect the operations, or financial condition of our Company:*

1. Dr. N. Mahalingam founder promoter of our Company passed away on October 02, 2014.
2. Our Company has borrowed sum of ₹ 2,500.00 lakh, ₹ 1,000.00 lakh and ₹ 3000 lakh, secured term loan from Hinduja Leyland Finance Limited, Tamil Nadu Industrial Investment Corporation Limited and Reliance Capital Limited respectively, the details of which are as under:

<b>Name of lender and details of documentation</b>	<b>Hinduja Leyland Finance Limited</b> Deed of hypothecation and facility agreement dated September 30, 2014
<b>Amount sanctioned (₹ lakh)</b>	₹ 2,500.00
<b>Repayment date/ schedule</b>	The repayment in 36 months from date of disbursement
<b>Rate of Interest</b>	12.50% p.a.
<b>Security</b>	Hypothecation of specified hire purchase receivables
<b>Prepayment</b>	2% of outstanding facility
<b>Rescheduling</b>	-
<b>Penalty</b>	Rate of interest <i>plus</i> 2% p.a.
<b>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.

<b>Name of lender and details of documentation</b>	<b>Tamil Nadu Industrial Investment Corporation Limited</b> Loan agreement dated December 03, 2014 Hypothecation dated December 03, 2014
<b>Amount sanctioned (₹ lakh)</b>	₹1,000.00
<b>Repayment date/ schedule</b>	The repayment in 36 installments commencing from the first day of month immediately after the expiry of 3 months from date of first disbursement of loan First 12 monthly installments of ₹ 24.00 lakh First 22 monthly installments of ₹ 29.00 lakh Last 2 monthly installments of ₹ 37.00 lakh
<b>Rate of Interest</b>	14.50% p.a. (i.e. PLR + 0.50%)
<b>Security</b>	First charge by way of hypothecation over all new/used commercial, heavy vehicles, earth moving and construction equipment. The charge operates as security for the due repayment of the facility sanctioned under NBFC Scheme for various constituents (SRTOs) situated in Tamil Nadu, acquired /to be acquired by the Company together with additional interest, penal interest and other costs, charges <i>etc</i>  First charge by way of equitable mortgage by deposit of title deeds of the following properties 1. Land situated at SF No 654 (part), Mayflower Sakthi Garden, Phase I, Uppilipalayam Village, Coimbatore Tk & DT ; 2. Vacant land at S F No. 106/3, 107/2A, Site No. 14, Sri Devi Nagar, Kavundampalayam Village, Coimbatore Tk & DT; 3. Flat bearing No A-6 in the first floor in the south eastern corner in D. No. 22 First avenue, Ashok Nagar, Chennai ; and 4. Office at No A-5, First Floor in TRB Complex, D No 22. First Avenue, Ashok Nagar, Chennai.

<b>Prepayment</b>	No pre-payment will be permitted without prior consent of lenders and on such conditions as lender may specify in its discretion.
<b>Rescheduling</b>	-
<b>Penalty</b>	In case of default, penal interest of 2.50% p.a. for defaulted amount for defaulted period along with term loan interest.
<b>Default</b>	-
<b>Name of lender and details of documentation</b>	<b>Reliance Capital Limited</b> Facility Agreement and Deed of Hypothecation dated January 1, 2015
<b>Amount sanctioned (₹ lakh)</b>	3,000
<b>Repayment date/ schedule</b>	12 months from March 2015.
<b>Rate of Interest</b>	15% p.a.
<b>Security</b>	Hypothecation of Receivables
<b>Prepayment</b>	Permissible without prepayment penalty
<b>Rescheduling</b>	NA
<b>Penalty</b>	NA
<b>Default</b>	NA

3. Mr. S. Ragothaman, one of the Non executive and Independent Director of the Company has submitted his resignation *vide* his letter dated January 14, 2015 which has been accepted by the Board of Directors at their meeting held on January 17, 2015.
4. On February 14, 2015, the Company has announced its unaudited financial statements for the quarter ended December 31, 2014. The details of the said unaudited financial statements provided in *Annexure D* of this Prospectus.

## SECTION VI: ISSUE RELATED INFORMATION

### ISSUE STRUCTURE

Public issue of NCDs aggregating upto ₹ 10,000 lakh. The following are the key terms of the NCDs. This chapter should be read in conjunction with, and is qualified in its entirety by more detailed information in the chapter titled “*Terms of the Issue*” on page 164.

Particulars	Terms and Conditions
<b>Minimum application size</b>	₹10,000 (100 NCDs). (for all options of NCDs, namely I, II, III, IV, V, VI VII and VIII, either taken individually or collectively)
<b>Mode of allotment</b>	Both in physical and dematerialised form.
<b>Terms of Payment</b>	Full amount on application.
<b>Trading Lot</b>	1 (one) NCD.
<b>Who can apply</b>	<p><b>Category I</b></p> <ul style="list-style-type: none"> <li>Resident public financial institutions, scheduled commercial banks, co-operative banks, and regional rural banks incorporated in India, multilateral and bilateral development financial institutions, state industrial development corporations, which are authorized to invest in the NCDs;</li> <li>Indian provident funds, pension funds, superannuation funds and gratuity funds, authorized to invest in the NCDs;</li> <li>Indian 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>Indian 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; 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> <p><b>Category II</b></p> <ul style="list-style-type: none"> <li>Companies within the meaning of Section 2(20) of the Companies Act, 2013, societies and bodies corporate registered under the applicable laws in India and authorised to invest in NCDs;</li> <li>Trusts settled under the Indian Trusts Act, 1882 and other 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>Statutory bodies/ Corporations;</li> <li>Cooperative banks;</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; and</li> <li>Partnership firms formed under applicable laws in India in the name of the partners, authorized to invest in the NCDs.</li> </ul> <p><b>Category III</b></p> <ul style="list-style-type: none"> <li>Resident Indian individuals</li> <li>Hindu Undivided Families applying through the Karta.</li> </ul>

**Participation by any of the abovementioned investor classes in this Issue will be subject to applicable statutory and/or regulatory requirements. 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.**

In case of Application Form being submitted in joint names, Applicants should ensure that the dematerialised account is also held in the same joint names, and the names are in the same sequence in which they appear in the Application Form. 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. For further details, please refer chapter titled “*Issue Procedure*” beginning on page 168.

**COMMON TERMS FOR ALL SERIES OF THE NCDs \***

<b>Issuer</b>	Sakthi Finance Limited.
<b>Lead Manager</b>	Dalmia Securities Private Limited.
<b>Debenture Trustee</b>	GDA Trusteeship Limited.
<b>Registrar to the Issue</b>	S.K.D.C Consultants Limited.
<b>Issue</b>	Public Issue of secured redeemable non-convertible debentures of face value of ₹ 100 each, aggregating upto ₹ 10,000 lakh.
<b>Type and Nature of instrument</b>	Secured, redeemable, non-convertible debentures of our Company of face value of ₹ 100 each.
<b>Mode of issue</b>	Public Issue.
<b>Face Value (in ₹/ NCD)</b>	₹ 100.00.
<b>Issue Price (in ₹/ NCD)</b>	₹ 100.00.
<b>Minimum application Size</b>	₹10,000 (100 NCDs). (for all options of NCDs, namely Options I, II, III, IV, V, VI VII and VIII either taken individually or collectively).
<b>In Multiples of</b>	₹1000 (10 NCDs after the minimum application size).
<b>Eligible Investors</b>	See the chapter titled “ <i>Issue Procedure - Who can apply</i> ” on page 169.
<b>Seniority</b>	Senior (to clarify, 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 would constitute secured obligations of ours and shall rank <i>pari passu inter se</i> , present and future 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 first and exclusive charge in favour of the Debenture Trustee on current assets, book debts, loans, receivable (including hire purchase receivables) and mortgage over an identified immovable property of our Company as may be decided mutually agreed between our Company and the Debenture Trustee.
<b>Stock Exchange proposed for listing of the NCDs</b>	BSE Limited (“ <b>BSE</b> ”).
<b>Listing and timeline for Listing</b>	The NCDs shall be listed within 12 Working Days of Issue Closing Date.
<b>Mode of Allotment</b>	Both in physical and dematerialised form.
<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 NCDs to be issued in terms of the Prospectus together with all interest due on the NCDs, as well as all costs, charges, all fees, remuneration of Debenture Trustee and expenses payable in respect thereof shall be secured.</p> <p>Our Company will create security on current assets, book debts, loans, receivable (including hire purchase receivables) and mortgage over the identified immovable property, by way of first and exclusive charge, in favour of the Debenture Trustee for the NCD Holders to ensure 100% asset cover for the NCDs, which shall be free from any encumbrances.</p> <p>For further details please refer to the section titled “<i>Issue Structure - Security</i>” on page 161 of the Prospectus.</p>
<b>Who can apply</b>	Please refer to the chapter titled “ <i>Issue Procedure</i> ” beginning on page 169.
<b>Issue size</b>	Public Issue by our Company of secured redeemable NCDs aggregating upto ₹ 10,000 lakh.
<b>Pay-in date</b>	3 (three) Business Days from the date of upload of application in the book building system of BSE or the date of realisation of the cheques/demand drafts, whichever is later.
<b>Application Money</b>	The entire Application Amount is payable on submitting the application.
<b>Rating of the Instrument</b>	The NCDs proposed to be issued by our Company have been rated by ICRA Limited. ICRA has <i>vide</i> its letter no. Surv/Chen/281/14-15 dated November 5, 2014 assigned, and <i>vide</i> its letter no. Reval/Chen/130/14-15 dated February 12, 2015 reaffirmed, a rating of “[ICRA] BBB (Stable)” for an amount of upto ₹ 10,000 lakh for the NCDs. Instruments with this rating are considered to have an adequate degree of safety regarding timely servicing of financial obligations. Such instruments carry a low credit risk.

	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.
<b>Record Date</b>	<p>The date for payment of interest in connection with the NCDs or redemption of the NCDs, which shall be 7(seven) 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>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 as the Record Date.</p>
<b>Issue Schedule***</b>	The Issue shall be open from February 27, 2015 to March 19, 2015 with an option to close earlier and/or extend up to a period as may be determined by a Board or duly constituted committee of the Board.
<b>Objects of the Issue</b>	Please refer the chapter titled “ <i>Objects of the Issue</i> ” on page 50.
<b>Details of utilisation of Proceeds</b>	Please refer the chapter titled “ <i>Objects of the Issue</i> ” on page 50.
<b>Coupon rate, Coupon payment dates, redemption premium</b>	Please refer the chapter titled “ <i>Issue Structure</i> ” beginning on page 150.
<b>Tenor</b>	Please refer the chapter titled “ <i>Issue Structure</i> ” beginning on page 150.
<b>Coupon payment frequency</b>	Please refer the chapter titled “ <i>Issue Structure</i> ” beginning on page 150.
<b>Redemption dates and amount</b>	Please refer the chapter titled “ <i>Issue Structure</i> ” beginning on page 150.
<b>Working Days Convention / Day Count Convention / Effect of holidays on payments</b>	<p><b>Working Days Convention</b></p> <p>All days excluding, Sundays and a public holiday in Mumbai or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881, except with reference to Issue Period where working days shall mean all days, excluding Saturdays, Sundays and public holidays in India or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881.</p> <p><b>Day Count Convention</b></p> <p>Interest shall be computed on a 365 days-a-year basis on the principal outstanding on the NCDs. However, where the interest period (start date to end date) includes February 29, interest shall be computed on 366 days a-year basis, on the principal outstanding on the NCDs.</p> <p><b>Effect of holidays on payments</b></p> <p>If the date of payment of interest does not fall on a Working Day, then the succeeding Working Day will be considered as the effective date for such payment of interest with interest for such additional period (the “<b>Effective Date</b>”). Such additional interest will be deducted from the interest payable on the next date of payment of interest. Interest and principal or other amounts, if any, will be paid on the Effective Date. 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 preceding Working Day, along with coupon/interest accrued on the NCDs until but excluding the date of such payment.</p>
<b>Issue Opening Date</b>	February 27, 2015
<b>Issue Closing Date</b>	March 19, 2015
<b>Interest on Application Money</b>	Please refer to the chapter titled “ <i>Issue Structure- Interest on Application Money</i> ” on page 162

<b>Put/Call option</b>	There is no put and call option on the NCDs
<b>Deemed date of Allotment</b>	Deemed Date of Allotment shall be the date as decided by the Board or the duly authorised committee of the Board constituted by resolution of the Board dated February 8, 2014, and as mentioned on the Allotment Advice / letter of regret. All benefits under the NCDs including payment of interest will accrue to the NCD Holders from the Deemed Date of Allotment. Actual Allotment may occur on a date other than the Deemed Date of Allotment.
<b>Default interest</b>	Refer the chapter titled “ <i>Issue Structure - Events of Default</i> ” on page 162.
<b>Day count basis</b>	Actual. For further details, see the chapter titled “ <i>Issue Structure</i> ” on page 155
<b>Transaction Documents</b>	Lead Manager MoU dated January 19, 2015 executed between the Company and the Lead Manager; Registrar MoU dated January 16, 2015 between the Company and the Registrar to the Issue; Debenture Trustee Agreement dated January 17, 2015 executed between the Company and the Debenture Trustee; Lead Brokers MoU dated February 10, 2015 executed between Lead Brokers, Company and Lead Manager; Escrow Agreement dated February 12, 2015 executed between the Company, the Registrar, the Escrow Collection Banks and the Lead Manager; Agreed form of the draft Debenture Trust Deed to be executed between the Company and the Debenture Trustee.
<b>Conditions precedent and subsequent to the Issue</b>	The conditions precedent and subsequent to disbursement will be finalised upon execution of the Debenture Trust Deed.
<b>Events of default</b>	Please refer to the chapter titled “ <i>Issue Structure- Events of Default</i> ” on page 162.
<b>Cross Default</b>	Please refer to the chapter titled “ <i>Issue Structure- Events of Default</i> ” on page 162.
<b>Roles and responsibility of the Debenture Trustee</b>	Please refer the chapter titled “ <i>Issue Structure – Trustees for the NCD Holders</i> ” on page 162.
<b>Settlement Mode</b>	Please refer to the chapter titled “ <i>Issue Structure- Payment on Redemption</i> ” on page 159.
<b>Governing law and jurisdiction</b>	The Issue shall be governed in accordance with the laws of the Republic of India and shall be subject to jurisdiction with the competent Courts of Jurisdiction under section 2(39) of the Companies Act, 2013 being High Court of Madras and appropriate jurisdictional courts in Coimbatore, India.

\* Please refer to Annexure 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.

\*\* As per Section 29 of the Companies Act, 2013, debentures may be issued to the public only in dematerialised form. In this regard, we had sought permission from SEBI for issuance of NCDs pursuant to this Issue in physical as well as dematerialised form. Thereafter we have received approval from SEBI, vide letter dated March 14, 2014, for issuance of NCDs pursuant to this Issue in physical as well as dematerialised form.

\*\*\* The subscription list shall remain open at the commencement of banking hours and close at the close of banking hours for the period as indicated, with an option for early closure or extension by such period, as may be decided by the Board or the duly authorised committee of the Board. In the event of such early closure or extension of subscription list 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 on or before such earlier date or extended date of closure.

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 BSE, 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.

### TERMS AND CONDITIONS IN CONNECTION WITH THE NCDs

The NCDs being issued are in the form of secured, redeemable, non-convertible debentures of face value of ₹ 100 each. The principal terms of each option of NCDs are set out below:

Options	I	II	III	IV	V	VI	VII	VIII
<b>Frequency of interest payment</b>	Monthly	Cumulative	Monthly	Annually	Cumulative	Monthly	Annually	Cumulative
<b>Category of investor who can apply</b>	All categories of Investors (I, II and III)							
<b>Minimum application</b>	₹ 10,000 (100 NCDs) (for all options of NCDs, namely option I, option II, option III, option IV, option V, option VI, option VII and option VIII either taken individually or collectively)							
<b>In multiples of</b>	₹ 1000 (10 NCDs) after minimum application							
<b>Face value of NCDs (₹ / NCD)</b>	₹100							
<b>Issue Price (₹ / NCD)</b>	₹100							
<b>Tenor from Deemed Date of Allotment (in months)</b>	24	24	36	36	36	48	48	48
<b>Coupon (%) for all Category of Investor(s)</b>	11	NA	11.25	11.25 <sup>@</sup>	NA	11.50	11.50 <sup>@</sup>	NA
<b>Effective Yield (per annum) for all Category of Investor(s)</b>	11	11.46	11.25	11.73	11.73	11.5	12.01	12.01
<b>Mode of interest payment*</b>	Through various options available							
<b>Amount (₹/ NCD) on maturity for all Category of Investor(s) *</b>	100	124.24	100	100	139.49	100	100	157.38
<b>Maturity Date (from Deemed Date of Allotment) (in months)</b>	24	24	36	36	36	48	48	48

<sup>@</sup> The interest will be calculated on quarterly compounding basis and will be paid at the end of each year;

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



## Interest and payment of Interest

For avoidance of doubt, with respect to Option I, Option III, Option VI for NCDs 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.

With respect to Option IV and Option VII where interest is to be paid on an annual basis, relevant interest 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.

### A. Interest

#### 1. Monthly interest payment options

In case of Option I, Option III, Option VI, interest would be paid on a monthly basis at the following Coupon Rate in connection with the relevant categories of NCD holders, on the amount outstanding from time to time, commencing from the Deemed Date of Allotment of each Option NCD:

Category of NCD Holder	Rate of Interest (p.a.) for the following tenures		
	Option I	Option III	Option VI
	24	36	48
Category I, II and III	11%	11.25%	11.50%

#### 2. Annual interest payment option

In case of Option IV and Option VII, interest would be paid on an annual basis at the following Coupon Rate in connection with the relevant categories of NCD holders, on the amount outstanding from time to time, commencing from the Deemed Date of Allotment of each of Option NCD:

Category of NCD Holder	Rate of Interest (p.a.) for the following tenures	
	Option IV	Option VII
	36	48
Category I, II and III	11.25%	11.50%

#### 3. Option II, V and VIII NCDs shall be redeemed as below:

Category of NCD Holder	Redemption Amount (per NCD)		
	Option II	Option V	Option VIII
	24	36	48
Category I, II and III	124.24	139.49	157.38

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 as due and payable on such day, 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.

*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 subject to such Transferee holding the Secured NCDs on the Record Date.*

### Day count convention

Please refer to *Annexure 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.

### B. Taxation

As per clause (ix) of Section 193 of the IT Act, no tax is required to be deducted at source 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 (42 of 1956) and the rules made thereunder. Accordingly, no tax will be deducted at source from the interest on listed NCDs held in the dematerialised form.

However in case of NCDs held in physical form, as per the current provisions of the IT Act, tax will not be deducted at source from interest payable on such NCDs held by the investor (in case of resident individual NCD holders and Hindu Undivided Family), if such interest does not exceed ₹ 5,000 in any financial year. If interest exceeds the prescribed limit of ₹ 5,000 on account of interest on the NCDs, then the tax will be deducted at applicable rate. However in case of NCD holders are claiming non-deduction or lower deduction of tax at source, as the case may be, the NCD holders should furnish either (a) a declaration (in duplicate) in the prescribed form *i.e.* (i) Form 15H which can be given by individuals who are of the age of 60 years or more (ii) Form 15G which can be given by all applicants (other than companies, and firms), or (b) a certificate, from the assessing officer which can be obtained by all applicants (including companies and firms) by making an application in the prescribed form *i.e.* Form No. 13. The aforesaid documents, as may be applicable, should be submitted to our Company quoting the name of the sole/ first NCD holder, NCD folio number and the distinctive number(s) of the NCD held, prior to the Record Date to ensure non-deduction/lower deduction of tax at source from interest on the NCD. The investors need to submit Form 15H/ 15G/certificate in original from Assessing Officer for each financial year during the currency of the NCD to ensure non-deduction or lower deduction of tax at source from interest on the NCD.

Tax exemption certificate/document, if any, must be lodged at the office of the Registrar at least 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.

### C. Payment of Interest to NCD Holders

Payment of Interest will be made to those NCD Holders whose names appear in the register of Debenture Holders (or to first holder in case of joint-holders) as on Record Date.

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 NECS, 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 “*Issue Structure- Manner of Refund (except ASBA Application)/ Payment of Interest/ Redemption*” on page 157.

### D. Maturity and Redemption

For NCDs subscribed under Option I, Option III, Option IV, Option VI and Option VII the relevant interest will be paid in the manner set out in “*Issue Structure- Payment of Interest to NCDs Holders*” at page 156 of the this Prospectus. The last interest payment will be made at the time of redemption of the NCD.

Options	Maturity Period/ Redemption Date (as applicable)
I	24monthsfrom the Deemed Date of Allotment
II	24 months from the Deemed Date of Allotment
III	36 months from the Deemed Date of Allotment
IV	36 months from the Deemed Date of Allotment
V	36 months from the Deemed Date of Allotment
VI	48 months from the Deemed Date of Allotment
VII	48 months from the Deemed Date of Allotment
VIII	48 months from the Deemed Date of Allotment

### Deemed Date of Allotment

Deemed Date of Allotment shall be the date as decided by the Board or the duly authorised committee of the Board constituted by resolution of the Board dated February 8, 2014, and as mentioned on the Allotment Advice / Letter of Regret. All benefits under the NCDs including payment of interest will accrue to the NCD Holders from the Deemed Date of Allotment. Actual Allotment may occur on a date other than the Deemed Date of Allotment.

### **Application size**

Each application should be for a minimum of 100 NCDs and multiples of 10 NCD thereafter. The minimum application size for each application for NCDs would be ₹ 10,000 and in multiples of ₹ 1,000 thereafter.

**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 face value of ₹100 per NCD is payable on the application itself. In case of allotment of lesser number of NCDs than the number of NCDs applied for, our Company shall refund/ unblock the excess amount paid on application to the Applicant in accordance with the terms of this Prospectus. For further details please refer to the paragraph on “*Issue Structure - Interest on Application Money*” beginning on page 162.

### **Record Date**

The Record Date for payment of interest in connection with the NCDs or repayment of principal in connection therewith shall be 7(seven) 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. In case Record Date falls on a day when Stock Exchange is having a trading holiday, the immediate subsequent trading day will be deemed as the Record Date.

### **Manner of refund (except ASBA Application)/payment of interest / redemption**

Manner of refund (except ASBA Application)/ payment of interest / redemption in connection with the NCDs are set out below:

#### ***For NCDs applied / held in Demat form***

The bank details will be obtained from the Depositories for payment of interest / refund (except ASBA Applications)/ redemption as the case may be. Applicants who have applied for or are holding the NCDs in Demat 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 may result in delays in credit of refunds to the applicant at the applicant's sole risk, and neither the Lead Manager, Company nor the Registrar to the Issue shall have any responsibility and undertake any liability for the same.

#### ***For NCDs applied/held in physical form***

The bank details as provided in the Application Form will be obtained from the Registrar to the Issue for payment of interest / redemption as the case may be.

The mode of refund/ interest/ redemption payments shall be undertaken in the following order of preference.

#### **1. Direct Credit**

Investors having their bank account with the Refund Bank shall be eligible to receive refunds, if any, through direct credit. The refund amount, if any, would be credited directly to their bank account with the Refund Banker.

#### **2. NECS**

Payment of interest / refund / redemption shall be undertaken through NECS for applicants having an account at the centers mentioned in NECS MICR list. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code, IFSC code, bank account number, bank name and branch name as appearing on a cheque leaf, from the Depositories.

#### **3. RTGS**

Applicants having a bank account with a participating bank and whose interest payment/ refund/ redemption amounts exceed ₹ 200,000, or such amount as may be fixed by RBI from time to time, have the option to receive refund through RTGS. Such eligible Applicants who indicate their preference to receive interest payment/ refund/ redemption through RTGS are required to provide the IFSC code in the Application Form or intimate our Company and the Registrar to the Issue at least seven days prior to the Record Date. Charges, if any, levied by the Applicant's bank receiving the credit would be borne by the Applicant. In the event the same is not provided, interest payment/ refund/ redemption shall be made through NECS subject to availability of complete bank account details for the same as stated above.

#### 4. **NEFT**

Payment of interest/ refunds/ redemption shall be undertaken through NEFT wherever the Applicants' banks have been assigned the Indian Financial System Code ("**IFSC**"), which can be linked to a Magnetic Ink Character Recognition ("**MICR**"), if any, available to that particular bank branch. The IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. Wherever the Applicants have registered their nine digit MICR number and their bank account number while opening and operating the demat account, the same will be duly mapped with the IFSC Code of that particular bank branch and the payment of interest/ refund/ redemption will be made to the applicants through this method.

#### 5. **Registered post/speed post**

For all other applicants, including those who have not updated their bank particulars with the MICR code, the interest payment / refund / redemption orders shall be dispatched through speed post/registered post.

Please note that applicants are eligible to receive payments through the modes detailed in (1), (2) (3), and (4) herein above provided they provide necessary information for the above modes and where such payment facilities are allowed / available.

Please note that our Company shall not be responsible to the holder of NCD, for any delay in receiving credit of interest / refund / redemption so long as our Company has initiated the process of such request in time.

#### **Printing of bank particulars on interest warrants**

As a matter of precaution against possible fraudulent encashment of refund orders and interest/ redemption warrants due to loss or misplacement, the particulars of the Applicant's bank account are mandatorily required to be given for printing on the orders/ warrants. In relation to NCDs applied and held in dematerialized form, these particulars would be taken directly from the depositories. In case of NCDs applied and held in physical form, the NCD holders are advised to submit their bank account details to our Company/ Registrar to the Issue at least seven days prior to the Record Date failing which the orders/ warrants will be dispatched to the postal address of the NCD holders as available in the records of our Company either through speed post or registered post.

Bank account particulars will be printed on the orders/ warrants which can then be deposited only in the account specified.

#### **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.

#### **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 by way of private placement or public issues. However, if the RBI subsequently permits the 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 terms and conditions as may be decided by the Company at the relevant time, in compliance with applicable law.

#### **Form and Denomination**

In case of NCDs held in physical form, a single certificate will be issued to the NCD Holder for the aggregate amount of the NCDs held ("**Consolidated Certificate**"). The Applicant can also request for the issue of NCD certificates in denomination of one NCD ("**Market Lot**"). In case of NCDs held under different Options (namely Option I, Option II, Option III, Option IV, Option V, Option VI Option VII and Option VIII) by an NCD Holder, separate Consolidated Certificates will be issued to the NCD Holders for the aggregate amount of the NCDs held under each Option. It is however, distinctly to be understood that the NCDs pursuant to this issue shall be traded only in demat form.

In respect of Consolidated Certificate, our Company will, only upon receipt of a request from the NCD Holder, split such Consolidated Certificates into smaller denominations subject to the minimum Market Lot.

No fees would be charged for splitting of NCD certificates in Market Lots, but stamp duty payable, if any, would be borne by the NCD Holder. The request for splitting should be accompanied by the original NCD certificate which would then be treated as cancelled by us.

## **Procedure for redemption by NCD Holders**

### ***NCDs held in physical form***

NCDs Holders, at any time after the listing of the NCDs on the Stock Exchange, can apply for converting NCDs into physical form.

No action would ordinarily be required on the part of the NCD holder at the time of redemption and the redemption proceeds would be paid to those NCD holders whose names stand in the register of NCD holders maintained by us on the Record Date fixed for the purpose of Redemption. However, our Company may require that the NCD certificate(s), duly discharged by the sole holder/all the joint-holders (signed on the reverse of the NCD certificate(s)) be surrendered for redemption on maturity and should be sent by the NCD holder(s) by Registered Post with acknowledgment due or by hand delivery to our office or to such persons at such addresses as may be notified by us from time to time. NCD holder(s) may be requested to surrender the NCD certificate(s) in the manner as stated above, not more than three months and not less than one month prior to the redemption date so as to facilitate timely payment.

We may at our discretion redeem the NCDs without the requirement of surrendering of the NCD certificates by the holder(s) thereof. In case we decide to do so, the holders of NCDs need not submit the NCD certificates to us and the redemption proceeds would be paid to those NCD holders whose names stand in the register of NCD holders maintained by us on the record date fixed for the purpose of redemption of NCDs. In such case, the NCD certificates would be deemed to have been cancelled. Also please refer to the paragraph on “*Payment on Redemption*” given below.

### ***NCDs held in Demat 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 physical form***

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 to those NCD holders whose names stand in the register of NCD Holders maintained by us 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 15 days prior to the Record Date. In case the transfer documents are not lodged with us at least 15 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 Registrars.

Our liability to the 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).

### ***NCDs held in Demat 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 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).

## Redemption date

Options	Redemption date
I	Will be redeemed at the expiry of 24 months from the Deemed Date of Allotment
II	Will be redeemed at the expiry of 24 months from the Deemed Date of Allotment
III	Will be redeemed at the expiry of 36 months from the Deemed Date of Allotment
IV	Will be redeemed at the expiry of 36 months from the Deemed Date of Allotment
V	Will be redeemed at the expiry of 36 months from the Deemed Date of Allotment
VI	Will be redeemed at the expiry of 48 months from the Deemed Date of Allotment
VII	Will be redeemed at the expiry of 48 months from the Deemed Date of Allotment
VIII	Will be redeemed at the expiry of 48 months from the Deemed Date of Allotment

## Right to reissue NCD(s)

Subject to the provisions of the Companies Act and the Companies Act, 2013 to the extent applicable as on date of Prospectus, where we have fully redeemed or repurchased any NCD(s), we shall have and shall be deemed always to have 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, in accordance with the applicable rules and regulations. The aforementioned right includes the right to reissue original NCDs.

## Transfer/Transmission of NCD(s)

### *For NCDs held in physical form*

The NCDs shall be transferred or transmitted freely in accordance with the applicable provisions of the Companies Act and the Companies Act, 2013, as applicable. The provisions relating to transfer and transmission and other related matters in respect of our shares contained in the Articles and the Act shall apply, *mutatis mutandis* (to the extent applicable to debentures) to the NCD(s) as well.

NCD Holders, at any time after the listing of the NCDs on the Stock Exchange, can apply for converting NCDs into physical form. In respect of the NCDs held in physical form, a suitable instrument of transfer as maybe prescribed under the Companies Act, 2013 for transfer of NCDs.

The NCDs held in dematerialised form shall be transferred subject to and in accordance with the rules/procedures as prescribed by NSDL/CDSL and the relevant DP 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/Company, as the case may be. In such cases, claims, if any, by the transferees would need to be settled with the transferor(s) and not with us or Registrar.

## Title

In case of:

- the NCDs held in the dematerialised form, the person for the time being appearing in the register of beneficial owners maintained by the Depository; and
- the NCDs held in physical form, the person for the time being appearing in the register of NCD Holders as NCD holder, 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 whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it or any writing on, theft or loss of the Consolidated NCD Certificates issued in respect of the NCDs and no person will be liable for so treating the NCD Holder.

No transfer of title of a NCD will be valid unless and until entered on the register of NCD Holders or the register of beneficial owners 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 the 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 / the relevant provisions of the Companies Act, 2013 applicable as on the date of this Prospectus shall apply, *mutatis mutandis* (to the extent applicable) to the NCD(s) as well.

#### ***For NCDs held in Demat form***

The normal procedure followed for transfer of securities held in dematerialised form shall be followed for transfer of the NCDs held in Demat form. The seller should give delivery instructions containing details of the buyer's DP account to his depository participant.

In case the transferee does not have a DP account, the seller can rematerialise the NCDs and thereby convert his dematerialised holding into physical holding. Thereafter the NCDs can be transferred in the manner as stated above.

In case the buyer of the NCDs in physical form wants to hold the NCDs in dematerialised form, he can choose to dematerialise the securities through his DP.

#### **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.

#### **Sharing of information**

We may, at our option, use on our own, as well as exchange, share or part any financial or other information about the NCD Holders available with us, with our subsidiaries, affiliates and banks, financial institutions, credit bureaus, agencies, statutory bodies, as may be required and neither we or our subsidiaries 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.

#### **Issue of duplicate NCD certificate(s) issued in physical form**

If any NCD certificate(s) is/are mutilated or defaced or the cages for recording transfers of NCDs are fully utilised, the same may be replaced by us against the surrender of such certificate(s). Provided, where the NCD certificate(s) are mutilated or defaced, the same will be replaced as aforesaid only if the certificate numbers and the distinctive numbers are legible.

If any NCD certificate is destroyed, stolen or lost then upon production of proof thereof to our satisfaction and upon furnishing such indemnity/security and/or documents as we may deem adequate, duplicate NCD certificate(s) shall be issued. Upon issuance of a duplicate NCD certificate, the original NCD certificate shall stand cancelled.

#### **Security**

The principal amount of the NCDs to be issued in terms of the Prospectus together with all interest due on the 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 current assets, book debts, loans, receivable (including hire purchase receivables) and mortgage over the identified immovable property of our Company as may be decided mutually agreed between our Company and the Debenture Trustee.

Our Company will create the security for the NCDs in favour of the Debenture Trustee for the NCD holders on the assets to ensure 100% security cover of the amount outstanding in respect of NCDs, including interest thereon, at any time.

Our Company intends to enter into an agreement with the Debenture Trustee, ('**Debenture Trust Deed**'), the terms of which will govern the appointment of the Debenture Trustee and the issue of the NCDs. Our Company proposes to complete the execution of the Debenture Trust Deed before finalisation of the basis of allotment in consultation with the Designated Stock Exchange and utilize the funds only after the stipulated security has been created.

Under the terms of the Debenture Trust Deed, our Company will covenant with the 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 NCDs on the rate specified in this Prospectus and in the Debenture Trust Deed.

The Debenture Trust Deed will also provide that our Company may withdraw any portion of the security and replace with another asset of the same or a higher value.



### **Trustees for the NCD Holders**

We have appointed GDA Trusteeship Limited to act as the Debenture Trustees for the NCD Holders. The Debenture Trustee and our Company will execute a Debenture Trust Deed, *inter alia*, specifying the powers, authorities and obligations of the Debenture Trustee and us. The 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 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 Holders. Any payment made by us to the Debenture Trustee on behalf of the NCD Holders shall discharge us *pro tanto* to the NCD Holders.

The Debenture Trustee will protect the interest of the 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.

### **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 Options 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 Deed:

- (i) default is committed in payment of the principal amount of the NCDs on the due date(s); and
- (ii) default is committed in payment of any interest on the NCDs on the due date(s).

### **Lien**

As per the RBI circular dated June 27, 2013, our Company is not permitted to extend loans against the security of its debentures issued by way of private placement or public issues. The Company shall have the right of set off and lien, present as well as future on the moneys due and payable to the NCD Holders or deposits held in the account of the NCD Holders, whether in single name or joint name(s), to the extent of all outstanding dues by the NCD Holders to the Company, subject to applicable law.

### **Lien on pledge of NCDs**

The Company may, at its discretion, note a lien on pledge of NCDs if such pledge of NCD is accepted by any third party/ bank/institution or any other person for any loan provided to the NCD Holder against pledge of such NCDs as part of the funding, subject to applicable law.

### **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, 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. In the event of such request by the Company, the Debenture Trustee shall provide its approval for creation of further charges provided that the Company provides a certificate from a chartered accountant stating that after creation of such further charges, the required security cover will be maintained.

### **Interest on Application money**

#### ***Interest on application monies received which are used towards allotment of NCDs***

Our Company shall pay interest on application money on the amount allotted, subject to deduction of income tax under the provisions of the Income Tax Act, 1961, as amended, as applicable, to any Applicant to whom NCDs are allotted pursuant to the Issue from the date of realization of the cheque(s)/demand draft(s) or after 3 (three) days from the date of receipt of the

application (being the date of upload of each Application on the electronic Application platform of the Stock Exchange) whichever is later upto one day prior to the Deemed Date of Allotment, at the rate of 9 % p.a.

Please note no interest is to be paid on application monies to the ASBA Applicants. Our Company 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 applicants. Alternatively, the interest warrant will be dispatched along with the Letter(s) of Allotment at the sole risk of the applicant, to the sole/first applicant.

***Interest on application monies received which are liable to be refunded***

Our Company shall pay interest on application money which is liable to be refunded to the Applicants, subject to deduction of income tax under the provisions of the Income Tax Act, 1961, as amended, as applicable, from the date of realization of the cheque(s)/demand draft(s) or after 3 (three) days from the date of receipt of the application (being the date of upload of each Application on the electronic Application platform of the Stock Exchange) whichever is later upto one day prior to the Deemed Date of Allotment, at the rate of 4% per annum. Such interest shall be paid along with the monies liable to be refunded. Interest warrant will be dispatched / credited (in case of electronic payment) to the account of the Applicants along with the letter(s) of refund at the sole risk of the Applicant, to the sole/first applicant. However no interest is to be paid on application monies to the ASBA Applicants.

In the event our Company does not receive a minimum subscription of 75% of the Issue, i.e. ₹ 7,500 lakh on the date of closure of the Issue, our company will refund the application money within 12 Working Days of closure of the issue. Our company shall also pay interest on application money which is liable to be refunded to the applicants, other than the ASBA Applicants in accordance with the provisions of the Debt Regulations and/ or the relevant provisions of the Companies Act, 2013 applicable as on the date of this Prospectus, or other applicable statutory and/or regulatory requirements, subject to deduction of income tax under the provisions of the Income Tax Act, 1961, as amended, as applicable, from the date of realization of the cheque(s)/demand draft(s) or 3 (three) days from the date of receipt of the application (being the date of upload of each application on the electronic platform of the Stock Exchange) whichever is later and upto the date of closure of the Issue at the rate of 4% per annum. Such interest shall be paid along with the monies liable to be refunded. Interest warrant will be dispatched / credited (in case of electronic payment) to the account of the Applicants, other than ASBA Applicants, as mentioned in the depositary records along with the letter(s) of refund at the sole risk of the applicant, to the sole/first applicant.

Provided that, notwithstanding anything contained hereinabove, our Company shall not be liable to pay any interest on monies liable to be refunded in case of (a) invalid applications or applications liable to be rejected, and/or (b) applications which are withdrawn by the applicant. Please refer to chapter titled “*Issue Procedure - Rejection of Application*” on page 184.

## 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 ₹ 2500 crore (Rupees two thousand five hundred crore only). The aggregate value of the NCDs offered under this Prospectus, together with the existing borrowings of our Company, is within the approved borrowing limits of ₹ 2500 crore.

### Authority for the Issue

At the meeting of the Board of Directors of our Company, held on February 8, 2014 the Directors approved the issue of NCDs to the public upto an amount not exceeding ₹ 20,000 lakh in one or more tranches as decided by NCD Issuance Committee of Board of Directors. The present Issue upto an amount not exceeding ₹ 10,000 lakh has been approved by NCD Issuance Committee by its resolution dated January 19, 2015.

### 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 Companies Act/Companies Act, 2013 (to the extent applicable), the Memorandum and Articles of Association of our Company, the terms of the Prospectus, the Application Forms, the terms and conditions of the Debenture Trustee Agreement and the Debenture Trust Deed, 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 NCDs

The NCDs would constitute secured obligations of ours 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 first and exclusive charge in favour of the Debenture Trustee on current assets, book debts, loans, receivable (including hire purchase receivables) and mortgage over the identified immovable property of our Company as may be decided mutually between our Company and the Debenture Trustee.

### Debenture Redemption Reserve ("DRR")

Section 71 of the Companies Act, 2013, read with Rule 18 made under Chapter IV of 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 of 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 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) 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 the sub 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 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 during the 31<sup>st</sup> day of March of that year. This may have a bearing on the timely redemption of the NCDs by our Company.

### Face value

The face value of each NCD to be issued under this Issue shall be ₹ 100.

### **NCD Holder not a shareholder**

The NCD Holders will not be entitled to any of the rights and privileges available to the equity and/or preference shareholders of our Company.

### **Rights of NCD Holders**

Some of the significant rights available to the NCD holders are as follows:

1. The NCDs shall not, except as provided in the Companies Act/Companies Act, 2013, our Memorandum and Articles of Association and/or the Debenture Trust Deed, confer upon the NCD holders thereof any rights or privileges available to our members/shareholders including the right to receive notices or annual reports of, or to attend and/or vote, at our general meeting of our Company's members/shareholders. However, if any resolution affecting the rights attached to the NCDs is to be placed before the members/shareholders of our Company, the said resolution will first be placed before the registered NCD holders concerned for their consideration. In terms of Section 136 of the Companies Act, 2013, Debenture Trustee shall be entitled to inspect the annual report on a specific request made to us.
2. Subject to applicable statutory/regulatory requirements, the rights, privileges and conditions attached to the 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 NCDs or with the sanction of a special resolution passed at a meeting of the 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 NCDs, if the same are not acceptable to us.
3. The registered NCD Holder 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 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 NCD Holders shall be in proportion to the outstanding nominal value of NCDs held by him/her.
4. The NCDs are subject to the provisions of the Debt Regulations, the Companies Act 1956/Companies Act, 2013, the Memorandum and Articles of Association of our Company, the terms of the Prospectus, the Application Forms, the terms and conditions of the Debenture Trustee Agreement, 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 NCDs.
5. For NCDs in physical form, a register of Debenture Holders will be maintained in accordance with section 88 of the Companies Act, 2013 and all interest and principal sums becoming due and payable in respect of the NCDs will be paid to the registered holder thereof for the time being or in the case of joint-holders, to the person whose name stands first in the register of Debenture Holders as on the Record Date. For NCDs in dematerialized form, all interest and principal sums becoming due and payable in respect of the 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 of beneficial owners maintained by a Depository for any NCDs in dematerialized form under Section 11 of the Depositories Act shall be deemed to be a register of Debenture Holders for this purpose.
6. Subject to compliance with RBI requirements, NCDs can be rolled over only with the consent of the holders of atleast 75% of the outstanding amount of the NCDs after providing at least 21 days prior notice for such roll over and in accordance with the Debt Regulations. Our Company shall redeem the debt securities of all the debt securities holders, who have not given their positive consent to the roll-over.

The aforementioned rights of the NCD holders are merely indicative. The final rights of the NCD holders will be as per the terms of the Prospectus and the Debenture Trust Deed to be executed between our Company and the Debenture Trustee.

### **Minimum Subscription**

If our Company does not receive the minimum subscription of 75% of the Issue, *i.e.* ₹ 7,500 lakh, prior to Closure of the Issue, the entire subscription shall be refunded to the Applicants within twelve (12) working days from the date of Closure of the Issue. The refunded subscription amount shall be credited only to the account from which the relevant subscription amount was remitted. In the event, there is a delay, by the Issuer in making the aforesaid refund, our Company will pay 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 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 CIR/IMD/DF-1/20/2012) dated July 27, 2012

### **Market Lot and Trading Lot**

As per the Debt Regulations, the trading of the NCDs shall be in dematerialised form only. Since trading of the NCDs is in dematerialised form, the tradable lot is one NCD. NCDs which are allotted in physical form shall not be eligible for being traded on the floor of Stock Exchange unless such NCDs are converted into dematerialized form, but shall be freely transferable otherwise, subject to applicable statutory and/or regulatory requirement.

Please note that the NCDs shall cease to trade from the Record Date (for payment of the principal amount and the applicable interest for such NCDs) prior to redemption of the NCDs.

Other than as stated above, Allotment in the Issue will be in physical (to the extent permitted) or electronic form in multiples of 10 NCDs subject to minimum application size of 100 NCDs. For details of Allotment refer to chapter titled “*Issue Procedure*” beginning on page 168.

### **Nomination facility to NCD Holder**

In accordance with Section 72 of the Companies Act, 2013, the sole NCD Holder or first NCD Holder, along with other joint NCD Holders (being individual(s)) may nominate any one person (being an individual) who, in the event of death of the sole holder or all the joint-holders, as the case may be, shall become entitled to the NCD. A person, being a nominee, becoming entitled to the NCD by reason of the death of the NCD Holder(s), shall be entitled to the same rights to which he would be entitled if he were the registered holder of the NCD.

Where the nominee is a minor, the NCD Holder(s) may make a nomination to appoint, in the prescribed manner, any person to become entitled to the NCD(s), in the event of his death, during the minority. A nomination shall stand rescinded upon sale of a NCD by the person nominating. A buyer will be entitled to make a fresh nomination in the manner prescribed. When the NCD is held by two or more persons, the nominee shall become entitled to receive the amount only on the demise of all the holders. Fresh nominations can be made only in the prescribed form available on request at our Registered Office or at such other addresses as may be notified by us.

NCD Holder(s) are advised to provide the specimen signature of the nominee to us to expedite the transmission of the NCD(s) to the nominee in the event of demise of the NCD Holder(s). The signature can be provided in the Application Form or subsequently at the time of making fresh nominations. This facility of providing the specimen signature of the nominee is purely optional.

In accordance with Section 72 of the Companies Act, 2013, any person who becomes a nominee by virtue of the provisions of the same section, shall upon the production of such evidence as may be required by the Board, elect either:

- to register himself or herself as the holder of the NCDs; or
- to make such transfer of the NCDs, as the deceased holder could have made.

Further, the Board may at any time give notice requiring any nominee to choose either to be registered himself or herself or to transfer the NCDs, and if the notice is not complied with, within a period of 90 days, the Board may thereafter withhold payment of all interests or redemption amounts or other monies payable in respect of the NCDs, until the requirements of the notice have been complied with.

For nominations made in dematerialised 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.

### **Succession**

Where NCDs are held in joint names and one of the joint NCD Holder 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 NCDs. In the event of demise of the sole or first holder of the NCDs, our Company will recognize 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 NCDs 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. Our Directors, in their absolute discretion may, in any case, dispense with production of probate or letter of administration or succession certificate or other legal representation. In case of death of NCD Holders who are holding NCDs in dematerialised form, third person is not required to approach the Company to register his name as successor of the deceased NCD holder. He shall approach the respective Depository Participant of the NCD Holder for this purpose and submit necessary documents as required by the Depository Participant.

### **Jurisdiction**

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 High Court of Madras and appropriate jurisdictional courts in Coimbatore, India.

### **Period of Subscription**

The subscription list for the Issue shall remain open for subscription from 10:00 a.m. till 5.00 p.m. (Indian Standard Time) for the period indicated below, with an option for early closure or extension by such period, as may be decided at the discretion of the duly authorised committee of Directors of our Company subject to necessary approvals. In the event of such early Closure of the Issue or extension of the Issue, our Company shall ensure that notice of such early Closure or Extension of the Issue is given as the case may be on such date of closure through advertisement/s in a leading national daily newspaper.

Issue Opens on February 27, 2015

Issue Closes on March 19, 2015\*

*\* Application and any further changes to the Applications shall be accepted only between 10.00 a.m. and 5.00 p.m. (Indian Standard Time, "IST") during the Issue Period as mentioned above by the Members of the Syndicate, Trading Members and designated branches of SCSBs, except that on the Issue Closing Date. The Applications and any further changes in details in Applications, if any, 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 the Stock Exchange. It is clarified that the Applications not uploaded on the Stock Exchange 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 the Prospectus is 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 Business Days, i.e. Monday to Friday (excluding any public holiday). Neither our Company, nor any Member of the Syndicate, Trading Members or designated branches of SCSBs is liable for any failure in uploading the Applications due to faults in any software/hardware system or otherwise. Please note that, the Basis of Allotment under the Issue will be based on a date priority basis. In this regard as per the SEBI circular dated October 29, 2013, the allotment in the Issue should 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.*

### **Restriction on transfer of NCDs**

There are no restrictions on transfers and transmission of NCDs and on their consolidation/ splitting except as may be required under applicable laws and as provided in our Articles of Association. Please refer to the chapter titled "Main Provisions of the Articles of Association" beginning on page 214.

## ISSUE PROCEDURE

*This chapter applies to all categories of Applicants. ASBA Applicants and Applicants applying through the Direct Online Application Mechanism (as defined hereinafter) should note that the ASBA process and the Direct Online Application Mechanism involve application procedures that are different from the procedure applicable to all other Applicants. Please note that all the Applicants are required to make payment of the full Application Amount along with the Application Form or ensure that the ASBA Account has sufficient credit balance such that the entire Application Amount can be blocked by the SCSB at the time of making the Application. In case of ASBA Applicants, an amount equivalent to the full Application Amount will be blocked by the SCSBs.*

*ASBA Applicants should note that they may submit their ASBA Applications to the Members of the Syndicate or Trading Members of the Stock Exchange only at the Syndicate ASBA Application Locations, or directly to the Designated Branches of the SCSBs. Applicants other than direct ASBA Applicants are required to submit their Applications to the Members of the Syndicate or Trading Members (at the application centres of the Members of the Syndicate will be mentioned in the Application Form) or make online Applications using the online payment gateway of the Stock Exchange.*

*Please note that this chapter has been prepared based on the Circular no. CIR./IMD/DF-1/20/2012 dated July 27, 2012 issued by SEBI ("**Debt Application Circular**"). The following Issue procedure is subject to the functioning and operations of the necessary systems and infrastructure put in place by the Stock Exchanges for implementation of the provisions of the abovementioned circular, including the systems and infrastructure required in relation to Direct Online Applications through the online platform and online payment facility to be offered by Stock Exchange and is also subject to any further clarifications, notification, modification, direction, instructions and/or correspondence that may be issued by the Stock Exchange(s) and/or SEBI. 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 BSE. 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 and we will appropriately notify and/or intimate Investors in connection with the availability of Direct Online Applications Facility either through disclosures in the Prospectus and/or by way of a public announcement or advertisement.*

***Pursuant to Section 29 of the Companies Act, 2013 that every company making a public offer shall issue the securities only in dematerialized form by complying with the provisions of the Depositories Act. Pursuant to Section 8(1) of the Depositories Act, every person subscribing to securities offered by an issuer shall have the option to receive security certificate or hold securities with a depository. In the light of the same, our Company through the Lead Manager has approached SEBI pursuant to Section 24 of the Companies Act, 2013 seeking permission to allot NCDs in the physical mode. Thereafter we have received approval from SEBI, vide letter dated March 14, 2014, for issuance of NCDs pursuant to this Issue in physical as well as dematerialised form.***

*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 Debt Application 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 Exchange, as opposed to the date and time of upload of each such application. In the event of, and on the date of oversubscription, however, allotments in public issues of debt securities are to be made on a proportionate basis.*

***PLEASE NOTE THAT ALL TRADING MEMBERS OF THE BSE WHO WISH TO COLLECT AND UPLOAD APPLICATION IN THIS ISSUE ON THE ELECTRONIC APPLICATION PLATFORM PROVIDED BY THE BSE WILL NEED TO APPROACH THE BSE AND FOLLOW THE REQUISITE PROCEDURES AS MAY BE PRESCRIBED.***

***THE LEAD MANAGER, THE MEMBERS OF THE SYNDICATE AND THE COMPANY SHALL NOT BE RESPONSIBLE OR LIABLE FOR ANY ERRORS OR OMISSIONS ON THE PART OF THE TRADING MEMBERS IN CONNECTION WITH THE RESPONSIBILITY OF SUCH TRADING MEMBERS 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 GRIEVANCES ARISING FROM APPLICATIONS THROUGH TRADING MEMBERS REGISTERED WITH THE STOCK EXCHANGE.***

*Please note that as per Para 4 of SEBI Circular no. CIR/CFD/DIL/12/2012 dated September 13, 2012, for making Applications by SCSBs on own account using ASBA facility, SCSBs should have a separate account in own name with any other SEBI registered SCSB/s. 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 ASBA Applications.*



*Please note that for the purposes of this chapter, the term “Working Day” shall mean all days excluding Sundays or a public holiday in India or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881, except with reference to Issue Period and Record Date, where working days shall mean all days, excluding Saturdays, Sundays and public holiday in Mumbai or at any other payment centre notified in terms of the Negotiable Instruments Act, 1881.*

*Our Company and the Lead Manager would not be liable for any amendment, modification or change in applicable law, which may occur after the date of this Prospectus. Investors are advised to make their independent investigations and ensure that their Application does not exceed the investment limits or maximum number of NCDs that can be held by them under applicable law or as specified in this Prospectus.*

## **1. Who can Apply**

The following categories of persons are eligible to apply in the Issue:

### **Category I**

- Resident public financial institutions, scheduled commercial banks, co-operative banks, and regional rural banks incorporated in India, multilateral and bilateral development financial institutions, state industrial development corporations, which are authorized to invest in the NCDs;
- Indian provident funds, pension funds, superannuation funds and gratuity funds, authorized to invest in the NCDs;
- Indian insurance companies registered with the IRDA;
- National Investment Fund set up by resolution F. No. 2/3/2005-DD-II dated November 23, 2005 of the GoI;
- Indian mutual funds registered with SEBI;
- Alternative Investment Funds registered with SEBI subject to investment conditions applicable to them under the SEBI AIF Regulations; and
- 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.

### **Category II**

- Companies, societies and bodies corporate registered under the applicable laws in India and authorised to invest in NCDs;
- Trusts settled under the Indian Trusts Act, 1882 and other public/private charitable/religious trusts settled and/or registered in India under applicable laws, which are authorized to invest in the NCDs;
- Resident Indian scientific and/or industrial research organizations, authorized to invest in the NCDs;
- Statutory bodies/ Corporations;
- Cooperative banks;
- 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; and
- Partnership firms formed under applicable laws in India in the name of the partners, authorized to invest in the NCDs.

### **Category III**

- Resident Indian individuals and
- Hindu Undivided Families through the Karta.

**Note:** *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.*

### **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 Overseas Corporate Bodies;

- Foreign Venture Capital Investor;
- Overseas Corporate Bodies; and
- Persons ineligible to contract under applicable statutory/ regulatory requirements.

*\* Applicant shall ensure that guardian is competent to contract under Indian Contract Act, 1872*

*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.*

**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.**

**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.**

The Lead Manager and its respective associates and affiliates are permitted to subscribe in the Issue.

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 the Prospectus.

## **2. How to Apply?**

### **(i) Applicants may use any of the following facilities for making Applications:**

- ASBA Applications through the Members of Syndicate or Trading Members of the Stock Exchange for applicants who intend to hold the NCDs in demat form;
- ASBA Applications through SCSBs for Applicants who intend to hold the NCDs in demat form;
- Non ASBA Applications through the Members of Syndicate or Trading Members of the Stock Exchange for applicants who intend to hold the NCDs in demat form; and
- Non ASBA Applications through the Members of Syndicate or Trading Members of the Stock Exchange for applicants who intend to hold the NCDs in physical form.

**Please note that there is a single Application Form for ASBA as well as non-ASBA Applicants who are persons resident in India.**

### **(ii) Availability of Prospectus and Application Forms**

Copies of the Abridged Prospectus containing the salient features of the Prospectus together with Application Forms and the copies of the Prospectus may be obtained from our Registered Office, office of the Lead Manager, Lead Broker(s), designated branches of the SCSB and Trading Members. Additionally the Prospectus, an Abridged Prospectus and the Application Form will be available for download on the websites of BSE at [www.bseindia.com](http://www.bseindia.com) and the website of the Lead Manager at [www.dalmiasec.com](http://www.dalmiasec.com). The forms shall also be available at the designated branches of the SCSB and the Members of the Syndicate at the Syndicate ASBA Application Locations.

The prescribed color of the Application Form for the applicants will be white.

Electronic Application Forms will also be available on the website of Stock Exchange. Trading members are required to download the Electronic Application Forms from stock exchange platform and submit these forms along with cheques/ drafts/ payment instrument to the collecting banks. A hyperlink to the website of the Stock Exchange for this facility will be provided on the website of the Lead Manager and the SCSBs.

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 their debt securities with an online payment facility (“**Direct Online Application Mechanism**”). In this regard, SEBI has, through the Debt Application Circular, directed recognized stock exchanges in India to put in necessary systems and infrastructure for the implementation of the Debt Application Circular and the Direct Online Application Mechanism. In the event that the Stock Exchange put in necessary systems, infrastructure and processes in place so as to enable the adoption of the Direct Online Application Mechanism prior to the Issue Opening Date, we shall offer eligible investors desirous of applying in the Issue the option to make Applications through the Direct Online Application Mechanism.

### 3. Filing of the Prospectus with ROC

A copy of the Prospectus will be filed with the Registrar of Companies, Tamil Nadu, Coimbatore, in terms of Section 26 of the Companies Act, 2013.

### 4. 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 under the Debt Regulations. Material updates, *if any*, between the date of filing of the Prospectus with ROC and the date of release of the statutory advertisement will be included in the statutory advertisement.

### 5. Procedure for Application

#### A. Non-ASBA Applications

##### i. *Applications through the Members of the Syndicate/Trading Members of the Stock Exchange through Escrow Collecting Banks without using ASBA Facility*

All Application Forms, either in physical or downloaded Application Forms, duly completed or accompanied by account payee cheques / drafts shall be submitted with the Members of the Syndicate or Trading Members of the Stock Exchange before the closure of the Issue. The Members of the Syndicate/ Trading Members of the Stock Exchange, upon receipt of the Non-ASBA Applications, shall upload all the details of the applications on the online platform of the Stock Exchange. The Applications are to be submitted to the Members of the Syndicate or Trading Members on a timely manner so that the details can be uploaded by the closure of banking hours on to the Stock Exchange platform *i.e.* from 10:00 a.m. till 5.00 p.m. (Indian Standard Time) during the Issue Period, following which they shall acknowledge the uploading of the Application Form by stamping the acknowledgment slip with the date and returning it to the Applicant. The Members of the Syndicate/ Trading Members of the Stock Exchange shall thereafter submit the physical Application Form along with the cheque/ bank draft to the Escrow Collection Banks.

##### ii. *Applications for allotment of physical NCDs by Applicants who do not have a Demat Account*

All Applicants who do not have a Demat Account and intend to apply for NCDs in physical form, should submit the Application Forms duly completed in all respects, by providing all the information including PAN and Demographic Details accompanied by account payee cheques / drafts and the Know Your Customer (“KYC”) documents with the Members of the Syndicate or Trading Members of the Stock Exchange. The cheque/bank draft can be drawn on any bank, including a co-operative bank which is situated at and is member or sub-member of the Bankers’ clearinghouse and located at the place where the Application Form is submitted, *i.e.* where the designated collection centres of the Escrow Collection Banks are located. Outstation cheques /bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected and the Escrow Collection Banks shall not be responsible for such rejections. Payments through stockinvest would also not be allowed/ accepted as the same has been discontinued by the RBI *vide* notification no. DBOD.NO.FSC.BC. 42/24.47.001/2003-04 dated November 5, 2003. Cash/stockinvest/money orders/postal orders will not be accepted. In case payment is effected in contravention of conditions mentioned herein, the application is liable to be rejected and application money will be refunded and no interest will be paid thereon. A separate cheque / bank draft must accompany each Application Form. No cash payments shall be accepted.

All cheques / bank drafts accompanying the application made by eligible applicants should be crossed “*A/c Payee only*” and must be made payable to “**Sakthi Finance Limited - NCD Public Issue - Escrow Account**”.

**Any Applicant who provides Depository Participant details in the Application Form shall be allotted the NCDs in dematerialised form only, irrespective of whether such Applicant has provided the details required for Allotment in physical form. Such Applicant shall not be Allotted NCDs in physical form.**

**KYC documents to be submitted by Applicants who do not have a Demat account and are applying for NCDs in the physical form.**

#### a. Self-attested copy of the proof of identification (for individuals);

Any of the following documents shall be considered as a verifiable proof of identification:

- Aadhaar card;
- Passport;

- Voter's ID;
  - Driving license;
  - Government ID card;
  - Defense ID card;
  - Photo PAN card; or
  - Photo ration card.
- b. Self-attested copy of the PAN card (in case of a minor, the guardian shall also submit the self-attested copy of his/ her PAN card);
- c. Self-attested copy of the proof of residence;
- Any of the following documents shall be considered as a verifiable proof of residence:
- ration card issued by the GoI;
  - valid driving license issued by any transport authority of the Republic of India;
  - electricity bill (not older than three months);
  - landline/ mobile telephone bill (not older than three months);
  - valid passport issued by the GoI;
  - AADHAAR letter issued by Unique Identification Authority of India ("UIDAI");
  - voter's Identity card issued by the GoI;
  - passbook or latest bank statement issued by a bank operating in India;
  - registered leave and license agreement or registered agreement for sale or rent agreement or flat maintenance bill;
  - Registered office address in case of applicants under Category I or Category II; or
  - life insurance policy.
- d. Copy of a cancelled cheque of the bank account to which the amounts pertaining to payment of refunds, interest and redemption, as applicable, should be credited.

Applicants applying for allotment of NCDs in physical form, by signing the Application Form, confirm to the Company, the Lead Manager and the Registrar that they do not hold any Demat account in India.

The Applicant shall be responsible for providing the above information accurately. Delays or failure in credit of the payments due to inaccurate details shall be at the sole risk of the Applicants and neither the Lead Manager nor our Company shall have any responsibility and undertake any liability for the same.

Applications for Allotment of the NCDs in physical form, which are not accompanied with the aforesaid documents, may be rejected at the sole discretion of our Company.

The Members of the Syndicate/Trading Members of the Stock Exchange shall on receipt of the completed Application Form along with the KYC document and the cheque/draft, provide an acknowledgment of the application to the Applicant. After verification of the KYC documents submitted by the Applicant along with the application, the Members of the Syndicate/Trading Members of the Stock Exchange shall upload all such details of the Applicant that is required for the purpose of allotment based on the Application Form on the online platform of the Stock Exchange. The Members of the Syndicate/Trading Members of the Stock Exchange shall thereafter submit the physical Application Form (duly stamped by such Members of the Syndicate/Trading Members of the Stock Exchange) along with the cheque/ bank draft and the KYC Documents to the Escrow Collecting Bank(s).

The Members of the Syndicate and the Trading Members of the Stock Exchange shall ensure they shall accept Application Forms only in such cities/towns where the designated branches (escrow collecting banks) are available. Details of such banking branches are available on the websites of the Lead Manager at [www.dalmiassec.co.in](http://www.dalmiassec.co.in). A link to the said web pages shall also be available on the website of BSE at [www.bseindia.com](http://www.bseindia.com).

The Members of the Syndicate/Trading Members of the Stock Exchange are required to ensure that the Applicants are competent to contract under the Indian Contract Act, 1872 including minors applying through guardian.

In the absence of the cancelled cheque, the Issuer may reject the Application or it may consider the bank details as given on the Application Form at its sole discretion. In such case the Issuer, Lead Manager and Registrar shall not be liable for any delays / errors in payment of refund and/or interests.

The Registrar shall dispatch the physical certificate to the Applicant as per address provided in the Application Form. In case KYC documents are not proper, the Registrar shall hold back physical certificate pending receipt of complete KYC documents from the Applicant.

### Payment mechanism for non-ASBA Applicants

The cheque/bank draft can be drawn on any bank, including a co-operative bank which is situated at and is member or sub-member of the Bankers' clearing-house located at the place where the Application Form is submitted, *i.e.* at designated collection centres of the Escrow Collection Bank. Outstation cheques /bank drafts drawn on banks not participating in the clearing process will not be accepted and applications accompanied by such cheques or bank drafts are liable to be rejected and the collecting bank shall not be responsible for such rejections. Payments through stockinvest would also not be allowed as the same has been discontinued by the RBI *vide* notification no. DBOD.NO.FSC.BC.42/24.47.001/2003-04 dated November 5, 2003. Cash/ stockinvest/ money orders/postal orders will not be accepted. In case payment is effected in contravention of conditions mentioned herein, the application is liable to be rejected and application money will be refunded and no interest will be paid thereon. A separate cheque/bank draft must accompany each Application Form. No cash payments shall be accepted.

All cheques / bank drafts accompanying the application made by eligible applicants should be crossed "*A/c Payee only*" and must be made payable to "***Sakthi Finance Limited - NCD Public Issue - Escrow Account***".

Kindly note, RBI has issued standard operating procedure in terms of paragraph 2(a) of RBI Circular no DPSS.CO.CHD.No./133 / 04.07.05 / 2013-14 dated July 16, 2013, detailing the procedure for processing CTS 2010 and Non-CTS 2010 instruments in the three CTS grid locations. As per this circular, processing of non-CTS cheques shall be done only on three days of the week. SEBI Circular No. CIR/CFD/DIL/3/2010 dated April 22, 2010 fixes the time between issue closure and listing at 12 working days. In order to ensure compliance with the above timelines, investors are advised to use CTS cheques or use ASBA facility to make payment. Investors using non-CTS cheques are cautioned that applications accompanied by such cheques are liable to be rejected due to any clearing delays beyond six working days from the date of the closure of the Issue, in terms of the aforementioned SEBI circular.

Please note that neither our Company, the Members of the Syndicate, nor the Registrar shall be responsible for redressal of any grievances that Applicants may have in regard to the non-ASBA Applications made to the Trading Members, including, without limitation, relating to non-upload of the Applications data. All grievances against Trading Members in relation to the Issue should be made by Applicants to the relevant Stock Exchange.

### Escrow mechanism

Each Applicant (except for ASBA Applicants) shall draw a cheque or demand draft for the Application Amount as per the following terms:

- a) All Applicants would be required to pay the full Application Amount at the time of the submission of the Application Form.
- b) The Applicants shall, with the submission of the Application Form, draw a payment instrument for the Application Amount in favour of the Escrow Accounts and submit the same along with their Application. If the payment is not made favoring the Escrow Accounts along with the Application Form, the Application will be rejected. Application Forms accompanied by cash, stockinvest; money order or postal order will not be accepted.
- c) The payment instruments from the Applicants shall be payable into the Escrow Account drawn in favour of "***Sakthi Finance Limited - NCD Public Issue - Escrow Account***".
- d) Payments should be made by cheque, or a demand draft drawn on any bank (including a cooperative bank), which is situated at cities where branches of Escrow Banks, details of which is available on the websites of the Lead Manager, is situated. Outstation cheques/drafts shall be rejected. Details of the branches of the Escrow Banks where the Application Form along with the cheque/ demand draft submitted by a Non ASBA applicant shall be deposited by the Members of the Syndicate and Trading Members are available on the website of the Lead Manager at **[www.dalmiasec.com](http://www.dalmiasec.com)**. A link to the said web pages shall also be available on the website of BSE at **[www.bseindia.com](http://www.bseindia.com)**. A link shall also be provided to the above mentioned websites in the Application Form as well.

Upon creation of Security as disclosed in the Trust Deed and receipt of necessary communication from the Lead Manager to the Issue and Registrar to the Issue, as per the provisions of the Escrow Agreement, the Escrow Collection Bank(s) shall transfer the monies from the Escrow Accounts to separate bank accounts *i.e.* the public issue accounts with respect to successful Applicants. The balance amount in the Escrow Accounts, after transfer to the Public Issue Account shall be transferred to the Refund Account. Payments of refund and interest on Application Amount to the relevant Applicants shall also be made from the Refund Account as per the terms of the Escrow Agreement and the Prospectus. The Escrow Collection Banks will act in terms of the Prospectus and the Escrow Agreement. The Escrow Collection Banks shall not exercise any lien whatsoever over the monies deposited therein.



The fees for Lead Manager shall be paid out of the Public Issue Account once listing/ trading approvals are received from Stock Exchange, upon receipt of instructions from the Lead Manager as provided for in the Escrow Agreement.

## **B. ASBA Applications**

***Procedure for Application through the Members of the Syndicate/ Trading Members of the Stock Exchange using the Applications Supported by Blocked Amount (“ASBA”) facility and Applications through SCSBs using ASBA facility.***

This section is for the information of the Applicants proposing to subscribe to the Issue through the ASBA Process (“ASBA Investors”). Please note that application through ASBA is optional for all categories of Applicants. 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. ASBA Investors are advised to make their independent investigations and to ensure that the Application Form is correctly filled up.

**Our Company, Lead Manager, Lead Brokers, our directors, affiliates, associates and their respective directors and officers 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 SCSBs including, 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 amount payable on application has been blocked in the relevant ASBA Account.**

The list of banks which have been notified by SEBI to act as SCSBs for the ASBA process is provided on <http://www.sebi.gov.in>. For details on Designated Branches of SCSBs collecting the Application Form, please refer the above mentioned SEBI link.

Applicants can submit their Applications through the ASBA process by submitting the Application Forms in physical mode to the SCSB with whom the ASBA Account is maintained or through the Members of the Syndicate or Trading Members, prior to or on the Issue Closing Date. **ASBA Applications through the Members of the Syndicate and Trading Members is permitted only at the Syndicate ASBA Application locations (Mumbai, Chennai, Kolkata, Delhi, Ahmedabad, Rajkot, Jaipur, Bengaluru, Hyderabad, Pune, Vadodara and Surat).** Kindly note that Application Forms submitted by ASBA Applicants to Members of the Syndicate and the Trading Members at the Syndicate ASBA Application 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 Member of the Syndicate or the Trading Members to deposit the Application Form (A list of such branches is available at [www.sebi.gov.in](http://www.sebi.gov.in)). The Members of Syndicate and Trading Members shall accept ASBA Applications only at the Syndicate ASBA Application Locations and should ensure that they verify the details about the ASBA Account and relevant SCSB prior to accepting the Application Form.

Trading Members shall, upon receipt of physical Application Forms from ASBA Applicants, 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 in accordance with the Debt Application Circular.

An ASBA 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 Members of the Syndicate and the Trading Members at the Syndicate ASBA Application Locations. The SCSB shall block an amount in the ASBA Account equal to the Application Amount specified in the Application Form.

ASBA Application in electronic mode will only be available with such SCSBs who provide such facility. In case of application in such electronic form, the ASBA Applicant shall submit the Application Form with instruction to block the Application amount either through the internet banking facility available with the SCSB, or such other electronically enabled mechanism for applying and blocking funds in the ASBA Account held with SCSB, as would be made available by the SCSB concerned.

Applications are liable to be rejected, wherein the SCSBs are not able to block the funds for Application Forms which have been uploaded by the Member of the Syndicate or Trading Members of the Stock Exchange due to any reason.

### **Payment mechanism for ASBA Applicants**

The Applicant applying under the ASBA process agrees to block the entire amount payable on application with the submission of the Application Form, by authorizing the SCSB to block an amount, equivalent to the amount payable on Application, in an ASBA Account.

After verifying that sufficient funds are available in the ASBA Account, details of which are provided in the Application Form or through which the Application is being made in case of electronic ASBA Application, the SCSB shall block an amount equivalent to the amount payable on Application mentioned in the Application Form until it receives instructions from the

Registrar. After finalisation of basis of allotment and upon receipt of intimation from the Registrar, the SCSBs shall transfer such amount as per the Registrar's instruction from the ASBA Account. This amount will be transferred into the Public Issue Account maintained by us as per the provisions of section 40(3) of the Companies Act, 2013. The balance amount remaining blocked in the ASBA Accounts, *if any*, 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 Issue and the Lead Manager to the respective SCSB.

The SCSB may reject the application at the time of acceptance of Application Form if the ASBA Account with the SCSB, details of which have been provided by the Applicant in the Application Form, does not have sufficient funds equivalent to the amount payable on application mentioned in the Application Form. Subsequent to the acceptance of the application by the SCSB, the Registrar would have a right to reject the application on any of the technical grounds.

In the event of withdrawal or rejection of Application Form or for unsuccessful Application Forms, the Registrar shall give instructions to the SCSB to unblock the application money in the relevant ASBA Account within twelve (12) Working Days of receipt of such instruction. There will be no interest paid on any such refunds.

#### **Depository account and bank details for Applicants applying under the ASBA Process**

**IT IS MANDATORY FOR ALL THE APPLICANTS APPLYING UNDER THE ASBA PROCESS TO RECEIVE THEIR NCDs IN DEMATERIALIZED FORM. ALL APPLICANTS APPLYING UNDER THE ASBA PROCESS SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, PAN DETAILS, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM.**

**Applicants applying under the ASBA Process should note that on the basis of name of these Applicants, Depository Participant's name and identification number and beneficiary account number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository Demographic Details of these Applicants such as PAN, address for printing on Allotment advice and occupation ("Demographic Details"). Hence, Applicants applying under the ASBA Process should carefully fill in their Depository Account details in the Application Form.**

These Demographic Details would be used for all correspondence with such Applicants including mailing of the letters intimating unblocking of their respective ASBA Accounts. The Demographic Details given by the Applicants in the Application Form would not be used for any other purposes by the Registrar. Hence, Applicants are advised to update their Demographic Details as provided to their Depository Participants.

By signing the Application Forms, the Applicants applying under the ASBA Process would be deemed to have authorised the Depositories to provide, upon request, to the Registrar to the Issue, the required Demographic Details as available on its records.

**Letters intimating Allotment and unblocking the funds would be mailed at the address of the ASBA Applicant as per the Demographic Details received from the Depositories. The Registrar to the Issue will give instructions to the SCSBs for unblocking funds in the ASBA Account to the extent NCDs are not allotted to such ASBA Applicants. ASBA Applicants may note that delivery of letters intimating unblocking of the funds may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. Note that any such delay shall be at the sole risk of the ASBA Applicants and none of our Company, the SCSBs, the Members of the Syndicate or Trading Member shall be liable to compensate the Applicant applying under the ASBA Process for any losses caused due to any such delay or liable to pay any interest for such delay.**

In case no corresponding record is available with the Depositories that match three parameters, (a) Client ID, (b) the DP ID and (c) the PAN Number, then such applications are liable to be rejected.

#### **Applications by certain categories of applicant**

##### ***Applications by Mutual Funds, registered with SEBI***

No mutual fund scheme shall invest more than 15% of its NAV in debt instruments issued by a single Company which are rated not below investment grade by a credit rating agency authorised to carry out such activity. Such investment limit may be extended to 20% of the NAV of the scheme with the prior approval of the Board of Trustees and the Board of Asset Management Company.

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 along with the Application Form. The applications must be also accompanied by certified true copies of (i) SEBI Registration Certificate and



trust deed (ii) resolution authorising investment and containing operating instructions and (iii) specimen signatures of authorized signatories. 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.

#### ***Application by Commercial Banks, Co-operative Banks and Regional Rural Banks***

Commercial Banks, Co-operative Banks and Regional Rural Banks can apply in this public issue based upon their own investment limits and approvals. The application must be accompanied by certified true copies of (i) Memorandum and Articles of Association/ Charter of Constitution; (ii) power of attorney; (iii) board resolution authorising investments/ containing operating instructions; and (iv) specimen signatures of authorized signatories. 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.

**Pursuant to SEBI Circular no. CIR/CFD/DIL/12/2012 dated September 13, 2012, 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 ASBA applications.**

#### ***Application by Insurance Companies***

In case of Applications made by insurance companies registered with the Insurance Regulatory and Development Authority, a certified copy of certificate of registration issued by Insurance Regulatory and Development Authority must be lodged along with Application Form. The applications must be accompanied by certified copies of (i) Memorandum and Articles of Association; (ii) power of attorney (iii) resolution authorising investment and containing operating instructions and (iv) specimen signatures of authorized signatories. 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 Alternative Investments Funds***

Applications made by an Alternative Investments Fund eligible to invest in accordance with the Securities and Exchange Board of India (Alternate Investment Funds) Regulations, 2012, must be accompanied by certified true copies of: (i) the SEBI registration certificate of such Alternative Investment Fund; (ii) a resolution authorising the investment and containing operating instructions; and (iii) specimen signatures of authorised persons. Alternative Investment Funds applying for Allotment of the NCDs shall at all time comply with the conditions for categories as per their SEBI registration certificate and the Securities and Exchange Board of India (Alternate Investment Funds) Regulations, 2012. 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 authorised 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 authorization, which may be required under applicable statutory and /or regulatory requirements and constitutional documents 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) documents certifying their incorporation; (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 companies, bodies corporate and societies registered under the applicable laws in India***

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.

***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: (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.

***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: (i) partnership deed; (ii) Any documents evidencing registration thereof under applicable statutory/regulatory requirements; (iii) Resolution authorizing investment and containing operating instructions (resolution); and (iv) 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***

Applications by provident funds, pension funds, superannuation funds and gratuity funds which are authorised to invest in the NCDs, must be accompanied by certified true copies of: (i) any Act/rules under which they are incorporated; (ii) a power of attorney, if any, in favour of one or more trustees thereof, (iii) a board resolution authorising investments; (iv) such other documents evidencing registration thereof under applicable statutory/regulatory requirements; (v) specimen signature of authorized person; (vi) a certified copy of the registered instrument for creation of such fund/trust; and (vii) any tax exemption certificate issued by Income Tax authorities. 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 National Investment Funds***

Application made by a National Invest Fund 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. 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 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 certified true copy of (i) 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. 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 Category I Applicants and Category II Applicants being Institutional and Non Institutional Category Applicants, must submit certified true copy of (i) the power of attorney or the relevant resolution or authority, as the case may be, (ii) Memorandum and Articles of Association and/or bye laws (except for Resident Indian individuals and Hindu undivided families) must be lodged along 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.

In case of Investments made pursuant to a power of attorney by Category III Applicants, a certified copy of the power of attorney must be lodged along with the Application Form.

In case of a ASBA Application pursuant to a power of attorney, a certified copy of the power of attorney must be lodged along with the Application Form. Failing this, our Company, in consultation with the Lead Manager, reserves the right to reject such Applications.

Brokers having online demat account portals may also provide a facility of submitting the Application Forms (ASBA as well as non-ASBA Applications) 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.

**Our Company, in its absolute discretion, reserves the right to relax the above condition of attaching the power of attorney along with the Application Form subject to such terms and conditions that our Company and the Lead Manager may deem fit.**

## **6. Applicants' PAN, Depository account and bank account details**

### **i. Permanent Account Number**

The applicant should mention his or her Permanent Account Number (PAN) allotted under the IT Act (Except for 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 will 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 will be rejected on this ground.

### **ii. Applicant's Depository Account Details**

**ALL APPLICANTS WHO HAVE A DEMAT ACCOUNT SHOULD MENTION THEIR DEPOSITORY PARTICIPANT'S NAME, PAN DETAILS, DEPOSITORY PARTICIPANT IDENTIFICATION NUMBER AND BENEFICIARY ACCOUNT NUMBER IN THE APPLICATION FORM.**

Applicant should note that on the basis of name of the Applicant, PAN details, Depository Participant's name, Depository Participant-Identification Number and Beneficiary Account Number provided by them in the Application Form, the Registrar to the Issue will obtain from the Depository, Demographic Details of the investor such as address, PAN, bank account details for printing on refund orders or used for refunding through electronic mode, as applicable and occupation ("**Demographic Details**"). Hence, applicants should carefully fill in their Depository Account details in the Application Form. Applicants are advised to update their Demographic Details as provided to their Depository Participants and ensure that they are true and correct.

These Demographic Details would be used for all correspondence with the applicants including mailing of the refund orders/ Allotment Advice and printing of bank particulars on the refund/interest order and the Demographic Details given by applicant in the Application Form would not be used for these purposes by the Registrar.

Refund orders/Allotment advice would be mailed at the address of the applicant as per the Demographic Details received from the Depositories. Applicant may note that delivery of Refund orders/Allotment advice may get delayed if the same once sent to the address obtained from the Depositories are returned undelivered. In such an event, the address and other details given by the applicant in the Application Form would be used only to ensure dispatch of refund orders. Please note that any such delay shall be at the applicant's sole risk and neither our Company nor the Lead Manager or the Registrar, Syndicate Member, Trading Members or SCSBs shall be liable to compensate the applicant for any losses caused to the applicant due to any such delay or liable to pay any interest for such delay.

However 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 refund order and mailing of refund orders /allotment advice, the demographic details obtained from the Depository of the applicant shall be used.

In case no corresponding record is available with the Depositories that match all three parameters, namely, the Depository Participant's Identity (DP ID), Client ID and PAN, then such applications are liable to be rejected.

### **iii. Applicant's bank account details**

The Registrar to the Issue will obtain the Applicant's bank account details from the Depository. The Applicant should note that on the basis of the name of the Applicant, PAN details, Depository Participant's (DP) name, Depository Participants identification number and beneficiary account number provided by them in the Application Form, the Registrar to the Issue will obtain from the applicant's DP account, the applicant's bank account details. The applicants are advised to ensure that bank account details are updated in their respective DP accounts as these bank account details would be printed on the refund order(s) or used for refunding through electronic mode, as applicable. Please note that failure to do so could result in delays in credit of refunds to Applicants at the Applicant's sole risk and neither the Lead Manager, our Company, the Refund Banker(s) nor the Registrar to the Issue shall have any responsibility and undertake any liability for the same.

## **7. Instructions for completing the Application Form**

### **A. Submission of Application Form (Non-ASBA)**

#### ***General Instructions***

- Applications to be made in prescribed Application Form only;
- The Application Forms to be completed in block letters in English;
- Information provided by the Applicants in the Application Form will be uploaded on to the Stock Exchange Platform system by the Members of the Syndicate, Trading Members of the Stock Exchange as the case may be, and the electronic data will be used to make allocation/ Allotment. The Applicants should ensure that the details are correct and legible;
- Thumb impressions and signatures other than in English/Hindi/Tamil/Gujarati/Marathi or any other languages specified in the 8<sup>th</sup> Schedule of the Constitution needs to be attested by a Magistrate or Notary Public or a Special Executive Magistrate under his/her seal;
- Ensure that the Applications are submitted to the Members of the Syndicate and Trading Members on a timely manner on the Issue Closing Date so that the details can be uploaded before the Closure of the Issue Period;
- Every Applicant should hold valid Permanent Account Number (PAN) and mention the same in the Application Form. In case of Joint Applicants, PAN of all Joint Applicants is compulsory. Applications should be made by Karta in case of HUF. Please ensure a PAN detail of the HUF is mentioned and not of Karta, Any Application Form without the PAN is liable to be rejected. In case of Applications for Allotment in physical form, Applicants should submit a self certified copy of their PAN card as part of the KYC documents. Applicants should not submit the GIR Number instead of the PAN as the Application is liable to be rejected on this ground;
- Applicants (other than those applying for Allotment of NCDs in physical form) should correctly mention their DP ID and Client ID in the Application Form. For the purpose of evaluating the validity of Applications, the Demographic Details of Applicants shall be derived from the DP ID and Client ID mentioned in the Application Form;
- Applicants applying for Allotment of NCDs in physical form should submit the KYC documents as mentioned above. For more details please refer page 171 of this Prospectus. The Registrar shall withhold dispatch of the physical NCD certificates till the proper KYC documents are received;
- Ensure that you request for and receive a TRS for all your Applications and an acknowledgement as a proof of having been accepted;
- All applicants are required to tick the relevant column of “*Category of Investor*” in the Application Form;
- All applicants are required to tick the relevant box of the “*Mode of Application*” in the Application Form choosing either ASBA or Non-ASBA mechanism;
- All Application Forms (except in case of Application Forms through ASBA mechanism) duly completed together with cheque/bank draft for the amount payable on Application must be delivered before the closing of the Issue to any of the Members of the Syndicate and Trading Members of the Stock Exchange, who shall upload the same on the Stock Exchange platform before the Closure of the Issue;
- All Applicants applying through Non-ASBA mechanism shall mention the Application Number, Sole/ first Applicant’s name and the phone number on the reverse side of the cheque and demand draft; and
- No receipt will be issued for the application money. However, Bankers to the Issue and/or their branches receiving the applications will acknowledge the same.

#### **Further Instructions for ASBA Applicants**

- ASBA 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 to the Designated Branch, otherwise the SCSB concerned shall reject the Application;
- If the ASBA Account holder is different from the ASBA 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 ASBA 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 in 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 and/or SCSB. Application Forms which do not bear the stamp is liable to be rejected.

**ALL APPLICATIONS BY CATEGORY I APPLICANTS SHALL BE RECEIVED ONLY BY THE LEAD MANAGER, LEAD BROKERS AND THEIR RESPECTIVE AFFILIATES.**

All Applicants should apply for one or more option of NCDs in a single Application Form only.

To supplement the foregoing, the mode and manner of Application and submission of Application Forms is illustrated in the following chart.

Mode of Application	To whom the Application Form has to be submitted
ASBA Applications	i. to the Members of the Syndicate only at the Syndicate ASBA Application Locations; or ii. to the Designated Branches of the SCSBs where the ASBA Account is maintained; or iii. to Trading Members only at the Syndicate ASBA Application Locations.
Non- ASBA Applications	i. to the Members of the Syndicate; or ii. to Trading Members.

## B. Terms of Payment

The face value for the NCDs is payable on application only. In case of Allotment of lesser number of NCDs than the number applied, our Company shall refund/ unblock the excess amount paid on application to the Applicant.

## 8. Electronic registration of Applications

- (a) The Members of the Syndicate, SCSBs and Trading Members will register the Applications using the on-line facilities of Stock Exchange. The Lead Manager, our Company and the Registrar are not responsible for any acts, mistakes or errors or omission and commissions in relation to (i) the Applications accepted by the SCSBs and Trading Members, (ii) the Applications uploaded by the SCSBs and the Trading Members, (iii) the Applications accepted but not uploaded by the SCSBs or the Trading Members, (iv) with respect to ASBA Applications accepted and uploaded by the SCSBs without blocking funds in the ASBA Accounts or (iv) with respect to ASBA Applications accepted and uploaded by Members of the Syndicate for which the Application Amounts are not blocked by the SCSBs.
- (b) The Stock Exchange will offer an electronic facility for registering Applications for the Issue. This facility will be available on the terminals of Members of the Syndicate, Trading Members and the SCSBs during the Issue Period. On the Issue Closing Date, the Members of the Syndicate, Trading Members 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 Members of the Syndicate, Trading Members 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.
- (c) Based on the aggregate demand for Applications registered on the electronic facilities of the Stock Exchange, a graphical representation of consolidated demand for the NCDs, as available on the websites of the Stock Exchange, would be made available at the Application centres as provided in the Application Form during the Issue Period.
- (d) At the time of registering each Application, SCSBs, the Members of the Syndicate and Trading Members, as the case may be, shall enter the details of the Applicant, such as the Application Form number, PAN, Applicant category, DP ID, Client ID, number and Option(s) of NCDs applied, Application Amounts, details of payment instruments (for non-ASBA Applications) and any other details that may be prescribed by the online uploading platform of the Stock Exchanges.
- (e) On request, a system generated TRS will be given to the Applicant on request as a proof of the registration of his Application. It is the Applicant's responsibility to obtain the TRS from the SCSBs, Members of the Syndicate or the Trading Members, as the case may be. The registration of the Applications by the SCSBs, Members of the Syndicate or Trading Members does not guarantee that the NCDs shall be allocated/ Allotted by our Company. Such TRS will be non-negotiable and by itself will not create any obligation of any kind.
- (f) The permission given by the Stock Exchange to use their 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 and 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.
- (g) In case of apparent data entry error by either the Members of the Syndicate or the Trading Members, 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.
- (h) Only Applications that are uploaded on the online system of the Stock Exchange shall be considered for Allotment. The Members of the Syndicate, Trading Members 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 to ensure that your application is properly uploaded on the Stock Exchange, avoid making the application near the time of the closure.



## 9. General Instructions

### Do's

- Check if eligible to apply;
- Read all the instructions carefully and complete the Application Form;
- Ensure that the details about Depository Participant and Beneficiary Account in the allotment of NCDs in Dematerialised form through the Members of the Syndicate and Trading Members are correct;
- Ensure you have provided all KYC documents (self attested) along with the Application Form and the date of birth is mentioned on the Application Form in case of Applications made for Allotment in physical mode
- 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 'ABC Hindu Undivided Family applying through XYZ', where XYZ 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;
- Ensure that the Applications are submitted to the Members of the Syndicate and Trading Members on a timely manner on the Issue Closing Date so that the details can be uploaded before the closure of the Issue Period;
- Ensure that the Applicant's name(s) given in the Application Form is exactly the same as the name(s) in which the beneficiary account is held with the Depository Participant. In case the Application Form is submitted in joint names, ensure that the beneficiary account is also held in same joint names and such names are in the same sequence in which they appear in the Application Form;
- Ensure that the first named applicant whose name appears in the Application Form has signed the Application Form;
- Ensure that you mention your PAN allotted under the IT Act;
- Ensure that the Demographic Details are updated, true and correct in all respects (except in case where the application is for allotment of NCDs in physical form);
- Ensure the use of an Application Form bearing the stamp of the relevant SCSB, Trading Members of the Stock Exchange or the Members of the Syndicate (except in case of electronic ASBA Applications) to whom the application is submitted;
- Ensure that you have obtained all necessary approvals from the relevant statutory and/or regulatory authorities, as applicable to each category of investor, to apply for, subscribe to and/or seek allotment of NCDs pursuant to the Issue;
- In case you are submitting an Application Form to a Trading Member ensure that he is located in a town / city that has an escrow banking facility. (list of such locations are available on the websites of Stock Exchange, the Company and Lead Manager, a link for the same being available in the Application Form);
- Ensure that you receive an acknowledgement from the Designated Branch, the Trading Member of the Stock Exchange or from the Members of the Syndicate, as the case may be, for the submission and upload of your Application Form; and
- Applicants (other than the ASBA Applicants) are requested to write sole / first Applicant's name, phone number and the Application number on the reverse of the cheque/ demand draft through which the payment is made.

### Do's for ASBA Applicants in addition to the above mentioned general instructions

- Ensure that you specify ASBA as the 'Mode of Application' and use the Application Form bearing the stamp of the relevant SCSB, Trading Members of the Stock Exchange or the Members of the Syndicate (except in case of electronic Application Forms) to whom the application is submitted;
- Ensure that your Application Form is submitted either at a Designated Branch of an SCSB where the ASBA Account is maintained or with a Trading Member of the Stock Exchange at the Syndicate ASBA Application Locations or with the Members of the Syndicate and not to the Escrow Collection Banks (assuming that such bank is not a SCSB), to our Company or the Registrar to the Issue;
- For ASBA Applicants applying through Syndicate ASBA, ensure that your Application Form is submitted to the Members of the Syndicate at the Syndicate ASBA Application Locations and not to the Escrow Collection Banks (assuming that such bank is not a SCSB), to our Company, the Registrar or Trading Members;
- For ASBA Applicants applying through the SCSBs, ensure that your Application Form is submitted at a Designated Branch of the SCSB where the ASBA Account is maintained, and not to the Escrow Collection Banks (assuming that such bank is not a SCSB), to our Company, the Registrar or the Members of the Syndicate or Trading Members;
- ASBA Applicants Applying directly through the SCSBs should ensure that the Application Form is submitted to a designated branch of a SCSB where the ASBA Account is maintained (A list of such branches is available at [www.sebi.gov.in](http://www.sebi.gov.in)).
- Ensure that the Application Form is signed by the ASBA Account holder also in case the ASBA Applicant is not the account holder;

- Ensure that you have mentioned the correct ASBA Account number in the Application Form;
- Ensure that you have funds equal to or more than the Application Amount in the ASBA Account before submitting the Application Form to the respective Designated Branch, with a Trading Member of the Stock Exchange or to the Members of the Syndicate;
- Ensure that the Applications are submitted to the SCSBs, Members of the Syndicate and Trading Members on a timely manner on or before the Issue Closing Date so that the details can be uploaded before the Closure of the Issue Period;
- Ensure that the first named applicant whose name appears in the Application Form has signed the Application form.
- In case you are submitting the Application Form to a Member of the Syndicate, please ensure that the SCSBs with whom the ASBA Account specified in the Application Form is maintained, has a branch specified for collecting such Application Forms in the location where the Application Form is being submitted.
- In terms of the SEBI circular CIR/CFD/DIL/1/2013 dated January 2, 2013, in case of an SCSB making an ASBA Application, such ASBA Application should be made through an ASBA Account utilized solely for the purpose of applying in public issues and maintained in the name of such SCSB Applicant with a different SCSB, wherein clear demarcated funds are available.
- Ensure that your signature in the Application Form matches with your available bank records;
- Ensure that you have correctly ticked, provided or checked the authorisation box in the Application Form, or have otherwise provided an authorisation to the SCSB via the electronic mode, for blocking funds in the ASBA Account equivalent to the Application Amount mentioned in the Application Form;
- Ensure that you receive an acknowledgement from the Designated Branch or the Lead Manager, Lead Broker or Trading Member of the Stock Exchange, as the case may be, for the submission of the Application Form.

#### **Don'ts**

- Do not apply for lower than the minimum application size;
- Do not pay the Application Amount in cash or by money order or by postal order or by stockinvest;
- Do not fill up the Application Form such that the NCDs applied for exceeds the issue size and/or investment limit applicable to such investor under laws or regulations applicable to such investor or maximum number of NCDs that can be held under the applicable laws or regulations or maximum amount permissible under the applicable regulations;
- Do not submit the GIR number instead of the PAN as the Application Form will be rejected on this ground;
- Do not submit the Application Forms without the full Application Amount;
- Do not send Application Forms by post; instead submit the same to the Members of the Syndicate and Trading Members (as the case may be) only;
- Do not submit Application Forms in non-ASBA mode to any of the Collection Centres of the Bankers to the Issue/Registrar/Company;
- 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;
- Do not submit Applications on plain paper or on incomplete or illegible Application Forms;
- Do not submit an Application in case you are not eligible to acquire the NCDs under applicable law or your relevant constitutional documents or otherwise; and
- Do not apply if you are not competent to contract under the Indian Contract Act, 1872.

#### **Don'ts for ASBA Applicants in addition to the above mentioned general instructions**

- Payment of Application Amounts in any mode other than through blocking of the Application Amounts in the ASBA Accounts shall not be accepted under the ASBA;
- Do not send your physical Application Form by post. Instead submit the same to a Trading Member of the Stock Exchange or to a Member of the Syndicate or SCSB, as the case may be;
- Do not submit more than five Application Forms per ASBA Account;
- Do not submit the Application Form with a Member of the Syndicate or Trading Member of the Stock Exchange, at a location other than where the Syndicate ASBA Application Locations; and
- Do not submit ASBA Applications to a Member of the Syndicate or the Trading Members of the Stock Exchange unless the SCSB where the ASBA Account is maintained as specified in the Application Form, has named atleast one Designated Branch, as displayed on the SEBI website ([www.sebi.gov.in](http://www.sebi.gov.in)) in the relevant area for the Members of the Syndicate or the Trading Members of the Stock Exchanges to deposit the Application Forms.



### **Additional instructions specific for Applicants seeking Allotment of the NCDs in physical form**

**Please complete the Application Form in all respects, by providing all the information including PAN and Demographic Details. However, do not provide the Depository Participant details in the Application Form.** The requirement for providing Depository Participant details shall be mandatory only for the Applicants who wish to subscribe to the NCDs in dematerialised form.

## **10. Other Instructions**

### **A. Joint Applications**

Applications may be made in single or joint names (not exceeding three). 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. PAN for all Joint applicants is compulsory.

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.

### **B. 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 of ₹10,000 and in multiples of ₹1,000 thereafter, (for all options of NCDs, namely Option I, Option II, Option III, Option IV, Option V, Option VI, Option VII, and Option VIII, either taken individually or collectively) for each application. Any application for an amount below the aforesaid minimum application size will be deemed as an invalid application and shall be rejected. 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 joint applicant, shall not be deemed to be a multiple application but for the purpose of deciding whether the applicant will be considered under the Individual Portion, two or more applications, as above, will be clubbed together.

For the purposes of allotment of NCDs under the 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.

### **C. Depository Arrangements**

The allotment of NCDs of our Company can be made in both dematerialised form (*i.e.* not in the form of physical certificates but be fungible and be represented by the statement issued through electronic mode) as well as physical form.

We have made depository arrangements with NSDL and CDSL for issue and holding of the NCDs in dematerialised form. 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, 1996, the NCDs issued by us can be held in a dematerialized form. In this context:

- i. Tripartite Agreement dated September 26, 2001 and October 13, 2001 between us, Registrar to the Issue and CDSL and NSDL, respectively for offering depository option to the investors;
- ii. An applicant who wishes to apply for NCDs in the electronic form 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 seeking allotment of NCDs in the electronic form must necessarily fill in the Demographic Details in the Application Form;
- iv. NCDs allotted to an applicant in the electronic account form will be credited directly to the applicant's respective beneficiary account(s);
- v. For subscription in electronic form, names in the Application Form should be identical to those appearing in the account details in the depository;
- vi. Non-transferable Allotment advice/refund orders will be directly sent to the applicant by the Registrars to this Issue;
- vii. If incomplete/incorrect details are given in the Application Form, it will be rejected;
- viii. For allotment of NCDs in electronic form, the address, nomination details and other details of the applicant as registered with his/her DP shall be used for all correspondence with the applicant. The applicant is therefore responsible for the

correctness of his/her Demographic Details given in the Application Form *vis-à-vis* those with his/her DP. In case the information is incorrect or insufficient, our Company would not be liable for losses, if any;

- ix. It may be noted that NCDs in electronic form can be traded only on the Stock Exchanges having electronic connectivity with NSDL or CDSL. BSE has connectivity with NSDL and CDSL;
- x. Interest/ redemption amount 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 ten (10) Working Days; and
- xi. The trading of the NCDs shall be in dematerialized form only.

#### **D. Communications**

- All future communications in connection with Applications made in the Issue should be addressed to the Registrar to the Issue quoting all relevant details as regards the applicant and its application.
- Applicants can contact the Compliance Officer of our Company/Lead Manager or the Registrar to the Issue in case of any Pre-Issue related problems. In case of Post-Issue related problems such as non- receipt of Allotment advice / credit of NCDs in depository's beneficiary account / refund orders, etc., Applicants may contact the Compliance Officer of our Company or Registrar to the Issue.
- Applicants who have submitted Application Forms with the Trading Members may contact the Trading Member/ the Stock Exchange in case of any post-Issue related problems, such as non-receipt of Allotment Advice / credit of NCDs in depository's beneficiary account/ refund orders, etc.

#### **11. Rejection of Application**

The Board of Directors and/or any committee of our Company reserves its 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:***

- Applications not duly signed by the sole/joint applicants (in the same sequence as they appear in the records of the depository), signature of sole and/ or joint applicant(s) missing;
- Applications submitted without payment of the entire Application Amount. However, our Company may allot NCDs up to the value of application monies paid, if such application monies exceed the minimum application size as prescribed hereunder;
- In case of partnership firms (except limited liability partnership firms), NCDs may be registered in the names of the individual partners and any application in the name of the partnership firm shall be rejected;
- Date of birth for first/ sole Applicant for persons applying for allotment of NCDs in physical form not mentioned in the Application Form;
- Application by persons not competent to contract under the Indian Contract Act, 1872 including minors (without the name of guardian) and insane persons;
- PAN of the Applicant 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;
- GIR number furnished instead of PAN;
- Applications for amounts greater than the maximum permissible amounts prescribed by applicable regulations;
- Applications by persons/entities who have been debarred from accessing the capital markets by SEBI;
- Applications by any persons outside India including Applications by OCBs;
- Non-resident investors including NRIs, FIIs and QFIs;
- Any application for an amount below the minimum application size;
- Application for number of NCDs, which are not in multiples of ten;
- Application under power of attorney or by limited companies, corporate, trust etc., where relevant documents are not submitted;
- Application Form does not have applicant's depository account details (*i.e.* DP ID and Client ID) and has not opted for Allotment of NCDs in physical form;
- Applications accompanied by Stockinvest/money order/postal order;

- Application Forms not delivered by the applicant within the time prescribed as per the Application Form and this Prospectus and as per the instructions in this Prospectus and the Application Form;
- In case the subscription amount is paid in cash;
- In case no corresponding record is available with the Depositories that matches three parameters namely, client ID, PAN and the DP ID in case of Application for Allotment in dematerialised form;
- Applications submitted directly to the Escrow Collection Banks, if such bank is not the SCSB;
- Application Form accompanied with more than one payment instrument;
- For applications in demat mode, DP ID/Client ID/PAN as per electronic file does not match with depository records
- Application not uploaded into the electronic files of Stock Exchange
- Applications directly uploaded to the electronic files of Stock Exchange and not through the Members of the Syndicate or Trading Members of the Exchange.
- Applications by persons who are not eligible to acquire NCDs of our Company in terms of applicable laws, rules, regulations, guidelines and approvals;
- ASBA Application Forms not being signed by the ASBA Account holder;
- ASBA Applications not having details of the ASBA Account to be blocked;
- With respect to ASBA Applications, inadequate funds in the ASBA Account to enable the SCSB to block the Application Amount specified in the ASBA 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;
- Applications where clear funds are not available in the Applicant's bank account as per final certificates from Escrow Collection Banks;
- Authorization to the SCSB for blocking funds in the ASBA Account not provided;
- Applications uploaded after the expiry of the allocated time on the Issue Closing Date, unless extended by the Stock Exchange as applicable;
- Applications by Applicants whose demat accounts are in-operative or have been 'suspended for credit' pursuant to the circular bearing number CIR/MRD/DP/22/2010 dated July 29, 2010 issued by SEBI;
- ASBA Applications submitted to the Members of Syndicate or Trading Members of the Stock Exchange or at a Designated Branch of a SCSB where the ASBA Account is not maintained; and
- ASBA Applications submitted directly to an Escrow Collecting Bank (assuming that such bank is not a SCSB), to our Company or the Registrar to the Issue.

**Kindly note that the ASBA Applications being submitted with the Member of the Syndicate or with the Trading Members of the Stock Exchange should be submitted at the Syndicate ASBA Application Locations. Further, ASBA Applications submitted to the Members of the Syndicate or Trading Members of the Stock Exchange 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 Designated Branch for the Members of the Syndicate or Trading Members of the Stock Exchange, as the case may be, to deposit ASBA Applications (A list of such branches is available at [www.sebi.gov.in](http://www.sebi.gov.in)).**

For further instructions regarding application for the NCDs, investors are requested to read the Application Form.

## **12. Allotment Advice / Refund Orders**

In case of Applications other than those made through the ASBA process, the unutilised portion of the application money will be refunded to the Applicant on the Designated Date and not later than twelve (12) working days from the Issue Closing Date in the manner as provided below:

- Direct Credit** - Investors having bank accounts with the Bankers to the Issue shall be eligible to receive refunds through direct credit. Charges, if any, levied by the relevant bank(s) for the same would be borne by us.
- NECS** - Payment of refund would be done through NECS for Investors having an account at any of the centres where such facility has been made available. This mode of payment of refunds would be subject to availability of complete bank account details including the MICR code as available from the Depositories. The payment of refunds through this mode will be done for Applicants having a bank account at any centre where NECS facility has been made available (subject to availability of all information for crediting the refund through NECS).
- NEFT** - Payment of refund shall be undertaken through NEFT wherever the Investors' bank has been assigned the Indian Financial System Code (IFSC), which can be linked to a MICR, allotted to that particular bank branch. IFSC Code will be obtained from the website of RBI as on a date immediately prior to the date of payment of refund, duly mapped with MICR numbers. In case of online payment or wherever the Investors have registered their nine digit MICR number and their bank account number with the Depository Participant while opening and operating the demat

account, the MICR number and their bank account number will be duly mapped with the IFSC Code of that particular bank branch and the payment of refund will be made to the Investors through this method.

- iv. **RTGS**-If the refund amount exceeds ₹ 2,00,000 the Investors have the option to receive refund through RTGS. Charges, if any, levied by the Applicant's bank receiving the credit would be borne by the Applicant.
- v. For all other Investors (non-ASBA) the refund orders will be dispatched through speed post/ registered post. Such refunds will be made by cheques, pay orders or demand drafts drawn in favour of the sole/ first Investor and payable at par.
- vi. Credit of refunds to Investors in any other electronic manner permissible under the banking laws, which are in force and are permitted by the SEBI from time to time.

In the case of Applicants other than ASBA Applicants, applying for the NCDs in dematerialised form, the Registrar will obtain from the Depositories the Applicant's bank account details, including the MICR code, on the basis of the DP ID, Client ID and PAN provided by the Applicants in their Application Forms. Accordingly, Applicants are advised to immediately update their details as appearing on the records of their Depository Participants. Failure to do so may result in delays in dispatch of refund orders or refunds through electronic transfer of funds, as applicable, and any such delay will be at the Applicant's sole risk and neither our Company, the Registrar, the Escrow Collection Banks, or the Members of the Syndicate, will be liable to compensate the Applicants for any losses caused to them due to any such delay, or liable to pay any interest for such delay.

In case of ASBA Applicants, the Registrar shall instruct the relevant SCSB to unblock the funds in the relevant ASBA Account to the extent of the Application Amount specified in the Application Forms for withdrawn, rejected or unsuccessful or partially successful ASBA Applications within 12 (twelve) Working Days of the Issue Closing Date.

Our Company and the Registrar shall credit the allotted NCDs to the respective beneficiary accounts/ dispatch the Letters of Allotment or letters of regret/ Refund Orders by registered post/speed post at the Applicant's sole risk, within 12 Working Days from the Issue Closing Date. We may enter into an arrangement with one or more banks in one or more cities for refund to the account of the applicants through Direct Credit/RTGS/NEFT.

Further,

- Allotment of NCDs shall be made within a time period of twelve (12) Working Days from the date of Closure of the Issue;
- Credit to demat account will be given no later than twelve (12) Working Days from the date of the Closure of the Issue;
- Our Company shall pay interest at 15.00% (fifteen) per annum if Allotment is not made and refund orders are not dispatched and/or demat credits are not made to investors within twelve (12) Working Days of the Issue Closing Date, for the delay beyond 12 Working Days;
- Our Company will provide adequate funds to the Registrars to the Issue, for this purpose.

### 13. Basis of Allotment

**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 Applications received will be then done in the following manner:**

Grouping of Applications and allocation ratio: Applications received from various applicants shall be grouped together on the following basis:

- a) *Applications received from Category I applicants: Applications received from Category I, shall be grouped together, ("Institutional Portion");*
- b) *Applications received from Category II applicants: Applications received from Category II, shall be grouped together, ("Non-Institutional Portion");and*
- c) *Applications received from Category III applicants: Applications received from Category III, shall be grouped together, ("Individual Category Portion").*

For removal of doubt, "**Institutional Portion**", "**Non-Institutional Portion**" and "**Individual Category Portion**" individually referred to as "**Portion**" and collectively referred to as "**Portions**".

## **Basis of Allotment for NCDs**

### *a. Allotments in the first instance*

- (i) Applicants belonging to the Category I, in the first instance, will be allocated NCDs upto 5% of Issue Size on first come first serve basis (determined on the basis of date of upload of Application on the Stock Exchange platform);
- (ii) Applicants belonging to the Category II, in the first instance, will be allocated NCDs upto 5% of Issue Size on first come first serve basis (determined on the basis of date of upload of Application on the Stock Exchange platform);
- (iii) Applicants belonging to the Category III, in the first instance, will be allocated NCDs upto 90% of Issue Size on first come first serve basis (determined on the basis of date of upload of Application on the Stock Exchange platform);

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.

- b. Under Subscription:* If there is any under subscription in any Category, priority in Allotments will be given to the Individual Category 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.
- c.* 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.
- d.* Minimum allotments of 100 NCDs and in multiples of 10 NCDs thereafter would be made in case of each valid application.
- e. 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 upto 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).
- f. Proportionate Allotments:* For each Portion, on the date of oversubscription:
  - (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,
  - (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 Prospectus.

### *g. 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, 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 case of odd proportion for allotment made for applications received on the date of over subscription and proportion is equal among various options selected by the applicant, our Company in consultation with the Lead Manager will allot the differential one NCD in the order:



- (i) first with monthly interest payment in decreasing order of tenor *i.e.* Options III, VI and I;
  - (ii) followed by annual interest payment maturity options in decreasing order of tenor *i.e.* Options VII and IV ; and
  - (iii) followed by payment on maturity options in decreasing order of tenor *i.e.* Options V, VIII and II;
- Hence using the above procedure the order of allotment for the residual NCD (s) will be Options III, VI, I, VII, IV, V, VIII and II.

Our Company would allot Option I NCDs to all valid applications, wherein the applicants have not indicated their choice of the relevant options of the NCDs.

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 this Prospectus.

### **Investor withdrawals and Pre-closure**

Investor withdrawal: Applicants are allowed to withdraw their Applications at any time prior to the Closure of the Issue.

Pre-closure: Our Company, in consultation with the Lead Manager reserves the right to close the Issue at any time prior to the Issue Closing Date, subject to receipt of minimum subscription for NCDs aggregating to 75% of the Issue Size. Our Company shall allot NCDs with respect to the applications received at 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.

Further, the Issue will also be withdrawn by our Company in the event that the aggregate Applications received for the NCDs are lesser than 75% of the Issue Size.

### **14. Utilisation of Application Money**

The sum received in respect of the Issue will be kept in separate bank accounts and we will have access to such funds as per applicable provisions of law(s), regulations and approvals.

### **15. Utilisation of Issue Proceeds**

- (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 Issue Size;
- (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.

### **16. Impersonation**

Attention of the Applicants 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
- (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”.

## **17. Listing**

The NCDs proposed to be offered in pursuance of this Prospectus will be listed on the BSE. BSE has been appointed as the Designated Stock Exchange. We have received the in-principle approval dated February 03, 2015 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 in pursuance of this 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 twelve (12) 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.

## **18. Undertaking by the Issuer**

We undertake that:

- a. the complaints received in respect of the Issue (except for complaints in relation to Applications submitted to Trading Members) shall be attended to by us expeditiously and satisfactorily;
- b. we shall take necessary steps for the purpose of getting the NCDs listed within the specified time;
- c. the funds required for dispatch of refund orders/ allotment advice/ certificates by registered post/speed post shall be made available to the Registrar by our Company;
- d. necessary cooperation to the credit rating agency shall be extended in providing true and adequate information until the debt obligations in respect of the NCDs are outstanding;
- e. we shall forward the details of utilisation of the funds raised through the NCDs duly certified by our statutory auditor, to the Debenture Trustee at the end of each half year;
- f. we shall disclose the complete name and address of the Debenture Trustee in our annual report;
- g. we shall provide a compliance certificate to the Trustee (on an annual basis) in respect of compliance with the terms and conditions of issue of NCDs as contained in the Prospectus; and
- h. we shall make necessary disclosures/ reporting under any other legal or regulatory requirement as may be required by our Company from time to time.



## 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 this 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:*

#### A. Sakthi Sugars Limited (Listed with BSE and NSE)

<b>1. Statutory Defaults as on December 31, 2014</b>	<b>(₹ lakh)</b>
Excise Duty	39.44
Service tax	6.98
Income Tax Deducted at Source	39.33
Provident Fund	90.18
<b>Total</b>	<b>175.93</b>
<b>2. Dues To Banks/Institutions as on December 31, 2014</b>	
Banks/Asset Reconstruction Companies	5,698.47
Sugar Development Fund	3,000.65
<b>Total</b>	<b>8,699.12</b>

#### B. Sri Chamundeswari Sugars Limited (Listed with MSE)

<b>1. Statutory Defaults - Purchase Tax as on December 31, 2014</b>	<b>100.39</b>
<b>2. Dues To Institutions as on December 31, 2014</b>	
Financial Institution	1,225.00
Sugar Development Fund	2,604.17
<b>Total</b>	<b>3,829.17</b>

*Save as disclosed herein below, there are no:*

- 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;*
- 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;*
- litigation involving the Company, the Promoter, Director, our Subsidiaries and our group companies or any other person, whose outcome could have material adverse effect on the position of our Company;*
- proceedings initiated against the Company for economic offences;*
- matters pertaining to default and non-payment of statutory dues;*
- inquiries, inspections or investigations initiated or conducted under the Companies Act 1956/ Companies Act 2013 in the last five years;*
- instances of fines imposed or compounding of offences done in the last five years; and*
- matters pertaining to any material frauds committed against the Company in the last five financial years.*

## I. CASES FILED AGAINST THE COMPANY

### *Civil cases*

1. Mr. K. Moorthy (**Hirer**), filed an Injunction Suit (O.S.240 of 2013) on August 27, 2013 against the Company, before the Court of District Munsiff of Sankari alleging that the Company is attempting to take illegal custody of the vehicle financed under hire purchase transaction and, prayed the Court to pass decree and judgment granting permanent injunction restraining the Company and their agents, followers, subordinate and servants in repossessing the suit vehicle in any manner by seizing except under due process of law. In response to the aforesaid suit, the Company has filed, on October 24, 2013, an application to the Court to reject the plaint and direct the Hirer to work out remedies before the Arbitration Tribunal. The matter is pending before the Court.

The Company has initiated an arbitration proceeding (A.C No.88 of 2013) against Hirer and a guarantor (collectively referred to as **Parties**) by referring the matter to Arbitral Tribunal, Coimbatore on October 22, 2013 in terms of hire purchase agreement. The matter is being settled between the parties and Hirer has agreed to pay ₹ 4.00 lakh against full claim of ₹ 5.76 lakh.

2. Mr. N. Senthil (**Hirer**) filed an Injunction Suit (O.S.182 of 2013) on August 30, 2013 against our Company before the Court of District Munsiff of Madurai 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 pass judgment and decree for granting permanent injunction restraining the Company and their agents, or person claim through them in any way interfering with the Hirer in the peaceful possession and enjoyment of the vehicle except under due process of law. In response to the aforesaid Suit, on September 18, 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 matter is pending before the Court.

The Company has also initiated an arbitration proceeding (A.C No.81 of 2013) against Hirer and a guarantor (collectively referred to as **Parties**) by referring the matter to Arbitral Tribunal, Coimbatore on September 14, 2013 in terms of hire purchase agreement. The Arbitral Tribunal passed an award on June 14, 2014 (**Award**) directing the Hirer and guarantor to pay ₹ 7.08 lakh with additional hire charge at 18% p.a from the date of claim settlement till the date 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 has filed an execution petition (**EP**) on October 10, 2014 before Principal District Court, Madurai under order 21 of Rule 22, 54, 66 & 82 of Civil Procedure Code. The EP is yet to be taken on record by the Court.

3. 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 pending before the Court.

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.

4. 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 the 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 before the Court to reject the plaint and direct the plaintiff to work out remedies before the Arbitration Tribunal. The matter is pending before the Court.

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 matter is pending before the Arbitral Tribunal.

5. Mr. Kuruvilla Abraham (**Hirer**) filed an Injunction Suit (O.S. No. 27 of 2014) on February 06, 2014 against our Company before the Court of District Munsiff, Ranny (**Court**) alleging that the Company made an illegal attempt to reposses the hydraulic backhoe by using force in spite of the Hirer correctly paying the Equated Monthly Installment (EMI) under hire purchase transaction. The Hirer prayed the Court to pass an *ex parte* order of interim injunction restraining the Company and anybody under them from forcefully and illegally taking custody of the hydraulic backhoe. In response to the aforesaid Suit, the Company has filed, on February 20, 2014, an application before the Court to reject the plaint and direct the plaintiff to work out remedies before the Arbitral Tribunal. The matter is pending before the Court.

The Company has initiated an arbitration proceeding (A.C No.18 of 2014) against Hirer and guarantor (collectively referred to as **Parties**) by referring the matter to Arbitral Tribunal, Coimbatore on March 21, 2014 in terms of the hire purchase agreement. The matter is pending before the Arbitral Tribunal. The amount involved in the matter is ₹ 16.52 lakh.

6. Mrs. Leela Joseph (**Hirer**) filed an Injunction Suit (O.S. No. 250 of 2014) on February 26, 2014 against the Company before the Court of District Munsiff of Muvattupuzha alleging that the Company made an illegal attempt to repossess the vehicle by using force. Further, the Hirer also submitted that there were no loan arrears on the date of filing the suit and the Company has no right to repossess the vehicle. The Hirer prayed the Court to seek an order of temporary injunction restraining the Company and their men, agents, or anybody claiming under them from repossessing the vehicle by using in any manner by force or another means or from causing any obstruction to the Hirer. In response to aforesaid Suit, the Company has filed, on March 10, 2014, an application to reject the plaint and direct the Hirer to work out remedies before the Arbitral Tribunal. The matter is pending before the Court.

The Company has initiated an arbitration proceeding (A.C No.15 of 2014) against Hirer and guarantor (collectively referred to as **Parties**) by referring the matter to Arbitral Tribunal, Coimbatore on March 28, 2014 in terms of the hire purchase agreement. The disputed amount involved is ₹ 5.17 lakh. The matter is pending before the Arbitral Tribunal.

### **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.

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 413 of 2013. The matter is pending.

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 installment 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 matter is pending before the Forum.

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. The 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 (**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 matter is pending for argument before the Commission.
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 (ii) 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.

## II. CASES FILED BY THE COMPANY

### *Criminal case*

The Company filed a criminal complaint on November 29, 2013 against Mr. Suresh Ram (**Hirer**), Mrs. Vasnati and Mr. Arul 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 matter is under investigation for filing charge sheet.

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 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 matter is pending.

### *Civil cases*

The Company initiated arbitration proceedings against the 129 hirers for recovery of outstanding dues in respect of hire purchase transactions. The aggregate amount to be recovered is ₹593.95 lakh. These cases are at different stages of arbitration proceeding, the details of which are as under:

Stages/present status	Number of cases	Amount (₹ lakh)
Arbitration proceedings under way	55	221.88
Arbitration awards passed	56	251.79
The Company filed execution petition on account of non- payment of dues by the hirer as per the arbitration award	18	120.28
<b>Total</b>	<b>129</b>	<b>593.95</b>

### III. LITIGATIONS INVOLVING STATUTORY DISPUTES

#### *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 towards Section 234B and 234C for AY 2011-10.  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 aforesaid 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 aforesaid 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 High Court, Madras. The appeals are currently pending before the High Court.
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 1999-2000, 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 aforesaid 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, matter was restored to assessing officer with direction to decide the matter <i>de novo</i> . The matter is pending with the assessing officer.

#### *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	Central Board of Direct Tax (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.  The Company paid the tax portion of interest tax demanded and interest



		<p>payable under Sections 12, 12A, 12 C 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 aforesaid interest levied.</p> <p>Against the order of CCIT, the Company has filed separate Writ Petitions for each of the assessment years before 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	<p>High Court Madras</p> <p>Review Petition No. 56 of 2013 and 57 of 2013</p>	<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), which 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 aforesaid 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 appeal 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 High Court, Madras u/s 260A of the IT, Act. The 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.</p> <p>With respect to aforesaid judgment of the High Court, the Company has preferred review petition under section 260(A) of the IT Act and prayed to the High Court to recall its judgment remanding the matter to the assessing officer afresh for consideration. The matters are pending with the High Court.</p>

#### IV. SHOW CAUSE NOTICES, IF ANY, ISSUED AGAINST THE COMPANY OR DIRECTORS OR PROMOTERS

The Adjudicating officer, Securities and Exchange Board of India, *vide* Letter No. EAD-6 /AK/VRP/29297/2014/2 dated October 8, 2014 has 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. Srinivaasan, Mr. A. Shanmugasundaram, Mr. N. Mahalingam, Mr. M. Mariammal, Karunambal Vanavarayar, ABT Limited, ABT Industries Limited, Sakthi Financial Services Cochin Private Limited, Mr. N. 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 due to acquisition of 85,000 and 1,750 Equity Shares representing 0.282% and 0.006% of paid up capital of our Company, respectively. ABT Finance Limited and Sakthi Financial Services Limited have submitted their reply *vide* letters dated October 27, 2014 requested to SEBI for a personal hearing. The SEBI *vide* its letter bearing reference EA-6/AK/VRP/31053/2014 dated October 31, 2014 granted promoters an opportunity of personal hearing on November 25, 2014. In the personal hearing, the authorized representative of the Acquirers submitted their desire to avail the settlement order and agreed to submit the application for the same. Subsequently, the Company has submitted the settlement application to SEBI on December 27, 2014.

#### 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:

Bondholders of Sakthi Sugars Limited (**“Petitioners”**), holding USD 1 Million foreign currency convertible bonds (**“FCCBs”**) have filed Company Petitions (**“CP”**) in C.P.No.19 of 2012 & C.P.No.212 of 2012 before the High Court of Madras for winding up of the company on the ground that the company is unable to pay the bondholders, which Petition

is yet to be admitted by the High Court. There was a compromise reached with the Petitioners for payment of the principal sum due together with future interest thereon, but that such payment could not be made on account of delayed grant of permission by RBI and difficulties expressed by the authorized dealers in effecting the payment, owing to the Company being under the Corporate Debt Restructuring mechanism. The said Petitioners have filed applications for restoration of the CP and the said restoration Applications are pending. Further, the trustee to the Bondholders has filed a Company Petition in C.P.No.102 of 2014 purportedly on the mandate of requisite majority of the Bondholders to wind up the Company, on the ground that the Company is unable to redeem the FCCB. This Petition is also still to be admitted by the High Court. In the meantime and in the circumstances, the board of directors of the company at its meeting held on July 15, 2014 approved a scheme for discharge of outstanding FCCB's through partial conversion and partial deferred payment. The Company has filed the proposed Scheme with Stock Exchanges and SEBI. SEBI has issued letter of observation dated January 15, 2015. The Scheme is in the process of being filed with Madras High Court for further process and approval.



## **OTHER REGULATORY AND STATUTORY DISCLOSURES**

### **Authority for the Issue**

At the meeting of the Board of Directors of our Company held on February 8, 2014, the Directors approved the issue of NCDs to the public upto an amount not exceeding ₹ 20,000 lakh in one or more tranches. This Issue is being made pursuant to the above mentioned resolution passed by the Board of our Company.

Pursuant to resolution passed by the shareholders of our Company through the postal ballot process, the result of which were declared on April 5, 2014, 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 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 our Company and/or Directors of our Company and/or our Promoters 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 restrained, prohibited or debarred by SEBI from accessing the securities market or dealing in securities due to fraud.

### **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 FEBRUARY 13, 2015 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 SHARES 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 THE COMPANIES ACT, 1956, 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 HAVE BEEN SUITABLY ADDRESSED”**

**Disclaimer clause of the BSE**

**“BSE LIMITED (“THE EXCHANGE”) HAS GIVEN VIDE ITS LETTER DATED FEBRUARY 3, 2015, PERMISSION TO THIS COMPANY TO USE THE EXCHANGE’S NAME IN THIS OFFER DOCUMENT AS ONE OF THE STOCK EXCHANGES ON WHICH THIS COMPANY’S SECURITIES ARE PROPOSED TO BE LISTED. THE EXCHANGE HAS SCRUTINIZED THIS OFFER DOCUMENT FOR ITS LIMITED INTERNAL PURPOSE OF DECIDING ON THE MATTER OF GRANTING THE AFORESAID PERMISSION TO THIS COMPANY. THE EXCHANGE DOES NOT IN ANY MANNER: -**

- A. WARRANT, CERTIFY OR ENDORSE THE CORRECTNESS OR COMPLETENESS OF ANY OF THE CONTENTS OF THIS OFFER DOCUMENT; OR**
- B. WARRANT THAT THIS COMPANY’S SECURITIES WILL BE LISTED OR WILL CONTINUE TO BE LISTED ON THE EXCHANGE; OR**
- C. TAKE ANY RESPONSIBILITY FOR THE FINANCIAL OR OTHER SOUNDNESS OF THIS COMPANY, ITS PROMOTERS, ITS MANAGEMENT OR ANY SCHEME OR PROJECT OF THIS COMPANY;**

**AND IT SHOULD NOT FOR ANY REASON BE DEEMED OR CONSTRUED THAT THIS OFFER DOCUMENT HAS BEEN CLEARED OR APPROVED BY THE EXCHANGE. EVERY PERSON WHO DESIRES TO APPLY FOR OR OTHERWISE ACQUIRES ANY SECURITIES OF THIS COMPANY MAY DO SO PURSUANT TO INDEPENDENT INQUIRY, INVESTIGATION AND ANALYSIS AND SHALL NOT HAVE ANY CLAIM AGAINST THE EXCHANGE WHATSOEVER BY REASON OF ANY LOSS WHICH MAY BE SUFFERED BY SUCH PERSON CONSEQUENT TO OR IN CONNECTION WITH SUCH SUBSCRIPTION/ ACQUISITION WHETHER BY REASON OF ANYTHING STATED OR OMITTED TO BE STATED HEREIN OR FOR ANY OTHER REASON WHATSOEVER.”**

**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 in pursuance of this Prospectus will be listed on the BSE. BSE has been appointed as the Designated Stock Exchange. We have received the in-principle approval dated February 03, 2015 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 in pursuance of the 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 twelve (12) 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 Series(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) Bankers to the Issue and Refund Banker; (f) Lead Manager (g) Lead Broker(s) to the Issue; (h) Registrar to the Issue, (i) Legal Advisor 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.N. Raghavendra Rao & Co, for inclusion of (a) their name as the Statutory Auditor, (b) examination report on Reformatted Financial Statements in the form and context in which they appear in this Prospectus and the same will be filed along with a copy of the Prospectus with the RoC.

### **Expert opinion**

Except the following, our Company has not obtained any expert opinions in connection with this Prospectus:

- (i) The letters dated November 5, 2014 issued by ICRA, in respect of the credit rating for the NCDs which furnishes the rationale for its rating;
- (ii) The Statutory Auditor's examination report on Reformatted Financial Statements dated January 17, 2015; and
- (iii) Statement of Tax Benefits dated January 17, 2015 issued by M/s P.N. Raghavendra Rao & 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 as per relevant provisions of the Companies Act, 2013, to the extent applicable and all other applicable laws shall be duly complied with in respect of all transfer of the NCDs and registration thereof.

### **Minimum subscription**

If our Company does not receive the minimum subscription of 75% of the Issue Size, *i.e.* ₹ 7,500 lakh on the date of Closure of the Issue, the entire subscription shall be refunded to the Applicants within 12 days from the date of closure of the Issue. The refunded subscription amount shall be credited only to the account from which the relevant subscription amount was remitted. In the event, there is a delay by the Issuer in making the aforesaid refund, the Company will pay 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 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 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 of 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 of 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 30<sup>th</sup> 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 31<sup>st</sup> 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 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 during the 31<sup>st</sup> 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 upto ₹ 10,000 lakh (assuming the full subscription) are as follows:

		(₹ lakh)
Activity		Amount
Fees of LM/ Auditors/ Debenture Trustee/ Registrar to the Issue/ Legal Advisor to the Issue and Depositories		101.60
Printing and dispatch of stationery and marketing expenses, brokerage and selling commission		213.26
Other Miscellaneous Expenses including Stock Exchange fees, Stamp Duty and Registration Charges		17.67
<b>Total</b>		<b>332.52</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

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. Further, 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 within the meaning of section 370(1B), which made any capital issue during the last three years:

#### Our Company

#### Equity Shares

During the year FY 2011-12, the Company made a preferential issue of 1,98,93,019 equity shares of ₹ 10 each at ₹ 11.10 per share aggregating to ₹ 2208.13 lakh to promoter group companies and a non-promoter company in terms of the approval of members obtained at their meeting held on March 19, 2012 and in-principle approval of Stock Exchanges. The Allotment Committee of Directors at their meeting held on March 31, 2012 has allotted the shares to the respective allottees. The preferential issue was made pursuant to Chapter VII of SEBI (ICDR) Regulations.

#### 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
March 31, 2012	6,90,300	100	100	Cash
April 25, 2012	1,71,250	100	100	Cash
July 06, 2012	1,20,700	100	100	Cash
September 07, 2012	17,750	100	100	Cash

#### Other listed companies 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.

### Public issue/rights issue

### Our Company

Except as disclosed below, our Company has not undertaken any public or rights issue of securities:

Date of allotment	Nature of securities	Nature of Allotment	Number of securities allotted	Price per instrument (in ₹)	Aggregate amount raised (₹ lakh)	Utilisation Details
02.11.1984	Equity Shares	Public issue	7,50,000	10	75.00	Hire purchase finance
14.07.1986	Equity Shares	Right issue	5,25,000	10	52.50	Hire purchase finance
24.02.1988	Equity Shares	Right issue	10,38,320	10	103.83	Hire purchase finance
15.07.1989	Equity Shares	Right issue	5,25,000	10	52.50	Hire purchase finance
04.06.1993	Equity Shares	Right issue	30,88,320	30	926.50	Hire purchase finance
09.12.1995	Equity Shares	Right issue	37,44,681	30	1,123.40	Hire purchase finance
31.01.2008	Equity Shares	Right issue	100,35,660	10	1,003.57	Hire purchase finance

### Group Companies

#### Sakthi Sugars Limited

Date of allotment	Nature of securities	Nature of Allotment	Number of securities allotted	Price per instrument (in ₹)	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
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 Rs.100 each were split into 7,50,000 equity shares of Rs.10 each.

#### Sri Chamundeswari Sugars Limited

Date of allotment	Nature of securities	Nature of Allotment	Number of securities allotted	Price per instrument (in ₹)	Aggregate amount raised (₹ lakh)	Utilisation Details
10-10-73	Equity shares	Public Issue	6,80,000	10	68,00,000	Project Finance
10-10-73	Preference shares	Public Issue	22,000	100	22,00,000	Project Finance

#### Details of the use of proceeds for on-lending from previous public issues of debt securities

Our Company has not made any public issue of the debt securities in the past.

#### 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 dividend payables in connection with the preference shares issued by our Company are subject to the terms of the issue and the agreements in connection with such preference 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 following table details the dividend declared/recommended by our Company on the Equity Shares and preference shares for the Financial Years ended 2014, 2013, 2012, 2011 and 2010.



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, 2014	1	5,00,00,000	500.00	84.98
March 31, 2013	1	5,00,00,000	500.00	84.98
March 31, 2012	1	5,00,00,000	500.00	81.11
March 31, 2011	1	3,01,06,981	301.07	48.84
March 31, 2010	Nil	-	-	-
<b>10% Redeemable Cumulative Preference Shares of face value of ₹ 100 each</b>				
March 31, 2014	10	10,00,000	100.00	17.00
March 31, 2013	10 (on <i>pro rata</i> basis)	10,00,000	94.93	15.40
March 31, 2012	0.027 (on <i>pro rata</i> basis)	6,90,300	0.19	0.03
March 31, 2011		Not Applicable		
March 31, 2010		Not Applicable		

#### Auditor's remarks

The statutory auditor of the Company, P.N. Raghavendra Rao & Co, confirm that there have been no reservations or qualifications or adverse remarks in the financial statements of our Company in the last five financial years immediately preceding this Prospectus.

#### Revaluation of assets

Our Company had revalued its assets *i.e.* land, buildings and plant-windmills, by an amount of ₹ 2,660.10 lakh during the FY 2011 on the basis of valuation report dated May 09, 2011.

#### Change in auditors of our Company during the last three years

M/s. P.N. Raghavendra Rao & Co, Chartered Accountants, has been the statutory auditor of the Company since September 8, 2001 and there has been no change in the Statutory Auditor of the Company during three years preceding the date of this Prospectus.

#### 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

As at September 30 2014, our Company had outstanding unlisted, unrated, secured redeemable non-convertible debentures, unlisted subordinated debt and Preference Shares aggregating to ₹ 37,881.67 lakh. Apart from the above, there are no outstanding debentures, subordinated debt, redeemable preference shares or other instruments issued by our Company that are outstanding.

#### 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, demat 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 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 concerned Member of the Syndicate 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 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 - 641 006

**Tel No:** + 91 422 6549995, 2539835-36;

**Fax No:** + 91 422 2539837

**Email:** info@skdc-consultants.com

**Website:** www.skdc-consultants.com

**Investor Grievance Email:** sflncd@skdc-consultants.com

**Contact person:** Mr. K. Jayakumar

**Compliance Officer:** Mrs. Vijayalakshmi Narendra

**SEBI Registration No:** INR 000000775

Mr. S. Venkatesh 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

**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, Debenture Certificates (for Applicants who have applied for Allotment in physical form), refund orders and interest on the Application Amounts.

**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 169 of this Prospectus. The 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 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 this 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 following description is a summary of certain sector specific laws and regulations in India, which are applicable to the 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 substitute for professional legal advice.*

The major regulations governing our Company are detailed below:

Our Company has been registered as an NBFC, which is an asset finance company which accepts public deposits. In terms of our total assets and total income pattern on a stand-alone basis and as on June 30 2014, our Company continues to be classified as an “Asset Financing Company” under the provisions of Section 45IA of the RBI Act and applicable notifications on classification of NBFCs issued by the RBI.

### I. REGULATIONS GOVERNING NBFCs

As per the RBI Act 1934, a financial institution has been defined as a company which includes a non-banking institution carrying on as its business or part of its business the financing activities, whether by way of making loans or advances or otherwise, of any activity, other than its own and it is engaged in the activities of loans and advances, acquisition of shares /stock /bonds /debentures /securities issued by the Government of India or other local authorities or other marketable securities of like nature, leasing, hire-purchase, insurance business, chit business but does not include any institution whose principal business is that of carrying out any agricultural or industrial activities or the sale/purchase/construction of immovable property.

Any company which carries on the business of a non-banking financial institution as its principal business is to be treated as an NBFC. Since the term 'principal business' has not been defined in law, the RBI has clarified through a press release (Ref. No. 1998-99/ 1269) in 1999, that in order to identify a particular company as an NBFC, it will consider both the assets and the income pattern as evidenced from the last audited balance sheet of the company to decide its principal business. The company will 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 should be more than 50% of the gross income. Both these tests are required to be satisfied as the determinant factor for principal business of a company.

With effect from 1997, NBFCs were not permitted to commence or carry on the business of a non banking financial institution without obtaining a Certificate of Registration (CoR). Further, with a view to imparting greater financial soundness and achieving the economies of scale in terms of efficiency of operations and higher managerial skills, the RBI has raised the requirement of minimum net owned funds from Rs.25 lakhs to Rs. 200 lakhs for the NBFC which commences business on or after April 21, 1999. Further, pursuant to RBI Circular No DNBR (PD) CC.No.002/03.10.001/2014-15 dated November 10, 2014 (“*RBI Circular 2014*”) it shall be mandatory for all the existing NBFCs to attain a minimum net owned funds of Rs. 200 lakh by the end of March 2017.

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 the balance sheet and in any case not later than December 30th of that year, stating that it is engaged in the business of non-banking financial institution requiring it to hold a CoR.

#### a. Regulation of NBFCs registered with the RBI

NBFCs are primarily governed by the RBI Act, 1934 (“**RBI Act**”), the Non-Banking Financial (Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007, (“**Prudential Norms**”), the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 1998, (“**Public Deposit Directions**”), the Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (“**Non-Deposit Accepting NBFC Directions**”), and the provisions of the Non-Banking Financial Companies Auditor’s Report (Reserve Bank) Directions, 2008. In addition to these regulations, NBFCs are also governed by various circulars, notifications, guidelines and directions issued by the RBI from time to time.

#### b. Types of Activities those NBFCs are permitted to carry out

Although by definition, NBFCs are permitted to operate in similar sphere of activities as banks, there are a few important, key differences. The most important distinctions are:

- An NBFC cannot accept deposits repayable on demand – in other words, NBFCs can only accept fixed term deposits. Thus, NBFCs are not permitted to issue negotiable instruments, such as cheques which are payable on demand; and
- NBFCs are not allowed to deal in foreign exchange, even if they specifically apply to the RBI for approval in this regard.

### c. Types of NBFCs

Section 45-IA of the RBI Act makes it mandatory for every NBFC to get itself registered with the Reserve Bank in order to be able to commence any of the above activities.

Further, an NBFC may be registered as a deposit-accepting NBFC (“NBFC-D”) or as a non-deposit accepting NBFC (“NBFC-ND”).

NBFCs registered with RBI are further classified as:

- asset finance companies;
- investment companies;
- loan companies;
- infrastructure finance companies;
- core investment companies;
- infrastructure debt fund - NBFCs; and/or
- NBFC - micro finance institutions.

Our Company has been classified as an NBFC-D and is further classified as an “asset finance company”. An asset finance company is an NBFC whose principal business is to finance physical assets supporting productive / economic activity, such as automobiles, tractors, lathe machines, generator sets, earth moving and material handling equipments, moving on own power and general purpose industrial machines.

### d. Regulatory Requirements of an NBFC under the RBI Act

#### Net Owned Fund (NOF)

Section 45-IA of the RBI Act provides that to carry on the business of a NBFC, an entity would have to register as an NBFC with the RBI and would be required to have a minimum NOF of ₹ 200 lakh.

Although, at present, the requirement of minimum NOF stands at ₹200 lakh, the minimum NOF for companies that were already in existence before April 21, 1999 was retained at ₹ 25 lakh. As per the RBI Circular 2014, it shall be mandatory for all NBFCs to attain a minimum NOF of ₹ 200 lakh by the end of March 2017 (₹ 100 lakh by the end of March 2016 and ₹ 200 lakh by the end of March 2017).

For this purpose, the RBI Act has defined “net owned fund” to mean:

- the aggregate of the paid-up equity capital and free reserves as disclosed in the latest balance sheet of the company, after deducting (i) accumulated balance of losses, (ii) deferred revenue expenditure, (iii) deferred tax asset (net); and (iv) other intangible assets; and
- further reduced by the amounts representing,
  - investment by such companies in shares of (i) its subsidiaries, (ii) companies in the same group, (iii) other NBFCs, and
  - the book value of debentures, bonds, outstanding loans and advances (including hire purchase and lease finance) made to, and deposits with (i) subsidiaries of such companies; and (ii) companies in the same group, to the extent such amount exceeds 10% of (a) above.

#### Reserve Fund

In addition to the above, Section 45-IC of the RBI Act requires NBFCs to create a reserve fund and transfer herein a sum of not less than 20% of its net profits earned annually before declaration of dividend. Such sum cannot be appropriated by the NBFC except for the purpose as may be 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.

### Maintenance of liquid assets

The RBI through notification no 122 dated January 3, 1998, as amended, has prescribed that every NBFC shall invest and continue to invest in unencumbered approved securities valued at a price not exceeding the current market price of such securities an amount which shall, at the close of business on any day be not less than 10% in approved securities and the remaining in unencumbered term deposits in any scheduled commercial bank, 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.

#### e. Obligations of NBFC-D under the Public Deposit Directions

The RBI's Public Deposit Directions governs the manner in which NBFCs may accept and/or hold public deposits. The Public Deposit Directions places the following restrictions on NBFCs in connection with accepting public deposits:

1. **Prohibition from accepting any demand deposits:** NBFCs are prohibited from accepting any public deposit which is repayable on demand.
2. **Ceiling on quantum of deposits:** Pursuant to RBI Circular 2014, all AFCs may, accept or renew public deposits not exceeding 1.5 times of its net owned funds. While AFCs holding deposits in excess of the revised limit should not access fresh deposits or renew existing ones till they conform to the new limit, the existing deposits will be allowed to run off till maturity.
3. **Credit-rating:** As per extant NBFCs Acceptance of Public Deposit (Reserve Bank) Directions, 1998, an unrated Asset Finance Company (AFC) having NOF of ₹ 25 lakh or more, complying with all the prudential norms and maintaining capital adequacy ratio of not less than fifteen per cent, is allowed to accept or renew public deposits not exceeding one and half times of its NOF or up to ₹10 cr, whichever is lower. However, in order to harmonise the deposit acceptance regulations across all deposit taking NBFCs (NBFCs-D) and move over to a regimen of only credit rated NBFCs-D accessing public deposits, existing unrated AFCs shall have to get themselves rated by March 31, 2016. In the intervening period, *i.e.* till March 31, 2016, unrated AFCs or those with a sub-investment grade rating can only renew existing deposits on maturity, and not accept fresh deposits, till they obtain an investment grade 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 deposit, (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 deposit to nil or the appropriate extent as permitted under the Public Deposit Directions, by repayment as and when such deposit falls due or otherwise.

4. **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.
5. **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.

#### f. Obligations of NBFC-D under the Prudential Norms

NBFC-Ds are required to comply with prescribed capital adequacy ratios, single and group exposure norms, and other specified prudential requirements prescribed under the Prudential Norms. Some of the important obligations are as follows:

- **Income Recognition:** NBFC-Ds are required to follow recognised accounting principles in connection with recognition of income. Income including interest/discount or any other charges on NPA is recognised only when it is actually realised. Any such income recognised before the asset became non-performing and remaining unrealised must be reversed. With respect to hire purchase assets, where installments are overdue for more than 12 months\*, income shall be recognised only when hire charges are actually received. Any such income taken to the credit of statement of profit and loss before the asset became non-performing and remaining unrealised, must be reversed.

\* Pursuant to the RBI circular 2014, the RBI has made stringent norms for the income reorganization. According to the new regulation it has been brought down to 90 days at par with the banks. This norms are being implemented in the phased manner - 9 months by the end of March 2016; 6 months by the end of March 2017 and 3 months by the end of March 2018.

- **Asset Classification and provisioning of assets:** Every NBFC-D is required to, 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, namely:
  - (i) Standard assets;
  - (ii) Sub-standard assets;
  - (iii) Doubtful assets; and
  - (iv) Loss assets.

Further, an NBFC-D must, after taking into account the time lag between an account becoming non-performing, its recognition as such, the realisation of the security and the erosion over time in the value of security charged, make provision against sub-standard assets, doubtful assets and loss assets in the manner prescribed by RBI.

At present, an asset is classified as a Non-Performing Asset when it has remained overdue for a period of twelve months or more in case of lease rental and hire purchase installments. Pursuant to the RBI circular dated November 10, 2014, in the interest of harmonisation, the asset classification norms for all NBFCs are being brought in line with that of banks, in a phased manner, as given below

**a. Hire-Purchase Assets shall become NPA**

- (i) if they become overdue for 9 months for the financial year ending March 31, 2016;
- (ii) if overdue for 6 months for the financial year ending March 31, 2017; and
- (iii) if overdue for 3 months for the financial year ending March 31, 2018 and thereafter.

**b. Sub-standard assets**

For all loan and hire purchase and lease assets, sub-standard assets would mean:

- (i) an asset that has been classified as NPA for a period not exceeding 16 months (currently 18 months) for the financial year ending March 31, 2016;
- (ii) an asset that has been classified as NPA for a period not exceeding 14 months for the Financial year ending March 31, 2017; and
- (iii) an asset that has been classified as NPA for a period not exceeding 12 months for the financial year ending March 31, 2018 and thereafter.

**c. Doubtful assets**

For all loan and hire purchase and lease assets, doubtful assets would mean:

- (i) An asset that has remained sub-standard for a period exceeding 16 months (currently 18 months) for the financial year ending March 31, 2016;
- (ii) An asset that has remained sub-standard for a period exceeding 14 months for the financial year ending March 31, 2017; and
- (iii) An asset that has remained sub-standard for a period exceeding 12 months for the financial year ending March 31, 2018 and thereafter.

- **Provisioning of Standard Assets:** In terms of the requirement of the circular no DNBS 222 and 223 / CGM (US) – 2011 dated January 17, 2011 issued by the RBI, NBFCs were required to make a general provision at 0.25% of the outstanding standard assets. Pursuant to the RBI Circular 2014, the provision for standard assets for all NBFCs-D, is being increased to 0.40% (0.30% by the end of March 2016; 0.35% by the end of March 2017 and 0.40% by the end of March 2018). The provisions on standard assets are not reckoned for arriving at net NPAs. The provisions towards standard assets are not required to be netted from gross advances but shown separately as 'Contingent Provisions against Standard Assets' in the balance sheet. NBFCs are allowed to include the 'General Provisions on Standard Assets' in Tier II capital which together with other 'general provisions/ loss reserves' will be admitted as Tier II capital only up to a maximum of 1.25% of the total risk-weighted assets.

- **Loans against NBFC's own shares prohibited:** No NBFC-D can lend against its own shares, as of July 1, 2008. Any outstanding loan granted by a NBFC-D against its own shares on the date of commencement of these Directions shall be recovered by the NBFC as per the repayment schedule.

- **NBFC failing to repay public deposit prohibited from making loans and investments:** An 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.

- **Exposure to capital-markets:** Every NBFC-D with total assets of ₹ 100 crore and above according to the previous audited balance sheet, must submit a monthly return within a period of 7 days of the expiry of the month to which it pertains in the prescribed form to the Regional Office of the Department of Non-Banking Supervision of the RBI.

- **Capital Adequacy:** As per RBI notification no DNBS 224/ CGM (US)-2011 dated February 17, 2011, every NBFC-D shall maintain a minimum CAR consisting of Tier I and Tier II capital which must not be less than fifteen per cent of its aggregate risk weighted assets on balance sheet and of risk adjusted value of off-balance sheet items *w.e.f.* March 31, 2012. The total of Tier II capital of any NBFC-D, at any point of time, must not exceed one hundred per cent of Tier I capital.

Pursuant to RBI circular dated November 10, 2014, all NBFCs-D, shall maintain minimum Tier I capital of 10% (The compliance to the revised Tier I capital will be: 8.5% by end of March 2016 and 10% by end of March 2017).

- **Disclosure Requirements:** Every NBFC-D is required to separately disclose in its balance sheet the provisions made in accordance with the applicable prudential norms prescribed by the RBI without netting them from the income or against the value of assets. Further, the provisions must be distinctly indicated under separate heads of account as under:

- (a) provisions for bad and doubtful debts; and
- (b) provisions for depreciation in investments.

Such provisions shall not be appropriated from the general provisions and loss reserves held, if any, by the NBFC-D and for each year shall be debited to the statement of profit and loss. The excess of provisions, if any, held under the heads general provisions and loss reserves may be written back without making adjustment against them.

Pursuant to RBI Circular 2014, all NBFCs-D shall additionally disclose the following in their Annual Financial Statements, with effect from March 31, 2015:

- a. Registration/ licence/ authorisation obtained from other financial sector regulators;
  - b. Ratings assigned by credit rating agencies and migration of ratings during the year;
  - c. Penalties, if any, levied by any regulator;
  - d. Information viz., area, country of operation and joint venture partners with regard to Joint Ventures and Overseas Subsidiaries; and
  - e. Asset liability profile, extent of financing of parent company products, NPAs and movement of NPAs, details of all off-balance sheet exposures, structured products issued by them as also securitization/ assignment transactions and other disclosures as detailed in Annexure 4 of the circular.
- **Fair Practices Code:** The RBI has framed the fair practice guidelines, to promote good and fair practices by setting minimum standards to be adhered to by NBFCs in dealing with customers. These guidelines require NBFCs to ensure that they meet the commitments and standards specified therein for the products and services they offer and in the procedures and practices their staff follows, their products and services meet relevant laws and regulations in letter and spirit, and their dealings with customers rest on ethical principles of integrity and transparency. Further, the said guidelines prescribe the requirements in connection with information to be provided and disclosures to be made by NBFCs to their customers. Accordingly, the guidelines require NBFCs to provide information on interest rates, common fees and charges, provide clear information explaining the key features of their services and products that customers are interested in, provide information on any type of product and service offered, that may suit the customer's needs, tell the customers about the various means through which products and services are offered, and provide more information on the key features of the products, including applicable interest rates / fees and charges.
  - **KYC Guidelines:** NBFCs have been advised to follow certain customer identification procedure for opening of accounts and monitoring transactions of suspicious nature for the purpose of reporting it to appropriate authority,



(“KYC Norms”). Accordingly, NBFCs have been advised to ensure that a proper policy framework on ‘know your customer’ and anti-money laundering measures is formulated and put in place with the approval of the RBI. The KYC Norms also require that while preparing operational guidelines NBFCs may keep in mind to treat the information collected from the customer for the purpose of opening of account as confidential and not divulge any details thereof for cross selling or any other purposes. NBFCs may, therefore, ensure that information sought from the customer is relevant to the perceived risk, is not intrusive, and is in conformity with the guidelines issued in this regard. Any other information from the customer should be sought separately with his /her consent and after opening the account.

### **Rating of Financial Product**

As per RBI circular no DNBS (PD) CCNO.134/03.10.001/2008-09 dated February 4, 2009 all NBFCs with assets size of ₹ 10,000 lakh and above is required to furnish at the regional office of the RBI under whose jurisdiction the registered office of the NBFC is functioning, information relating to the downgrading and upgrading of assigned rating of any financial products issued by them within 15 days of such change.

### **Norms for excessive interest rates**

RBI through its circular no DNBS (PD) CC NO.95/03.05.002 /2006-07 dated May 24, 2007 directed all NBFCs to put in place appropriate internal principles and procedures in determining interest rates and processing and other charges. In addition to the aforesaid instruction RBI has issued a circular DNBS (PD) CC NO.133/03.10.001 /2008-09 dated January 02, 2009 and a master circular on Fair Practices Code dated July 1, 2009 for regulating the excessive rates of interest charged by the NBFCs. The aforementioned circular and the master circular stipulate that the board of each NBFC shall adopt an interest rate model taking into account the various relevant factors such as cost of funds, margin and risk premium etc. The rate of interest and the approach for gradation of risk and the rationale for charging different rates of interest for different categories of borrowers shall be required to be disclosed to the borrowers in the application form and communicated explicitly in the sanction letter. Further, the same is also required to be made available on the company’s website or be published in the relevant newspapers and is required to be updated in the event of any change therein. Further, the rate of interest would have to be annualized rates so that that the borrower is aware of the exact rates that would be charged to the account.

### **g. Criteria for Director**

Pursuant to RBI Circular 2014, the RBI has put in place the following additional requirements for all NBFCs-D, which shall be applicable with effect from March 31, 2015:

- a. NBFCs shall ensure that there is a policy put in place for ascertaining the fit and proper criteria at the time of appointment of Directors and on a continuing basis.
- b. A declaration and undertaking shall be obtained from the Directors by the NBFC as detailed in Annexure 2 to the Circular.
- c. In addition, the Directors shall also sign a Deed of Covenant
- d. NBFCs shall furnish to the Reserve Bank a quarterly statement on change of Directors certified by the auditors and a certificate from the Managing Director that fit and proper criteria in selection of directors have been followed. The statement must reach the Regional Office of the Reserve Bank concerned within 15 days of the close of the quarter.

### **h. Corporate Governance**

Pursuant to RBI circular (DNBS.PD/CC 94/03.10.042/2006-07) dated May 8, 2007, the RBI has proposed certain corporate governance guidelines for the consideration of all NBFC-D with an asset size of ₹ 20 crore or more. The guidelines recommend that such NBFCs constitute an Audit Committee, a Nomination Committee (to ensure that fit and proper persons are nominated as directors on their respective boards) and a Risk Management Committee to institute risk management systems. However, as per the RBI Circular 2014, the constitutions of the three Committees of the Board and instructions with regard to rotation of partners have now been made applicable to all NBFCs-D. In addition, the Audit Committee of all NBFCs-D must ensure that an Information Systems Audit of the internal systems and processes is conducted at least once in two years to assess operational risks faced by the company.

The guidelines have also issued instructions relating to credit facilities to directors, loans and advances to relatives of the directors of the said NBFCs or to the directors of other companies and their relatives and other entities, time frame for recovery of such loans, etc. Such NBFCs are also required to frame internal corporate governance guidelines based on the guidelines issued by the RBI on May 8, 2007.

**i. Credit / investment Concentration Norms**

In order to ensure better risk management and avoidance of concentration of credit risks, the RBI has, in terms of the Prudential Norms, prescribed credit exposure limits for financial institutions in respect of their lending to single/ group borrowers. Credit exposure to a single borrower shall not exceed 15% of the owned funds of the systemically important NBFC-ND while the credit exposure to a single group of borrowers shall not exceed 25% of the owned funds of the systemically important NBFC-ND. Further, the systemically important NBFC-ND may not invest in the shares of another company exceeding 15% of its owned funds, and in the shares of a single group of companies exceeding 25% of its owned funds.

Pursuant to RBI Circular dated November 10, 2014 the credit concentration norms for AFCs are brought in line with other NBFCs. It will be applicable for all new loans excluding those already sanctioned. All existing excess exposures would be allowed to run off till maturity.

**j. Anti Money Laundering**

The RBI has issued a Master Circular no. DNBS (PD) CC NO.387/03.10.42 /2014-15 dated July 01, 2013 (Master circular 2014 may please be referred) to ensure that a proper policy frame work for the Prevention of Money Laundering Act, 2002 (“PMLA”) is put into place. The PMLA seeks to prevent money laundering and provides for confiscation of property derived from, or involved in money laundering and for other matters connected therewith or incidental thereto. It extends to all banking companies, financial institutions, including NBFCs and intermediaries. Pursuant to the provisions of PMLA 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 proper record (i) for all cash transactions of value of more than ₹ 1 million; (ii) all series of cash transactions integrally connected to each other which have been valued below ₹ 1 million where such series of transactions have taken place within one month and the aggregate value of such transaction exceeds ₹ 1 million. Further, all NBFCs are required to take appropriate steps to evolve a system for 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. Further, 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. Additionally, NBFCs should ensure that records pertaining to the identification of their customers and their address are obtained while opening the account and during the course of business relationship, and that the same are properly preserved for at least ten years after the business relationship is ended. The identification records and transaction data is to be made available to the competent authorities upon request.

**k. Accounting Standards and Accounting policies**

Subject to the changes in Indian Accounting Standards and regulatory environment applicable to an NBFC, we may change our accounting policies in the future and it might not always be possible to determine the effect on the Statement of Profit and Loss of these changes in each of the accounting years preceding the change. In such cases our profit/ loss for the preceding years might not be strictly comparable with the profit/ loss for the period for which such accounting policy changes are being made.

**l. Reporting by Statutory Auditor**

The statutory auditor of the NBFC-D is required to submit to the Board of Directors of the company a report *inter alia* certifying that such company has complied with the prudential norms relating to income recognition, accounting standards, asset classification and provisioning for bad and doubtful debts and standard assets as applicable to it. In the event of non-compliance, the statutory auditor is required to directly report the same to the RBI.

**m. Asset Liability Management**

The RBI has prescribed the Guidelines vide Circular No. DNBS (PD) CC NO.15/02.01.01 /2000-2001 dated June 28, 2001 for Asset Liability Management (“ALM”) System in relation to NBFCs (“ALM Guidelines”) that are applicable to all NBFCs through a Master Circular on Miscellaneous Instructions to All Non-Banking Financial Companies dated July 01, 2010. As per this Master Circular, the NBFCs (engaged in and classified as equipment leasing, hire purchase finance, loan, investment and residuary non-banking companies) meeting certain criteria, including, an asset base of ₹ 1,000.00 million, irrespective of whether they are accepting / holding public deposits or not, are required to put in place an ALM system. The ALM system rests on the functioning of ALM information systems within the NBFC, ALM organization including an Asset Liability Committee (“ALCO”) and ALM support groups, and the ALM process including liquidity

risk management, management of marketing risk, funding and capital planning, profit planning and growth projection, and forecasting/ preparation of contingency plans. It has been provided that the asset liability management committee of the board of directors or any other specific committee constituted by the board of director's should oversee the implementation of the system and review its functioning periodically. The ALM Guidelines mainly address liquidity and interest rate risks. In case of structural liquidity, the negative gap (*i.e.* where outflows exceed inflows) in the 1 to 30/ 31 days time-bucket should not exceed the prudential limit of 15% of outflows of each time-bucket and the cumulative gap of up to one year should not exceed 15% of the cumulative cash outflows of up to one year. In case these limits are exceeded, the measures proposed for bringing the gaps within the limit should be shown by a footnote in the relevant statement.

## **II. POWER GENERATION REGULATIONS**

Our Company also generates power from windmills and sells the same to Tamilnadu Electricity Board and Gujarat Urja Vikas Nigam Limited.

### ***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.

### ***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.

### ***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.

### ***Electricity Regulatory Commissions***

Electricity Act 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. 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.

## **III. FOREIGN INVESTMENT REGULATIONS**

### **FEMA Regulations**

Foreign investment in India is governed primarily by the provisions of the FEMA which relates to regulation primarily by the RBI and the rules, regulations and notifications thereunder, and the policy prescribed by the Department of Industrial Policy and Promotion (DIPP), GoI which is regulated by the FIPB. The RBI, in exercise of its power under the FEMA, has notified the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2000 (“**FEMA Regulations**”) to prohibit, restrict or regulate, transfer by or issue of security to a person resident outside India. As laid down by the FEMA Regulations, no prior consent and approval is required from the RBI, for FDI under the “automatic route” within the specified sectoral caps. In respect of all industries not specified as FDI under the automatic route, and in respect of investment in excess of the specified sectoral limits under the automatic route, approval may be required from the FIPB and/or the RBI.

### **Foreign Direct Investment**

FDI in an Indian company is governed by the provisions of the FEMA read with the FEMA Regulations and the Foreign Direct Investment Policy (“**FDI Policy**”) by the DIPP. FDI is permitted (except in the prohibited sectors) in Indian companies either through the automatic route or the approval route, depending upon the sector in which FDI is sought to be made. Under the automatic route, no prior Government approval is required for the issue of securities by Indian companies/ acquisition of securities of Indian companies, subject to the sectoral caps and other prescribed conditions. Investors are required to file the required documentation with the RBI within 30 days of such issue/ acquisition of securities.

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 (other than in prohibited sectors) may be brought in through the approval route.

Further:

As per the sector specific guidelines of the Government of India, 100% FDI/ NRI investments are allowed under the automatic route in certain NBFC activities subject to compliance with guidelines of the RBI in this regard.

Minimum Capitalisation Norms for fund based NBFCs:

- (i) For FDI up to 51% - US\$ 5 lakh to be brought upfront
- (ii) For FDI above 51% and up to 75% - US \$ 50 lakh to be brought upfront
- (iii) For FDI above 75% and up to 100% - US \$ 500 lakh out of which US \$ 75 lakh to be brought up front and the balance in 24 months

Minimum capitalization norm of US \$5 lakh is applicable in respect of all permitted non fund based NBFCs with foreign investment

Foreign investors can set up 100% operating subsidiaries without the condition to disinvest a minimum of 25% of its equity to Indian entities, subject to bringing in US\$ 500 lakh as at (b)(iii) above (without any restriction on number of operating subsidiaries without bringing in additional capital)

Joint ventures operating NBFC's that have 75% or less than 75% foreign investment will also be allowed to set up subsidiaries for undertaking other NBFC activities, subject to the subsidiaries also complying with the applicable minimum capital inflow *i.e.* (b)(i) and (b)(ii) above.

Where FDI is allowed on an automatic basis without FIPB approval, the RBI would continue to be the primary agency for the purposes of monitoring and regulating foreign investment. In cases where FIPB approval is obtained, no approval of the RBI is required except with respect to fixing the issuance price, although a declaration in the prescribed form, detailing the foreign investment, must be filed with the RBI once the foreign investment is made in the Indian company. The foregoing description applies only to an issuance of shares by, and not to a transfer of shares of, Indian companies. Every Indian company issuing shares or convertible debentures in accordance with the RBI regulations is required to submit a report to the RBI within 30 days of receipt of the consideration and another report within 30 days from the date of issue of the shares to the non-resident purchaser.

#### **IV. LABOUR LAWS**

##### **Shops and Establishments legislations in various states**

The provisions of various Shops and Establishments legislations, as applicable, regulate the conditions of work and employment in shops and commercial establishments and generally prescribe obligations in respect of *inter alia* registration, opening and closing hours, daily and weekly working hours, holidays, leave, health and safety measures and wages for overtime work.

##### ***Provident fund contributions***

The Company is governed by the provisions of the Employees' Provident Funds Act, 1952 and is accordingly required to make periodic contributions to the Employees' Provident Fund Scheme and the Employees' Pension Scheme as applicable. The Company is also required to make contributions under the Employees' State Insurance Act, 1948.

##### ***Miscellaneous***

The Company is also required to comply with the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, the Payment of Wages Act, 1936 and the Payment of Gratuity Act, 1972.

#### **V. 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.

*In addition to the above, our Company is required to comply with the provisions of the Companies Act, 1956, the Companies Act 2013 (to the extent applicable), the Foreign Exchange Management Act, 1999, various tax related legislations and other applicable statutes.*



## 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 Share Capital of the Company is ₹ 75,00,00,000 (Rupees Seventy Five Crore only) divided into 5,50,00,000 Equity Shares of ₹ 10 each and 20,00,000 Redeemable Cumulative Preference Shares of ₹ 100 each subject to be increased, decreased, consolidated, sub-divided or otherwise dealt with in accordance with the provisions of the Companies Act 1956 and the statutory regulations for the time being in force in this regard.



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 benefit 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 installments 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 installments 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 installment 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 installment 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 installment 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 installment 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 installment 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 installments, 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 the 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 or 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 Rs.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 Articles 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 fulfillment 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 Wholetime Director(s) for such period as they deem fit. The Executive Chairman/Managing Director(s) and the Wholetime Director(s) shall not be liable to retire by rotation so long as they hold the office as such.

b) The Wholetime 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 / Wholetime 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 Wholetime 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/ Wholetime 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).



3) 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 debentureholders, 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 up on 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 this 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 641 018, Tamil Nadu from 10.00 a.m. to 3.00 p.m. on any Business Days from the date of this Prospectus until the date of Closure of the Issue.

#### **A. MATERIAL CONTRACTS**

1. Lead Manager MoU dated January 19, 2015 executed between the Company and the Lead Manager.
2. Registrar MoU dated January 16, 2015 between the Company and the Registrar to the Issue.
3. Debenture Trustee Agreement dated January 17, 2015 executed between the Company and the Debenture Trustee.
4. Memorandum of Understanding dated February 10, 2015 between the Company, the Lead Brokers and Lead Manager.
5. Escrow Agreement dated February 12, 2015 executed between the Company, the Registrar, the Escrow Collection 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 the Company.
3. The certificate of registration No. 07-00252 dated April 17, 2007 issued by Reserve Bank of India under section 45 IA of the Reserve Bank of India Act, 1934.
4. Letter no. Surv/Chen/281/14-15 dated November 5, 2014 issued by ICRA, granting credit rating to the NCDs.
5. Letter no. Reval/Chen/130/14-15 dated February 12, 2015 issued by ICRA reaffirming the credit rating
6. Copy of the board resolution dated February 08, 2014 approving the Issue.
7. Copy of the resolution dated January 19, 2015 passed by the NCD Issuance Committee approving the terms of the issue and the Draft Prospectus.
8. Copy of the resolution dated February 13, 2015 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 limit of the Company.
10. Consents of the Directors, Lead Manager to the Issue, Compliance Officer of our Company, Chief Financial Officer of our Company, Debenture Trustee, Credit Rating Agency for the Issue, Legal Advisor 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 Prospectus to act in their respective capacities.
11. Consent of the Statutory Auditor of our Company, namely M/s. P.N. Raghavendra Rao & Co, Chartered Accountants for inclusion of (a) their names as the Statutory Auditor; (b) examination report dated on Reformatted Financial Statements in the form and context in which they appear in the Prospectus.
12. The examination report of the Statutory Auditor dated January 17, 2015 in relation to the Reformatted Financial Statements included herein.
13. Statement of Tax Benefits dated January 17, 2015 provided by M/s. P.N. Raghavendra Rao & Co, Chartered Accountants appearing in the Prospectus
14. Annual Reports of the Company for the last five Financial Years 2010 to 2014.

15. Due Diligence certificates dated February 13, 2015 filed by the Lead Manager with SEBI.
16. Copy of the board resolution dated August 05, 2010 appointing the Managing Director of the Company.
17. Copy of the shareholders' resolution dated September 14, 2010 appointing the Managing Director of the Company.
18. Application for the in-principle listing approval made to BSE dated January 27, 2015.
19. In-principle listing approval dated February 03, 2015 received from BSE, for Issue.
20. Letter from SEBI bearing no. IMD/DOF-1/BM/VA/OW/8075/2014 dated March 14, 2014 permitting the Company to allot NCDs in physical form pursuant to the 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

We, the Directors of the Company, certify that all the relevant provisions of the Companies Act 1956/Companies Act, 2013 (as applicable on the date of this Prospectus), the Debt Regulations, and the guidelines issued by the Government or the guidelines issued by the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992 and all applicable legal requirements in connection with the Issue, as the case may be, have been complied with and no disclosure or statement made in the Prospectus is contrary to the provisions of the Companies Act, 1956/ Companies Act, 2013 (as applicable on the date of this Prospectus) or the Securities and Exchange Board of India Act, 1992 or rules made thereunder or guidelines issued or the Debt Regulations or any other applicable legal requirements in connection with the Issue, as the case may be. We further certify that the Prospectus does not omit disclosure of any material fact which may make the statements made therein, in light of circumstances under which they were made, misleading and that all statements in the Prospectus are true and correct.

M. Manickam  
Chairman

:

M. Balasubramaniam  
Vice Chairman and Managing Director

:

M. Srinivaasan  
Director

:

A. Shanmugasundaram  
Independent Director

:

P.S. Gopalakrishnan  
Independent Director

:

A. Selvakumar  
Independent Director

:

Date: February 18, 2015

Place: Coimbatore

## ANNEXURE A: DAY COUNT CONVENTION

### Option I

<b>Company</b>	<b>Sakthi Finance Limited</b>
<b>Face value (per security)</b>	<b>₹ 100</b>
<b>Issue Opening Date/ Date of Allotment (tentative)*</b>	Friday, February 27, 2015/ Wednesday, April 01, 2015
<b>Redemption Date</b>	Saturday, April 01, 2017
<b>Coupon Rate for all Category</b>	11.00 %
<b>Frequency of the interest payment with specified dates</b>	First interest on May 01, 2015 and subsequently on the 1st day of every month.
<b>Day count convention</b>	Actual/actual

*\*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	Friday, May 01, 2015	Saturday, May 02, 2015	31	1.00
2nd coupon	Monday, June 01, 2015	Monday, June 01, 2015	30	1.00
3rd coupon	Wednesday, July 01, 2015	Wednesday, July 01, 2015	30	1.00
4th coupon	Saturday, August 01, 2015	Saturday, August 01, 2015	31	1.00
5th coupon	Tuesday, September 01, 2015	Tuesday, September 01, 2015	31	1.00
6th coupon	Thursday, October 01, 2015	Thursday, October 01, 2015	30	1.00
7th coupon	Sunday, November 01, 2015	Monday, November 02, 2015	32	1.00
8th coupon	Tuesday, December 01, 2015	Tuesday, December 01, 2015	29	1.00
9th coupon	Friday, January 01, 2016	Friday, January 01, 2016	31	1.00
10th coupon	Monday, February 01, 2016	Monday, February 01, 2016	31	1.00
11th coupon	Tuesday, March 01, 2016	Tuesday, March 01, 2016	29	1.00
12th coupon	Friday, April 01, 2016	Friday, April 01, 2016	31	1.00
13th coupon	Sunday, May 01, 2016	Monday, May 02, 2016	31	1.00
14th coupon	Wednesday, June 01, 2016	Wednesday, June 01, 2016	30	1.00
15th coupon	Friday, July 01, 2016	Friday, July 01, 2016	30	1.00
16th coupon	Monday, August 01, 2016	Monday, August 01, 2016	31	1.00
17th coupon	Thursday, September 01, 2016	Thursday, September 01, 2016	31	1.00
18th coupon	Saturday, October 01, 2016	Saturday, October 01, 2016	30	1.00
19th coupon	Tuesday, November 01, 2016	Tuesday, November 01, 2016	31	1.00
20th coupon	Thursday, December 01, 2016	Thursday, December 01, 2016	30	1.00
21st coupon	Sunday, January 01, 2017	Monday, January 02, 2017	32	1.00
22nd coupon	Wednesday, February 01, 2017	Wednesday, February 01, 2017	30	1.00
23rd coupon	Wednesday, March 01, 2017	Wednesday, March 01, 2017	28	1.00
24th coupon	Saturday, April 01, 2017	Saturday, April 01, 2017	31	1.00
<b>Principal/ Maturity value</b>	Saturday, April 01, 2017	Saturday, April 01, 2017		100.00

### Option II

<b>Company</b>	<b>Sakthi Finance Limited</b>
<b>Face value (per security)</b>	<b>₹ 100</b>
<b>Issue Opening Date/ Date of Allotment (tentative)*</b>	Friday, February 27, 2015/ Wednesday, April 01, 2015
<b>Redemption Date</b>	Saturday, April 01, 2017
<b>Coupon Rate for all Category</b>	NA
<b>Frequency of the interest payment with specified dates</b>	NA
<b>Day count convention</b>	Actual/actual

*\*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 ₹)
Principal / Maturity Value	Saturday, April 01, 2017	Saturday, April 01, 2017	N.A.	124



### Option III

<b>Company</b>	<b>Sakthi Finance Limited</b>
<b>Face value (per security)</b>	<b>₹ 100</b>
<b>Issue Opening Date/ Date of Allotment (tentative)*</b>	Friday, February 27, 2015/ Wednesday, April 01, 2015
<b>Redemption Date</b>	Sunday, April 01, 2018
<b>Coupon Rate for all Category</b>	11.25 %
<b>Frequency of the interest payment with specified dates</b>	First interest on May 01, 2015 and subsequently on the 1st day of every month.
<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	Friday, May 01, 2015	Saturday, May 02, 2015	31	1.00
2 <sup>nd</sup> coupon	Monday, June 01, 2015	Monday, June 01, 2015	30	1.00
3 <sup>rd</sup> coupon	Wednesday, July 01, 2015	Wednesday, July 01, 2015	30	1.00
4 <sup>th</sup> coupon	Saturday, August 01, 2015	Saturday, August 01, 2015	31	1.00
5 <sup>th</sup> coupon	Tuesday, September 01, 2015	Tuesday, September 01, 2015	31	1.00
6 <sup>th</sup> coupon	Thursday, October 01, 2015	Thursday, October 01, 2015	30	1.00
7 <sup>th</sup> coupon	Sunday, November 01, 2015	Monday, November 02, 2015	32	1.00
8 <sup>th</sup> coupon	Tuesday, December 01, 2015	Tuesday, December 01, 2015	29	1.00
9 <sup>th</sup> coupon	Friday, January 01, 2016	Friday, January 01, 2016	31	1.00
10 <sup>th</sup> coupon	Monday, February 01, 2016	Monday, February 01, 2016	31	1.00
11 <sup>th</sup> coupon	Tuesday, March 01, 2016	Tuesday, March 01, 2016	29	1.00
12 <sup>th</sup> coupon	Friday, April 01, 2016	Friday, April 01, 2016	31	1.00
13 <sup>th</sup> coupon	Sunday, May 01, 2016	Monday, May 02, 2016	31	1.00
14 <sup>th</sup> coupon	Wednesday, June 01, 2016	Wednesday, June 01, 2016	30	1.00
15 <sup>th</sup> coupon	Friday, July 01, 2016	Friday, July 01, 2016	30	1.00
16 <sup>th</sup> coupon	Monday, August 01, 2016	Monday, August 01, 2016	31	1.00
17 <sup>th</sup> coupon	Thursday, September 01, 2016	Thursday, September 01, 2016	31	1.00
18 <sup>th</sup> coupon	Saturday, October 01, 2016	Saturday, October 01, 2016	30	1.00
19 <sup>th</sup> coupon	Tuesday, November 01, 2016	Tuesday, November 01, 2016	31	1.00
20 <sup>th</sup> coupon	Thursday, December 01, 2016	Thursday, December 01, 2016	30	1.00
21 <sup>st</sup> coupon	Sunday, January 01, 2017	Monday, January 02, 2017	32	1.00
22 <sup>nd</sup> coupon	Wednesday, February 01, 2017	Wednesday, February 01, 2017	30	1.00
23 <sup>rd</sup> coupon	Wednesday, March 01, 2017	Wednesday, March 01, 2017	28	1.00
24 <sup>th</sup> coupon	Saturday, April 01, 2017	Saturday, April 01, 2017	31	1.00
25 <sup>th</sup> coupon	Monday, May 01, 2017	Tuesday, May 02, 2017	31	1.00
26 <sup>th</sup> coupon	Thursday, June 01, 2017	Thursday, June 01, 2017	30	1.00
27 <sup>th</sup> coupon	Saturday, July 01, 2017	Saturday, July 01, 2017	30	1.00
28 <sup>th</sup> coupon	Tuesday, August 01, 2017	Tuesday, August 01, 2017	31	1.00
29 <sup>th</sup> coupon	Friday, September 01, 2017	Friday, September 01, 2017	31	1.00
30 <sup>th</sup> coupon	Sunday, October 01, 2017	Tuesday, October 03, 2017	32	1.00
31 <sup>th</sup> coupon	Wednesday, November 01, 2017	Wednesday, November 01, 2017	29	1.00
32 <sup>th</sup> coupon	Friday, December 01, 2017	Friday, December 01, 2017	30	1.00
33 <sup>th</sup> coupon	Monday, January 01, 2018	Monday, January 01, 2018	31	1.00
34 <sup>th</sup> coupon	Thursday, February 01, 2018	Thursday, February 01, 2018	31	1.00
35 <sup>th</sup> coupon	Thursday, March 01, 2018	Thursday, March 01, 2018	28	1.00
36 <sup>th</sup> coupon	Sunday, April 01, 2018	Saturday, March 31, 2018	30	1.00
<b>Principal/ Maturity value</b>	Sunday, April 01, 2018	Saturday, March 31, 2018		100.00

**Option IV**

<b>Company</b>	<b>Sakthi Finance Limited</b>
<b>Face value (per security)</b>	<b>₹ 100</b>
<b>Issue Opening Date/ Date of Allotment (tentative)*</b>	Friday, February 27, 2015/ Wednesday, April 01, 2015
<b>Redemption Date</b>	Sunday, April 01, 2018
<b>Coupon Rate for all Category</b>	11.25 %
<b>Frequency of the interest payment with specified dates</b>	First interest on April 01, 2016 and subsequently on the 1 <sup>st</sup> day of April every year.
<b>Day count convention</b>	Actual/actual

\*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	Friday, April 01, 2016	Friday, April 01, 2016	366	12
2 <sup>nd</sup> coupon	Saturday, April 01, 2017	Saturday, April 01, 2017	365	12
3 <sup>rd</sup> coupon	Sunday, April 01, 2018	Saturday, March 31, 2018	364	12
Principal/ Maturity value	Sunday, April 01, 2018	Saturday, March 31, 2018	-	100

**OPTION V**

<b>Company</b>	<b>Sakthi Finance Limited</b>
<b>Face value (per security)</b>	<b>₹ 100</b>
<b>Issue Opening Date/ Date of Allotment (tentative)*</b>	Friday, February 27, 2015/ Wednesday, April 01, 2015
<b>Redemption Date</b>	Sunday, April 01, 2018
<b>Coupon Rate for all Category</b>	NA
<b>Frequency of the interest payment with specified dates</b>	NA
<b>Day count convention</b>	Actual/actual

\*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 ₹)
Principal / Maturity Value	Sunday, April 01, 2018	Saturday, March 31, 2018	N.A.	139

**OPTION VI**

<b>Company</b>	<b>Sakthi Finance Limited</b>
<b>Face value (per security)</b>	<b>₹ 100</b>
<b>Issue Opening Date/ Date of Allotment (tentative)*</b>	Friday, February 27, 2015/ Wednesday, April 01, 2015
<b>Redemption Date</b>	Monday, April 01, 2019
<b>Coupon Rate for all Category</b>	11.50%
<b>Frequency of the interest payment with specified dates</b>	First interest on May 01, 2015 and subsequently on the 1 <sup>st</sup> day of every month.
<b>Day count convention</b>	Actual/actual

\*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	Friday, May 01, 2015	Saturday, May 02, 2015	31	1
2 <sup>nd</sup> coupon	Monday, June 01, 2015	Monday, June 01, 2015	30	1
3 <sup>rd</sup> coupon	Wednesday, July 01, 2015	Wednesday, July 01, 2015	30	1
4 <sup>th</sup> coupon	Saturday, August 01, 2015	Saturday, August 01, 2015	31	1
5 <sup>th</sup> coupon	Tuesday, September 01, 2015	Tuesday, September 01, 2015	31	1
6 <sup>th</sup> coupon	Thursday, October 01, 2015	Thursday, October 01, 2015	30	1
7 <sup>th</sup> coupon	Sunday, November 01, 2015	Monday, November 02, 2015	32	1
8 <sup>th</sup> coupon	Tuesday, December 01, 2015	Tuesday, December 01, 2015	29	1
9 <sup>th</sup> coupon	Friday, January 01, 2016	Friday, January 01, 2016	31	1
10 <sup>th</sup> coupon	Monday, February 01, 2016	Monday, February 01, 2016	31	1

Cash flow	Due Date	Date of a payment	No. of days in Coupon	Amount (in ₹)
1 <sup>th</sup> coupon	Tuesday, March 01, 2016	Tuesday, March 01, 2016	29	1
12 <sup>th</sup> coupon	Friday, April 01, 2016	Friday, April 01, 2016	31	1
13 <sup>th</sup> coupon	Sunday, May 01, 2016	Monday, May 02, 2016	31	1
14 <sup>th</sup> coupon	Wednesday, June 01, 2016	Wednesday, June 01, 2016	30	1
15 <sup>th</sup> coupon	Friday, July 01, 2016	Friday, July 01, 2016	30	1
16 <sup>th</sup> coupon	Monday, August 01, 2016	Monday, August 01, 2016	31	1
17 <sup>th</sup> coupon	Thursday, September 01, 2016	Thursday, September 01, 2016	31	1
18 <sup>th</sup> coupon	Saturday, October 01, 2016	Saturday, October 01, 2016	30	1
19 <sup>th</sup> coupon	Tuesday, November 01, 2016	Tuesday, November 01, 2016	31	1
20 <sup>th</sup> coupon	Thursday, December 01, 2016	Thursday, December 01, 2016	30	1
21 <sup>st</sup> coupon	Sunday, January 01, 2017	Monday, January 02, 2017	32	1
22 <sup>nd</sup> coupon	Wednesday, February 01, 2017	Wednesday, February 01, 2017	30	1
23 <sup>rd</sup> coupon	Wednesday, March 01, 2017	Wednesday, March 01, 2017	28	1
24 <sup>th</sup> coupon	Saturday, April 01, 2017	Saturday, April 01, 2017	31	1
25 <sup>th</sup> coupon	Monday, May 01, 2017	Tuesday, May 02, 2017	31	1
26 <sup>th</sup> coupon	Thursday, June 01, 2017	Thursday, June 01, 2017	30	1
27 <sup>th</sup> coupon	Saturday, July 01, 2017	Saturday, July 01, 2017	30	1
28 <sup>th</sup> coupon	Tuesday, August 01, 2017	Tuesday, August 01, 2017	31	1
29 <sup>th</sup> coupon	Friday, September 01, 2017	Friday, September 01, 2017	31	1
30 <sup>th</sup> coupon	Sunday, October 01, 2017	Tuesday, October 03, 2017	32	1
31 <sup>th</sup> coupon	Wednesday, November 01, 2017	Wednesday, November 01, 2017	29	1
32 <sup>th</sup> coupon	Friday, December 01, 2017	Friday, December 01, 2017	30	1
33 <sup>th</sup> coupon	Monday, January 01, 2018	Monday, January 01, 2018	31	1
34 <sup>th</sup> coupon	Thursday, February 01, 2018	Thursday, February 01, 2018	31	1
35 <sup>th</sup> coupon	Thursday, March 01, 2018	Thursday, March 01, 2018	28	1
36 <sup>th</sup> coupon	Sunday, April 01, 2018	Monday, April 02, 2018	32	1
37 <sup>th</sup> coupon	Tuesday, May 01, 2018	Wednesday, May 02, 2018	30	1
38 <sup>th</sup> coupon	Friday, June 01, 2018	Friday, June 01, 2018	30	1
39 <sup>th</sup> coupon	Sunday, July 01, 2018	Monday, July 02, 2018	31	1
40 <sup>th</sup> coupon	Wednesday, August 01, 2018	Wednesday, August 01, 2018	30	1
41 <sup>th</sup> coupon	Saturday, September 01, 2018	Saturday, September 01, 2018	31	1
42 <sup>th</sup> coupon	Monday, October 01, 2018	Monday, October 01, 2018	30	1
43 <sup>th</sup> coupon	Thursday, November 01, 2018	Thursday, November 01, 2018	31	1
44 <sup>th</sup> coupon	Saturday, December 01, 2018	Saturday, December 01, 2018	30	1
45 <sup>th</sup> coupon	Tuesday, January 01, 2019	Tuesday, January 01, 2019	31	1
46 <sup>th</sup> coupon	Friday, February 01, 2019	Friday, February 01, 2019	31	1
47 <sup>th</sup> coupon	Friday, March 01, 2019	Friday, March 01, 2019	28	1
48 <sup>th</sup> coupon	Monday, April 01, 2019	Monday, April 01, 2019	31	1
<b>Principal/ Maturity value</b>	Monday, April 01, 2019	Monday, April 01, 2019		100

## OPTION VII

<b>Company</b>	<b>Sakthi Finance Limited</b>
<b>Face value (per security)</b>	<b>₹ 100</b>
<b>Issue Opening Date/ Date of Allotment (tentative)*</b>	Friday, February 27, 2015/ Wednesday, April 01, 2015
<b>Redemption Date</b>	Monday, April 01, 2019
<b>Coupon Rate for all Category</b>	11.50%
<b>Frequency of the interest payment with specified dates</b>	First interest on April 01, 2016 and subsequently on the 1 <sup>st</sup> day of April every year.
<b>Day count convention</b>	Actual/actual

\*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	Friday, April 01, 2016	Friday, April 01, 2016	366	12
2 <sup>nd</sup> coupon	Saturday, April 01, 2017	Saturday, April 01, 2017	365	12
3 <sup>rd</sup> coupon	Sunday, April 01, 2018	Monday, April 02, 2018	366	12
4 <sup>th</sup> coupon	Monday, April 01, 2019	Monday, April 01, 2019	364	12
Principal/ Maturity value	Monday, April 01, 2019	Monday, April 01, 2019		100

## OPTION VIII

<b>Company</b>	<b>Sakthi Finance Limited</b>
<b>Face value (per security)</b>	<b>₹ 100</b>
<b>Issue Opening Date/ Date of Allotment (tentative)*</b>	Friday, February 27, 2015/ Wednesday, April 01, 2015
<b>Redemption Date</b>	Monday, April 01, 2019
<b>Coupon Rate for all Category</b>	NA
<b>Frequency of the interest payment with specified dates</b>	NA
<b>Day count convention</b>	Actual/actual

\*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 ₹)
Principal / Maturity Value	Monday, April 01, 2019	Monday, April 01, 2019	N.A.	157

*Note: The amounts in the above illustration of cash flows are rounded to nearest rupee for coupon and redemption payout for a single bond. 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 B: CREDIT RATING AND RATIONALE**  
**[APPENDED OVERLEAF]**



**CONFIDENTIAL**

Ref. No.Reval/Chen/130/14-15

February 12, 2015

**Mr. M. Balasubramaniam**  
**Vice Chairman & Managing Director**  
**Sakthi Finance Limited**  
**62, Dr. Nanjappa Road,**  
**Coimbatore-641 018**

Dear Sir,

**Re: ICRA Credit Rating for Rs.100.00 Crore Non Convertible Debenture (NCD)**  
**Programme of Sakthi Finance Limited.**

Please refer to your e-mail dated February 11, 2015 requesting for confirming the validity of the rating letter issued for the captioned instrument.

We confirm that the [ICRA]BBB (pronounced ICRA triple B) rating with **stable** outlook, assigned to your captioned Non-Convertible Debenture Programme and last communicated to you vide our letter Ref.No. Reval/Chen/116/14-15 dated January 19, 2015, stands as on the date of this letter. Instruments with this rating are considered to have moderate degree of safety regarding timely servicing of financial obligations. Such instruments carry moderate credit risk.

Also, please refer to our earlier letter Ref no: Surv/Chen/281/14-15 dated November 05, 2014 communicating the rating of [ICRA]BBB (pronounced ICRA triple B) with stable outlook for the Rs. 200.00 crore NCD programme of your company. This is to confirm that the captioned Line of Credit (LOC) of Rs. 100.00 crore is part of the rated Rs.200.00 crore NCD programme of the company. The other terms and conditions for the credit rating of the captioned instrument shall remain the same vide our letter Surv/Chen/281/14-15 dated November 05, 2014.

We thank you for your kind co-operation extended to us during the course of the rating exercise. Should you require any clarification, please do not hesitate to get in touch with us.

With kind regards,

Yours sincerely,  
for ICRA Limited

(K. Ravichandran)  
Senior Vice President & Co-Head, Corporate Ratings

(A. M. Karthik)  
Assistant Vice President

Karumuttu Centre, 5<sup>th</sup> Floor  
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Fax : +(91 44) 2434 3663  
CIN : L74999DL1991PLC042749

Website : [www.icra.in](http://www.icra.in)  
Email : [info@icraindia.com](mailto:info@icraindia.com)

Registered Office : 1105, Kailash Building, 11<sup>th</sup> Floor, 26 Kasturba Gandhi Marg, New Delhi - 110001. Tel. : +(91-11) 23357940-50 Fax : +(91-11) 23357014  
Corporate Office : Building No. 8, Tower-A, 2<sup>nd</sup> Floor, DLF Cyber City, Phase II, Gurgaon - 122002. Tel. : +(91-124) 4545300 Fax : +(91-124) 4050424





**CONFIDENTIAL**

Ref. No.Surv/Chen/281/14-15

November 05, 2014

**Mr. M. Balasubramanian**  
**Vice Chairman & Managing Director**  
**Sakthi Finance Limited**  
**62, Dr. Nanjappa Road**  
**Coimbatore-641 018**

**Re: ICRA Credit Rating for the Rs. 200.00 crore Non Convertible Debenture Programme of Sakthi Finance Limited.**

As you would be aware, in terms of the mandate letter/ rating agreement received from the clients, ICRA is required to review all its ratings, on an annual basis, or as and when the circumstances so warrant.

The Rating Committee of ICRA, after due consideration, has reaffirmed the **[ICRA]BBB (pronounced ICRA triple B)** rating with a **Stable** outlook for the captioned debt 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.

ICRA reserves the right to suspend, withdraw or revise the above rating 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 instruments issued by you.

You are required 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. You are also required to keep us forthwith 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).

You are required 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. Please let us know if you need any clarification.

With kind regards,

Yours sincerely,  
for ICRA Limited

(K. Ravichandran)  
Senior Vice President & Co-Head, Corporate Ratings

(A M Karthik)  
Assistant Vice President

Karumuttu Centre, 5<sup>th</sup> Floor  
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## Sakthi Finance Limited

Instrument	Amount	Rating Action
	<b>in Rs. crore</b>	
Non-Convertible Debentures	Rs. 200.00 crore	[ICRA]BBB(Stable); reaffirmed
Long Term Bank Facilities-CC	Rs. 69.00 crore (Enhanced from Rs. 66.00 crore)	[ICRA]BBB(Stable); reaffirmed
CC/WCDL- Interchangeable Limits	Rs. 136.88 crore (Enhanced from Rs. 106.88 crore)	[ICRA]BBB(Stable)/[ICRA]A2; reaffirmed/assigned
Term Loans	Rs. 1.88 crore (Revised from Rs.4.68 crore)	[ICRA]BBB(Stable); reaffirmed
Short Term Bank Facilities-WCDL	Rs. 57.00 crore (Revised from Rs. 60.00 crore)	[ICRA]A2; reaffirmed
Fixed Deposits		MA-(Stable); reaffirmed

ICRA has reaffirmed the [ICRA]BBB (pronounced ICRA triple B) rating to the Rs. 1.88 crore\* (revised from Rs. 4.68 crore) term loans, Rs. 200 crore Non- Convertible Debentures and Rs. 205.88<sup>†</sup> crore (enhanced from Rs.172.88 crore) long term bank facilities of Sakthi Finance Limited (Sakthi or the Company)<sup>‡</sup>. ICRA has also reaffirmed [ICRA]A2 (pronounced ICRA A two) rating to the Rs. 57.00 crore short term bank limits (revised from Rs. 60.00 crore) and the MA- (pronounced M A minus) rating to Sakthi's fixed deposits programme. The outlook on the long term and fixed deposit ratings are stable.

The rating reaffirmations continue to factor in the company's adequate understanding of the regional markets, Tamil Nadu and Kerala, due to its long standing presence in the retail financing business and established franchise. The company over the period has pruned its origination, monitoring and collection capabilities, which has helped it to operate in the high yielding used vehicle financing segment with a moderate asset quality profile. ICRA takes note of the deterioration in the company's asset quality, with 90+ dpd increasing to 4.0% in March 2014 (3.5% in June 2014) as compared to 2.9% in March 2013; however the deterioration was relatively lower than the peers in used CV financing business. Further, 57% provisioning cover and a sizeable proportion of business from repeat/existing customers provides comfort on the asset quality. The rating also factors the comfortable capitalisation profile in relation to its relatively moderate medium term growth plans and a comfortable liquidity profile. The ratings also take note of the company's currently moderate scale which, coupled with geographical concentration of operations and a highly competitive business environment limit the scope of margin expansion. The subdued demand environment has resulted in the moderation in business volumes in FY2014 and in the current year. The above along with the moderation in the asset quality and limited diversification in earning mix impacted the profitability; net profitability<sup>§</sup> declined to 1.5% in FY2014 and Q1FY2015 from about 1.6-1.7% over the previous two financial years. The regulatory changes in the NPA recognition and provisioning policy would impact the net profitability by 20-25 bps in the near to medium term.

\* Rs. 1 crore = Rs. 10 million = Rs. 100 Lakh

<sup>†</sup> Includes Rs. 136.88 crore (enhanced from Rs.106.88 crore) CC/WCDL interchangeable limits; [ICRA]BBB(Stable) would be applicable if used as CC and [ICRA]A2 will be applicable if used as WCDL.

<sup>‡</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

<sup>§</sup> Profit after tax as a proportion of average assets



The company's Tier I Capital Adequacy Ratio (CAR) declined to 12.7% in March 2014 from 13.1% in March 2013. However, the overall CAR improved to 21.6% in March 2014 from 15.9% in March 2013, as company secured Subordinated bonds, which qualify as tier-II. The company stopped accepting retail debentures after the restrictions placed on such debenture placements by RBI; consequently it increased the share of subordinated debt and fixed deposits, which together account for 29% of the total debt as in March 2014. The share of retail funds therefore continued to remain high at about 70% as in March 2014 (about 71% in June 2014), while the bank share increased only moderately to 25% (22% in March 2013); the maturing retail debentures were largely replaced with retail fixed deposits and subordinated debt. The proposed public issue of debentures of about Rs.100 crore in the near term along with its relationships with banks and other FIs provides comfort on the future liquidity profile.

### **Company Profile**

Sakthi Finance Limited (Sakthi) is part of the Sakthi Group of Companies, which has presence across sectors such as sugar, beverages, automobile and transport dealerships, auto components and textiles. Sakthi is primarily involved in the financing of used Commercial Vehicles (CVs). The company also extends finance for purchase of cars, jeeps, construction equipments and other machinery; the proportion of the same however has remained increased to about 17% of the total portfolio in March 2014 after being at about 10-11% over the previous 3-4 periods. Sakthi typically finances customers with a modest credit profile and has an operational reach primarily in Tamil Nadu and Kerala which together account for 90% of the total portfolio. The company's remaining businesses originate from the two other South Indian states and from the Union Territory of Puducherry.

During the six months ended September 2014, Sakthi registered a net profit (provisional) of Rs. 7.3 crore on a total income of Rs. 72.2 crore as compared to the net profit of Rs. 8.4 crore on a total income of Rs. 67.8 crore in the corresponding period of the previous financial year.

**November 2014**

### ***For further details please contact:***

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#### *Relationship Contacts:*

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**ANNEXURE C: CONSENT LETTER FROM THE DEBENTURE TRUSTEE**

**[APPENDED OVERLEAF]**





An ISO 9001 Company

**GDA Trustee**

Believe in yourself... Trust us!



DT/SFL/443/15

Date: 12.01.2015

**Shri. S Venkatesh,**  
Company Secretary,  
Sakthi Finance Limited,  
62, Dr. Nanjappa Road,  
Post Box No. 3745,  
**Coimbatore-641 018**

Dear Sir,

**Sub: Proposed public issue of secured redeemable non-convertible debentures by Sakthi Finance Limited, ("Company/Issuer") upto Rs.10,000 lakh at face value of Rs.100 each (Issue)**

We, the undersigned, hereby consent to act as the Debenture Trustee to the Issue. We further extend our consent and no objection to our name being inserted as the Debenture Trustee, in the Draft Prospectus to be filed with the BSE Limited ("**BSE**") and Securities and Exchange Board of India ("**SEBI**") and the Final Prospectus to be filed with the Registrar of Companies, Coimbatore ("**RoC**"), Stock Exchanges and SEBI and any other material which the Company intends to issue in respect of the Issue. The following details with respect to us may be disclosed

**GDA TRUSTEESHIP LIMITED**

**Address:** 'GDA House', First Floor, Plot No 85, S No 94 & 95,  
Bhusari Colony (Right), Kothrud, Pune - 411038

**Tel No:** + 91 20 25280081

**Fax No:** + 91 20 25280275

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

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

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

**Contact person:** Mr. Jatin Bhat

**Compliance Officer:** Mr. Jatin Bhat

**SEBI Registration No:** IND000000034



**GDA Trusteeship Ltd.**

CIN - U74999PN1997PLC110262

GDA House, Plot No. 85, Bhusari Colony (Right), Paud Road, Pune - 411 038

● Tel : +91-020-25280081 ● Fax : +91-020-25280275 ● Email : [dt@gdatrustee.com](mailto:dt@gdatrustee.com) ● Web : [www.gdatrustee.com](http://www.gdatrustee.com)

Mumbai Office : Office No. 1, 2 & 3, Fourth Floor, Rahimtoola House, 7, Homji Street, Fort, Mumbai- 400 001. Tel : +91-022-49220555 Fax : +91-022-49220505 Email : [dt@gdatrustee.com](mailto:dt@gdatrustee.com)

Bengaluru Office : D II - 207, Shriram White House, Netaji Subhashchandra Bose Road, 15th Cross, 6th Main, R.T. Nagar, Ind Block, Bengaluru - 560 032 Tel : +91-080-2354-2436 E-mail : [vgjoshi@gdaca.com](mailto:vgjoshi@gdaca.com)

Delhi Office : B-22, Ansal Chambers -1, 3 Bhikaji Kama Place, New Delhi - 110 066 Tel : +91-011-26163600 Mobile : +91-09915938874 Email : [dt@gdatrustee.com](mailto:dt@gdatrustee.com)



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 from 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. 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.

We hereby authorize you to deliver this letter of consent to the RoC, BSE, SEBI or any other regulatory authorities as required by law.

Yours faithfully,

**For and on behalf of GDA TRUSTEESHIP LIMITED**



**Authorized Signatory**

**Name: Jatin Bhat**

**Designation: Assistant Vice-President**

**Date : 12.01.2015**

**Place: Pune**



डिबेंचर न्यासी

प्रारूप ख  
FORM-B

DEBENTURE TRUSTEE

भारतीय प्रतिभूति और विनियम बोर्ड  
SECURITIES AND EXCHANGE BOARD OF INDIA

(डिबेंचर न्यासी) विनियम, 1993

(DEBENTURE TRUSTEE) REGULATIONS, 1993

000245

(विनियम 8)

(Regulation 8)

(Regulation 8A)

रजिस्ट्रीकरण प्रमाणपत्र  
CERTIFICATE OF REGISTRATION

PERMANENT REGISTRATION

- 1) बोर्ड, भारतीय प्रतिभूति और विनियम बोर्ड अधिनियम, 1992 के अधीन डिबेंचर न्यासी के लिए बनाए गए नियमों और विनियमों के साथ पठित उस 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

GDA TRUSTEESHIP LTD  
GDA HOUSE, FIRST FLOOR, PLOT NO. 85,  
S.NO. 94&95,  
BHUSARI COLONY (RIGHT)  
KOTHRUD, PUNE 411038

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 कूट है।  
2) Registration Code for the debenture trustee is IND000000034  
3) जब तक नवीकृत न किया जाए, रजिस्ट्रीकरण का प्रमाणपत्र से तक विधिमान्य है।  
3) Unless renewed, the certificate of registration is valid from to

3) This Certificate of Registration shall be valid for permanent, unless suspended or cancelled by the Board.

आदेश से  
भारतीय प्रतिभूति और विनियम बोर्ड  
के लिए और उसकी ओर से  
By order  
For and on behalf of  
Securities and Exchange Board of India



स्थान Place : Mumbai

तारीख Date : MARCH 11, 2014

प्राधिकृत हस्ताक्षरकर्ता Authorised Signatory

M. S. Sanyal  
MEDHA SONPAROTE  
Authorised Signatory



# ANNEXURE D: STATEMENT OF UNAUDITED FINANCIAL RESULTS

FOR THE QUARTER AND NINE MONTHS PERIOD ENDED 31<sup>ST</sup> DECEMBER 2014

(Rs. in lakh)

Sr. No	Particulars	Quarter ended			Nine months period ended		Year ended
		31-Dec-14	30-Sep-14	31-Dec-13	31-Dec-14	31-Dec-13	31-Mar-14
		(Unaudited)					(Audited)
1	<b>Income from operations</b>	<b>3,616.31</b>	3,506.01	3,230.37	<b>10,587.82</b>	9,715.28	13,183.32
2	<b>Expenses</b>						
	a. Employee Benefits expense	<b>443.36</b>	439.93	405.78	<b>1,318.70</b>	1,219.80	1,701.00
	b. Depreciation and amortisation expense	<b>71.49</b>	70.94	63.63	<b>211.64</b>	184.06	245.55
	c. Administrative and Other expenses	<b>318.62</b>	282.51	283.02	<b>881.32</b>	843.55	1,178.45
	d. Provisions and write-off	<b>116.94</b>	120.69	114.70	<b>362.41</b>	342.36	522.36
	e. Contingent Provision against Standard Assets	<b>5.25</b>	2.50	1.42	<b>17.88</b>	14.42	20.92
	<b>Total expenses</b>	<b>955.66</b>	<b>916.57</b>	<b>868.55</b>	<b>2,791.95</b>	<b>2,604.19</b>	<b>3,668.28</b>
3	<b>Profit from operations before other income, finance costs and exceptional items (1-2)</b>	<b>2,660.65</b>	<b>2,589.44</b>	<b>2,361.82</b>	<b>7,795.87</b>	<b>7,111.09</b>	<b>9,515.04</b>
4	Other Income	<b>41.47</b>	133.27	52.69	<b>287.72</b>	345.87	627.34
5	<b>Profit from ordinary activities before finance costs and exceptional items (3+4)</b>	<b>2702.12</b>	2722.71	2414.51	<b>8083.59</b>	7456.96	10142.28
6	Finance costs	<b>2,152.36</b>	2,188.57	1,965.40	<b>6,474.44</b>	5,771.60	7,863.72
7	<b>Profit from ordinary activities after finance cost but before exceptional items (5-6)</b>	<b>549.76</b>	534.14	449.11	<b>1,609.15</b>	1,685.36	2,278.66
8	Exceptional items	-	-	-	-	-	-
9	<b>Profit from ordinary activities before tax (7-8)</b>	<b>549.76</b>	534.14	449.11	<b>1,609.15</b>	1,685.36	2,278.66
10	Tax expense:						
	- Current tax	<b>201.12</b>	186.30	167.45	<b>615.09</b>	617.24	780.17
	- Deferred tax	<b>(14.68)</b>	(46.60)	(20.19)	<b>(100.91)</b>	(74.98)	82.76
11	<b>Net Profit from ordinary activities after tax (9-10)</b>	<b>363.32</b>	394.44	301.85	<b>1,094.97</b>	1,143.10	1,415.73
12	Extraordinary items	-	-	-	-	-	-
13	<b>Net Profit for the period (11-12)</b>	<b>363.32</b>	<b>394.44</b>	<b>301.85</b>	<b>1,094.97</b>	<b>1,143.10</b>	<b>1,415.73</b>
14	Paid-up equity share capital (Par value : Rs.10 per share)	<b>5,000.00</b>	5,000.00	5,000.00	<b>5,000.00</b>	5,000.00	5,000.00
15	Reserves excluding Revaluation Reserves (as per balance sheet of previous accounting year)						6,237.81
16	<b>Earnings per share</b> (Par value : Rs.10 per share)						
	a. Basic (Rs.)	<b>0.73</b>	0.79	0.60	<b>2.19</b>	2.29	2.60
	b. Diluted (Rs.)	<b>0.73</b>	0.79	0.60	<b>2.19</b>	2.29	2.60

**SELECT INFORMATION FOR THE QUARTER AND NINE MONTHS PERIOD ENDED 31<sup>ST</sup> DECEMBER 2014**

Sr. No	Particulars	Quarter ended			Nine months period ended		Year ended
		31-Dec-14	30-Sep-14	31-Dec-13	31-Dec-14	31-Dec-13	31-Mar-14
		(Unaudited)					(Audited)
1	<b>Public shareholding</b>						
	- Number of shares	<b>17,892,875</b>	17,885,000	17,885,000	<b>17,892,875</b>	17,885,000	17,885,000
	- Percentage of shareholding	<b>35.79%</b>	35.77%	35.77%	<b>35.79%</b>	35.77%	35.77%
2	<b>Promoters and promoter group shareholding</b>						
	<b>a) Pledged / Encumbered</b>						
	- Number of shares	<b>5,185,025</b>	5,185,025	5,185,025	<b>5,185,025</b>	5,185,025	5,185,025
	- Percentage of shares (as a % of the total equity shareholding of promoter and promoter group)	<b>16.15%</b>	16.15%	16.15%	<b>16.15%</b>	16.15%	16.15%
	- Percentage of shares (as a % of the total equity share capital of the Company)	<b>10.37%</b>	10.37%	10.37%	<b>10.37%</b>	10.37%	10.37%
	<b>b) Non-encumbered</b>						
	- Number of shares	<b>26,922,100</b>	26,929,975	26,929,975	<b>26,922,100</b>	26,929,975	26,929,975
	- Percentage of shares (as a % of the total equity shareholding of promoter and promoter group)	<b>83.85%</b>	83.85%	83.85%	<b>83.85%</b>	83.85%	83.85%
	- Percentage of shares (as a % of the total equity share capital of the Company)	<b>53.84%</b>	53.86%	53.86%	<b>53.84%</b>	53.86%	53.86%

**Part II - B: Information on Investors' complaints for the quarter ended 31<sup>st</sup> December 2014**

Sr. No.	Particulars	Quarter ended 31 <sup>st</sup> December 2014
1	Pending at the beginning of the quarter	0
2	Received during the quarter	0
3	Disposed of during the quarter	0
4	Remaining unresolved at the end of the quarter	0

**Notes**

1. The Unaudited Financial Results for the quarter / nine months period ended 31st December 2014 have been reviewed and recommended by the Audit Committee and approved by the Board of Directors at their respective meetings held on 14th February 2015.
2. 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.
3. The Statutory Auditors of the Company have carried out a Limited Review on the Unaudited Financial Results for the quarter / nine months period ended 31<sup>st</sup> December 2014.
4. Previous period / year figures have been regrouped / reclassified / rearranged, wherever found necessary, to conform to current period / year presentation.

**By Order of the Board**

14<sup>th</sup> February 2015  
Coimbatore - 18

**M Balasubramaniam**  
**Vice Chairman and Managing Director**

## LIMITED REVIEW REPORT

To

The Board of Directors,  
Sakthi Finance Limited

1. We have reviewed the accompanying statement of un-audited financial results of M/s. Sakthi Finance Limited for the period ended 31<sup>st</sup> December 2014 except for the disclosures regarding 'Public Shareholding' and 'Promoter and Promoter Group Shareholding' which have been traced from disclosures made by the management and have not been audited by us. This statement is the responsibility of the company's management and has been approved by the Board of Directors/ committee of Board of Directors. Our responsibility is to issue a report on these financial statements based on our review.
2. 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 misstatements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and accordingly, we do not express an audit opinion.
3. Based on our review conducted as above, nothing has come to our attention that causes us to believe that the accompanying Statement prepared in accordance with Accounting Standards issued under The Companies (Accounting Standards) Rules, 2006 which continue to apply as per section 133 of the Companies Act 2013, read with Rule 7 of Companies (Accounts) Rules, 2014, and other recognized accounting practices and policies generally accepted in India has not disclosed the information required to be disclosed in terms of Clause 41 of the Listing Agreement with the Stock Exchanges including the Manner in which it is to be disclosed, or that it contains any material misstatement.

**For P.N. Raghavendra Rao & Co.,**  
Chartered Accountants  
Firm Registration No. 03328S

P.R. Vittel  
Partner Membership No. 018111

Coimbatore  
February 14, 2015

