

DIRECTORS' REPORT

The Members,
M/s Navarathna Housing Finance Limited.

Your Directors have pleasure in submitting the Annual Report of the Company together with the Audited Statement of Accounts for the year ended 31st March 2024 (Combined entity after merger of NFSL)

FINANCIAL SUMMARY

(Amount in Rs.)

Particulars	For the period ended 31-03-2024	For the period ended 31-03-2023
Total Income	8,56,17,242	7,51,43,978
Total Expenses	4,09,22,123	3,15,11,063
Profit and Loss before Exceptional and Extraordinary items and Tax	4,46,95,119	4,36,32,915
Profit and Loss before Tax	4,46,95,119	4,36,32,915
Less : Current Tax	1,00,86,765	95,11,488
Previous Year's Tax	(6,60,606)	64,946
Deferred Tax	26,40,955	16,03,308
Profit and Loss After Tax	3,26,28,005	3,24,53,173

Annual Return: (u/s 134 (3)(a))

The Company is having website i.e. www.navarathnahousing.com and annual return of Company has been published on such website along with MGT 7 form. Link of the same is given below

<https://www.navarathnahousing.com/finance.html>

Number of Board / Committee Meetings conducted during the year under Review: (u/s 134 (b))

The Board is comprised of six members namely

1. Mr. Chokkalingam Palaniappan, Managing Director
2. Mr. Meenakshisundaram Ramanathan, Director (Independent)
3. Mrs. Thirupathi Manonmani Ramanathan, Director
4. Mr. Palaniappan Alagappan- Director (Independent)
5. Mr. T. Sockalingam- Director (since 26-06-2023)
6. Mrs. Devikala Venkatkumar, Director
7. Mr. Arunachalam Muthuraman (Upto the AGM 26-07-2023-then retired)



The Company has conducted Seven **Board meetings** during the financial year under review.

<i>S No</i>	<i>Date /Day of Board Meeting</i>	<i>Board Strength</i>	<i>No of Directors Attended</i>
1.	28-04-2023	6	6
2.	07-06-2023	6	6
3.	26-06-2023	6	5
4.	07-08-2023	6	6
5.	31-08-2023	6	6
6.	01-11-2023	6	6
7	16-02-2024	6	6

Disclosure of Composition of Audit Committee and Providing VIGIL MECHANISM:

The Audit Committee of the Board is comprised of three members namely

1. Mr. Meenakshisundaram Ramanathan - Chairman
2. Mr. T.Sokkalingam – Member (since 26-06-2023)
3. Mr. Palaniappan Alagappan– Member
4. Mr. Arunachalam Muthuraman- Member (Retired in the AGM – 26-07-2023)

The Company has conducted **Four Audit Committee** meetings during the financial year under review.

<i>S No</i>	<i>Date /Day of Board Meeting</i>	<i>Committee Strength</i>	<i>No of Directors Attended</i>
1.	26-06-2023	3	2
2.	07-08-2023	3	3
3.	01-11-2023	3	3
4.	16-02-2024	3	3

Company's Policy to Directors appointment, Payment of Remuneration and Discharge of their Duties:

Pursuant to the Section 178 of the Companies Act, 2013 read with relevant rules made there under the Nomination and Remuneration policy of the Company was framed by the Board of Directors of the Company.



The Nomination and Remuneration Committee of the Board is comprised of three members namely:

1. Mr. Meenakshisundaram Ramanathan - Chairman
2. Mr. Palaniappan Alagappan- Member
3. Mr. Chokkalingam Palaniappan- Member

The Company has conducted Two Nomination & Remuneration Committee meetings during the financial year under review.

S No	Date /Day of Board Meeting	Committee Strength	No of Directors Attended
1.	26-06-2023	3	2
2.	07-08-2023	3	3

SHARES:

During the year under review the following changes were made in Equity Share Capital:

Increase in Authorized Share Capital	Buy Back of Securities & Sweat Equity	Rights Issue	Bonus Shares	Employees Stock Option Plan
Increased from Rs. 25.00 crores to Rs. 30.50 crores (Due to Merger of NFSL as per NCLT Chennai Order	Nil	1:1.75 issue (Net 80,17,329 Shares of Rs. 10/- each with to NFSL Shareholders after adjusting the existing shares held by NFSL - 10,00,000 shares	Nil	Nil

Particulars of Loans, Guarantees or Investments made under section 186 of the Companies Act 2013 :

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review

Particulars of Contracts or Arrangement made with Related Parties: (Sec. 188)

The particular of Contracts or Arrangements made with related parties made pursuant to Section 188 is furnished in Annexure I in Form AOC-2 and is attached to this Report.



Subsidiaries, Joint Ventures and Associate Companies: (Rule 8(5)(iv))

The Company does not have any Subsidiary, Joint venture or Associate Company during the year under review.

Explanation or Comments on Qualifications, Reservations or Adverse Remarks or Disclaimers made by the Auditors and the Practicing Company Secretary in their Reports: (Sec 134 (3)(f))

There are no qualifications, reservations or adverse remarks made by the Auditors in their report. The provisions relating to submission of Secretarial Audit Report is not applicable to the Company.

Dividend: (Sec 134 (3)(k))

As discussed in the Board Meeting (16-02-2024) , the Company is proposing that its entire net profits is to be ploughed back into business for meeting various working capital requirements and for its expansion and growth and as such, there will be no declaration of dividend for the FY 2023-24 and recommended to members accordingly.

Material Changes and Commitment if any, affecting the Financial position of the Company occurred between the end of the financial year to which this financial statements relate and the date of the Report: :Sec 134 (3)(L))

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which these financial statements relate and the date of this report.

Transfer to Reserves:Sec 134 (3)(J))

The Company proposes to transfer Rs. 45.51Lacs under Section 36(1)(viii) Income Tax (previous year Rs.96.44Lacs) and Rs. 19.75 lacs to Statutory Reserve as per Section 29 C of NHB Act ,(previous year Rs. Nil)

Statement concerning development and implementation of Risk Management Policy of the Company: Sec 134 (3)(N))

The Company has Risk Management Policy. The Company has been addressing various risks impacting the Company as stated in the Policy. However, as the elements of risk threatening the Company's existence are very minimal. The Risk Management Committee conducted two meetings (on 26-06-2023 and 16-02-2024) during the FY 2023-24 and all the three members were present in the meetings.



Report on Sexual Harassment of woman at work place:

The Company has zero tolerance for sexual harassment at workplace and has adopted a policy on prevention, prohibition and redressal of sexual harassment at workplace in line with the provisions of Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules framed there under.

Performance Highlights (FY 2023-24) Rule 8(5)(i) & (ii)

(Rs.in lakhs)			
Particulars	FY 2022-23	FY 2023-24	Increase (%)
Shareholder's Fund	3,306.60	3,572.09	8.03%
Loans & Advances Portfolio*	3,658.82	4,532.53	23.88%
Average Loans Portfolio*	3,381.84	4,095.68	21.11%
Total Income	751.44	856.17	13.94%
Interest Income	723.82	841.09	16.20%
Average Earning Rate	21.40%	20.54%	-4.05%
Profit Before Tax (PBT)	436.33	446.95	2.43%
Profit After Tax (PAT)	324.54	326.28	0.54%
Earnings Per Share (EPS)	1.40	1.41	0.54%
Gross NPA - Amount	175.80	178.85	1.73%
- Percent	4.80%	3.95%	-17.88%
Provision for NPA	36.04	61.88	71.68%
Net NPA - Amount	139.76	116.97	-16.31%
- Percent	3.86%	2.62%	-32.18%

Adequacy of Internal Controls with Reference to Financial Statements: Rule 8(5)(vii)

The Company has in place adequate internal financial controls with reference to financial statements. During the year under review, such controls were tested and no reportable material weakness in the design or operation was observed.

STATUTORY AUDITORS:

M/s. Bala & Co., (FRN: 0138588) Chartered Accountants, Chennai were appointed as Statutory Auditors at the Annual general Meeting held on 16th August 2021 for a period of five years subject to ratification by members Annually. However, they have tendered their Resignation with effect from 02-04-2024.



Pursuant to the provisions of Section 139(8) and other applicable provisions of the Companies Act, 2013 read with rules made there under (including any statutory modifications or reenactment thereof for the time being in force and recommendation of the Audit Committee and subject to the approval of shareholders in the ensuing General Meeting, Board of Directors appointed M/s. T. Selvaraj & Co. Chartered Accountants, (Firm Regn. No. 003703S), as the Statutory Auditors of the Company to fill the casual vacancy caused by the resignation of M/s. S Bala & Co (Firm Regn. No: 013958S) the existing auditors of the Company

Conservation of Energy, Technology Absorption, Foreign Exchange earnings and outgo: Rule 8(iii)

The provisions of Section 134(m) of the Companies Act, 2013 apply to our Company.

Foreign Exchange Inflow - NIL
Foreign Exchange Outflow- NIL
Conservation of Energy - NIL
Technology Absorption - NIL

Maintenance of Cost Records as per Section 148 of the Companies Act, 2013:

The Company is not required to prepare and maintain cost records pursuant to Section 148(1) of the Companies Act, 2013.

Deposits:

The Company has not accepted any deposits from the date of Incorporation

Transfer of Unclaimed Dividend to Investor Education and Protection Fund:

The company has not declared dividend during the year 2023-24. Previous years dividend have been paid to respective shareholders and there was no balance outstanding in the Unclaimed Dividend Account. As such, the provisions of Section 124(5) of the Companies Act, 2013 do not apply

Corporate Social Responsibility: Sec. 134 (3) (o)

The Company is not required to constitute a Corporate Social Responsibility Committee as it does not fall within the purview of Section 135 (1) of the Companies Act, 2013 and hence it is not required to formulate policy on corporate social responsibility.

Directors:

Mr. Arunachalam Muthuraman (DIN : 00403915) Director of the Company, is informed his retirement and thus the appointment of Mr. T. Sokkalingam, who was appointed as Additional



Director by the Board (in its meeting held on 26-06-2023) is being regularized in the AGM held on 27-07-2023

Declaration of Independent Directors:

All the Independent Directors of the Company have given declaration that they meet the criteria of Independence laid down under Section 149(6) of the Companies Act, 2013.

Compliances of Secretarial Standards:

The Company has complied with the applicable Secretarial Standards specified by the Institute of Company Secretaries of India (ICSI)

Secretarial Audit

Pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, there is no requirement for appointing a Secretarial Auditor for the financial year 2023-24.

Details of Significant and Material Orders passed by the Regulators, Courts and Tribunals:

National Company Law Tribunal ("NCLT") has given its approval for the Scheme of Amalgamation of Navarathna Financial Services Limited with Navarathna Housing Finance Limited vide its order dated 10th July 2023

The Merger scheme shall come into effect from the effective date as per the Scheme, i.e. The "Effective date" shall have the meaning assigned to such term in clause D of Part-I of the Scheme –

- i. the date on which the last of all the necessary consents, approvals, permissions resolutions agreements sanctions and orders as are hereafter referred to have been obtained or passed; and
- ii. the date on which certified copies of the order of Hon'ble National Company Tribunal under Section 230-232 of the Act sanctioning the scheme and vesting the understanding including the assets, liabilities, rights, duties obligations and the like of the transferor company are filed with the Registrar of Companies, Chennai.

As the INC 28 for both the Companies have been filed on 03-08-2023 and subsequently approved by MCA, it is considered this date ie being the Effective date of Merger.

Compliance with the National Housing Bank (NHB) Act 1987 and NHB Directions, 2010



The Company is registered with the NHB as a Non-Deposit accepting Housing Finance Company. The Company has complied with and continues to comply with all applicable provisions of the Act, the National Housing Bank Act, 1987, NHB Directions, 2010 and other applicable rules/regulations/guidelines, issued from time to time.

Management Discussion and Analysis Report:

The Management Discussion and Analysis Report is furnished as Annexure

Acknowledgements:

Your Directors would like to express their sincere appreciation for the assistance and co-operation received from the banks, Government authorities, RBI, NHB, customers, vendors and members during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed services by the Company's executives and staff. Your Directors also acknowledges gratefully the shareholders for their support and confidence reposed on your Company

Dated:

For Navarathna Housing Finance Limited



Chokkalingam Palaniappan
Managing Director
(DIN : 00884596)



Manonmani Ramanathan
Director
(DIN : 03361666)



MANAGEMENT DISCUSSION ANALYSIS

The Members,

Navarathna Housing Finance Limited

Industry Structure and Developments

Global

After facing the COVID-19 pandemic, presently, world has come out of the shadow of the pandemic and slowly moving to progress side. Still, the impact on various significant development happened in the past two years like,

- impact of inflationary trends,
- reduced investor confidence and
- supply chain disruptions emanating from China
- Continuous increase in the interest rate (raised by the Monetary Regulators), throughout the world.
- Russia-Ukraine War impacting commodity prices

Major central banks have implemented sharp increases in policy rates. Despite rapid monetary tightening, inflation is proving persistent in many key economies, particularly on the back of strength in job markets amid severe labor shortages. Therefore, monetary policy is likely to remain restrictive throughout most of 2023 and 2024, despite financial stability concerns

Global GDP growth is projected at 3.1% in 2024 and 3.2% in 2025, little changed from the 3.1% in 2023. This is weaker than seen in the decade before the global financial crisis, but close to currently estimated potential growth rates in both advanced and emerging market economies.

In India

In our Country also, Economy faced various challenges. Continuous high level of Consumer Price Index (CPI) above RBI tolerance level of 6%. Government adopted various measures, to control the inflation. RBI has increased the Repo Rates many times (during 2023 and 2024) and reduced the excess systematic liquidity. In the FOREX market also, the Rupee witnessed continuous depreciation.

However, despite these critical challenges, India emerged as the fastest growing major economy in the world. The second advance estimate of national income released by the



central statistics office (CSO) on 28 February 2023 expects real GDP growth in FY2023 to be 7.0%. During the month of February, the Government placed the growth oriented budget for FY 2024 and focussed on Capital Expenditure. Government has announced various steps to reduce the fiscal deficit, below 6%.

Industry

HFCs' AUM grew 9 per cent in FY2023. Housing finance companies' AUM is seen growing 12-14 per cent in FY2024 and FY205 led by continued growth momentum in housing loans coupled with an expected revival in developer loans (Source - Care Edge Ratings)

HFCs' outstanding portfolio stood at ₹7.4 lakh crore , of which housing loans comprised ₹5.5 lakh crore. In comparison, housing loans by banks stood at ₹19.4 lakh crore.

The residential real estate sector is experiencing robust demand, due to strong macroeconomic fundamentals and drivers such as improving affordability, rising urbanization, a low mortgage-to-GDP ratio, favourable demographics and government policies. Shift in post-pandemic consumer behaviour towards a preference for open living spaces, premiumization, as well as other factors such as low-interest rates and stamp duty rebates, are also supporting growth.

Net NPA to net worth for HFCs improved from 16.6 per cent to 11.7 per cent. Stage 3 provision cover ratio, estimated at 42 per cent as of March 2023, is expected to remain healthy in the range of 44-46 per cent in the near to medium term.

Company Overview

During the Financial Year (2023-24), Navarathna Financial Services Limited (NBFC) was merged with our Company as per the NCLT, Chennai Order dated 10th July 2023. As on 31.3.2024 company has the following loan portfolio

Housing Loan	Rs.23.62 crores
Mortgage Loan (including BL)	Rs. 8.03 crores
Jewel Loans	Rs.13.57 crores
Other Small Loans	Rs. 0.10 crores

However, our focus so far has mainly been on Housing loans to individuals, to reach the goal of Principal Business Criteria (PBC).



Our company's vision is to empower the rural mass by providing access to hassle free finance at affordable rate with quick service to affordable sector. It endeavors to fill the gap left by banks and other housing financial institutions. We continue to focus on retain home player in LIG and MIG segment of Rural/ Semi-urban and affordable unorganized sectors.

Performance Highlights (FY 2023-24)

(Rs.in lakhs)			
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- Percent	3.86%	2.62%	-32.18%

Funding Sources

NHFL raises resources for its lending activities by way of equity and term loan. In order to increase the resources we are approaching Banks and FIs. As on 31.3.2024 the borrowings of the company stood at Rs. 1116.82 Lacs (From Financial Institution- SBI – Rs. 784.44 lacs. ICD – Rs. 196.65 lacs (of which Rs. 100 lakhs from Related party and Rs. 95.65 lakhs from Non-related party) and from the Related Parties- Directors & their Relatives - Rs. 135.73 lacs

Capital Adequacy Ratio

The company is adequately capitalized with capital adequacy ratio of around 114.94 per cent as on March 31, 2024, against RBI minimum stipulation of 15.00 per cent.

Dividend

As discussed in the Board Meeting (16-02-2024) , the Company is proposing that its entire net profits is to be ploughed back into business for meeting various working capital requirements and



for its expansion and growth and as such, there will be no declaration of dividend for the FY 2023-24 and recommended to members accordingly

Board of Directors

During the Financial Year, one Director (Mr. AR Muthuraman) has retired (In the AGM) and Mr. T. Sokkalingam was inducted as a Director (Additional Director) w.e.f 26-06-2023 and various committees of the Board have been reconstituted accordingly.

AUDITORS AND AUDITORS' REPORT

M/s. Bala& Co. (FRN: 0138588) Chartered Accountants, Chennai who were appointed as Statutory Auditors at the Annual general Meeting held on 16th August 2021, has submitted their resignation w.e.f. 02-04-2024 and M/s. T. Selvaraj& Co, Chartered Accountants, (Firm Regn. No. 003703S) has been appointed by the Board of Directors, in its meeting held on 20-04-2024, subject to approval in the ensuing AGM.

INTERNAL CONTROL SYSTEMS

The Company has an internal control system commensurate with the size, scale and complexity of its operations. The internal Auditors monitor the efficiency and efficacy of the internal control systems in the Company, compliance with operating systems/accounting procedures and policies of the Company.

HUMAN RESOURCES

The Company believes in nurturing talented professionals and give them ample opportunity to grow. Our focus is on meticulous execution of tasks. We drive the hunger to learn, among our people, encouraging them to constantly enhance their skill sets. We strongly believe that people focus will ultimately deliver business success. Thus a positive and productive work environment along with an interesting mix of assignments drives individuals to join us

CAUTIONARY NOTE

Certain statements in this Report may be forward-looking and are stated as may be required by applicable laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Govt. policies and other incidental/related factors.

ACKNOWLEDGEMENT



The Directors also wish to place on record their appreciation for the support extended by National Housing Bank, Reserve Bank of India, other regulatory and Government Bodies, Company's Auditors, Bankers, Promoters and shareholders.

The Directors take this opportunity to place on record their appreciation to all employees for their hard work, spirited efforts, dedication and loyalty to the Company which has helped the Company maintain its growth.

For and on Behalf of the Board
Navarathna Housing Finance Limited



Mr. Chokkalingam Palaniappan
Managing Director (DIN : 00884596)

Date:

Place: Chennai

