

DIRECTORS' REPORT

To
The Members
Navarathna Housing Finance Limited
Chennai

1. ANNUAL RETURN

Pursuant to Section 92 (3) read with Section 134 (3) (a) of the Companies Act, 2013, the Annual Return in Form MGT 7 shall be placed on the website of the company at <https://www.navarathnahousing.com/> after the conclusion of 7th Annual General Meeting.

2. MEETINGS OF THE BOARD OF DIRECTORS

During the financial year, the Board of Directors of the Company duly met 10 (Ten) times on April 15, 2021, May 28, 2021, July 22, 2021, September 11, 2021, October 15, 2021, November 1, 2021, November 26, 2021, December 27, 2021, February 26, 2022 and March 19, 2022. Proper notices were given and the proceedings were properly recorded and signed in the Minutes Book as required by the Articles of Association of the Company and the Companies Act, 2013.

There were no other General Meetings except an Annual General Meeting held on August 16, 2021.

3. DIRECTORS' ATTENDANCE AT BOARD MEETINGS

The attendance of directors at Board Meetings held during the Financial Year 2021-2022 are given below:

Sl. No.	Date of the Meeting	Number of Directors associated as on the date of Board Meeting	Attendance at the Board Meeting
1.	April 15, 2021	6	5
2.	May 28, 2021	6	5
3.	July 22, 2021	6	5
4.	September 11, 2021	6	5
5.	October 15, 2021	6	5
6.	November 1, 2021	6	5
7.	November 26, 2021	6	6
8.	December 27, 2021	6	5
9.	February 26, 2022	6	6
10.	March 19, 2022	6	5

4. DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134 (5) of the Companies Act, 2013, the Board of Directors of the Company



confirms that:

- (a) In preparation of the Annual Accounts for the financial year ended March 31, 2022, the applicable Accounting Standards have been followed along with proper explanation to material departures;
- (b) The directors have selected such Accounting Policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company, for that period;
- (c) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) The directors have prepared the Annual Accounts on a going concern basis;
- (e) The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively and
- (f) The directors had devised proper systems to ensure Compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Pursuant to the Master Direction of Non Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 a detailed Note on the Company's operational and financial performance is given as **Annexure 1** to this Report in "Management Discussion and Analysis".

6. REPORTING OF FRAUDS BY AUDITORS

As per Section 143 (12) of the Companies Act, 2013, the Statutory Auditors have not reported any instances of frauds committed in the Company by its Officers or Employees to the Audit Committee during the financial year,.

However, during the financial year ended March 31, 2022, as required by National Housing Bank Guidelines dated February 5, 2019 and RBI Master Directions dated September 29, 2016 on reporting and monitoring of frauds, the Company had identified and reported frauds by its employee amounting to Rs. 3,89,447/- (Rupees Three Lakhs Eighty Nine Thousands Four Hundred Forty Seven only). The same has been stated in Point xi (a) of Annexure A to the Auditors' Report for the financial year ended March 31, 2022.

7. DECLARATION FROM INDEPENDENT DIRECTORS

The Company has received necessary declaration from each Independent Director of the Company under Section 149 (7) of the Companies Act, 2013, that the Independent Directors of the Company meet the criteria of their Independence laid down in Section 149 (6) of the Companies Act, 2013 and also complied with the Code for Independent Directors prescribed under Schedule IV of the Companies Act, 2013.

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8. REMUNERATION POLICY

The Board, in consultation with the Nomination and Remuneration Committee has framed a Remuneration Policy for its Directors, Key Managerial Personnel, Members of Senior Management and the Employees of the Company.

9. COMMENTS ON QUALIFICATIONS OF AUDITORS' REPORT, IF ANY

There are no qualifications or observations or remarks made by the Auditors in their Report, hence comments by Board of Directors of the Company on Auditors' Report is not required.

10. PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS UNDER SECTION 186

During the financial year, the company had given a loan amounting to Rs. 75,00,000/- (Rupees Seventy Five Lakhs only) to Navarathna Financial Services Limited and it is in compliance with Section 186 of the Companies Act, 2013.

11. PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

All related party transactions pursuant to Section 188 of the Companies Act, 2013 entered into during the financial year were on arm's length basis and were in the ordinary course of business and there were no 'material' contracts or arrangement or transactions not at arm's length basis and hence disclosure in Form AOC 2 is also not required.

12. FINANCIAL SUMMARY

Particulars	For the financial year ended March 31, 2022 (Rs.)	For the financial year ended March 31, 2021 (Rs.)
Turnover including Other Income	4,09,55,665	3,43,99,193
Total Expenses	1,99,91,446	1,39,87,458
Profit / (Loss) before Tax	2,09,64,219	2,04,11,735
Less : Current Tax	48,48,709	41,67,330
Previous Year's Tax		
Deferred Tax	10,46,752	9,76,146
Profit / (Loss) after Tax	1,50,68,758	1,52,68,259

13. CHANGE IN CAPITAL STRUCTURE OF THE COMPANY

During the Financial year 2021-22, there is no change in the Capital Structure of the Company. The company has not issued any shares, any other convertible Securities, Sweat equity shares, employee stock option, debentures, bonds etc. during the Financial Year.

14. CAPITAL ADEQUACY

As per the Housing Finance Companies (NHB) Directions, 2010, every Housing Finance Company shall maintain minimum capital adequacy of 15% consisting of Tier-I and Tier-II



capital. Your Company's capital adequacy ratio stood at 133.20% as at March 31, 2022.

15. THE AMOUNTS, IF ANY, WHICH IT PROPOSES TO CARRY TO ANY RESERVES

Pursuant to Section 29C of National Housing Bank Act, 1987, every housing finance Company shall create a reserve fund and transfer therein a sum not less than twenty percent of its profit every year as disclosed in the profit and loss account and before any dividend is declared.

The Company proposes to transfer Rs. 46.90 Lakhs (previous year Rs. 40.25 Lakhs) to Statutory Reserve.

16. CREDIT RATING

The company is a Non-Deposit taking Housing Finance Company and does not intend to issue non-convertible debentures. The Company has however obtained credit rating from CRISIL Ratings Limited which has accorded rating of BB-/Watch for borrowings from Financial Institutions.

17. NET OWNED FUNDS

As required under Section 29A of the National Housing Bank Act, 1987 read with Housing Finance Company (Reserve Bank) Directions, 2021, the company shall hold Net Owned Funds of Rs. 20 crores and can continue to carry on the business of housing finance if it achieves the requirement of Rs. 15 crore by March 31, 2022 and Rs. 20 crores rupees by March 31, 2023.

The Company has achieved Net Owned Funds of Rs. 18.97 Crores as at March 31, 2022 and hence complies with the aforesaid requirement of RBI.

18. DIVIDEND

The Board in its meeting held on June 27, 2022 has proposed final dividend of Rs. 0.40/- per equity share for the financial year ended March 31, 2022 subject to approval of Shareholders at the ensuing Annual General Meeting.

19. MATERIAL CHANGES WHICH HAVE OCCURRED FROM THE END OF THE FINANCIAL YEAR TO WHICH THE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT

There was no material changes and commitments, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report.

20. STATUTORY DISCLOSURES

A. CONSERVATION OF ENERGY

Your Company has no business activity in relation to Conservation of Energy.

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B. TECHNOLOGY ABSORPTION

Your Company has no business activity in relation to Technology Absorption.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

There were no Foreign Exchange earnings and outgo during the financial year ended March 31, 2022.

21. RISK MANAGEMENT

The Company has adequate Risk Management Policy. It manages monitors and reports on the principal risks and uncertainties that can impact the growth and ability to achieve strategic objective of the Company. The Company's Risk Management Policy is designed to drive a common integrated view of risk and optimal risk mitigation. 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.

22. CORPORATE SOCIAL RESPONSIBILITY

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.

23. INVESTMENT POLICY

As directed by NHB Directions, the Board of Directors of every Housing Finance Company shall frame investment policy for the company and shall implement the same. The criteria to classify the investments into current and long-term investments shall be spelt out by the Board of the company ex-ante in the investment policy. The Company has in place, an Investment Policy.

24. POLICY ON DEMAND / CALL LOANS

As directed by NHB Directions, the Board of Directors of every Housing Finance Company granting / intending to grant demand / call loans shall frame a policy for the company and implement the same.

The company has in place a Policy on Demand / Call loans duly approved by the Board of Directors of the Company.

25. CHANGE IN THE NATURE OF BUSINESS

During the year, there is no change in the nature of the Business of the Company.

26. DETAILS OF CHANGES IN DIRECTORS AND KEY MANAGERIAL PERSONNEL

During the financial year, Mr. Balamurugan Neelamegam (DIN: 01254031) and Mr. Palaniappan

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Alagappan (DIN: 07384487) were re-appointed as Independent Directors of the Company with the approval of Shareholders in its 6th Annual General Meeting held on August 16, 2021.

The Board of Directors is duly constituted with Mr. Chokkalingam Palaniappan (DIN: 00884596), Mr. Arunachalam Muthuraman (DIN: 00403915), Ms. Thirupathi Ramanathan Manonmani (DIN: 03361666), Ms. Devikala Venkatkumar (DIN: 02980171), Mr. Balamurugan Neelamegam (DIN: 01254031) and Mr. Palaniappan Alagappan (DIN: 07384487) as Directors of the Company as on March 31, 2022.

Mr. Ruthrapathy Ganesan is the Chief Financial Officer of the Company.

27. DETAILS OF SUBSIDIARY / JOINT VENTURES / ASSOCIATE COMPANIES

The Company does not have any Subsidiary Company or Associate company or Joint Ventures during the financial year 2021-2022.

28. DEPOSITS

In accordance with the National Housing Bank Act, 1987, your Company is a non-deposit taking Housing Finance Company and had declared that it has not and shall not accept deposit as per the terms and conditions of the registration provided by National Housing Bank.

- (a) the total number of accounts of public deposit of the company - Not Applicable which have not been claimed by the depositors or not paid by the company after the date on which the deposit became due for repayment;
- (b) the total amount due under such accounts remaining unclaimed - Not Applicable or unpaid beyond the date referred to in clause (a) as aforesaid

Your Company has not accepted any deposits from public in terms of Section 73 to 76 of the Companies Act, 2013.

29. DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS

No significant and material order has been passed by the regulators, courts, tribunals impacting the going concern status and Company's operations.

The Company is in the process of merging with Navarathna Financial Services Limited (NFSL), a NBFC Registered with RBI. Merger application has been submitted to National Company Law Tribunal (NCLT), Divisional Bench II, Chennai.

NCLT vide its order CA(CAA)/110(CHE)2021 dated February 11, 2022 and March 9, 2022 had directed to conduct the meetings of Shareholders, Unsecured Creditors and Secured Creditors on or before April 30, 2022. Accordingly, respective meetings were conducted on April 22, 2022, under the Chairmanship of Mr. G. Ramachandran, Practicing Company Secretary and Ms. J. Bharathi, Practising Company Secretary as Scrutinizer. The Chairman's Report has been

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submitted to NCLT and final order is awaited.

30. INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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.

31. REDRESSAL MECHANISM

The Board of Directors of HFCs should lay down the appropriate grievance redressal mechanism within the organization to resolve complaints and grievances. Such a mechanism should ensure that all disputes arising out of the decisions of lending institution's functionaries are heard and disposed of at least at the next higher level. Accordingly, the Company also has the system and procedures for receiving, registering and disposing of complaints and grievances in each of its offices.

32. MAINTENANCE OF COST RECORDS

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

33. DISCLOSURE AS REQUIRED UNDER SECTION 22 OF SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Internal Compliance Committee ("ICC") has been set up to redress the complaints received regarding sexual harassment. All employees are covered under this policy.

There have been no complaints received during the Financial Year 2021-2022.

34. TRANSFER OF UNCLAIMED DIVIDEND TO INVESTOR EDUCATION AND PROTECTION FUND

Since entire dividends declared by the Company have been paid / credited to the respective shareholders' account, year on year, there has been no unclaimed dividend at any point of time. Hence, compliance of provisions of Section 124 and 125 of the Companies Act, 2013 does not arise.

35. STATUTORY AUDITORS

M/s. S. Bala & Co., Chartered Accountants, (Firm Regn. No. 013958S), were appointed as Statutory Auditors of the Company at the Sixth Annual General Meeting shall hold office till the conclusion of the Eleventh Annual General Meeting of the Company to be held in Calendar Year 2026.

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36. 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 2021-2022.

37. AUDIT COMMITTEE

As required under Section 177 of the Companies Act, 2013, the Audit Committee of the Board is duly constituted with three members namely:

1. Mr. Balamurugan Neelamegam, Independent Director - Chairman
2. Mr. Palaniappan Alagappan, Independent Director - Member
3. Mr. Arunachalam Muthuraman, Non-executive Director - Member

During the financial year, the Audit Committee met 6 (Six) times on April 7, 2021, May 20, 2021, July 10, 2021, October 5, 2021, November 24, 2021 and February 25, 2022. All three members of the Audit Committee attended all the said meetings held during the year.

38. NOMINATION AND REMUNERATION COMMITTEE

As required under Section 178 of the Companies Act, 2013, the Nomination and Remuneration Committee of the Board is duly constituted with three members namely:

1. Mr. Balamurugan Neelamegam, Independent Director - Chairman
2. Mr. Palaniappan Alagappan, Independent Director - Member
3. Mr. Chokkalingam Palaniappan, Managing Director - Member

During the financial year, the Nomination and Remuneration Committee met once on July 8, 2021. All three members of the Committee attended the said meeting.

39. RISK MANAGEMENT COMMITTEE

The Risk Management Committee of the Board is duly constituted with three members namely;

1. Mr. Balamurugan Neelamegam, Independent Director - Chairman
2. Mr. Chokkalingam Palaniappan, Managing Director - Member
3. Mr. Ruthrapathy Ganesan, Chief Financial Officer - Member

During the financial year, the Risk Management Committee met 3 (three) times on April 7, 2021, July 10, 2021 and February 22, 2022. All three members of the Risk Management Committee attended all the said meetings held during the year.

40. COMPLIANCE WITH DIRECTIONS OF RESERVE BANK OF INDIA

The Company is registered with the RBI as a Non-Deposit accepting Housing Finance Company.

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The Company has complied with and shall continue to comply with all applicable provisions of the National Housing Bank Act, 1987, NHB Directions, 2010 and relevant rules / regulations / guidelines, issued from time to time, by the Reserve Bank of India.

41. CONFIRMATION ON COMPLIANCE OF SECRETARIAL STANDARDS

The Company has complied with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India (ICSI) with respect to Meetings of the Board and General Meetings.

42. As per Rule 9A of the Companies (Prospectus and Allotment of Securities) Rules, 2014 read with Section 29 of the Companies Act, 2013, the Company has obtained International Securities Identification Number (ISIN: INE040901014) and provided the facility of dematerialization to its exiting equity shareholders.

43. 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.

44. ACKNOWLEDGEMENTS

The Directors also wish to place on record their appreciation for the support extended by 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 of Directors of
NAVARATHNA HOUSING FINANCE LIMITED,
(CIN: U65922TN2015PLC100156)



CHOKKALINGAM PALANIAPPAN
Managing Director (DIN: 00884596)



BALAMURUGAN NEELAMEGAM
Director (DIN: 01254031)

Place: Chennai

Date: June 27, 2022



MANAGEMENT DISCUSSION AND ANALYSIS (2021-22)

To the Members,
Navarathna Housing Finance Limited

INDUSTRY STRUCTURE AND DEVELOPMENTS

Macro Level – Global

The last two years have been difficult for the world economy on account of the COVID-19 pandemic. Repeated waves of infection, supply-chain disruptions and, more recently, inflation have created particularly challenging times for policy-making. Faced with these challenges

International risks have increased significantly (especially Ukraine – Russia War – followed by economic / financial penalties and sanctions). Increase in oil price, with weakened export demand, reduced investor confidence and non-availability of raw materials and intermediate inputs. The lockdown affected the supply chains and led to a sharp fall in consumption

As per the various Financial Experts, it is estimated that Global Economic Output estimated to fall by 4 to 5% (Estimates).

Inflation has reached record levels in the U.S. and Europe prompting a shift in Fed policy. While inflation is forecast to stay high through most of 2022, it is expected to moderate thereafter. This forecasted moderation is due to a shift in consumer spending from goods to less inflationary services, easing supply chain bottlenecks and a retreat in energy prices.

In India

Advance estimates suggest that the Indian economy is expected to witness real GDP expansion of 9.2 per cent in 2021-22 after contracting in 2020-21. This implies that overall economic activity has recovered past the pre-pandemic levels. Almost all indicators show that the economic impact of the “second wave” in Q1 was much smaller than that experienced during the full lockdown phase in 2020-21 even though the health impact was more severe.

The Government of India has introduced several reforms to liberalize, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These measures include launching Credit Guarantee Fund Scheme for MSMEs, issuing guideline to banks regarding collateral requirements and setting up a Micro Units Development and Refinance Agency (MUDRA). With a combined push by Government and private sector, India is undoubtedly one of the world's most vibrant capital markets.

OPPORTUNITIES AND THREATS

Opportunities: a. Increasing Urbanisation

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- b. Rising Affordability
- c. Increasing penetration of housing finance
- d. Rise in nuclear family system

Threats:

- a. Slowdown in Economic growth
- b. Fluctuation in interest rates
- c. Changes in Regulatory Environment
- d. Covid-19- Epidemic Continuation and increasing NPA

The COVID-19 Pandemic and Lockdown

On account of the national lockdown in the Indian economy amidst rising global cases of COVID-19 cases, India's GDP growth in financial year 2020-21 is likely to be notably lower. COVID-19 pandemic affected both demand and supply. These situations continued in the current year also.

Efforts are being made to carefully open up economic activities including construction, factories, shops and stores across most parts of the country with adequate social distancing, use of masks and other stringent health protocols.

The Government of India has introduced several reforms to liberalize, regulate and enhance this industry.

Further, the following package also announced by Regulators due to the spread of COVID-19 pandemic.

- Announcement of EMI Moratorium and maintaining the Asset quality
- Targeted Long-Term Repo Operation (TLTRO) for the sector of Rs. 50,000 crores and
- A special financing window through SIDBI, NABARD and NHB of another Rs. 50,000 crores to enable financing NBFCs and HFCs.

SEGMENT - WISE OR PRODUCT - WISE PERFORMANCE

Industry

The stress caused by the COVID-19 pandemic has affected key residential markets in India. The COVID-19 made people rethink about their home buying and investments plans.

The collections of these entities in the retail portfolio have seen an improvement and are near to pre-Covid levels, while the retail portfolio has grown substantially. However, negative drivers may be seen in Q1FY23 in the affordable segment (due to heavy inflation).

HFCs were undergoing a challenging period on the back of muted demand and emerging asset quality concerns. This was aggravated by the near halt in economic activities following the COVID-19 outbreak. Funding and liquidity positions of HFCs are likely to remain under pressure throughout the year, as collections stay subdued. Going forward, the industry focus will be more on asset quality and liquidity of HFCs, rather than growth. While all HFCs are facing

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significant headwinds because of the currently evolving situation, their ability to keep adequate liquidity and control the asset quality would be the key differentiator

Though the asset quality deteriorated across segments, construction finance was the worst hit followed by LAP and HL

It expects a 40-70 basis points increase (net of recoveries and write-offs) in the GNPA's by March 31, 2022, from GNPA's as of March 31, 2021, assuming there are no further COVID-19 induced lockdowns.

OUTLOOK FOR REAL ESTATE / HOUSING INDUSTRY

The overall on-book housing loan portfolio growth of HFCs and NBFCs slowed significantly during the year.

The COVID-19-induced disruptions moderated the portfolio growth to 6 per cent in FY 2021.

During the year the asset quality has deteriorated due to lockdown and the consequent impact on the borrowers' earning capacity and their cash flows. This had impact on all segments – Housing Loan (HL), Loan against Property (LAP) and Construction Finance (CF). Especially the asset quality of affordable and self-employed is more affected.

GNPA's of HFCs, however, are expected to improve in the next fiscal year as companies adopt the new guidelines and inform customers about the same. There is a considerable improvement in the earning cycle for a self-employed segment, which has a rub-off effect on the repayments as well. However, CareEdge expects delinquencies to be higher in companies with a higher proportion of loans against property and construction finance.

Gross non-performing assets (GNPA's) of housing finance companies are likely to rise to 3.6-3.8% in the fourth quarter of the current financial year, from 3.3% in December 2021, due to the Reserve Bank of India's (RBI's) norms on up gradation of assets and lag effect of the Covid-19 pandemic. "GNPA's to be 3.6-3.8% as of March 31, 2022, which will be 30 to 50 basis points higher than GNPA's as of December 31, 2021".

From the Government side, they have announced in the Budget 2022, that the Affordable housing was clearly in focus, with the finance minister announcing the allocation of ₹48,000 crore under the Pradhan Mantri Awas Yojana. Around 8 million houses are expected to be completed by 2023 across the country.

As such, during the financial year under review, the industry have seen the deterioration of asset quality and reduced recovery, resulted in difficulty in cash flow management by the NBFC / HFCs. However, it is expected to increase after the second quarter of the next financial year.

Both the Finance / Real Estate and the Public Administration segments are now well above pre-COVID levels.

RISKS AND CONCERNS

The Asset quality is important risk factor in the company's Risk Management framework.

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Despite having best appraisal process, due to natural calamity (Covid-19 Epidemic) and followed weak economic conditions decorated the quality of assets. This resulted in increasing the provision for NPA and other related losses.

Though the Company does not face any liquidity problem to meet further development, Branch level staffs are educated for selection quality customers and to improve the recovery in loans to meet the above said risks.

All relevant quantitative and qualitative risks factors are considered together, as relative weakness in one area of the company's performance may be more than adequately compensated for by strengths elsewhere.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

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.

DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Company Overview

Navarathna Housing Finance Limited (NHFL) is a small player in the housing finance sector in India. NHFL is offering Home Loan and Mortgage Loans. As on March 31, 2022, our company has a home loan portfolio of Rs. 13.90 crores and mortgage loan portfolio is Rs. 6.18 Crores. Our focus so far has mainly been on Housing loans to individuals.

Lending Operations

We have built upon our business to widen our product offering to meet the changing customer needs. Our company's vision is to empower the rural mass by providing access to hassle free finance at affordable rate with quick service for business, agriculture and allied activities and personal needs. It endeavors to fill the gap left by banks and other housing financial institutions.

We continues to focus on retain home player in LIG and MIG segment of Rural/ Semi-urban and affordable unorganized sectors.

Performance Highlights (FY 2021-22)

(Rs. In Lakhs)

Particulars	FY 2020-21	FY 2021-22	Increase (%)
Shareholder's Fund	1802.17	1,897.38	5.28%
Loans & Advances Portfolio	1825.45	2,082.86	14.10%
Average Loans Portfolio	1691.08	1954.15	15.56%
Total Income	343.98	409.56	19.06%
Interest Income	326.75	379.67	16.19%



Particulars	FY 2020-21	FY 2021-22	Increase (%)
Average Earning Rate	19.32%	19.43%	0.56%
Profit Before Tax (PBT)	204.74	209.64	2.39%
Profit After Tax (PAT)	152.90	150.69	-1.45%
Earnings Per Share (EPS)	1.19	1.09	-8.34%
Gross NPA - Amount	10.07	113.72	1029.26%
- Percent	0.55%	5.66%	929.74%
Provision for NPA	10.07	25.61	154.36%*
Net NPA - Amount	0.00	88.10	
- Percent	0.00%	4.44%	

*Despite, the pandemic – Covid 19 affected the entire industry, our Company has shown growth as given above.

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 March 31, 2022, the borrowings of the company stood at Rs. 382.41 Lakhs (From Financial Institution- SBI – Rs. 271.09 Lakhs. ICD – Rs. 30.00 Lakhs and from the Related Parties- Directors & their Relatives - Rs. 81.32 Lakhs – including Rs. 50 Lakhs ICD from Kuvera Real Assets and Consulting Private Limited – Related Party).

Capital Adequacy Ratio

The company is adequately capitalized with capital adequacy ratio of around 133.20% as on March 31, 2022, against RBI minimum stipulation of 15.00%.

Dividend

I am glad to state that your Board has recommended a dividend of 4% (Rs.0.40 per share of Rs. 10/- each) which is to be approved by the shareholders at the Annual General Meeting.

MATERIAL DEVELOPMENTS IN HUMAN RESOURCES / INDUSTRIAL RELATIONS FRONT, INCLUDING NUMBER OF PEOPLE EMPLOYED.

Human Resources

The Company believes in nurturing talented professionals and gives 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.

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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, Shareholders and all other stakeholders. 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 of Directors of
NAVARATHNA HOUSING FINANCE LIMITED,
(CIN: U65922TN2015PLC100156)

CHOKKALINGAM PALANIAPPAN
Managing Director (DIN: 00884596)



Place: Chennai

Date: June 27, 2022