

NOTICE OF THE MEETING OF THE UNSECURED CREDITORS OF NAVARATHNA HOUSING FINANCE LIMITED CONVENED AS PER THE DIRECTIONS OF THE NATIONAL COMPANY LAW TRIBUNAL, DIVISION BENCH, CHENNAI ('NCLT')

Day	Friday
Date	22nd April 2022
Time	4:00 PM
Venue	2/102, Third Street (First Floor) Karpagam Avenue, RA Puram, Chennai -600 028, Tamil Nadu

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**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL
DIVISION BENCH, CHENNAI**

FORM NO. CAA 2

(Pursuant to Section 230(3) of the Companies Act, 2013 and Rule 6 of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016)

CA(CAA)/110/CHE/2021

In the matter of the Companies Act, 2013

And

In the matter of Sections 230 to 232 and other applicable provisions of the Companies Act, 2013

And

In the matter of Scheme of Amalgamation amongst
Navarathna Financial Services Limited with Navarathna Housing Finance Limited
And their respective Shareholders and Creditors.

Navarathna Housing Finance Limited,
CIN: U65922TN2015PLC100156
Having its Registered Office at
2/102, Third Street (First Floor) Karpagam Avenue, RA Puram,
Chennai -600 028, Tamil Nadu -

...Applicant Company

**NOTICE OF THE MEETING OF THE UNSECURED CREDITORS OF
NAVARATHNA HOUSING FINANCE LIMITED**

To,

The Unsecured Creditors of Navarathna Housing Finance Limited ('Applicant Company' or 'the Company')

NOTICE is hereby given that by an order dated 11th February 2022, the National Company Law Tribunal, Division Bench, Chennai ('NCLT' or 'the Tribunal') has directed the meeting of the Unsecured Creditors of the Applicant Company for the purpose of considering, and if thought fit, approving with or without modification, the Scheme of Amalgamation amongst Navarathna Financial Services Limited ('NFSL' or 'Applicant Company' or 'the Company') and Navarathna Housing Finance Limited and respective shareholders ('the Scheme').

In pursuance of the said order and as directed therein, further notice is hereby given that a meeting of the Unsecured Creditors of the Company be convened and held at 2/102, Third Street (First Floor) Karpagam Avenue, RA Puram, India on Friday, 22nd April 2022 at 4:00 PM and the said Unsecured Creditors of the Company are requested to attend.

The quorum for the Meeting shall be 2(Two) in number either in person or in proxy. In case, the said quorum is not present at fixed time for meeting, the meeting shall be adjourned by half an hour and thereafter, the persons present for voting shall be deemed to constitute the quorum.

Copies of the Scheme and the Statement under Section 230 and other applicable provisions of the Companies Act, 2013 can be obtained free of charge at the registered office of the Company.

Persons entitled to attend and vote at the meeting may vote in person or by proxy, provided that all proxies in the prescribed form are deposited at the Registered Office of the Company at 2/102, Third Street (First Floor)

Karpagam Avenue, RA Puram, Chennai -600 028, Tamil Nadu, not later than 48 hours before the Meeting. The procedure for attending the meeting through means of video conference and for e-voting at the said meeting shall be communicated separately to the email id registered with us shortly.

A copy of each of the Statement under Section 230 of the Companies Act, 2013, the Scheme, Valuation Report prescribing the consideration, Management certified unaudited financial statements of the Applicant Company and form of Proxy and Attendance Slip are enclosed.

The Tribunal has appointed Mr.G. Ramachandran or in his absence, the Director of the Company who have sworn in affidavit on behalf of the Company, as the Chairman of the said Meeting. The Tribunal has appointed Mrs. J. Bharathi, as a Scrutinizer of the said Meeting. The above-mentioned Scheme, if approved by the Meeting, will be subject to the subsequent approval of the NCLT.

-Sd/-

G. Ramachandran
Chairman appointed for the Meeting

Dated this 15 March 2022 at Chennai

Notes:

1. An Unsecured Creditor entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Applicant Company. The form of proxy duly completed should, however, be deposited at the Registered Office of the Company at 2/102, Third Street (First Floor) Karpagam Avenue, RA Puram, not later than 48 hours before the Meeting.
2. All alterations made in the form of proxy should be initialed.
3. Only Unsecured Creditors of the Applicant Company may attend and vote (either in person or by proxy or by authorised representative under applicable provisions of the Companies Act, 2013) at the meeting of the Unsecured Creditors. The authorised representative of a body corporate which is an Unsecured Creditor of the Applicant Company may attend and vote at the Unsecured Creditors meeting provided a certified true copy of the resolution of the Board of Directors or other governing body of the body corporate authorising such representative to attend and vote at the meeting of the Unsecured Creditors is carried at the Meeting.
4. An Unsecured Creditor or his proxy is requested to hand over the enclosed Attendance Slip, duly signed as per the specimen signature(s) registered with the Company for admission to the meeting hall.
5. The Notice is being sent to all the Unsecured Creditors of the Applicant Company as on 15th March 2022. Copy of this Notice along with Attendance Slip and Proxy Form are being sent in the permitted mode to the Unsecured Creditors. The email address of the Applicant Company is **nhflheadoffice@gmail.com**.
6. The material documents referred to in the accompanying Statement shall be open for inspection by the Unsecured Creditors at the Registered Office of the Applicant Company up to 2 (two) days prior to the date of the meeting on all working days (except Saturdays, Sundays and Public Holidays) between 10.00 A.M.to 5.00 P.M.

**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL
DIVISION BENCH, CHENNAI**
(Pursuant to Section 230(3) and Rule 6)
CA(CAA)/110/CHE/2021

In the matter of:

Sections 230 to 232 and other applicable
Provisions of the Companies Act, 2013;
And

In the matter of Scheme of Amalgamation amongst
Navarathna Financial Services Limited
and
Navarathna Housing Finance Limited and
their respective shareholders and Creditors.

Navarathna Housing Finance Limited,
CIN: U65922TN2015PLC100156
Having its Registered Office at
2/102, Third Street (First Floor)
Karpagam Avenue, RA Puram,
Chennai -600 028, Tamil Nadu

...Applicant Company

**STATEMENT UNDER SECTION 230(3) OF THE COMPANIES ACT, 2013 FOR THE MEETING OF
UNSECURED CREDITORS OF NAVARATHNA HOUSING FINANCE LIMITED CONVENED AS
PER THE DIRECTIONS OF THE NATIONAL COMPANY LAW TRIBUNAL, DIVISION BENCH,
CHENNAI**

In this Statement, Navarathna Housing Finance Limited is hereinafter referred to as ‘NHFL’ or ‘the Applicant Company’ or ‘the Company’. The other definitions contained in the Scheme will apply to this Statement also. The following Statement as required under Section 230(3) of the Companies Act, 2013 and the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 sets forth the details of the proposed Scheme, its effects.

1. The Applicant Company, Navarathna Housing Finance Limited was incorporated as a public limited company under the provisions of the Companies Act, 2013(CIN: U65922TN2015PLC100156). The registered office of the Transferee Company is situated at 2/102, Third Street (First Floor) Karpagam Avenue, RA Puram, Chennai -600 028, Tamil Nadu.
2. The Scheme provides for Amalgamation of Navarathna Financial Services Limited (‘Transferor Company’ or ‘NFSL’) into and with Navarathna Housing Finance Limited (‘NHFL’ or ‘Transferee Company’). (Part II of the Scheme)
3. By an order dated 11 February 2022, the National Company Law Tribunal, Division Bench, Chennai, has directed that a meeting of Unsecured creditors of the Applicant Company be convened and held at registered office of the Applicant Company at 2/102, Third Street (First Floor) Karpagam Avenue, RA Puram, Chennai -600 028, Tamil Nadu, on Friday, 22nd April 2022 at 4:00 PM for the purpose of considering, and if thought fit, approving with or without modification, the Scheme.

4. The Board of Directors of the Applicant Company at their meeting held on 25th March 2021 unanimously approved the Scheme, subject to the approval of various authorities and shareholders of the Company. The Board of Directors have come to the conclusion that the Scheme is in the best interest of the Company and its shareholders and creditors.
5. Copy of the valuation report obtained on the consideration for amalgamation and a copy of the Scheme as approved by the Board is enclosed herewith.

6. **BACKGROUND OF NAVARATHNA HOUSING FINANCE LIMITED**

- 6.1 The Applicant Company Navarathna Housing Finance Limited was incorporated as a public limited company under the provisions of the Companies Act, 2013(CIN: U65922TN2015PLC100156). The registered office of the Transferee Company is situated at 2/102, Third Street (First Floor) Karpagam Avenue, RA Puram, Chennai -600 028, Tamil Nadu.
- 6.2 The Authorized, Issued, Subscribed and Paid-up capital of the Transferee Company as on December 31st, 2020 is as follows:

Share Capital	Amount in INR
<i>Authorized share capital</i>	
Equity Share Capital 1,30,00,000 equity shares of Rs. 10 - each	13,00,00,000/-
Total	13,00,00,000/-
<i>Issued, subscribed and paid-up share capital</i>	
Equity Share Capital 1,38,14,306 equity shares of Rs. 10/- each all fully paid up	13,81,43,060/-
Total	13,81,43,060/-
<i>Fully Paid-Up Shares</i>	
Equity Share Capital 1,38,14,306 equity shares of Rs. 10/- each fully paid up	13,81,43,060/-
Total	13,81,43,060/-

Subsequent to December 31, 2020 there has been no change in the Authorized, Issued, Subscribed and Paid-up Capital of the Resulting Company.

The extracts of the main objects of the Applicant Company are as under:

1. *To carry on the business on providing short term/long term finance to any person(s) company(ies) or corporation(s), society(ies) or association(s) jointly or individually enabling such borrowers to construct or purchase any building(s) or house(s) or flat(s) or any part thereof for residential / commercial purposes, upon such security and such terms and conditions as the company may deem fit including affordable housing finance and also, to provide short term/long term finance to person engaged in the business of construction of building(s) or house(s) or flat(s) for residential / commercial purpose to be sold by them upon such terms and conditions as the company may deem fit and proper. And to provide financial assistance, with or without interest (with security or without security) for any maturity, in any form whatsoever, to any person or persons (whether individual, firms, companies, bodies corporate, public body or authority, supreme, local or otherwise or entities),*

whether in the private or public sector, to purchase or acquire houses, building, offices, godowns, warehouses flat or to purchase any freehold or leasehold or any lands, estate or interest in or to take a demise for any term or terms of year of any land and property or to construct, erect, improve, extend, alter, renovate, develop or repair any house or building or any part of portion thereof. And to provide financial assistance, with or without (with or without security) for any maturity, in any form whatever to any person or persons(whether individual, firm, companies, bodies corporate, publicbody or authority, supreme, local or otherwise or other entities)whether in private or public sector for any purpose whatsoever by means of leasing, giving on hire or hire-purchase, lending, selling, re-selling or otherwise disposing off all forms of immovable and immovable properties and assets of any kind, nature or user, whatsoever and for the purpose, purchasing or otherwise acquiring dominion over the same, whether new or used.

2. *To provide financial assistance with or without interest, (with or without Security) for any maturity, in any form whatsoever, to any person or person (whether individuals), firms, companies, bodies corporate, public body or authority, supreme, local or otherwise or other entities), whether in the private or public sectors engaged in the construction of residential houses, flats for the purpose of construction of such residential houses ,flats, for the purpose of construction of such residential houses, flats, including the acquisition and development of lands for the construction of such houses or flats. And to provide financial assistance, with or without interest (with or without security) for any maturity, in an form whatsoever, to any person or persons (whether individuals, firms, companies, bodies corporate, public body or authority, supreme, local or otherwise or other entities), whether in the private or public sector sengaged in the manufacture of building materials as well as construction equipment and machinery.*

3. *To securitize, purchase, acquire, invest in, transfer, sell, dispose of or trade in any financial asset whatsoever, receivables, debts, whether unsecured or secured by mortgage of immovable or charge on movables or otherwise, securitized debts, asset or mortgage backed securities or securitized debts and to manage, service or collect the same and to appoint managing, servicing or collection agent thereof and to issue investors and to guarantee and insure the due payment, fulfillment and performance of obligations in respect thereof or in connection therewith and to promote, establish, undertake, organize, manage, hold or dispose of any special purpose entity, body corporate or vehicle for carrying onall or any such activities and to promote, organize, manage and undertake trading, marketing, distribution of, or otherwise dealing inany or all financial products/ assets and services, offered by individuals, partnership firms, companies, banks, public sector undertakings, institutions, financial institutions, mutual funds, foreign institutional investors, venture funds, firms, trusts, societies, corporation, Central Government, State Government, quasi – government agencies or anybody (whether incorporated or not) in India or elsewhere, through its branches or through facilities for conducting remote financial transactions (including by means of electronic or computer or automated machines network or other means of telecommunication including telephone), including foreign exchange or commodities or securities ie, shares, scrips, stocks, bonds, warrants, debentures, fixed return investments, equity linked investments or participation certificates, participation units, debts whether unsecured or secured by mortgage or immovable or charge on units, debts whether secured unsecured or secured by mortgage of movables or charge on movables or otherwise, securitized debts, assets or mortgaged backed securities or any othe rsecurities/instruments, issued by any company or body (whether incorporated or not) in India or elsewhere, negotiable instruments including issuance bills of exchange, hundies, promissory notes, deposits and other indicies, or consumer and personal*

finance, fund management products (pensions) insurance products and annuities, or as agents of person undertaking provision of such products and services.

4. *To carry on the business of money lending for personal business, agriculture and allied purpose against the security of land, building, two wheeler, other vehicles, machinery, gold, consumer durables or Otherwise, within the stipulated limit permitted by the Regulators or any other Statutory Authorities.*
 5. *To borrow funds from Banks, Non-Banking Companies, Financial Institutions like NHB, SIDBI, NABARD, etc. corporate Bodies, firms, Individual and Trusts and lend own funds as well as borrowed funds under various types of credit facilities and take appropriate action of recovery of the money lend subject to RBI/NHB and other Regulators or any other Statutory Authorities.*
 6. *To engage in Micro Finance activities and thereby provide financial assistance to that segment of the population belonging to the rural and urban poor so as to enable them to engage themselves in productive ventures and thus uplift their overall well-being.*
- 6.4 For the purpose of disclosure it is stated that the Applicant Company has also sought directions for convening, conducting and holding the meeting of the Equity Shareholders Secured and Unsecured Creditors of the Transferee Company has been ordered by the National Company Law Tribunal, Division Bench - II, Chennai in CA/110/CAA/2021 vide order dated 11th February, 2022.

7. **BACKGROUND OF NAVARATHNA FINANCIAL SERVICES LIMITED(TRANSFEROR)**

7.1 The Transferor Company, Navarathna Financial Services Limited was incorporated as a public limited company registered under the Companies Act, 1956 under corporate identification number (U65991TN2011PLC079596). The registered office of the Applicant Company is situated at 2/102, Third Street (First Floor) Karpagam Avenue, RA Puram, Chennai – 600 028, Tamil Nadu.

7.2 The Authorized, Issued, Subscribed and Paid-up capital of the Transferor Company as on December, 31, 2020 is as follows:

Particulars	Amount in Rs.
Authorized Share Capital	
55,00,000 Equity shares of Rs 10 /- each	5,50,00,000/-
Total	5,50,00,000/-
Issued, subscribed and paid-up Share Capital	
51,52,759/- Equity shares of Rs 10 /- each fully paid up	5,15,27,590/-
Total	5,15,27,590/-

Subsequent to 31st December, 2020 there has been no change in the Authorized, Issued, Subscribed and Paid-up Capital of the Transferor Company

7.3 The extracts of the main objects of the Transferor Company are as under:

To carry on the business on providing short term/long term finance to any person(s) company(ies) or corporation(s), society(ies) or association(s) jointly or individually enabling such borrowers to construct or purchase any building(s) or house(s) or flat(s) or any part thereof for residential / commercial purposes, upon such security and such terms and conditions as the company may deem fit including affordable housing finance and also, to provide short term/long term finance to person engaged in the business of construction of building(s) or house(s) or flat(s) for residential / commercial purpose to be sold by them upon such terms and conditions as the company may deem fit and proper. And to provide financial assistance, with or without interest (with security or without security) for any maturity, in any form whatsoever, to any person or persons (whether individual, firms, companies, bodies corporate, public body or authority, supreme, local or otherwise or entities), whether in the private or public sector, to purchase or acquire houses, building, offices, godowns, warehouses flat or to purchase any freehold or leasehold or any lands, estate or interest in or to take a demise for any term or terms of year of any land and property or to construct, erect, improve, extend, alter, renovate, develop or repair any house or building or any part of portion thereof. And to provide financial assistance, with or without (with or without security) for any maturity, in any form whatever to any person or persons (whether individual, firm, companies, bodies corporate, public body or authority, supreme, local or otherwise or other entities) whether in private or public sector for any purpose whatsoever by means of leasing, giving on hire or hire-purchase, lending, selling, re-selling or otherwise disposing off all forms of immovable and immovable properties and assets of any kind, nature or user, whatsoever and for the purpose, purchasing or otherwise acquiring dominion over the same, whether new or used.

7.4 For the purpose of disclosure it is stated that the Applicant Company has also sought directions for convening, conducting and holding the meeting of the Equity Shareholders Secured and Unsecured Creditors of the Transferor Company has been ordered by the National Company Law Tribunal, Division Bench - II, Chennai in CA/110/CAA/2021 vide order dated 11th February, 2022.

8. **RATIONALE FOR THE SCHEME**

8.1 The consolidation of operations of the Transferor Company and Transferee Company by way of Merger will lead to a significant synergy through various opportunities, operational movement, and scale efficiencies in the banking finance and housing finance business.

8.2 The Merger will result in consolidation of the business of the Companies resulting in expansion of the consolidated business and creation of greater value for shareholders and all other stakeholders and,

8.3 The merger would be in the best interest of the shareholders, creditors/lender of the transferor company, as they would continue to play a part in the Indian Banking Finance and housing finance segment growth in view of the transferee company.

9. **SALIENT FEATURES OF THE SCHEME**

- 9.1 The proposed Scheme is presented under Section 230 to Section 232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 with effect from the Appointed Date of 1 April 2021.
- 9.2 The Applicant Company shall make applications and/ or petitions under Section 230 read with Section 232 of the Companies Act, 2013 and other applicable provisions of the Companies Act, 2013 to the National Company Law Tribunal, Chennai (“Tribunal” or “NCLT”) for approval of this Scheme and all matters ancillary or incidental thereto.
- 9.3 This Scheme is and shall be conditional upon and subject to:
- The Scheme being agreed to by the requisite majorities of the unsecured creditors of the Applicant Company in the meeting to be held. Requisite orders for convening and conducting meetings of the Equity Shareholders and Secured Creditors of the Company have also been obtained and the.
 - The sanction by NCLT under Sections 230 to 234 and other applicable provisions of the Act being obtained by the Companies.
 - The filing with the Registrar of Companies, Chennai of certified copies of order sanctioning the Scheme by the Companies.
- 9.4 The management of the Applicant Company is of the opinion that the rights and interests of the Unsecured Creditors of the Applicant Company will not be prejudicially affected or altered by the Scheme as their rights are not sought to be modified in any manner whatsoever.

Please note that the features set out above are only salient features of the Scheme. The Unsecured Creditors are requested to read the entire text of the Scheme to get fully acquainted with the provisions thereof. The Scheme shall be deemed to form part of the explanatory statement.

10. **RESOLUTION PROPOSED TO BE APPROVED AT THE MEETING:**

The Resolution proposed to be considered in the above meeting, is given hereunder:

“RESOLVED that pursuant to the provisions of Section 230 read with Section 232 of the Companies Act, 2013 (including any statutory modification(s) or re-enactment thereof for the time being in force) and other applicable provisions of the Companies Act, 2013, and the enabling provisions of the Memorandum of Association and Articles of Association of the Company and subject to the requisite approval(s), consents, sanctions and permissions of Central Government, other concerned regulatory authorities and the sanction of the National Company Law Tribunal, Division Bench, Chennai (hereinafter also referred to as ‘NCLT’ or ‘the Tribunal’) and/or such other appropriate authority/ies, as may be applicable, if any, and all such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any of them while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company, the Scheme of Amalgamation amongst Navarathna Financial Services Limited with Navarathna Housing Finance Limited and their respective shareholders and creditors, placed before this meeting, be and is hereby approved.”

“RESOLVED FURTHER that for the purpose of giving effect to the above resolution and for removal of any difficulties or doubts, Managing Directors of the Company (hereinafter referred to as the “Board”, be and are jointly and/ or severally hereby authorised to do all things and to take all incidental and necessary steps for and on behalf of the Company and to take from time to time all decisions and steps necessary, expedient or proper, with respect to implementation of the above mentioned resolution, and also to take all other decisions as it/they

may, in its/their absolute decision, deem appropriate and to deal with all questions or difficulties that may arise in the course of implementing the above resolution.”

11. The Applicant Company has made applications before the National Company Law Tribunal, Chennai as per Rule 3(1) of the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 for the sanction of the Scheme under Section 230 read with Section 232 of the Companies Act, 2013.
12. In relation to the meeting of the Unsecured Creditors of the Applicant Company, the Unsecured Creditors of the Applicant Company whose names are appearing in the records of the Applicant Company as on 31st March 2021 shall be eligible to attend and vote either in person or by proxy at the meeting of the Unsecured Creditors of the Applicant Company convened at the directions of the Tribunal. The procedure for attending the meeting through means of video conference and for e-voting at the said meeting shall be communicated separately to the email id registered with us shortly.
13. The management of the Applicant Company are of the opinion that the rights and interests of the Unsecured Creditors and employees of the Applicant Company will not be prejudicially affected or altered by the Scheme.
14. As on 31st December, 2020, the Applicant Company has 8 unsecured creditors valuing INR 1,11,60,292/- (Indian Rupees One Crore Eleven Lakhs Sixty Thousand and Two Hundred and Ninety Two only) due to the unsecured creditors.
15. The Management of the Applicant Company has confirmed that no investigation proceedings have been instituted or are pending under Sections 235 to 251 of the Companies Act, 1956 or the corresponding provisions of the Companies Act, 2013 against the Applicant Company.
16. As directed by the National Company Law Tribunal, Division Bench, Chennai, the Notice pursuant to Section 230(5) of the Companies Act, 2013 in the prescribed format along with a copy of the Scheme, the Statement and the disclosures provided herewith shall be served on the Statutory Authorities, as applicable including the Registrar.

17. **SUMMARY OF THE REPORT**

- 17.1 As per the Valuation report issued by the Registered Valuer, 175 (One Hundred Seventy-Five) equity shares of Navarathna Housing Finance Limited of INR 10 each fully paid up for every 100/- (Hundred) equity shares of Navarathna Financial Services Limited of INR 10/- each fully paid up.
- 17.2 A copy of the management certified unaudited financial statements of the Applicant Company for the period ended March 31, 2022 are attached to this Notice.

18. **INSPECTION**

The following documents will be open for inspection at the registered office of the Applicant Company at 2/102, Third Street (First Floor) Karpagam Avenue, RA Puram, Chennai -600 028, Tamil Nadu, India., up to 2 (two) days prior to the date of the meeting on all working days (except Saturdays, Sundays and Public Holidays) between 10.00 A.M. to 5.00 P.M.

- A) Certified copy of the order passed by the National Company Law Tribunal, Division Bench, Chennai in Company Application No. CA/110/CAA/2021, dated 11 February 2022.

- b) Copies of the Memorandum and Articles of Association of the Applicant Company;
- c) Copies of the annual reports of the Applicant Company for the last three financial years ended March 31, 2021, March 31, 2020 and March 31, 2019
- d) Copies of the unaudited financial statements of the Applicant Company for the period ended 31st December, 2020
- e) Copy of the Valuation report dated 23March2021 obtained from the Independent Registered Valuer;
- f) Copy of the Statutory Auditors' Certificate dated 30 June 2021 confirming the accounting treatment provided in the Scheme is in compliance with Section 133 of the Companies Act, 2013;
- h) Copies of the resolution dated 25, March 2021 passed by the Board of Directors of the Applicant Company approving the Scheme; and
- g) Copy of the Scheme of Amalgamation

This Statement may be treated as a Statement under Section 230(3) of the Companies Act, 2013. A copy of the Scheme, the Statement and the Form of Proxy may also be obtained at 2/102, Third Street (First Floor) Karpagam Avenue, RA Puram, Chennai -600 028, Tamil Nadu., India

Chennai
15 March 2022

G. Ramachandran
Chairman appointed
for the Unsecured Creditors Meeting
Address:

REPORT OF THE BOARD OF DIRECTORS OF NAVARATHNA HOUSING FINANCE LIMITED PURSUANT TO SECTION 232(2)(c) OF THE COMPANIES ACT, 2013 WITH REGARD TO THE EFFECT OF THE SCHEME OF AMALGAMATION AND ARRANGMENT AMONGST NAVARATHNA FINANCIAL SERVICES LIMITED AND NAVARATHNA HOUSING FINANCE LIMITED AND THEIR RESPECTIVE SHAREHOLDERS AND CREDITORS

The Scheme of Amalgamation amongst Navarathna Financial Services Limited and Navarathna Housing Finance Limited and their respective shareholders and creditors (Scheme) was approved by the Board of Directors vide resolution dated 29 October 2020.

As per Section 232(2)(c) of the Companies Act, 2013, a report adopted by the Directors explaining the effect of the Scheme on each class of shareholders, key managerial personnel, promoters, laying out in particular the share exchange ratio, is required to be circulated to the shareholders along with the notice convening the meeting.

The following is the Report taking into consideration the aforesaid provisions:

1. For the Scheme, the Valuation Report was obtained from CS Shweta Joshi, [Registered Valuer – IBBI/RV/05/2020/12901] wherein the following share entitlement was recommended in their report dated 31st August 2020 in respect of the Amalgamation of Navarathna Financial Services Limited and Navarathna Housing Finance Limited:

“175 (One Hundred Seventy-Five) equity shares of Navarathna Housing Finance Limited of INR 10 each fully paid up for every 100/- (Hundred) equity shares of Navarathna Financial Services Limited of INR 10/- each fully paid up.”

Accordingly, In consideration for the Amalgamation of Navarathna Financial Services Limited with Navarathna Housing Finance Limited in terms of the Scheme and based on Share Entitlement Report issued by Mr. Lalit Kumar Dangi Registered Valuer, Navarathna Housing Finance Limited will issue 175 (One Hundred Seventy-Five) equity shares of Navarathna Housing Finance Limited of INR 10 each fully paid up for every 100/- (Hundred) equity shares of Navarathna Financial Services Limited of INR 10/- each fully paid up to the equity shareholders of Navarathna Financial Services Limited as on the Record Date.

2. The proposed amalgamation and vesting of the transferee Company by Navarathna Housing Finance Limited, with effect from the Appointed Date, is in the interest of the shareholders, creditors, stakeholders and employees, of both the companies, as it would enable a focused business approach for the maximization of benefits to all stakeholders
3. The Company is not expecting any change in the KMPs of the Company in pursuance of the Scheme becoming Effective.

4. In the opinion of the Board, the said scheme will be of advantage and beneficial to the Company, its Shareholders, Creditors and other Stakeholders and the terms thereof are fair and reasonable. It is for these reasons that the Board of Directors of the Company approved the Scheme at their meeting held on 23rdMarch, 2021.

For and on behalf of the Board of Directors

Chokkalingam Palaniappan

(Managing Director)

DIN: 0884596.

NAVARATHNA HOUSING FINANCE LIMITED

**BEFORE THE NATIONAL COMPANY LAW TRIBUNAL, DIVISION BENCH, CHENNAI
CA(CAA)/110/CHE/2021**

In the matter of Sections 230 to 232 and other applicable provisions of the Companies
Act, 2013

And

In the matter of Scheme of Amalgamation amongst
Navarathna Financial Services Limited and Navarathna Housing Finance Limited

Navarathna Housing Finance Limited
(CIN: U65922TN2015PLC100156)
Having its Registered Office at
2/102, Third Street (First Floor)
Karpagam Avenue, RA Puram,
Chennai -600 028, Tamil Nadu
Company

...Applicant

Form No.MGT-11

FORM OF PROXY

Name of the Unsecured Creditor	
Registered address	
E-mail Id	

I/We, being the Unsecured Creditor(s) of the above-named Company viz., Navarathna Housing Finance Limited, hereby appoint:

1) _____ of _____ having e-mail id

_____ or failing him;

2) _____ of _____ having e-mail id

_____ or failing him

3) _____ of _____ having e-mail id

_____ or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Unsecured Creditor meeting of the Company convened on the directions of the National Company Law Tribunal, Division Bench, Chennai, to be held on Friday, April 22nd 2022, at 4:00 PM 2/102, Third Street (First Floor) Karpagam Avenue, RA Puram, Chennai -600 028, Tamil Nadu, India and at any adjournment thereof in respect of the proposal/resolution as indicated below:

Proposal/Resolution	Vote for*	Vote against*
Approval to the Scheme of Amalgamation between nNavarathna Financial Services Limited and Navarathna Housing Finance Limited and their respective shareholders and Creditors.		

Signed this ____ day of _____ 2022

Signature of Unsecured Creditor _____

Affix One Rupee Revenue Stamp
--

 Signature of proxy holder(s)

Notes:

1. This form of proxy in order to be effective should be duly completed and deposited at the registered office of the Company, not later than 48 hours before the Meeting.
2. A proxy need not be an Unsecured Creditor of the Company.
3. Alterations, if any made in the Form of Proxy should be initialled.
4. Appointing a proxy does not prevent a creditor from attending the meeting in person if he/she so wishes.
5. In case of joint creditors, the signature of any one holder will be sufficient, but names of all the joint creditors should be stated.

ATTENDANCE SLIP

**MEETING OF THE UNSECURED CREDITORS OF THE COMPANY CONVENED ON THE
DIRECTIONS OF THE NATIONAL COMPANY LAW TRIBUNAL,
DIVISION BENCH, CHENNAI,
TO BE HELD ON FRIDAY, APRIL 22ND, 2022 AT 4:00 PM AT
2/102, THIRD STREET (FIRST FLOOR) KARPAGAM AVENUE, RA PURAM,
CHENNAI -600 028, TAMIL NADU
PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF
THE MEETING HALL**

Amount of outstanding debt (as on 31 st December, 2020)	
Name and address of the Unsecured Creditor (in block letters)	
Name and address of the Proxyholder (in block letters) – <i>To be filled by the proxy attending instead of the Unsecured creditor</i>	

I/We certify that I/We am/are Unsecured Creditor/proxy for the Unsecured Creditor of the Company.

I/ We hereby record my presence at the meeting, convened pursuant to the Order dated 11th February, 2022 of the National Company Law Tribunal, Division Bench, Chennai (“NCLT”), of the Unsecured Creditors of the Company on Friday, April 22nd 2022 at 4:00 PM at 2/102, Third Street (First Floor) Karpagam Avenue, RA Puram, Chennai -600 028, Tamil Nadu.

Unsecured Creditor/ Proxy’s name in **BLOCK** letters

Signature of Unsecured Creditor/Proxy

Notes:

1. Please fill in the attendance slip and hand it over at the entrance of the Meeting Hall.
2. Joint Unsecured creditor(s) may obtain additional attendance slip at the venue of the meeting.

SCHEME OF AMALGAMATION

OF

**NAVARATHNA FINANCIAL SERVICES LIMITED ('NFSL')
('REGISTERED NBFC' & 'TRANSFEROR COMPANY')**

WITH

**NAVARATHNA HOUSING FINANCE LIMITED ('NHFL')
('REGISTERED HOUSING FINANCE COMPANY' & 'TRANSFeree COMPANY')**

AND

THEIR RESPECTIVE SHARHOLDERS AND CREDITORS

UNDER SECTION 230 TO 232 OF THE COMPANIES ACT, 2013



PREAMBLE DESCRIPTION AND RATIONALE OF THE SCHEME

A. PREAMBLE

1. This Scheme of Amalgamation ("Scheme") is presented and formulated under section 230 to 232 of the Companies Act, 2013 and the rules framed thereunder (including any statutory modification or re-enactment thereof, for the time being in force) for the Amalgamation of M/s. Navarathna Financial Services Ltd with Navarathna Housing Finance Ltd,

2. Navarathna Financial Services Ltd, ('NFSL') is registered NBFC and incorporated as a public limited company registered under Companies Act, 1956 under corporate identification number U65991TN2011PLC079596. The company is having its registered office at 2/102, Third Street (First Floor) Karpagam Avenue, RA Puram, Chennai - 600 028, Tamil Nadu, India (Hereinafter referred to as the "Transferor Company"). It is engaged in the business of banking and finance. The main objects of its business are as follows:
 - i. To carry on the business of money lending for personal, business, agriculture and allied purposes against security of two-wheelers, other vehicles, machinery, gold, consumer durables or otherwise.
 - ii. To carry on the business of financial services like money transfer agency, loan syndication and investment advisory services and distribution of financial products like mutual fund units and life and general insurance products.
 - iii. To act as banking correspondent to banks subject to RBI directives issued from time to time.
 - iv. To borrow funds from Banks, Non-Banking Financial Companies, Financial Institutions, SIDBI, NABARD, Corporate bodies, firms, individuals & trusts and lend own funds as well as borrowed funds under various types of credit facilities and take appropriate action for recovery of the money lent subject to RBI directives issued from time to time.
 - v. To engage in the micro finance activities and thereby provide financial assistance to that segment of the population belonging to the rural and urban poor so as to enable them to engage themselves in productive ventures and thus uplift their overall well-being.

3. Navarathna Housing Finance Ltd, ('NHFL') is registered housing finance company and incorporated as a public limited company registered under Companies Act, 2013 under corporate identification number U65922TN2015PLC100156. The company is having its registered office at 2/102, Third Street (First Floor) Karpagam Avenue, RA Puram, Chennai - 600 028, Tamil Nadu, India (Hereinafter referred to as the "Transferee



Company"). It is engaged in the business of housing finance. The main objects of its business are as follows:

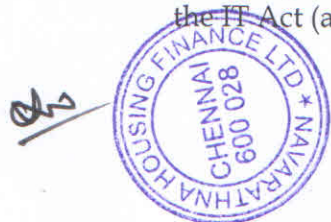
- i. To carry on the business of providing short term/long term finance to any person(s), company(ies) or corporation(s), society(ies) or association(s) jointly or individually enabling such borrowers to construct or purchase any building(s) or house (s) or flat(s) or any part thereof for residential/commercial purposes, upon such security and such terms and conditions as the company deem fit, including affordable housing finance and also, to provide short term/long term finance to persons engaged in the business of construction of building(s) or house (s) or flat(s) for residential/commercial purposes to be sold by them upon such terms and conditions as the company may deem fit and proper.
- ii. To provide financial assistance, with or without interest, (with or without security) for any maturity, in any form whatsoever, to any person or persons (whether individuals, firms, companies, bodies, corporate, public body or authority, supreme, local or otherwise or other entities), whether in the private or public sectors engaged in the construction of residential houses, flats, for the purpose of construction of such residential houses, flats including the acquisition and development of lands for the construction of such houses or flats. And to provide financial assistance, with or without interest (with or without security) for any maturity in any form whatsoever, to any person or persons (whether individuals, firms, companies, bodies corporate, public body or authority, supreme, local or otherwise or other entities), whether in the private or public sectors engaged in the manufacture of building materials as well as construction equipment and machinery.
- iii. To do such other businesses as may be permitted by the statutory authorities to achieve the objectives of the company.

B. DESCRIPTION OF SCHEME

4. This scheme (as defined hereunder) provides, *inter-alia*, for:

the amalgamation of the Transferor Company into Transferee Company, by way of merger and the consequent issuance of the Transferee Company Shares (as defined hereunder) in accordance with share exchange ratio (as defined hereunder) to the Eligible Members (as defined hereunder), in respect of each share of the Transferor Company held by them in accordance with this Scheme ("Amalgamation")

- i. various other matters incidental, consequential or otherwise integrally connected therewith, including the increase in the share capital of the Transferee Company,
- ii. Pursuant to Sections 230 to 232 and other relevant provisions of the Act in the manner provided for in this Scheme and in compliance with the provisions of the IT Act (as defined hereunder).



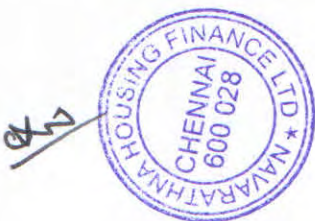
5. The Merger of the Transferor Company into the Transferee Company shall be in full compliance with the conditions relating to "amalgamation" as provided under section 2(1B) and other related provisions of the IT Act such that, *inter-alia*:
- i. all the properties of the transferor company, immediately before the merger shall become the properties of the Transferee Company, by virtue of the Amalgamation/Merger;
 - ii. all the liabilities of the Transferor Company, immediately before the Amalgamation/Merger, shall become the liabilities of the Transferee Company, by virtue of the Amalgamation; and
 - iii. shareholders holding at least three fourth in value of the shares in the Transferor Company, will become shareholders of the Transferee Company by virtue of the Amalgamation.

C. RATIONALE OF THE SCHEME

6. The Merger pursuant to this scheme would inter-alia have the following benefits:
- i. The transferor company is a RBI registered NBFC entity and engaged in the business of banking and financial services. Pursuant to strategic review of the company's products and other banking products in india. The Transferor company has decided to merge with transferee company.
 - ii. The Merger is in line with the Transferee company's strategy to build sustainable and profitable banking finance and housing finance business in India. The transferor Company and the transferee Company expect significant synergies through various opportunities, operational movements, and scale efficiencies in banking finance and housing finance business.
 - iii. The Merger will result in consolidation of the businesses of the Companies' resulting in expansion of the consolidated business and creation of greater value for shareholders and all other stakeholders; and
 - iv. The Merger would be in the best interest of shareholders, creditors of the transferor company, as they would continue to play a part in the Indian banking finance and housing finance segment growth in view of the transferee company.
 - v. The transferor and transferee companies are closely held and are owned and managed and controlled by the same group of Promoters and Directors i.e. Directors are common in the Transferor Company as well as in Transferee Company;
7. The scheme is divided into following parts:



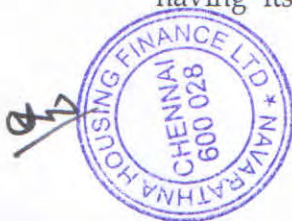
- i. **Part I** which deals with introduction and definitions;
- ii. **Part II**, which deals with the Share Capital of Transferor Company and Transferee Company;
- iii. **Part III**, which deals with the details of transfer and vesting;
- iv. **Part IV**, which deals with the general terms and conditions with respect to re-organisation of share capital;
- v. **Part V**, which deals with the general terms and conditions;



PART - I

D. General Definitions

8. In this scheme, unless repugnant to the meaning or context thereof, the following expressions shall have the following meaning:
- I. **"ACT"** means the Companies Act, 2013 or any amendment or re-enactment and rules made thereunder and as may be applicable,
 - II. **"NATIONAL COMPANY LAW TRIBUNAL"** means the Principal Bench of NCLT at Chennai.
 - III. **"THE EFFECTIVE DATE"** means the last of the following dates or such other dates as Hon'ble NCLT may direct, namely:
 - a. the date on which the last of all the necessary consents, approvals, permissions, resolutions, agreements, sanctions and orders as are hereinafter referred to have been obtained or passed; and
 - b. the date on which certified copies of the Order of Hon'ble NCLT under Section 230 to 232 of the Act sanctioning the Scheme and vesting the undertaking including the assets, liabilities, rights, duties, obligations and the like of the Transferor Company are filed with the Registrar of Companies, Chennai.
 - IV. **"THE SCHEME"** means the Scheme of Amalgamation in its present form or with any modification(s) as approved, imposed or directed by 'Hon'ble NCLT'.
 - V. **"THE TRANSFER DATE"** or **'APPOINTED DATE'** means the **1st day of April 2021** or such other date as 'Hon'ble NCLT' may direct from which all the moveable, immovable or other properties of whatsoever nature including all rights, powers, privileges of every kind, nature and description of the Transferor Company shall be transferred or deemed to be transferred without an further act, deed or thing to be done by the Transferee Company.
 - VI. **"TRANSFeree COMPANY"** means **NAVARATHNA HOUSING FINANCE LTD** a Company incorporated under the Companies Act, 2013 and having its Registered Office at 2/102, Third Street (First Floor) Karpagam Avenue, RA Puram, Chennai - 600 028, India. The Corporate Identity Number of the Transferee Company is U65922TN2015PLC100156.
 - VII. **"TRANSFEROR COMPANY"** means **NAVARATHNA FINANCIAL SERVICES LTD**, a Company incorporated under the Companies Act, 1956 and having its Registered Office at 2/102, Third Street (First Floor) Karpagam



Avenue, RA Puram, Chennai - 600 028, India. The Corporate Identity Number of the Transferor Company is U65991TN2011PLC079596.

VIII. "UNDERTAKING" or "UNDERTAKINGS" shall mean and include:

- a) all assets, claims, estates, interests, powers, properties, rights and title of every description of, or relating to, the Transferor Company as on the Appointed Date (hereinafter referred to as "the said assets")
- b) All debts, duties, liabilities and obligations of every description of or pertaining to the Transferor Company as on the Appointed Date, whether provided or not in the books of account of the Transferor Company and whether disclosed or undisclosed in its balance sheet. (hereinafter referred to as "the said Liabilities").
- c) Without prejudice to the generality of sub-clause (a) above, the undertaking of the Transferor Company shall include all the Transferor Company reserves, moveable, and immovable properties, assets, including investments claims, powers, authorities, allotments, approvals, consents, registrations, contracts, engagements, arrangements, rights, titles, interests, benefits, advantages, lease-hold rights, other intangibles, industrial and other licenses, permits, authorizations, quota-rights, trade marks, patents and other industrial and intellectual properties, import quotas, telephones, telex, facsimile and other communication facilities and equipment, rights and benefits of all agreements and all other interest, rights and powers of every kind, nature and description whatsoever, privileges, liberties, easements, advantages, benefits and approvals of whatsoever nature and wheresoever situated, belonging to or in the ownership, power or possession or control of the Transferor Company.



PART - II**9. Share Capital**

- I. The Share Capital structure of the Transferor Company ('NFSL') as on 31st December 2020 is as follows:

Particulars	Amount in INR
<u>Authorized</u> 55, 00,000 equity shares of INR 10 each	INR 5,50,00,000
<u>Issued and Subscribed Share Capital of INR 10 each</u> 51,52, 759 equity shares of INR 10 each fully paid up	INR 5,15,27,590
<u>Fully Paid-Up Shares of INR 10 each</u> 51,52, 759 equity shares of INR 10 each fully paid up	INR 5,15,27,590

- II. The Share Capital structure of the Transferee Company ('NHFL') as on 31st December 2020 is as follows:

Particulars	Amount in INR
<u>Authorized</u> 1,50,00,000 equity shares of INR 10 each	INR 15,00,00,000
<u>Issued and Subscribed Share Capital of INR 10 each</u> 1,38,14,306 equity shares of INR 10 each fully paid up	INR 13,81,43,060
<u>Fully Paid-Up Shares of INR 10 each</u> 1,38,14,306 equity shares of INR 10 each fully paid up	INR 13,81,43,060

Notes:

The Transferor Company ('NFSL') is holding 10,00,000 Equity Shares of INR 10/- each fully paid up which accounts 7.24% of Capital of Transferee Company ('NHFL'). The Transferee Company has to issue 10,00,000 shares less to the Shareholders of Transferor Company ('NFSL')



PART - IIITRANSFER AND VESTING OF UNDERTAKING OF TRANSFEROR COMPANY
INTO TRANSFEREE COMPANY**10. Transfer of Undertaking**

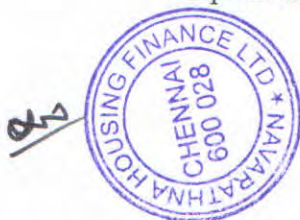
With effect from the Appointed Date, and subject to the provisions of the Scheme in relation to the mode of transfer and vesting, the entire undertaking of the Transferor Company including the Assets and the Liabilities of the Transferor Company as on the Appointed Date shall pursuant to the provisions of Section 230 to 232 and other applicable provision of the Act, without any further act, deed, instrument, matter of thing, BE AND SHALL STAND TRANSFERRED to be vested in or deemed to have been transferred to or vested in the Transferee Company so as to become the undertaking of the Transferee Company but subject to the charges existing, if any, on the assets of the Transferor Company on the Appointed Date.

11. Mode of Transfer of Assets

It is expressly stated that pursuant to the transfer of undertaking of the Transferor Company as provided in clause 9 above, all the said assets are so transferred by the Transferor Company to the Transferee Company to the end and intent that the property herein passes to the Transferee Company pursuant to the provisions of Section 230 to 232 of the Act as an integral part of the Undertaking. The mode of vesting of moveable assets referred in Clause 9 as under:

- I. All the moveable assets of the Transferor Company including plant and machinery, investments, cash on hand shall be handed over by physical delivery (together with duly executed transfer forms or other documents as may be required) to the Transferee Company along with such other documents as may be necessary to the end and intent that the property therein passes to the Transferee Company on such delivery.
- II. In respect of moveable assets other than those specified in sub-clause 10 (I) above including Sundry Debtors, outstanding loans, advances recoverable in cash or kind or for value to be received, bank balances and deposits with Government, Semi-Government, local and other authorities, bodies and customers, etc., the following modus operandi shall be followed:

The Transferor Company shall give notice in such form as it may deem fit and proper to each party, debtor or depositee as the case may be that pursuant to the Hon'ble NCLT sanctioning the Scheme, the said Debt, Loan, Advances, etc. be paid or made good or held on account of the Transferee Company as the



person entitled thereto to the end and intent that the right of the Transferor Company to recover or realize the same stands extinguished.

The Transferee Company may, if required, give Notice in such form as it may deem fit and proper to each person, debtor or depositor that pursuant to the Hon'ble NCLT having sanctioned the Scheme, the said debtor or depositor should pay the debt, loan or advance or make good the same or hold the same on its account and the right of the Transferee Company to recover or realize the same is in substitution of the right of the Transferor Company.

12. Transfer of Liabilities

Pursuant to the Transfer of Undertakings of the Transferor Company as provided in Clause 9 above and subject to the provision in the Scheme in relation to the mode of Transfer and Vesting, the said liabilities of the Transferor Company shall also be and stand transferred or deemed to be transferred, without further act, instrument, deed matter or thing to the Transferee Company, pursuant to the provisions of Section 230 to 232 of the Act so as to become as on from the Appointed Date, the debts, duties, liabilities and obligations of the Transferee Company and further that for the purpose of giving effect to the provisions of this Clause, it shall not be necessary to obtain the consent of any third party or other person who is a Party to any contract or arrangement by virtue of which such debts, liabilities, duties, obligations have arisen.

13. Place of Vesting

The vesting of undertaking shall by virtue of the provisions of this Scheme and the effect of the provisions of Section 230 to 232 of the Act take place at the Registered Office of the Transferee Company.

14. Enforcement of Legal Proceedings

All proceedings of whatsoever nature (legal and others, including any suits, appeals, arbitrations, execution proceedings, revisions, writ petitions, if any) by or against the Transferor Company shall not abate, be discontinued or be in any way prejudicially affected by reason of the transfer of the undertaking of the Transferor Company or of anything contained in this Scheme but the said proceeding, shall, till the Effective Date be continued, prosecuted and enforced by or against the Transferor Company as if this Scheme had not been made and thereafter be continued, prosecuted and enforced by or against Transferee Company in the same manner and to the same extent as they would or might have been continued, prosecuted and enforced by or against the Transferor Company if this Scheme had not been made. The Transferee Company shall take steps to have the abovementioned proceedings continued in its name.

15. Enforcement of Contract, Deeds and other Instruments



- 15.1 Subject to the provisions contained in this Scheme all contracts, deeds, bonds, agreements and other documents and other instruments of whatsoever nature to which the Transferor Company are a party subsisting or having effect immediately before the amalgamation shall remain in full force with the Transferee Company and may be enforced as fully and effectively as if instead of the Transferor Company the Transferee Company had been a party thereto.
- 15.2 As a consequence of the amalgamation of the Transferor Company with the Transferee Company in accordance with this Scheme, the recording of change in name from the Transferor Company to the Transferee Company, whether for the purposes of any licence, permit, approval or any other reason, or whether for the purposes of any transfer, registration, mutation or any other reason, shall be carried out by the concerned statutory or regulatory or any other authority without the requirement of payment of any transfer or registration fee or any other charge or imposition whatsoever.

16. Services of Employees to be continued uninterruptedly

All the employees of the Transferor Company shall become the employees of the Transferee Company without interruption by reason of such transfer and on terms and conditions of employment applicable to the said employees shall not in any way be less favorable to them than those applicable to them immediately prior to the Transfer Date.

17. Conduct of Business by Transferor Company till effective date

With effect from the Appointed Date and up to and including the Effective Date:

- I. The Transferor Company shall carry on and be deemed to have carried on all its business and activities and shall be deemed to have held and stood possessed of and shall hold and stand possessed of all the Assets for and on account of and in trust for the Transferee Company;
- II. All the profits or incomes or taxes but not limited to income tax, minimum alternate tax (including unexpired credit for minimum alternate tax), advance taxes, tax deducted at source by or on behalf of the Transferor Company, GST, research and development cess, refund, reliefs, etc, accruing or arising to the Transferor Company or expenditure or losses arising or incurred by the Transferor Company shall for all purpose be treated and be deemed to be and accrue as the profits or incomes or expenditure or losses of the Transferee Company as the case may be.
- III. The Transferor Company shall carry on its business activity with reasonable diligence, business prudence and shall not, without prior consent of the Transferee Company alienate, charge, mortgage, encumber or otherwise deal with the Assets or any part thereof, except in the ordinary course of business or



pursuant to any pre-existing obligation undertaken by the Transferor Company prior to the Appointed Date;

- IV. The Transferee Company shall also be entitled, pending the sanction of the Scheme, to apply to the Central Government, State Government, and all other agencies, departments and statutory authorities concerned, wherever necessary, for such consents, approvals and sanctions which the Transferee Company may require in relation to the Undertaking of the Transferor Company including the registration, approvals, exemptions, reliefs, etc., as may be required / granted under any law for time being in force for carrying on business by the Transferee Company
- V. Any further modifications by the Transferor Company to its capital structure, either by an increase (by issue of rights shares, bonus shares, convertible debentures or otherwise), decrease, reclassification, sub-division or re-organisation, declaration of dividend or in any other manner, whatsoever, shall not be made except by mutual consent of the Board of Directors of the Transferor Company and of the Transferee Company.
- VI. The Transferor Company shall not vary, except in the ordinary course of business, the terms and conditions of the employment of their employees without the consent of the Board of Directors of the Transferee Company.

Provided that as far as the obligations referred above are concerned, the restrictions thereunder shall be applicable from the date of acceptance of the Scheme by the respective Board of Directors of the Transferor Company and the Transferee Company.

18. Consideration/Issue of Shares

- I. Upon the scheme being finally effective, in consideration of the transfer and vesting of the undertaking of the Transferor Company in the Transferee Company, in terms of this Scheme, the Transferee Company shall subject to the provisions of this Scheme, without any further act, application or deed, issue and allot as on a specific date (hereinafter called the Record Date) to be fixed by the Board of Directors of the Transferee Company as given hereunder.
- II. The Transferee Company shall, without any further application, act instrument or deed, issue and allot to the equity shareholders of the Transferor Company, whose names are registered in their Registers of Members on the Record Date (to be fixed by the Board of Directors of the Transferee Company) or his heirs, executors, as the case may be, successors, equity shares of INR 10 each credited as fully paid up of the Transferee Company, in the ratio of 175 shares (of NHFL) for every 100 equity shares (of NFSL) of the face value of INR 10/- each held by the equity shareholder in the Transferor Company credited as fully paid up.



- III. The new equity shares issued and allotted by the Transferee Company in terms of this Scheme to the shareholders of the Transferor Company shall be subject to the provisions of the Memorandum and Articles of Association of the Transferee Company and shall inter se rank pari passu in all respects with the then existing equity shares of the Transferee Company, including in respect of the dividend, if any, that may be declared by the Transferee Company on or after the Effective date.
- IV. The Shares of the Transferor Company held by the Transferee Company on the Record Date shall be cancelled and shall be deemed to have been cancelled without any further act or deed, and no shares of the Transferee Company are required to be issued in lieu thereof.
- V. No fractional coupons/shares shall be issued by the Transferee Company in respect of fractional share entitlement, if any, to which the shareholders of the Transferor Company may be entitled to, under the Scheme. On issue and allotment of shares by the Transferee Company as aforesaid, the Board of the Transferee Company shall round off the fractional shares to the nearest one.
- VI. The Board of Directors of Transferee Company shall, if and to the extent required, apply for and obtain any approvals from concerned Government/Regulatory Authorities or complete filings with Reserve Bank of India/ Authorized Dealers or appropriate authority as per the applicable legal provisions for the issue and allotment of New Equity Shares to the members of First Transferor Company.
- VII. The Transferee Company shall, if necessary and to the extent required, increase its authorized share capital to facilitate issue of equity shares under this scheme.
- VIII. Approval of this Scheme by the Shareholders of Transferee Company shall be deemed to be the due compliance of the provisions of Section 62 and the other relevant and applicable provisions of the Act for the issue and allotment of equity shares by the Transferee Company to the Shareholders of the Transferor Company as provided in this Scheme.

19. Accounting Treatment

- I. The Transferee Company shall account for the amalgamation of the Transferor Company in its books of account in accordance with 'Pooling of Interests Method' of accounting laid down in 'AS-14 – Accounting for Amalgamations'.
- II. With effect from the Appointed Date, the Transferee Company shall record all the assets, liabilities and reserves of the Transferor Company vested in the Transferee Company pursuant to the Scheme at their respective carrying amounts, as appearing in



the books of the Transferor Company, after making adjustments pursuant to clause 19.IV. The identity of the Reserves of the Transferor Company will be preserved in the hands of the Transferee Company.

- III. The difference between the face value of the new shares issued and allotted and the net value of assets, liabilities, and reserves of the Transferor Company recorded by the Transferee Company in terms of clauses 19.II shall be adjusted to Revenue Reserves (General Reserve and/or Retained Earnings)
- IV. In case of any differences in the accounting policy between the Transferor Company and the Transferee Company, the impact of the same till the amalgamation will be quantified and adjusted in the General Reserve of the Transferee Company to ensure that the Financial Statements of the Transferee Company reflect the Financial position on the basis of consistent accounting policy.
- V. To the extent there are inter-company loans, deposits, balances as between the Transferor Company and Transferee Company, the obligations in respect thereof shall come to an end and there shall be no liability in that behalf and corresponding effect shall be given in the books of account and records of the Transferee Company for the reduction of any assets or liabilities, as the case may be. For the removal of doubt, it is clarified that in view of the above, there would be no accrual of interest or other charges in respect of any inter corporate loans, deposit, or balances with effect from the Appointed Date.



PART IV - RE-ORGANISATION OF SHARE CAPITAL

20. Ratio of Allotment

The Transferor Company and Transferee Company have assigned the work of valuation of shares of each company & its exchange ratio for merger to the IBBI registered valuer named Mr. Lalit Kumar Dangi whose IBBI Registered No is (IBBI/IPA-001/IP/P-01821/2019-2020/12859). He has submitted his report to the Board of Directors of both the companies.

The Exchange Ratio proposed in the valuation report is INR 1.75:1/-
175 (One Hundred Seventy-Five) equity shares of NHFL of INR 10/- each fully paid up for every 100 (One Hundred) equity shares of 'NFSL' of INR 10/- each fully paid up.

21. Goodwill

The Goodwill of Rs. 1,50,00,000/- (Rupees One Crore Fifty Lakhs Only) has been considered for the valuation as per rationale given by the Management.

22. Increase in the value of Investment

Navarathna Financial Services Ltd ('NFSL') holds 10,00,000 shares of Navarathna Housing Finance Ltd ('NHFL'). The book valuation of Navarathna Housing Finance Ltd ('NHFL') shares worked out to Rs. 12.72/-. Hence, the value of investment of Navarathna Financial Services Ltd ('NFSL') in Navarathna Housing Finance Ltd ('NHFL') is taken of Rs. 1,27,20,000/- (10,00,000×12.72)

23. Cancellation of Shares

The Equity Shares of Transferor Company ('NFSL') will be cancelled without any further act of assurances whatsoever; The Shareholders of Transferor Company will get the Equity Shares of Transferee Company ('NHFL') in the exchange ratio as decided.

The Transferee Company ('NHFL') will further issue fresh equity shares other than 10,00,000 equity shares of ('NHFL') which are already held by ('NFSL'). The Net Issue of new Equity Shares will be net of 10,00,000 equity shares.

24. Alterations to Authorised Share Capital

24.1 Upon the Scheme becoming fully effective, the authorised share capital of the Transferor Company shall stand combined with the authorised share capital of the Transferee Company. Filing fees and stamp duty, if any, paid by the Transferor Company on its authorised share capital, shall be deemed to have been so paid by the Transferee Company on the combined authorised share capital and accordingly, the Transferee Company shall not be required to pay any fee/ stamp duty for its increased authorised share capital.



- 24.2 Clause 5 of the Memorandum of Association of the Transferee Company shall, without any further act, instrument or deed, be and stand altered, modified and amended pursuant to the applicable provisions of the Act by deleting the existing Clause and replacing it by the following:

The Authorized Share Capital of the Company shall be Rs. 20,50,00,000/- (Rupees Twenty Crores and Fifty lakhs only) divided into 2,05,00,000 (Two Crore and Five lakhs only) Equity shares of Rs.10/- (Rupees Ten only) each. The Company has power, from time to time to increase or reduce its capital and to divide the shares in the capital for time being into other classes and to attach thereto respectively such preferential, deferred, qualified or other special rights, privileges, condition or restrictions, as may be determined by or in accordance with the Articles of Association of the Company and to vary or modify or abrogate any such rights, privileges or conditions or restrictions in such manner as may for the time being permitted by the Articles of Association of the Company or the legislative provisions for the time being in force in that behalf.

- 24.3 The Confirmation of this Scheme under Section 230 to 232 of the Act shall be deemed to have the approval under the applicable provisions of the Act and any other consents and approvals required in this regard.
- 24.4 The approval of this Scheme by the shareholders of the Transferor and Transferee companies under section 230 to 232 of the Act shall be deemed to have the approval under the applicable provisions of the Act and any other consents and approvals required in this regard.
- 24.5 The Transferee Company will increase Authorised Capital by the amount to cover equity shares to be issued to the shareholders of the Transferee Company.

25. No Declaration of dividend by the Transferor Company

The Transferor Company shall not without the prior written consent of the Transferee Company declare any dividend for the Financial Year ending on or after the Appointed Date and subsequent Financial Years.

25.1. CONSEQUENTIAL MATTERS RELATING TO TAX

- 25.2. This Scheme has been drawn up to comply with the conditions relating to "Amalgamation" as specified under the tax laws, specifically Section 2(1B) of the Income-tax Act, 1961 and other relevant provisions of the Income-tax Act, 1961. If any terms or provisions of the Scheme are found or interpreted to be inconsistent with the provisions of the said section at a later date including resulting from an amendment of law with retrospective effect or for any other reason whatsoever, till the time the Scheme becomes effective, the provisions of the said section of the Income-tax Act, 1961 shall prevail and the Scheme shall stand modified to the extent determined necessary to comply with Section 2(1B) of the Income-tax Act, 1961 and other relevant provisions of the Income-tax Act, 1961. Such modification will however not affect the other parts of the Scheme. Upon the Scheme coming into effect, all taxes/ cess/ duties, direct and/or indirect, payable by or on behalf of the



Transferor Company from the Appointed Date onwards including all or any refunds and claims, including refunds or claims pending with the Revenue Authorities and including the right to claim credit for minimum alternate tax and carry forward of accumulated losses, shall, for all purposes, be treated as the tax/cess/ duty, liabilities or refunds, claims, accumulated losses and credits pertaining to indirect taxes such as GST, etc of the Transferee Company. Accordingly, upon the Scheme becoming effective, the Transferee Company is expressly permitted to revise, if it becomes necessary, its income-tax returns, GST returns, other tax returns, and to claim refunds/ credits, pursuant to the provisions of this Scheme. The Transferee Company is also expressly permitted to claim refunds / credits in respect of any transaction between the Transferor Company and the Transferee Company.

- 25.3. Provided further that upon the Scheme becoming effective, the Transferee Company is also expressly permitted to revise, if it becomes necessary, its income tax returns and related Tax Deducted at Source ('TDS') Certificates, including TDS Certificates relating to transactions between the Transferor Company and the Transferee Company, and to claim refunds, advance tax and withholding tax credits, benefit of credit for minimum alternate tax and carry forward of accumulated losses etc., pursuant to the provisions of this Scheme.
- 25.4. The TDS/advance tax/minimum alternate tax, if any, paid by the Transferor Company under the Income-tax Act, 1961 or any other statute in respect of income of the Transferor Company assessable for the period commencing from Appointed date shall be deemed to be the tax deducted from/advance tax/ minimum alternate tax paid by the Transferee Company and credit for such TDS/advance tax/minimum alternate tax shall be allowed to the Transferee Company notwithstanding that certificates or challans for TDS/advance tax are in the name of the Transferor Company and not in the name of the Transferee Company.
- 25.5. In accordance with the provisions of Goods and Service Tax (GST) legislations, as are prevalent on the Effective Date, the unutilized credits, if any, relating to GST paid on inputs / works in process lying in the accounts of the Transferor Company shall be permitted to be transferred to the credit of the Transferee Company, as if all such unutilized credits were lying to the account of the Transferee Company. The Transferee Company shall accordingly be entitled to set off all such unutilized credits against the GST payable by it.
- 25.6. Any concessional or statutory forms under the laws of GST or local levies issued or received by the Transferor Company, if any, in respect of period commencing from the Appointed Date shall be deemed to be issued or received in the name of the Transferee Company and benefit of such forms shall be allowable to the Transferee Company in the same manner and to the same extent as would have been available to the Transferor Company.
- 25.7. In respect of the inter-company service transactions between the Appointed Date and the Effective Date of the Scheme of Amalgamation, GST charged by the service provider to the service recipient entity would be available as input credit to the recipient entity, despite such transactions getting disregarded as service transactions.



26. Pre-Post-Merger Shareholding of Transferee Company

The Pre-Post-Merger Shareholding of NAVARATHNA HOUSING FINANCE LTD ('NHFL') will be:

Particulars	Amount in INR	Amount in INR
	Pre-Merger	Post- Merger
<u>Authorized</u> 1,30,00,000 equity shares of INR 10 each	INR 15,00,00,000	INR 20,50,00,000
<u>Issued and Subscribed Share Capital of INR 10 each</u> 1,38,14,306 equity shares of INR 10 each	INR 13,81,43,060	INR 21,83,16,350
<u>Fully Paid-Up Shares of INR 10 each</u> 1,38,14,306 equity shares of INR 10 each	INR 13,81,43,060	INR 21,83,16,350

Name of Shareholders holding more than 5% shares in Transferee Company

Particulars	Pre-Merger		Post-Merger	
	No. of shares	% of Holding	No. of shares	% of Holding
NAME				
K Venkat Kumar	44,26,047	32.04%	42,46,047	20.27%
Navarathna Financial Services Ltd	10,00,000	7.24%	0	0.00%
V. Devikala	9,68,294	7.01%	28,41,295	13.01%
Kuvera Real Assets & Consulting Private Limited	0	0.00%	12,87,001	5.90%

Notes: Total shares issued to the shareholders of the Transferor Company ('NFSL') will be $(5152759 \times 1.75) = 90,17,329$ (While calculating eligible shares as per ratio, the resultant figures will be rounded off to the nearest integer) Equity Shareholders of Transferee Company. Since, Transferor Company is already holding 10,00,000 Equity Shares of Transferee Company, the net issue of shares to the shareholders of Transferor Company will be 80,17,329 Equity Shares.



PART V - GENERAL TERMS AND CONDITIONS

27. General Terms and Conditions of the Scheme

- I. The Transferee Company shall file necessary Petitions to 'The Hon'ble NCLT' for obtaining approval for this Scheme and for the consequent dissolution without winding up of the Transferor Company.
- II. The Transferee Company shall pay all costs, charges, levies, fees, duties and expenses of the Transferor Company in relation to or incidental with this Scheme of Amalgamation.
- III. If any doubt or difference or issue shall arise between the parties hereto or any of their shareholders, creditors, construction hereof or as to any account validation or apportionment to be taken or made of any asset or liability transferred under this Scheme or as to the accounting treatment thereof or as to anything else contained in or relating to or arising out of this Scheme the same shall be referred to CA [M/s. Velu Muthu Associates], whose decision shall be final and binding on all concerned.
- IV. The Board of Directors of the Transferor Company and Transferee Company or any person authorized by them by an assent on behalf of all concerned to any modification to this Scheme of Amalgamation or to any condition which the Hon'ble NCLT or the Government or any other authority may impose or which the said Board of Director may in their sole discretion think fit for the purpose of effectively carrying on this Scheme and the said Board of Directors may do all acts, things and deeds as may be necessary and/or expedient for the purpose of implementing this Scheme
- V. If any Part or provision of this Scheme hereof is invalid, ruled illegal by Central Government or any other competent authority, or unenforceable under present or future laws, then it is the intention of the Parties that such Part or provision, as the case may be, shall be severable from the remainder of the Scheme, and the Scheme shall not be affected thereby, unless the deletion of such Part or provision, as the case may be, shall cause this Scheme to become materially adverse to any Party, in which case the Parties shall attempt to bring about a modification in the Scheme, as will best preserve for the Parties the benefits and obligations of the Scheme, including but not limited to such Part or provision.
- VI. The Scheme is conditional and subject to the following sanctions and/or approvals, viz: -
 - a) The approval by the Creditors and the bankers of the Transferor Company and the Transferee Company.



- b) The approval by the requisite majority of the members of the Transferor Company and the Transferee Company, respectively;
- c) The approval by the Concerned Authorities under the said Act (inclusive of the Department of Company Affairs and the Office of the Official Liquidator, Chennai.
- d) The confirmation and final approval by the Hon'ble NCLT, Chennai.

All costs, charges and expenses arising out of and attributable to the Scheme (inclusive of Stamp Duty, NCLT Fees, Professional Costs or otherwise) the same shall be borne and paid for by the Transferee Company, and Transferor Company

- VII. In the event of the Scheme not being sanctioned and/or approved for any reason whatsoever, the and in such event, the terms and conditions hereof shall ipso facto stand declared null and void without any further resolution in that behalf and thereupon, neither the Transferor Company nor the Transferee Company shall any claim against the other in respect of the Scheme and respective Companies shall stand mutually released of the other and discharged of all obligations contemplated herein, without any further express act or assurance, in that behalf and the parties hereto shall bear and pay their respective costs and expenses incurred in connection or relating to this Scheme.
- VIII. The Scheme set out herein in its present form approved, imposed or directed by the Hon'ble NCLT shall be effective from the Appointed Date but shall be operative from the Effective Date.
- IX. Subject to an Order being made by Hon'ble NCLT, Chennai the Transferor Company shall be dissolved without the process of winding up on the scheme becoming effective in accordance with the provisions of the Act and Rules made thereunder.

For NAVARATHNA HOUSING FINANCE LIMITED



Managing Director / Director

LALIT KUMAR DANGI

FCA, ACS, ACMA, B.Com

IBBI Regd. Valuer – Securities and Financial Assets

Reg No. -IBBI/ RV/ 05/2020 /12901

To,

Dated: 23/03/2021

The Board of Directors
Navarathna Financial Services Ltd ('NFSL')
2/102, Third Street (First Floor) Karpagam Avenue,
RA Puram, Chennai – 600 028, India

And

The Board of Directors
Navarathna Housing Finance Ltd ('NHFL')
2/102, Third Street (First Floor) Karpagam Avenue,
RA Puram, Chennai – 600 028, India

Sub: Recommendation of fair exchange ratio for the proposed merger of "Navarathna Financial Services Ltd ('NFSL') into Navarathna Housing Finance Ltd ('NHFL')

We refer to our engagement letter dated 08/03/2021 whereby Mr. Lalit Kumar Dangi (Hereinafter referred to 'IBBI Registered Valuer') is appointed for recommendation of fair exchange ratio of equity shares for the proposed merger of Navarathna Financial Services Ltd ('NFSL') into Navarathna Housing Finance Ltd ('NHFL'). NFSL and NHFL are hereinafter referred to as the 'Companies'

The fair exchange ratio for this report refers to the number of equity shares of face value of INR 10/- each of 'NHFL', which would be issued to the equity shareholders of 'NFSL' in lieu of number of equity shares of face value of INR 10/- each of 'NFSL' held by them, pursuant to the proposed merger.

Our deliverable for this engagement would be a fair exchange ratio report ("Fair Exchange Ratio Report")

SCOPE AND PURPOSE OF THE REPORT

Navarathna Financial Services Ltd, ('NFSL') is registered NBFC and incorporated as public limited company registered under Companies Act, 1956 under corporate identification number U65991TN2011PLC079596. The main business of NFSL is money lending for personal, business, agriculture and allied purposes against security of two-wheeler, other vehicles, machinery, gold, consumer durables or otherwise. The company is having its registered office at 2/102, Third Street (First Floor) Karpagam Avenue, RA Puram, Chennai – 600 028, Tamil Nadu, India. As on 31st December, 2020 'NFSL reported total revenues of INR 2,26,81,583/- and (profit / loss) after tax of INR (46,47,104) on unaudited basis.



Recommendation of fair exchange ratio for the proposed merger of "Navarathna financial services Ltd ('NFSL') into Navarathna housing finance Ltd ('NHFL')

Navarathna Housing Finance Ltd, ('NHFL') is registered housing finance company and incorporated as public limited company registered under Companies Act, 1956 under corporate identification number U65922TN2015PLC100156. The main business of NHFL is to provide short term/long term finance to any person(s), company(ies) or corporation(s), society(ies) or association(s) jointly or individually enabling such borrowers to construct or purchase any building(s) or house (s) or flat(s) or any part thereof for residential/commercial purposes, upon such security and such terms and conditions as the company deem fit, including affordable housing finance and also, to provide short term/long term finance to persons engaged in the business of construction of building(s) or house (s) or flat(s) for residential/commercial purposes to be sold by them upon such terms and conditions as the company may deem fit and proper. The company is having its registered office at 2/102, Third Street (First Floor) Karpagam Avenue, RA Puram, Chennai - 600 028, Tamil Nadu, India. It is engaged in the business of housing finance. **As on 31st December, 2020, 'NHFL' reported total revenues of INR 2,47,01,780/- and profit after tax of INR 1,08,01,688/- on unaudited basis.**

We understand that the management of the 'NFSL' (hereinafter referred to as "the Management") is contemplating the merger of 'NFSL' into 'NHFL' under a scheme of Amalgamation by way of Merger under the provisions of Sections 230-232 of the Companies Act, 2013. As a consideration for this proposed merger, equity shareholders of 'NFSL' would be issued equity shares of 'NHFL' in lieu of their shareholding in 'NFSL'


For the aforesaid purpose, the Board of Directors of 'NHFL' & 'NFSL' have appointed Mr. Lalit Kumar Dangi ('IBBI Registered Valuer') to recommend a fair exchange ratio, for the issue of 'NHFL' equity shares to the equity shareholders of 'NFSL', to be placed before the Audit Committee/Board of Directors of 'NFSL' & 'NHFL'.

We understand the appointed date for the merger as per draft scheme shall be the same as the effective date of the scheme. The scope of our services is to conduct a relative (and not absolute) valuation of equity shares of the companies and report a fair exchange ratio for the proposed merger in accordance with Internationally accepted valuation standards and applicable provisions of Companies Act, 2013.

We have been provided with unaudited Third Qtr. Ending Financials for 31st December, 2020, Audited Financial Statements ended as 31st March, 2020 and other financial information of the Companies for the previous years, 31st March, 2019 and for the earlier period. We have taken into consideration the current market parameters in our analysis and have made adjustments for additional facts made known to us till the date of our Report. Further, we have been informed that all material information impacting the Companies have disclosed to us.

We have been informed that:

- a) There would not be any capital variation in the Companies till the proposed Merger becomes effective, except issuance of Employee Stock Options in normal course of business of the Companies;



Recommendation of fair exchange ratio for the proposed merger of "Navarathna financial services Ltd ('NFSL') into Navarathna housing finance Ltd ('NHFL')

- b) There are not unusual/abnormal events in the Companies since the last audited accounts till the Report date materially impacting their operating/financial performance.

We have relied on the above while arriving at the fair exchange ratio for the Proposed Merger. This Report is our Deliverable for the above engagement. This Report is subject to the scope, assumptions, qualifications, exclusions, limitations and disclaimers detailed hereinafter. As such, the Report is to be read in totality and not in parts.

SOURCES OF INFORMATION

In connection with this exercise, we have received/obtained the following information about the companies:

1. For Navarathna Financial Services Ltd, ('NFSL')

- a) Unaudited Financial Statements for Q3 Ending 31st December, 2020
- b) Audited Financial Statements for financial year ending 31st March, 2020
- c) Annual Report for the previous three years, 31st March, 2020, 2019, and 2018;
- d) Shareholding Pattern as at 31st December, 2020
- e) Assumptions on Goodwill Valuation;
- f) Other Relevant Information;

2. For Navarathna Housing Finance Ltd, ('NHFL')

- a) Unaudited Financial Statements for Q3 Ending 31st December, 2020
- b) Audited Financial Statements for financial year ending 31st March, 2020
- c) Annual Report for the previous three years, 31st March, 2020, 2019, and 2018;
- d) Shareholding Pattern as at 31st December, 2020
- e) Other Relevant Information;

Besides the above list, there may be other information provided by the Companies which may not have been perused by us in any detail, if not considered relevant for our defined scope.

During the discussions with the management of Companies, we have also obtained explanations and information considered reasonably necessary for our exercise. The Client has been provided with the opportunity to review the draft report (excluding the recommended fair exchange ratio) as part of our standard practise to make sure that factual inaccuracy/omissions are avoided in our Report.

PROCEDURES ADOPTED AND VALUATION METHODS FOLLOWED

In connection with this exercise, we have adopted the following procedures to carry out the valuation:

- ✓ Requested and received financial and qualitative information

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Recommendation of fair exchange ratio for the proposed merger of "Navarathna financial services Ltd ('NFSL') into Navarathna housing finance Ltd ('NHFL')

- ✓ Obtained data available in the public domain
- ✓ Discussion (physical/over call) with the Management to:
- ✓ Understand the NBFC business, and fundamental factors that affects its earning-generating capability including its Strengths, Weaknesses, Opportunities and Threats analysis and Historical Financial Performance.
- ✓ Understand the Housing Finance business and fundamental factors that affects its earning-generating capability including its Strengths, Weaknesses, Opportunities and Threats analysis and Historical Financial Performance.
- ✓ Undertook Industry Analysis:
 - Research Publicly available market data including economic factors and industry trends that may impact the valuation
 - Analysis of key trends and applying valuation method using:
 - Proprietary databases subscribed by us or our network firms
- ✓ Selection of Internationally accepted valuation methodology/(ies) as considered appropriate by us.

SCOPE LIMITATIONS, ASSUMPTIONS, QUALIFICATIONS, EXCLUSIONS AND DISCLAIMERS

Provision of valuation opinions and consideration of the issues described herein are areas of our regular practice. The services do not represent accounting, assurance, accounting/tax due diligence, consulting or tax related services that may otherwise be provided by us or our affiliates.

The recommendation contained herein is not intended to represent value at any time other than report date. We have no obligation to update this report.

This Report, its contents and the results herein are specific to (i) the purpose of valuation agreed as per the terms of our engagement ;(ii) the Report Date and (ii) are based on the unaudited financial statements for Quarter Ending 31st December, 2020, and Audited Financials for year ending as 31st March, 2020. We have been informed that the business activities of the Companies have been carried out in the normal and ordinary course between 31st March, 2020 and the Report date and that no material changes have occurred in their respective operations and financial between 31st December, 2020 and Report Date.

A valuation of this nature is necessarily based on the prevailing financial, economic and other conditions in general and industry trends in particular as in effect on and the information made available to us as of, the date hereof. Events occurring after the date hereof may affect this report and the assumptions used in preparing it, and we do not assume any obligation to update, revise or reaffirm this report.

The recommendation rendered in this Report only represent our recommendation based upon information furnished by the Companies and gathered from public domain (and analysis thereon) and the said recommendation shall be considered to be in the nature of non-binding advice. Our recommendation should not be used for advising anybody to take buy or sell decision, for which specific opinion needs to be taken from expert advisors.

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Recommendation of fair exchange ratio for the proposed merger of "Navarathna financial services Ltd ('NFSL') into Navarathna housing finance Ltd ('NHFL')

The determination of exchange ratio is not a precise science and the conclusions arrived at in many cases will, of necessity, be subjective and dependent on the exercise of individual judgement. In the ultimate analysis, valuation will have to be tempered by the exercise of judicious discretion by the Valuer and judgement taking into accounts all the relevant factors. There is, therefore, no indisputable single exchange ratio. While we have provided our recommendation of the fair exchange ratio based on the information available to us and within the scope and constraints of our engagement, other may have different opinion as to the fair exchange ratio of the equity shares of 'NFSL' and 'NHFL'. The final responsibility for the determination of the fair exchange ratio at which the Proposed Merger shall take place will be with the Board of Directors of the companies who should take into account other factors such as their own assessment of the Proposed Merger and input of other advisors. In the course of the valuation, we were provided with both written and verbal information, including market, financial and operating data as detailed in the section- sources of information.

We have not independently audited or otherwise verified the financial information provided to us. Accordingly, we do not express an opinion or offer any form of assurance regarding the truth and fairness of the financial position as indicated in the financial statements. Also, with respect to explanations and information sought from the Client, we have been given to understand by the Management and they have not omitted any relevant and material factors about the Companies and that they have checked the relevance or materiality of any specific information to the present exercise with us in case of any doubt. Our conclusion is based on the information given by/on behalf of the Company. The Management has indicated to us that they have understood that any omissions, inaccuracies or misstatements may materially affect our valuation analysis/results.

The Report assumes that the Companies comply with relevant laws and regulations applicable in all its areas of operations, and that the Companies will be managed in a competent and responsible manner. Further, this Report has given no consideration to matters of a legal nature, including issues of legal title and compliance with local laws, and litigation and other contingent liabilities that are not disclosed in the audited/unaudited balance of the companies. Our Conclusion of value assumed that the assets and liabilities of the Companies, reflected in their respective latest balance sheets remain intact as of the Report Date.

The report does not address the relative merits of the Proposed Merger as compared with any other alternative business transaction, or other alternatives, or whether or not such alternatives could be achieved or are available. The fees for this engagement is not contingent upon the results reported.

We will not be liable for any losses, claims, damages or liabilities arising out the actions taken, omissions of or advice given by any other Companies. In no event shall we be liable for any loss, damages, cost or expenses arising in any way from fraudulent acts, misrepresentations or wilful default on part of the Companies, their directors, employees or agents.

It is understood that this analysis does not represent a fairness opinion. This report is not a substitute for the third party's own due diligence/appraisal/enquiries/independent advice

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Recommendation of fair exchange ratio for the proposed merger of "Navarathna financial services Ltd ('NFSL') into Navarathna housing finance Ltd ('NHFL')

that the third party should undertake for his purpose. This Report is subject to the laws of India.

Neither the Report nor its contents may be referred to our quoted in any registration statement, prospectus, offering memorandum, annual report, loan agreement or other agreement or document given to third parties, other than in connection with the proposed scheme of Amalgamation, without our prior written consent, In addition, this report does not in any manner address the prices at which equity shares of the Companies will trade following announcement of the proposed merger and we express no opinion or recommendation as to how the shareholders of either company should vote at any shareholders' meeting(s) to be held in connection with the Proposed Merger. The IBBI Registered Valuer appointment was formalised via engagement letter dated 08/03/2021 :

SHAREHOLDING PATTERN - HOLDING MORE THAT 5% IN THE COMPANIES

Navarathna Financial Services Ltd, ('NFSL')

The Issued and Subscribed equity share capital of ('NFSL') as at 31st December, 2020 is INR 5,15,27,590 consisting 51,52,759 equity shares of INR 10 each. The Shareholders holding more than 5% in the company as at 31st December, 2020:

Shareholders	No of Shares	% of Shareholding
Mr. T Sockalingam	5,31,943	10.32%
Mr. TR Ramanathan	3,69,200	7.17%
M/s Prakala Wealth Management Private Ltd	4,98,457	9.67%
Ms. Sockalingam Valiikannu	5,31,429	10.31%
Ms. Subramanian Valiikannu	3,77,143	7.32%
Mr. A Baskar	3,77,143	7.32%
M/s Kuvera Real Assets and Consulting Pvt Ltd	7,35,429	14.27%
Mr. A Chandrasekar	2,89,400	5.62%
Ms. V. Devikala	10,70,286	20.77%

Source: Company Data

Navarathna Housing Finance Ltd, ('NHFL')

The Issued and Subscribed equity share capital of ('NHFL') as at 31st December, 2020 is INR 13,81,43,060 consisting 1,38,14,306 equity shares of INR 10 each. The Shareholders holding more than 5% in the company as at 31st December, 2020:

Shareholders	No of Shares	% of Shareholding
K Venkat Kumar	44,26,047	32.04%
Navarathna Financial Services Ltd ('NFSL')	10,00,000	7.24%
Devikala V	9,68,294	7.01%

Source: Company Data

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Recommendation of fair exchange ratio for the proposed merger of "Navarathna financial services Ltd ('NFSL') into Navarathna housing finance Ltd ('NHFL')

GOODWILL:

Navarathna Financial Services Ltd ('NFSL') has many advantages to his fold and Navrathna Housing Finance Ltd ('NHFL') will be benefitted because of those inherent advantages. These advantages are as follows as given by the management of Navarathna Financial Services Ltd:

- I. NFSL is having good branch network, infrastructure and the sizeable customer base (more than 5,000 customers). This will greatly help NHFL in acquiring customers in the affordable housing segment going forward.
- II. NFSL has a wide network of branches all over Tamil Nadu including well trained manpower in the affordable segment which will come as an asset to NHFL. These resources will be an asset to NHFL post-merger.
- III. Since inception of NHFL, NFSL has helped NHFL to come up in the business.
- IV. Also, NFSL has good team for business development, collection and recovery.
- V. As per recent RBI directions, HFCs should attain a Networth of Rs. 20 Crores within the stipulated time frame. This merger will help NHFL to satisfy that regulation.
- VI. Because of the merger, NHFL will reach scale. This will help the company to become bigger in size which help in borrowing funds and increasing its credit rating. Due to economies of scale, profitability will also improve.
- VII. Mortgage loans is a common product between NFSL and NHFL. This will help the mortgage loan book size to grow quickly in NHFL.
- VIII. Currently certain branches of NFSL are lending against jewels, which could be continued post-merger as well as the same is permitted by RBI. This will help NHFL to diversify its asset base to a certain extent and generally the NPA levels in jewel loan segment is almost zero.

These all above points work for factoring Goodwill for Navrathna Financial Services Ltd as decided by the Management. The Goodwill is considered to the tune of Rs. 1,50,00,000/- on the basis of rationale provided by the Management.

Investment Valuation:

Navarathna Financial Services Ltd ('NFSL') holds 10,00,000 shares of Navarathna Housing Finance Ltd ('NHFL'). The book valuation of Navarathna Housing Finance Ltd ('NHFL') shares worked out to Rs. 12.72/-. Hence, the value of investment of Navarathna Financial Services Ltd ('NFSL') in Navarathna Housing Finance Ltd ('NHFL') is taken of Rs. 1,27,20,000/- (10,00,000×12.72)

VALUATION APPROACH - BASIS OF MERGER

The Proposed Scheme of Amalgamation contemplates the merger of 'NFSL' into 'NHFL' arriving at the fair exchange ratio for the Proposed Merger which would require the Book Value of the equity of 'NFSL' and 'NHFL'. These values are to be determined independently, but on a relative basis for the Companies, without considering the effect of the Proposed Merger. The Book Value is considered in present case for determining the fair exchange ratio

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Recommendation of fair exchange ratio for the proposed merger of "Navarathna financial services Ltd ('NFSL') into Navarathna housing finance Ltd ('NHFL')

for the Proposed Merger of 'NFSL' into 'NHFL', and subject to availability of information, including:

1. Book Value
2. Income Approach/Discounted Cash Flow Method
3. Comparable Companies (Multiples) Method

Book Value Method

We considered Book Value method in arriving the value per share of both the companies'

Valuation on Book Value Basis as on 31st December, 2020 (On the basis of unaudited accounts):

i. Book Value of Navarathna Financial Services Ltd ('NFSL'):

	Particulars	In INR
	Share Capital	5,15,27,590
Add:	Reserves and Surplus	4,54,95,216
	Net Worth	9,70,22,806
Add:	Goodwill	1,50,00,000
Add:	Increase in value of Investment	27,20,000
	Total Net worth post adding Goodwill & increased value in investment	11,47,42,806
	No of Outstanding Shares (In Units)	51,52,759
	Book Value Per Share (Approx)	22.26 /-

Source: Calculations

i. Book Value of Navarathna Housing Finance Ltd ('NHFL'):

	Particulars	In INR
	Share Capital	13,81,43,060
Add:	Reserves & Surplus	3,75,84,918
	Net Worth	17,57,27,978
	No of Outstanding Shares (Units)	1,38,14,306
	Book Value Per Share	12.72/-

Source: Calculations

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Recommendation of fair exchange ratio for the proposed merger of "Navarathna financial services Ltd ('NFSL') into Navarathna housing finance Ltd ('NHFL')

Discounted Cash Flow Method

Under the DCF Method the projected free cash flows to the equity shareholders are discounted at the cost of equity. The sum of the discounted value of such free cash flows is the value of the firm for equity shareholders.

Using the DCF Analysis involves determining the following:

Estimating future free cash flows:

Free cash flows are the cash flows expected to be generated by the Company that are available to the providers of the Company's equity capital.

Appropriate discount rate to be applied to cash flows i.e the cost of equity:

This discount rate, which is applied to the free cash flows, should reflect the opportunity cost to the equity capital providers (namely equity shareholders). The opportunity cost the equity capital provider equals the rate of return the equity capital provider expects to earn on other investments of equivalent risk.

'NFSL' and 'NHFL' are public unlisted entities and information related to future profit and loss account, balance sheet, and cash flows are not available. In the light of above, we were not provided with the projections of the companies by the management. Therefore, we have not used this method for the valuation exercise.

Comparable Companies' Multiples ("CCM") Method

Under this method, value of equity shares of a company is arrived at using multiples derived from valuations of comparable companies.

The Valuations is based on the principle that market valuations, taking place between informed buyers and informed sellers, incorporate all factors relevant to the valuation. Relevant multiples need to be chosen carefully and adjusted for differences between the circumstances

We have not considered this method for valuation, since the details of peer group/comparable companies in NBFC and Housing Finance Segment were not provided by the company.

BASIS OF FAIR EXCHANGE RATIO

The basis of the merger of 'NFSL' into 'NHFL' would have to be determined after taking into consideration the Book Value method mentioned hereinabove. We have independently applied this method discussed above, as considered appropriate and arrived value per share of the Companies. In the light of the above, and on a consideration of all the relevant factors and circumstances as discussed and outlined hereinabove, we recommend the following fair exchange ratio for the proposed Merger of NFSL into NHFL.

LN

Recommendation of fair exchange ratio for the proposed merger of "Navarathna financial services Ltd ('NFSL') into Navarathna housing finance Ltd ('NHFL')

SWAP Ratio:

Book Value Per Share of Transferor Company	22.26
Book Value Per Share of Transferee Company	12.72

Share Exchange Ratio:

Book Value of Transferor Company	22.26
Book Value of Transferee Company	12.72
Share Exchange Ratio (Approx)	INR 1.75 /-

(Source: Company Calculations)

175 (One Hundred Seventy-Five) equity shares of NHFL of INR 10/- each fully paid up for every 100 (One Hundred) equity shares of 'NFSL' of INR 10/- each fully paid up.

Thanking You.

Mr. Lalit Kumar Dangri



(IBBI Registered Valuer)

Reg No: IBBI/RV/05/2020/12901

Navarathna Housing Finance Limited


First Floor 2/102, Third Street, Karpagam Avenue, R.A. Puram, Chennai,
Tamil Nadu - 600028

Balance Sheet as at December 31, 2020

(Amount in ₹)

Particulars	Note	As at December 31, 2020	As at December 31, 2019
I Equity and Liabilities			
Shareholders' funds			
(a) Share capital	1	13,81,43,060	12,55,84,600
(b) Reserves and surplus	2	<u>3,75,84,918</u>	<u>2,91,72,717</u>
		17,57,27,978	15,47,57,317
Non current liabilities			
(a) Long term borrowings	3	1,20,82,484	18,55,536
(b) Deferred tax liability		<u>18,36,016</u>	<u>12,59,982</u>
		1,39,18,500	31,15,518
Current liabilities			
(a) Other current liabilities	4	35,41,293	17,04,820
(b) Short term provisions	5	<u>13,50,206</u>	<u>14,64,338</u>
		48,91,499	31,69,158
		<u><u>19,45,37,977</u></u>	<u><u>16,10,41,993</u></u>
II Assets			
Non current assets			
(a) Property, plant and equipment			
(i) Tangible assets	6	5,83,598	7,77,119
(b) Non-current investments	7	2,06,48,107	35,78,022
(c) Long term loans and advances	8	16,74,86,095	15,25,10,017
(d) Other non-current assets	9	<u>8,39,303</u>	<u>6,26,599</u>
		18,95,57,103	15,74,91,757
Current assets			
(a) Cash and cash equivalents	10	10,57,477	13,81,994
(b) Other current assets	11	<u>39,23,397</u>	<u>21,68,242</u>
		49,80,874	35,50,236
Total		<u><u>19,45,37,977</u></u>	<u><u>16,10,41,993</u></u>
III Notes forming part of the Financial Statements		1 - 18	

For and on behalf of the Board of
Navarathna Housing Finance Limited



Managing Director

Director

Chief Financial Officer



Place: Chennai

Date:

Navarathna Housing Finance Limited

First Floor 2/102, Third Street, Karpagam Avenue, R.A. Puram, Chennai,
Tamil Nadu - 600028

Statement of Profit and Loss for the period ended on December 31, 2020

Particulars	Note	(Amount in ₹)	
		For the period ended December 31, 2020	For the period ended December 31, 2019
I Revenue			
(a) Revenue from operations	12	2,42,90,074	2,02,04,855
(b) Other income	13	4,11,706	16,60,043
		2,47,01,780	2,18,64,898
II Expenditure			
(a) Employee benefit expense	14	40,41,082	40,11,592
(b) Depreciation and amortization expense		2,51,911	2,75,172
(c) Finance cost	15	12,81,915	4,03,388
(d) Other expenses	16	44,67,302	18,34,335
(e) Standard provisions (net)	17	2,16,631	7,03,473
		1,02,58,841	72,27,960
III Profit before exceptional and extraordinary items and tax		1,44,42,939	1,46,36,938
IV Exceptional items		-	-
V Profit before extraordinary items and tax		1,44,42,939	1,46,36,938
VI Extraordinary items		-	-
VII Profit before tax		1,44,42,939	1,46,36,938
VIII Tax expense			
Current year tax		30,00,093	34,56,881
Previous years' tax		-	954
Deferred tax		6,41,158	8,22,616
		36,41,251	42,80,451
IX Profit/(Loss) for the year		1,08,01,688	1,03,56,487
X Earnings per ₹.10/- share			
• Basic and diluted		0.86	0.82

Notes forming part of the Financial Statements 1 - 18

For and on behalf of the Board of
Navarathna Housing Finance Limited


Managing Director

Director

Chief Financial Officer

Place: Chennai
Date:



Navarathna Housing Finance Limited

First Floor 2/102, Third Street, Karpagam Avenue, R.A. Puram, Chennai,
Tamil Nadu - 600028

Cash Flow Statement for the period ended December 31, 2020


(Amount in ₹)

Particulars	For the period ended December 31, 2020	For the period ended December 31, 2019
A. Cash Flow from Operating Activities		
Net Profit / (Loss) before extraordinary items and tax	1,44,42,939	1,46,36,938
Adjustments for:		
Depreciation and amortisation	2,51,911	2,75,172
Profit from Sale of Investments	(3,29,465)	(8,32,784)
Finance costs	12,81,915	4,03,388
Interest Income	-	(6,17,259)
Provisions for standard assets	2,16,631	7,03,473
Operating profit / (loss) before working capital changes	1,58,63,931	1,45,68,928
Changes in working capital:		
(Increase) / decrease in long-term loans and advances	(1,18,15,596)	(3,75,12,628)
(Increase) / decrease in other non-current assets	(2,12,704)	(1,76,199)
(Increase) / decrease in other current assets	(13,98,161)	(7,78,230)
Increase / (decrease) in short-term provisions	5,16,842	(1,23,478)
Increase / (decrease) in other current liabilities	3,21,132	(2,53,457)
Cash generated from operations	32,75,444	(2,42,75,064)
Cash flow from extraordinary items	-	-
Cash generated from operations	32,75,444	(2,42,75,064)
Net income tax (paid) / refunds	(30,00,093)	(34,57,835)
Net cash flow from / (used in) operating activities (A)	2,75,351	(2,77,32,899)
B. Cash Flow from Investing Activities		
Purchase of Fixed Assets	(1,73,010)	(1,31,251)
Investment in Mutual Funds	(3,74,23,637)	(1,29,75,002)
Redemption of Mutual Funds	2,47,04,385	4,04,70,894
Interest income	-	6,17,259
Net cash flow from / (used in) investing activities (B)	(1,28,92,262)	2,79,81,900
C. Cash Flow from Financing Activities		
Proceeds from issue of share capital	1,25,58,460	-
Long-term borrowings procured	89,07,000	3,00,000
Repayment of loans	(19,00,008)	(10,00,008)
Finance cost	(12,81,915)	(4,03,388)
Dividend paid	(50,23,384)	-
Net cash flow from / (used in) financing activities (C)	1,32,60,153	(11,03,396)
Net increase/(decrease) in cash and cash equivalents during the year	6,43,242	(8,54,395)
Add: Balance at the beginning of the period	4,14,235	22,36,389
Balance at the end of the period	10,57,477	13,81,994

For and on behalf of the Board of
Navarathna Housing Finance Limited


Managing Director

Director


Chief Financial Officer

Place: Chennai
Date:



Navarathna Housing Finance Limited

First Floor 2/102, Third Street, Karpagam Avenue, R.A. Puram, Chennai,
Tamil Nadu - 600028

Notes forming part of the Financial Statements

Note No	Particulars	(Amount in ₹)	
		As at December 31, 2020	As at December 31, 2019
1	Share capital		
	Authorised		
	1,50,00,000 (1,30,00,000) equity shares of ₹.10 each	15,00,00,000	13,00,00,000
	Issued, subscribed and paid up		
	1,38,14,306 (1,25,58,460) equity shares of ₹.10 each fully paid up	13,81,43,060	12,55,84,600
		13,81,43,060	12,55,84,600
1.1	Details of shareholders holding more than 5% shares:		
	Name of the shareholder	No. of shares	No. of shares
	K Venkatkumar	44,26,047	40,00,000
	V Devikala	9,68,294	8,75,000
	Navarathna Financial Services Limited	10,00,000	10,00,000
	Name of the Shareholder	% of Shareholding	% of Shareholding
	K Venkatkumar	32.04%	31.85%
	V Devikala	7.01%	6.97%
	Navarathna Financial Services Limited	7.24%	7.96%
1.2	Reconciliation of Number of Shares		
	Particulars	No. of Shares	No. of Shares
	Shares at the beginning of the year	1,25,58,460	1,25,58,460
	Changes during the year	12,55,846	-
	Shares at the end of the year	1,38,14,306	1,25,58,460
2	Reserves and Surplus		
i	Statutory reserve created as per section 29C of National Housing Bank Act, 1987 (Refer Note 2.1 below)		
	Opening balance	56,57,286	23,95,336
	Amount transferred	-	-
	(A)	56,57,286	23,95,336
ii	Surplus in Profit and Loss Statement		
	Opening balance	2,61,49,328	1,64,20,894
	Add: Profit / loss for the period	1,08,01,688	1,03,56,487
	Less: Final dividend FY 2019-20	50,23,384	-
	Less: Transfer to statutory reserve	-	-
	(B)	3,19,27,632	2,67,77,381
	Total (A + B)	3,75,84,918	2,91,72,717



Navarathna Housing Finance Limited

First Floor 2/102, Third Street, Karpagam Avenue, R.A. Puram, Chennai,
Tamil Nadu - 600028

Notes forming part of the Financial Statements

(Amount in ₹)

Note No	Particulars	As at December 31, 2020	As at December 31, 2019
2.1	Details of Statutory Reserves		
	Opening balance		
	(a) Statutory reserve u/s 29C of National Housing Bank, 1987	5,74,008	5,74,008
	(b) Special Reserve u/s 36(1) (viii) of Income Tax Act, 1961 taken into account for the purpose of Statutory Reserve under section 29C of the National Housing Bank Act, 1987	50,83,278	18,21,328
		<u>56,57,286</u>	<u>23,95,336</u>
	Add: Addition during the year		
	(a) Statutory reserve u/s 29C of National Housing Bank, 1987	-	-
	(b) Special Reserve u/s 36(1) (viii) of Income Tax Act, 1961 taken into account for the purpose of Statutory Reserve under section 29C of the National Housing Bank Act, 1987	-	-
		<u>-</u>	<u>-</u>
	Closing balance		
	(a) Statutory reserve u/s 29C of National Housing Bank, 1987	5,74,008	5,74,008
	(b) Special Reserve u/s 36(1) (viii) of Income Tax Act, 1961 taken into account for the purpose of Statutory Reserve under section 29C of the National Housing Bank Act, 1987	50,83,278	18,21,328
		<u>56,57,286</u>	<u>23,95,336</u>
3	Long-term borrowings		
	Term loans		
	From other parties* (Secured)	9,22,192	15,55,536
	(Secured against loans receivables and other book debts and guarantees of director Mr. Chokkalingam Palaniappan and advisor Mr. Thirupathi Ramanathan)		
	Loans from related parties** (Unsecured)	81,60,292	3,00,000
	Other loans and advances*** (Unsecured)	30,00,000	-
		<u>1,20,82,484</u>	<u>18,55,536</u>

3.1 Terms of repayment of loans

*Two term loans are taken from BIFCO Leasing and Finance Private Limited at an interest rate of 15% p.a each. For the 1st loan taken, the principle is payable in 36 monthly installments of ₹.1,11,112/- along with interest starting from March 31, 2019. For the 2nd term loan taken, the principle is payable in 30 monthly installments of ₹.1,00,000/- along with interest starting from February 29, 2020.

**Loans from related parties are taken at an interest rate of 14% and are repayable on demand.

***Other loans and advances consists of two loans taken from unrelated parties. A loan with principle of ₹. 10,00,000/- is taken at an interest rate of 14% and the other loan with principle of ₹. 20,00,000/- is taken at an interest rate of 12.41% for which interest becomes due quarterly. Both the loans are repayable on demand.



Navarathna Housing Finance Limited

First Floor 2/102, Third Street, Karpagam Avenue, R.A. Puram, Chennai,
Tamil Nadu - 600028

Notes forming part of the Financial Statements

(Amount in ₹)

Note No	Particulars	As at December 31, 2020	As at December 31, 2019
4	Other current liabilities		
	Current maturities of long-term debt	25,33,344	13,33,344
	Outstanding expenses	1,26,249	1,89,324
	Interest accrued and not due on borrowings	6,69,654	14,211
	Statutory remittances	28,024	30,490
	Other liabilities	1,84,022	1,37,451
		<u>35,41,293</u>	<u>17,04,820</u>
5	Short term provisions		
	Provision for taxation (Net of TDS)	73,567	4,70,381
	Provision for bad debts	1,68,111	-
	Statutory provision for assets		
	Standard assets	6,97,111	4,34,411
	Non-performing assets	4,11,417	5,59,546
		<u>13,50,206</u>	<u>14,64,338</u>
7	Non-current investments		
	Trade investments - Quoted		
	Investments in mutual funds	2,06,48,107	35,78,022
	Market value - ₹. 2,07,44,840/- [December 2020] and - ₹. 37,94,028/- [December 2019]		
		<u>2,06,48,107</u>	<u>35,78,022</u>
8	Long term loans & advances		
	Term loans	16,74,86,095	15,25,10,017
		<u>16,74,86,095</u>	<u>15,25,10,017</u>
9	Other non-current assets		
	Security deposits	8,39,303	6,26,599
		<u>8,39,303</u>	<u>6,26,599</u>
10	Cash and cash equivalents		
	Cash in hand	48,896	1,03,109
	Balance with banks		
	Current balances	10,08,581	12,78,885
		<u>10,57,477</u>	<u>13,81,994</u>
11	Other current assets		
	Accrued interest	30,84,867	21,53,048
	Balances with government authorities	6,68,120	-
	Advances to creditors	1,63,500	-
	Prepaid expenses	6,910	4,694
	Other receivables	-	10,500
		<u>39,23,397</u>	<u>21,68,242</u>



Navarathna Housing Finance Limited

First Floor 2/102, Third Street, Karpagam Avenue, R.A. Puram, Chennai,
Tamil Nadu - 600028

Notes forming part of the Financial Statements

(Amount in ₹)

Note No	Particulars	For the period ended December 31, 2020	For the period ended December 31, 2019
12	Revenue from operations		
	Interest	2,37,22,530	1,87,38,151
	Income from Other services	5,67,544	14,66,704
		<u>2,42,90,074</u>	<u>2,02,04,855</u>
13	Other income		
	Profits on sale of investments (net)	3,29,465	8,32,784
	Other interest	-	6,17,259
	Miscellaneous income	82,241	2,10,000
		<u>4,11,706</u>	<u>16,60,043</u>
14	Employee benefit expenses		
	Salary and wages	39,79,865	39,14,682
	Incentives	-	38,180
	Employer's contribution to ESI	24,171	13,979
	Staff welfare	37,046	44,751
		<u>40,41,082</u>	<u>40,11,592</u>
15	Finance costs		
	Interest on borrowings	12,81,915	4,03,388
		<u>12,81,915</u>	<u>4,03,388</u>
16	Other expenses		
	Administrative expenses	2,69,124	1,12,219
	Bad debts written off	22,54,863	-
	Provision for doubtful debts	1,68,111	-
	Business promotion expenses	22,597	23,813
	Communication expenses	93,922	1,06,351
	Conveyance and boarding expenses	84,697	2,45,990
	Electricity expenses	45,261	45,326
	Loan processing expenses	90,795	1,21,752
	Professional charges	5,08,600	5,08,644
	Rates & taxes	1,50,212	16,361
	Rent	6,62,510	5,69,537
	Other repairs and maintenance	81,993	74,679
	Miscellaneous expenses	34,617	9,663
		<u>44,67,302</u>	<u>18,34,335</u>
17	General provisions		
	Provision for standard assets	15,895	1,43,927
	Provision for non-performing assets	2,00,736	5,59,546
		<u>2,16,631</u>	<u>7,03,473</u>
18	Availment of asset classification benefits provided in COVID-19 regulatory package		
	(a) Total assets for which classification benefit is availed	48,58,990	-
	(b) Provision made for Q4 of FY 2019-20	2,40,960	-
	(c) Provision made for Q1 of FY 2020-21	2,40,960	-
	(d) Provisions in (b) and (c) adjusted against slippages	2,66,124	-

NHFL

Quarterly Report Dec 2020



Navarathna Housing Finance Limited
First Floor 2/102, Third Street, Karpagam Avenue, R.A. Puram, Chennai,
Tamil Nadu - 600028

Notes forming part of the financial statements

Note No. 6

(Amount in ₹)

Property Plant and Equipment - Tangible Asset

Particulars	Gross Block				Depreciation / Amortization				Net Block	
	As at April 1, 2020	Additions	Deductions/ Adjustments	As at December 31, 2020	As at April 1, 2020	For the Period - 9 months	Deductions/ Adjustments	As at December 31, 2020	As at December 31, 2020	As at March 31, 2020
Furniture & Fittings	4,23,724	1,67,006	-	5,90,730	1,25,037	33,413	-	1,58,450	4,32,280	2,98,687
Office Equipment	1,01,059	6,004	-	1,07,063	47,670	14,834	-	62,504	44,559	53,389
Computers	5,64,675	-	-	5,64,675	3,60,093	1,11,101	-	4,71,194	93,481	2,04,582
Leasehold Improvements	3,67,500	-	-	3,67,500	2,61,659	92,563	-	3,54,222	13,278	1,05,841
TOTAL	14,56,958	1,73,010	-	16,29,968	7,94,459	2,51,911	-	10,46,370	5,83,598	6,62,499
Previous period	13,21,347	1,31,251	-	14,52,598	4,00,307	2,75,172	-	6,75,479	7,77,119	9,21,040



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