

34th
Annual Report

2016-2017



Manipal Finance Corporation Ltd.

Regd. Office : Manipal House, Manipal – 576 104, Karnataka

Managing Director:

Sri T. NARAYAN M. PAI

Directors:

Sri RAGHAVENDRA NAYAK

Smt. VINODA C. SHERIGAR

Chief Financial Officer:

Sri T. SANJAY PAI

**Registrar and Share Transfer Agents
(For Physical and Demat Shares)**

Cameo Corporate Services Ltd.

V Floor, Subramanian Building

No. 1, Club House Road

Chennai – 600 002

Registered Office

MANIPAL HOUSE

MANIPAL – 576 104, KARNATAKA

CIN: L65910KA1984PLC005988

PH: 0820-2570741

Bankers

SYNDICATE BANK

CORPORATION BANK

ICICI BANK LTD.

Auditors

M/s Pai Nayak & Associates

Chartered Accountants

Raaj Towers

Udupi – 576 101



NOTICE TO THE MEMBERS

NOTICE is hereby given that the 34th Annual General Meeting of the Members of Manipal Finance Corporation Ltd. will be held on Wednesday, the 27th September, 2017 at 4.00 p.m. at Regd. Office, "Manipal House", Manipal – 576 104 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March 2017, statement of Profit and Loss for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Smt. Vinoda Chandappa Sherigar (DIN: 07224755) who retires by rotation, and being eligible offers herself for re-appointment.
3. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:
"RESOLVED THAT in compliance with the mandatory rotation of auditors as per provisions of Section 139 and other applicable provisions, if any, of the Companies Act, 2013 and Rules framed thereunder, as amended from time to time, on recommendation of Audit Committee, M/s Sriramulu Naidu & Co., Chartered Accountants, Mangalore registered with the Institute of Chartered Accountants of India vide Firm Registration No.008975S be and is hereby recommended for appointment as Statutory Auditors of the Company in place of M/s Pai Nayak & Associates, Chartered Accountants, Udupi (F R No.009090S), for a period of five years to hold the office from the conclusion of ensuing annual general meeting (AGM) till the conclusion of 39th AGM of the Company to be held in the calendar year 2022 (subject to ratification of their appointment at every AGM), at such remuneration plus service tax, and out-of-pocket and travelling expenses, etc., as may be mutually agreed between the Board of Directors of the Company and Auditors."

SPECIAL BUSINESS

4. To consider and, if thought fit to pass, with or without modification, the following resolution as a Special Resolution:
"RESOLVED THAT pursuant to the provisions of the Section 196 and 197 read with Schedule V and all other applicable provisions of the Companies Act, 2013 (The Act) and the Companies (Appointment and Remunerations of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), and in terms of Articles of Association of the Company, the re-appointment of Sri T. Narayan M. Pai, as Managing Director of the Company for a further period of 5 years with effect from 01.01.2018 without any remuneration and perquisites be and is hereby approved.
RESOLVED FURTHER THAT Sri T. Narayan M. Pai, Managing Director shall not be liable to retire by rotation during the period he holds the position as Managing Director.
5. **Adoption of new set of Articles of Association of the Company *inter-alia* pursuant to the Companies Act, 2013.**
To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:
"RESOLVED THAT pursuant to the provisions of Section 5 and 14 of the Companies Act, 2013 ("the Act"), Schedule I made thereunder, read with the Companies (Incorporation) Rules, 2014 and all other applicable provisions, if any, of the Act (including any statutory modification(s) or re-enactment thereof for the time being in force, the new set of Articles of Association pursuant to the Act primarily based on the Form of Table F under the Act, be and is hereby approved and adopted as new set of Articles of Association in the place of existing Articles of Association of the Company.
RESOLVED FURTHER THAT for the purpose of giving full effect to this resolution, the Board be and is hereby authorised on behalf of the Company to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary, expedient, proper or desirable and to settle all questions, difficulties or doubts that may arise in this regard at any stage without requiring the Board to secure any further consent or approval of the Members of the Company to the end and intent that they shall be deemed to have given their approval thereto expressly by the authority of this resolution.
RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, deeds and things as may be required to give effect to the above resolution(s)."

Registered Office:
Manipal House
Manipal – 576 104
Date: 30.05.2017

By Order of the Board
sd/-
T. Narayan M. Pai
Managing Director
DIN: 00101633

NOTES:

1. The relevant Explanatory Statement pursuant to Section 102 (1) of the Companies Act, 2013, in respect of Special Business at the meeting, is annexed hereto and forms part of this notice.
2. A statement giving the relevant details of the Directors seeking re-appointment under Item No. 2 of the accompanying Notice, as required by Clause 49 of the Listing Agreement entered into with the Stock Exchanges is annexed herewith.
3. The Register of Members and Share Transfer Books of the Company will remain closed from 25.09.2017 to 27.09.2017 (both days inclusive).
4. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member. Proxies in order to be effective must be received by the Company not later than forty eight (48) hours before the meeting. Proxies submitted on behalf of limited Companies, societies, etc., must be supported by appropriate resolutions/authority, as applicable.



A person can act as proxy on behalf of Members not exceeding fifty (50) and holding in the aggregate not more than 10% of the total share capital of the Company. In case a proxy is proposed to be appointed by a Member holding more than 10% of the total share capital of the Company carrying voting rights, then such proxy shall not act as a proxy for any other person or shareholder.

5. Members are requested to bring their attendance slips duly completed and signed mentioning therein details of their DP ID and Client ID/ Folio No.
6. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote at the Meeting.
7. Relevant documents referred to in the accompanying Notice and in the Explanatory Statements are open for inspection by the Members at the Company's Registered Office on all working days of the Company, during business hours up to the date of the Meeting.
8. Corporate Members intending to send their authorized representatives to attend the Meeting pursuant to Section 113 of the Companies Act, 2013 are requested to send to the Company, a certified copy of the relevant Board Resolution together with their respective specimen signatures authorizing their representative(s) to attend and vote on their behalf at the Meeting.
9. The Company has transferred unclaimed dividend declared upto the financial year ended 31st March, 1995 to the General Account of the Central Government as required by the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978. Those shareholders who have so far not claimed or collected their dividend upto the aforesaid financial year may claim their dividend from Registrar of Companies, Karnataka, Bangalore.
The Company has transferred the unclaimed dividend for the financial year ended 31.03.1996 and 31.03.1997 to Investor Education and Protection Fund set up by the Central Govt. and no claims shall be lie against the Fund or the Company in respect of the amounts so transferred.
10. Members seeking any information with regard to the Accounts are requested to write to the Company at an early date, so as to enable the Management to keep the information ready at the meeting.
The members are requested to get their shares dematerialized. The Company's ISIN Code INE798E01013 (CDSL) pursuant to change in face value.
11. The Ministry of Corporate Affairs has taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies and has issued circulars stating that service of notice/documents including Annual Report can be sent by e-mail to its members. To support this green initiative of the Government in full measure, members are requested to register their e-mail addresses in respect of electronic holdings with the Depository through their concerned Depository Participants.
12. (a) In accordance with the provision of Section 108 of the Companies Act, 2013 read with Companies (Management & Administration) Rules, 2014, the shareholders may exercise their option to participate through electronic voting system and the Company is providing the facility for voting by electronic means (e-voting) to all its members. The Company has engaged the services of Central Depository Services India Limited (CDSL) to provide e-voting facilities and enabling the members to cast their vote in a secured manner. It may be noted that this e-voting facility is optional. This facility will be available at the link www.evotingindia.com during the following voting period:

The instructions for shareholders voting electronically are as under:

- (i) The voting period begins on 23.09.2017 at 9.30 a.m. and ends on 26.09.2017 at 5.00 p.m. During this period shareholders' of the Company, holding shares either in physical form or in dematerialised form, as on the cut-off date (record date) of 21.09.2017 may cast their vote electronically. The e-voting module shall be disabled by CDSL for voting thereafter.
- (ii) Shareholders who have already voted prior to the meeting date would not be entitled to vote at the meeting venue.
- (iii) The shareholders should log on to the e-voting website www.evotingindia.com.
- (iv) Click on Shareholders.
- (v) Now Enter your User ID
 - a. For CDSL: 16 digits beneficiary ID,
 - b. For NSDL: 8 Character DP ID followed by 8 Digits Client ID,
 - c. Members holding shares in Physical Form should enter Folio Number registered with the Company.
- (vi) Next enter the Image Verification as displayed and Click on Login.
- (vii) If you are holding shares in demat form and had logged on to www.evotingindia.com and voted on an earlier voting of any Company, then your existing password is to be used.
- (viii) If you are a first time user follow the steps given below:

For Members holding shares in Demat Form and Physical Form	
PAN	Enter your 10 digit alpha-numeric PAN issued by Income Tax Department (Applicable for both demat shareholders as well as physical shareholders) Members who have not updated their PAN with the Company/Depository Participant are requested to use the first two letters of their name and the 8 digits of the sequence number in the PAN field. In case the sequence number is less than 8 digits enter the applicable number of 0's before the number after the first two characters of the name in CAPITAL letters. Eg. If your name is Ramesh Kumar with sequence number 1 then enter RA00000001 in the PAN field.
Dividend Bank Details OR Date of Birth (DOB)	Enter the Dividend Bank Details or Date of Birth (in dd/mm/yyyy format) as recorded in your demat account or in the Company records in order to login. If both the details are not recorded with the depository or Company please enter the member id/folio number in the Dividend Bank details field as mentioned in instruction (iv).



- (ix) After entering these details appropriately, click on "SUBMIT" tab.
 - (x) Members holding shares in physical form will then directly reach the Company selection screen. However, members holding shares in demat form will now reach 'Password Creation' menu wherein they are required to mandatorily enter their login password in the new password field. Kindly note that this password is to be also used by the demat holders for voting for resolutions of any other Company on which they are eligible to vote, provided that Company opts for e-voting through CDSL platform. It is strongly recommended not to share your password with any other person and take utmost care to keep your password confidential.
 - (xi) For Members holding shares in physical form, the details can be used only for e-voting on the resolutions contained in this Notice.
 - (xii) Click on the EVSN for the relevant <Company Name> on which you choose to vote.
 - (xiii) On the voting page, you will see "RESOLUTION DESCRIPTION" and against the same the option "YES/NO" for voting. Select the option YES or NO as desired. The option YES implies that you assent to the Resolution and option NO implies that you dissent to the Resolution.
 - (xiv) Click on the "RESOLUTIONS FILE LINK" if you wish to view the entire Resolution details.
 - (xv) After selecting the resolution you have decided to vote on, click on "SUBMIT". A confirmation box will be displayed. If you wish to confirm your vote, click on "OK", else to change your vote, click on "CANCEL" and accordingly modify your vote.
 - (xvi) Once you "CONFIRM" your vote on the resolution, you will not be allowed to modify your vote.
 - (xvii) You can also take a print of the votes cast by clicking on "Click here to print" option on the Voting page.
 - (xviii) If a demat account holder has forgotten the login password then Enter the User ID and the image verification code and click on Forgot Password & enter the details as prompted by the system.
 - (xix) Shareholders can also cast their vote using CDSL's mobile app m-Voting available for android based mobiles. The m-Voting app can be downloaded from Google Play Store. Apple and Windows phone users can download the app from the App Store and the Windows Phone Store respectively. Please follow the instructions as prompted by the mobile app while voting on your mobile.
 - (xx) Note for Non-Individual Shareholders and Custodians
 - Non-Individual shareholders (i.e. other than Individuals, HUF, NRI etc.) and Custodian are required to log on to www.evotingindia.com and register themselves as Corporates.
 - A scanned copy of the Registration Form bearing the stamp and sign of the entity should be emailed to helpdesk.evoting@cdslindia.com.
 - After receiving the login details a Compliance User should be created using the admin login and password. The Compliance User would be able to link the account(s) for which they wish to vote on.
 - The list of accounts linked in the login should be mailed to helpdesk.evoting@cdslindia.com and on approval of the accounts they would be able to cast their vote.
 - A scanned copy of the Board Resolution and Power of Attorney (POA) which they have issued in favour of the Custodian, if any, should be uploaded in PDF format in the system for the scrutinizer to verify the same.
 - (xxi) In case you have any queries or issues regarding e-voting, you may refer the Frequently Asked Questions ("FAQs") and e-voting manual available at www.evotingindia.com, under help section or write an email to helpdesk.evoting@cdslindia.com.
 - (a) The Company has engaged the services of M/s Cameo Corporate Services Ltd., Chennai as the Authorized Agency to provide e-voting facilities.
 - (b) The Company has appointed Sri Ramachandra Bhat S., Practising Company Secretary, Bangalore as 'scrutinizer' for conducting and scrutinizing the e-voting process in a fair and transparent manner.
13. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in the securities market. Members holding shares in electronic form are, therefore, requested to submit their PAN to the Depository Participants with whom they maintain their demat accounts. Members holding shares in physical form should submit their PAN to the Company.

Members holding shares in single name and in physical form are advised to make a nomination in respect of their shareholding in the Company and those Members who hold shares singly in dematerialized form are advised to make a nomination through their Depository Participants.



Explanatory Statement pursuant to Section 102 (1) of the Companies Act, 2013

Item No.4

Sri T. Narayan M. Pai, holds the position of Managing Director of the Company since 1st January, 1988. The term of his re-appointment as Managing Director approved in Annual General Meeting held on 17.08.2012 will expire on 31st December, 2017. The Board in its Meeting held on 30.05.2017, re-appointed Sri T. Narayan M. Pai as Managing Director for a further period of 5 years with effect from 01.01.2018 without remuneration as set out in Resolution No. 4, subject to obtaining necessary approval from the shareholders in this behalf in the Annual General Meeting. His re-appointment as Managing Director for a further period is beneficial in the interest of the Company.

Hence, the resolution in Item No. 4 of the Notice is being proposed for the consideration of the members.

The Board recommends that this resolution may be passed.

Except Sri T. Narayan M. Pai, Managing Director, none of the Directors is concerned/interested in the Resolution.

Item No.5

The existing Articles of Association ('AOA') of the Company are based on the Companies Act, 1956. Further, several Articles in the existing AOA are no longer in conformity with the Companies Act, 2013 ('the Act').

With the coming into force of the Act, several clauses of the existing AOA require alteration, deletion or amendment. Hence, it is considered prudent to replace the extant AOA completely with the new set of draft Articles of Association of the Company.

In terms of the Section 5 and 14 of the Companies Act, 2013, the consent of the members by way of special resolution is required for adoption of new set of Articles of Association of the Company.

None of the Directors or key Managerial Personnel of neither the Company nor their relatives are in any way, concerned with or interested, financially or otherwise, in the Special Resolution at Item No.5 of the accompanying Notice.

The Board recommends the Special Resolution set out at Item No. 5 of the Notice for approval by the members in terms of the provisions of inter-alia, Section 14 of the Companies Act, 2013, read with the Companies (Incorporation) Rules, 2014.

A copy each of the existing Articles of Associations and the proposed new set of Articles of Association will be open for inspection by the Members at the Registered Office of the Company during business hours on all working days.

Registered Office:
Manipal House
Manipal-576 104
Date: 30.05.2017

By Order of the Board
sd/-
T. Narayan M. Pai
Managing Director
DIN: 00101633



ANNEXURE TO ITEMS 2 OF THE NOTICE

Details of Directors seeking re-appointment at the forthcoming Annual General Meeting as per the provisions of SEBI (Listing Obligations and Disclosure Requirements) 2015

Name of the Director	Vinoda Chandappa Sherigar
Director Identification Number (DIN)	07224755
Date of Birth	15.08.1964
Nationality	Indian
Date of Appointment on Board	29.06.2015
Qualification	B.A.
Shareholding in the Company	–
List of Directorships held in other Companies (excluding foreign, private and Section 8 Companies)	–
Memberships/Chairmanships of Audit and Stakeholders' Relationship Committees across Public Companies	Member : Stakeholders Relationship Committee Member: Audit Committee

There are no inter-se relationships between the Board Members.

ANNEXURE TO ITEMS 4 OF THE NOTICE

Details of Directors seeking re-appointment at the forthcoming Annual General Meeting as per the provisions of SEBI (Listing Obligations and Disclosure Requirements) 2015

Name of the Director	Tonse Narayan M. Pai
Director Identification Number (DIN)	00101633
Date of Birth	17.05.1943
Nationality	Indian
Date of Appointment on Board	01.01.98
Qualification	B.Com.
Shareholding in the Company	556250
List of Directorships held in other Companies (excluding foreign, private and Section 8 Companies)	–
Memberships/Chairmanships of Audit and Stakeholders' Relationship Committees across Public Companies	Member : Stakeholders Relationship Committee Member: Audit Committee

There are no inter-se relationships between the Board Members.

DIRECTORS' REPORT TO THE SHAREHOLDERS

To,
The Members,

Your Directors have pleasure in presenting their 34th Annual Report on the business and operations of the Company and the accounts for the Financial Year ended March 31, 2017.

1. Financial summary or highlights/Performance of the Company

(Rs. in '000)

	31st March, 2017	31 st March, 2016
Gross Income	13565	5585
Administrative and other Expenses	5007	2734
Net Profit /(Loss) before Depreciation, Lease Equalisation, provision for doubtful debts and bad debts written off	8558	2851
Less: Depreciation	650	1524
Add: Lease Adjustment (Credit)	-	-
Less: Provisions & write offs of debts (net) & Prior period items	1484	5256
Profit/(Loss) before Tax and extraordinary items	9392	6583
Extraordinary Items	3305	1934
Profit/(Loss) before provision for taxation	12697	8517
Provision for Taxation	-	-
Profit/(Loss) after provision for taxation	12697	8517
Add: Balance of Loss b/f from previous year	642944	651461
Net Loss carried forward	630247	642944

2. State of Company's affair

During the year ending 31st March, 2005 the Scheme of Compromise and Arrangement under Section 391 of the Companies Act, 1956 to effect the restructure of Company's debts particularly Debentures and subordinated debts of the Company was framed and presented before the Honorable High Court of Karnataka. Accordingly, the meeting of the Shareholders, Debenture Holders and Subordinated Debt holders were held on 20th April, 2005. The scheme as proposed had provided for payment of principal in a phased manner over 60 months from effective date and payment of interest accrued till 30th June, 2002 within 72 months from the effective date. The Scheme as proposed do not provide for accrual of interest after 30th June, 2002. (For the above purpose the effective date means the date on which the Order of High Court of Karnataka sanctioning the Scheme of Arrangement is filed with the Registrar of Companies in Karnataka.)

On 10th July 2009, Honorable High Court of Karnataka has directed the Company to submit the details of payments made to Non-Convertible Debenture holders and subordinated debt holders from 1st April, 2005. Accordingly the details were furnished to Honorable Court. It was submitted before the Honorable Court that the Company has settled substantial portion of Non-Convertible Debentures and Subordinated Debts and it was therefore felt that the scheme requires to be changed having regard to the settlements already made and quantum of non-convertible debentures and subordinated debts remaining to be settled. Therefore the Company had proposed to withdraw the scheme of arrangement from the Honorable High Court of Karnataka, with an option to present a new scheme of arrangement. The Honorable High Court of Karnataka has permitted the Company to withdraw the petition, with liberty to file a fresh petition, vide its order dated 28th October, 2009. Accordingly, the Company is exploring the possibility of proposing a fresh petition to be filed before the Honorable High Court of Karnataka. At present the Company is concentrating only on recovery of its dues and setting the debts.

3. Dividend

The Company has not declared any Dividend on equity shares, due to insufficient profit.

4. Reserves

During the year, the Company has not transferred any amount to General Reserve Account.

5. Share Capital

The paid-up Equity Share Capital as on 31st March, 2017 was Rs.838 Lakhs and Preference Share Capital of Rs.295 Lakhs. During the year under review, the Company has not issued any shares. The Company has not issued shares with differential voting rights. It has neither issued employee stock options nor sweat equity shares and does not have any scheme to fund its employees to purchase the shares of the Company.



6. Directors and Key Managerial Personnel

Mrs. Vinoda Chandappa Sherigar (DIN: 07224755), Director retire by rotation at the forthcoming Annual General Meeting and being eligible, offer herself for re-appointment.

Mr. T. Narayan M. Pai, Managing Director (DIN 00101633) whose term of office in the whole time employment of the Company expires on 31.12.2017. The Board of Directors have re-appointed him as Managing Director of the Company for a further period of 5 years from 01.01.2018 on the terms as set out in the Notice of 34th Annual General Meeting.

7. Particulars of Employees

The names of the Top Ten employees in terms of remuneration drawn in pursuance of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016 is annexed as a part of this Annual Report as Annexure IV.

During the year under review, the Company had no employees whose remuneration exceeded the limit prescribed pursuant to the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

8. Meetings

A calendar of Meetings is prepared and circulated in advance to the Directors. During the year five Board Meetings and four Audit Committee Meetings were convened and held. The details of which are given in the Corporate Governance Report. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

9. Board Evaluation

Pursuant to the provisions of the Act and Clause 49 of the Listing Agreement, the Board has carried out an annual evaluation of its own performance, performance of the Directors as well as the evaluation of the working of its Committees. The Nomination and Remuneration Committee has defined the evaluation criteria, procedure and time schedule for the Performance Evaluation process for the Board, its Committees and Directors.

The Board's functioning was evaluated on various aspects, including *inter alia* degree of fulfillment of key responsibilities, Board structure and composition, establishment and delineation of responsibilities to various Committees, effectiveness of Board processes, information and functioning. Directors were evaluated on aspects such as attendance and contribution at Board/Committee Meetings and guidance/support to the management outside Board/Committee Meetings. In addition, the Chairman was also evaluated on key aspects of his role, including setting the strategic agenda of the Board, encouraging active engagement by all Board members and motivating and providing guidance to the Managing Director. Areas on which the Committees of the Board were assessed included degree of fulfillment of key responsibilities, adequacy of Committee composition and effectiveness of meetings.

The performance evaluation of the Independent Directors was carried out by the entire Board, excluding the Director being evaluated. The performance evaluation of the Chairman and the Non-Independent Directors was carried out by the Independent Directors who also reviewed the performance of the Board as a whole. The Nomination and Remuneration Committee also reviewed the performance of the Board, its Committees and of the Directors.

10. Corporate Governance

Corporate governance represents a set of systems and practices to ensure that the affairs of the Company are managed in a way that ensures accountability, transparency and fairness in all transactions. Your Company is fully committed to pursue goals and objectives which are in the best interests of stake holders. The Company aims at achieving highest standards of corporate governance. The Company has Board Committees for different matters and subjects. These committees also make their contribution to better corporate governance. Also, there is a system of internal audit in the Company which is conducted by an independent firm of chartered accountants. The Company also reviews the corporate governance practices with reference to the practice obtaining in the corporate sector and the regulatory developments. The Company has complied with not only statutory requirements but also, voluntarily adhered to a set of strong corporate governance practices.

11. Remuneration Policy & Managerial Remuneration

None of the Directors of the Company, who may be a Managing or Whole-time Director of the Company's, have received any remuneration, including commission from the Company during the year.

None of the Directors of the Company have received any remuneration or commission from any Holding Company or Subsidiary Company, service contracts, notice period, severance fees, fixed component and performance linked incentives etc.

12. Details of Subsidiary/Joint Ventures/Associate Companies

The Company does not have any Subsidiary/Joint Ventures/Associate Companies.

13. Auditors

a. Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the rules framed thereunder, the appointment of M/s Pai Nayak & Associates, Chartered Accountants, Udupi (Firm Registration No.009090S) who retire by compulsory rotation as Statutory Auditors were ratified at the AGM held on 27th September, 2017, whose appointment shall be effective till the conclusion of AGM to be held in the calendar year 2017.



Based on the above provisions, mandatory rotation of auditors is applicable for the Company and considering the same, the Board of Directors at their meeting held on 30th May, 2017, has, subject to approval of the members of the Company at the AGM, appointed M/s Sriramulu Naidu & Co., Chartered Accountants, Mangalore (Firm Registration No.008975S) as Statutory Auditors of the Company for a period of 5 years (subject to ratification at each AGM) till the conclusion of the 39th AGM of the Company to be held in the year 2022, subject to approval of member at this AGM.

- b. In respect of the Qualification/Observation made by the Auditors vide "Basis for Qualified Opinion", "Emphasis of the Matter", and Para 3, 4(e), 4(f), 4(g), 4 (i) (1), 4(i)(2) and 4(i)(3) of the "Report on other Legal and Regulatory Requirements" of "Report on Financial Statements" and Clause Nos.1,5,8,16 of Annexure "A" to the Auditors Report, and Qualification given in Annexure B to the Audit Report and Qualification given under Basis for Issues of Qualified Opinion under Annexure "C" for the Auditors Report, the clarifications given vide Note Nos.2.01, 5.01, 23.01, 23.01(i), 23.02, 23.06, 23.08, 23.11, 23.12, 23.13, 23.15, 23.16, 23.17 and 23.18 are self explanatory.

Secretarial Audit Report

In terms of Section 204 of the Act and Rules made there under, Sri S. Ramachandra Bhat, Practicing Company Secretary (Membership No. 04441, C P No. 5421) from Bangalore has been appointed as Secretarial Auditor of the Company. The report of the Secretarial Auditor is enclosed as Annexure III to this report. As per Section 134 (3f) of the Companies Act, 2013 Company is required to make comments on the adverse remarks/comments on the Secretarial Auditor's Report.

1. As per the Secretarial Auditor's Report placed before the Board, the Secretarial auditor have opined that the Company has not published the unaudited financial results in newspapers as per the provisions of Regulation 33 of SEBI (LODR) Regulation, 2015.

Your Directors reiterate that due to poor financial conditions, the Company is not able to publish the results in newspapers. However once the financial conditions of the Company revived, Company will arrange to publish the same.

2. As per the Secretarial Auditor's Report placed before the Board, the Secretarial auditor have opined that the Company has not appointed Key Managerial Person (Company Secretary).

Your Directors reiterate that Company was not engaged in any business consequently there were no income. Due to poor financial conditions, the Company was forced to reduce the number of branches and also number of employees. This is the main reason for not appointing a whole time Company secretary. However as and when the Company engages itself in a proper business, it would certainly comply with this requirement.

14. Internal Audit & Controls

The Company has established and maintained adequate internal controls over the financial reporting. Internal controls have been designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements in accordance with accounting principles generally accepted in India. The Company has internal control system commensurate with the size and nature of the business. The Company engages M/s N. P. Pai & Co., Chartered Accountants, Udupi (Firm Registration No.115271W/Membership No.039351) as its Internal Auditor. During the year, the Company continued to implement their suggestions and recommendations to improve the control environment. Their scope of work includes review of processes for safeguarding the assets of the Company, review of operational efficiency, effectiveness of systems and processes, and assessing the internal control strengths in all areas. Internal Auditors findings are discussed and acted upon and suitable corrective actions taken as per the directions of Audit Committee on an ongoing basis to improve efficiency in operations.

15. Vigil Mechanism

The Company has adopted a formal mechanism to the Directors and employees to report their concerns about unethical behaviour, actual or suspected fraud or violation of the Company's Code of Conduct or ethics policy.

16. Risk Management Policy

The Company has adopted a Risk Management Policy in accordance with the provisions of the Act and Clause 49 of the Listing Agreement. It establishes various levels of accountability and overview within the Company, while vesting identified managers with responsibility for each significant risk.

The Internal Audit Department facilitates the execution of Risk Management Practices in the Company, in the areas of risk identification, assessment, monitoring, mitigation and reporting. Through this programme, each Function and Unit addresses opportunities and risks through a comprehensive approach aligned to the Company's objectives. The Company has laid down procedures to inform the Audit Committee as well as the Board of Directors about risk assessment and management procedures and status. Sustainability is embedded in the Corporate Enterprise Risk Management programme, which gives an opportunity to increase the effectiveness of risk management practices and for improving business efficiency. The Company's social and environmental policies correlate strongly with the risk management strategy and ultimately the financial performance. This risk management process, which is facilitated by internal audit, covers risk identification, assessment, analysis and mitigation. Incorporating sustainability in the process also helps to align potential exposures with the risk appetite and highlights risks associated with chosen strategies. The current risk slate and the comprehensive risk policy have been further redefined during the year. The major risks forming part of the Enterprise Risk Management process are linked to the audit universe and are covered as part of the annual risk based audit plan.



17. Extract of Annual Return

As required pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014, an extract of annual return in MGT 9 as a part of this Annual Report as Annexure I.

18. Material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the report and changes in nature of business, if any:

There are no such material changes to be reported in this regard and there are no change in nature of business.

19. Details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future:

Your Directors wish to state that there have been no significant or material orders that were passed by the Regulators or Courts or Tribunals which may impact the going concern status and operations of the Company in future.

20. Particulars of loans, guarantees or investments under Section 186

Details of Loans: Not applicable to NBF Companies since same are given in the ordinary course of business. Further, no loans are given to any party.

Details of Guarantee/Security Provided: Not applicable to NBF Companies. However no such guarantee or security provided. Investments made are of the nature quoted/unquoted equity shares. Particulars of such investments are provided in the financial statements vide note Nos.8.01.

21. Conservation of energy, technology absorption and foreign exchange earnings and outgo

The Company did not have any activity in relation to conservation of energy or technology absorption. The Company had no foreign exchange earnings or outgoings during the year under report.

22. Details in respect of adequacy of internal financial controls with reference to the Financial Statements

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

23. Deposits

The details relating to deposits, covered under Chapter V of the Act –

(a) accepted during the year: Nil

(b) remained unpaid at the end of the year: Rs. 13.53 Lakhs

(c) whether there has been any default in repayment of deposits or payment of interest thereon during the year and if so, number of such cases and the total amount involved:

(i) at the beginning of the year: Rs. 13.53 Lakhs

(ii) maximum during the year: Nil

(iii) at the end of the year: Rs. 13.53 Lakhs

The details of deposits which are not in compliance with the requirements of Chapter V of the Act;

24. Particulars of contracts or arrangements with related parties

All related party transactions that were entered into were on an arm's length basis, in the ordinary course of business and were in compliance with the applicable provisions of Companies Act, 2013 ("the Act"). There were no materially significant Related Party Transactions made by the Company during the year that would have required shareholders approval under the provisions of the Act. Details of the transactions with related parties are provided in the Note No.23.04 of accompanying financial statements. Form AOC-2 pursuant to clause (h) of sub-section (3) of Section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014 is annexed herewith marked as Annexure II.

25. Corporate Governance Certificate

The Compliance certificate from the auditors or practicing Company secretaries regarding compliance of conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement shall be annexed with the report.

26. Management Discussion and Analysis

The Management Discussion and Analysis forms part of this Annual Report. The details of which are given in the Corporate Governance Report.

27. Obligation of Company under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has zero tolerance for sexual harassment at workplace and has adopted a Policy on Prevention, Prohibition and Redressal of Sexual Harassment at the Workplace, in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules there under. The Company has not received any complaint of sexual harassment during the financial year 2016-17.



28. Corporate Social Responsibility (CSR) : Not applicable

29. Human Resources

Your Company treats its "human resources" as one of its most important assets.

Your Company continuously invest in attraction, retention and development of talent on an ongoing basis. A number of programs that provide focused people attention are currently underway. Your Company thrust is on the promotion of talent internally through job rotation and job enlargement.

30. Directors' Responsibility Statement

The Directors' Responsibility Statement referred to in clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013, shall state that—

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

31. Transfer of Amounts to Investor Education and Protection Fund

As all the matured deposits, debentures and debts were already claimed, the question of transfer of such amounts to Investor Education and Protection Fund does not arise.

32. Listing with Stock Exchanges

The Company confirms that it has paid the Annual Listing Fees for the year 2016-2017 to Bombay Stock Exchange, Mumbai where the Company's Shares are listed.

33. Acknowledgements

An acknowledgement to all with whose help, cooperation and hard work the Company is able to achieve the results.

For and on behalf of the Board of Directors

sd/-

(T. Narayan M. Pai)

Managing Director

DIN : 00101633

Place : Manipal

Date : 30.05.2017



Annexure – I

**FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN**

As on financial year ended on 31.03.2017

**Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Company
(Management & Administration) Rules, 2014**

I. REGISTRATION & OTHER DETAILS

1.	CIN	L65910KA1984PLC005988
2.	Registration Date	29.3.1984
3.	Name of the Company	Manipal Finance Corporation Ltd.
4.	Category/Sub–category of the Company	–
5.	Address of the Registered Office & Contact Details	Manipal House, Manipal – 576 104 Udupi Dist. Karnataka. Ph.0820-2570741
6.	Whether listed Company	Yes
7.	Name, Address & contact details of the Registrar & Transfer Agent, if any	Cameo Corporate Services Ltd. Registrar & Transfer Agents : Unit : Manipal Finance Principal Office: Subramanian Building, No. 1, Club House Road CHENNAI – 600 002 Email: cameo@cameoindia.com Ph: 28460390 (5 lines)

II. PRINCIPAL BUSINESS ACTIVITIES OF THE Company (All the business activities contributing 10% or more of the total turnover of the Company shall be stated)

Sl. No.	Name and Description of main Products/Services	NIC Code of the Product/Service	% to total turnover of the Company
1.	NBFC	K5	100%

**III. A) Shareholding Pattern (Equity Share Capital Break-up as percentage of Total Equity)
Category-wise Shareholding**

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31 March, 2016]				No. of Shares held at the end of the year [As on 31 March, 2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
1) Indian									
a) Individual/HUF/Directors	–	1269936	1269936	15.15	–	1269936	1269936	15.15	–
b) Central Govt.	–	–	–	–	–	–	–	–	–
c) State Govt.(s)	–	–	–	–	–	–	–	–	–
d) Bodies Corp.	–	1603895	1603895	19.14	–	1603895	1603895	19.14	–
e) Banks / FI	–	–	–	–					
f) Any other	–	–	–	–					
Total shareholding of Promoter (A)	–	2873831	2873831	34.29	–	2873831	2873831	34.29	–
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	–	–	–	–	–	–	–	–	–
b) Banks / FI	–	300	300	0.04	–	300	300	0.04	–

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31 March, 2016]				No. of Shares held at the end of the year [As on 31 March, 2017]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
c) Central Govt.	-	-	-	-	-	-	-	-	-
d) State Govt.(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIs									
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
Sub-total (B)(1):	-	300	300	0.01	-	300	300	0.01	-
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	1250	81292	82542	0.98	1250	81292	82542	0.98	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals	-	-	-	-	-	-	-	-	-
i) Individual shareholders holding nominal share capital up to Rs. 1 lakh	102947	5302257	5405204	64.49	104305	5300899	5405204	64.49	0.01
ii) Individual shareholders holding nominal share capital in excess of Rs. 1 lakh	-	111780	111780	1.33	-	111780	111780	1.33	-
c) Others (specify)	-	-	-	-	-	-	-	-	-
Non-Resident Indians	-	6300	6300	0.08	-	6300	6300	0.08	-
Overseas Corporate Bodies	-	-	-	-	-	-	-	-	-
Foreign Nationals	-	-	-	-	-	-	-	-	-
Clearing Members	-	-	-	-	-	-	-	-	-
Trusts	-	-	-	-	-	-	-	-	-
Foreign Bodies – D R	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-	104197	5501629	5605826	66.88	105555	5500271	5605826	66.88	0.01
Total Public Shareholding (B) = (B)(1) + (B)(2)	104197	5501929	5606126	66.89	105555	5500571	5606126	66.89	0.01
C. Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	1041971	8380961	8380961	100	105555	8380961	8380961	100	-

**B) Shareholding of Promoter**

Sl. No.	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year		
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares
1.	Kamalaksha Pai K.	4793	0.06	0	4793	0.06	0
2.	Narayan M. Pai T.	6357	0.08	0	6357	0.08	0
3.	Vijayalaxmi N. Pai	950	0.01	0	950	0.01	0
4.	Jayanthi R. Pai	5494	0.07	0	5494	0.07	0
5.	Vidya	1297	0.02	0	1297	0.02	0
6.	Sunithi P. Nayak	6272	0.07	0	6272	0.07	0
7.	Chetan B. Pai	2307	0.03	0	2307	0.03	0
8.	Sangeetha	3000	0.04	0	3000	0.04	0
9.	Narayan M. Pai T.	83112	0.99	0	83112	0.99	0
10.	Shankarnarayan Aithal K.	200	0.00	0	200	0.00	0
11.	Vijayalaxmi N. Pai	552	0.01	0	552	0.01	0
12.	Narayan M. Pai T.	8356	0.10	0	8356	0.10	0
13.	B Manjunath Shenai	868	0.01	0	868	0.01	0
14.	Ranga Pai M.	5500	0.07	0	5500	0.07	0
15.	Suman Pai M.	3500	0.04	0	3500	0.04	0
16.	Ashok Pai T.	2215	0.03	0	2215	0.03	0
17.	Neetha	1215	0.01	0	1215	0.01	0
18.	Sunil	1515	0.02	0	1515	0.02	0
19.	Sanjay	1215	0.01	0	1215	0.01	0
20.	Manjunath Shenai B.	4868	0.06	0	4868	0.06	0
21.	Sharath Investments Ltd.	15183	0.18	0	15183	0.18	0
22.	ICDS Ltd.	449163	5.36	0	449163	5.36	0
23.	Vijayalaxmi N. Pai	50	0.00	0	50	0.00	0
24.	Vijayalaxmi N. Pai	27	0.00	0	27	0.00	0
25.	Vijayalaxmi N. Pai	486	0.01	0	486	0.01	0
26.	Vijayalaxmi N. Pai	1130	0.01	0	1130	0.01	0
27.	Savoy Agencies P. Ltd.	137718	1.64	0	137718	1.64	0
28.	Narayan M. Pai T.	797	0.01	0	797	0.01	0
29.	Rajesh Pai T.	1800	0.02	0	1800	0.02	0
30.	Manipal Industries Ltd.	12650	0.15	0	12650	0.15	0
31.	TVP Consultants Ltd.	701073	8.37	0	701073	8.37	0
32.	Manipal Sowbhagya Nidhi Ltd.	212956	2.54	0	212956	2.54	0
33.	Manipal Prakashana Pvt. Ltd.	35589	0.42	0	35589	0.42	0
34.	Praman Capital Market Services Ltd.	28063	0.33	0	28063	0.33	0
35.	Vijayalaxmi N. Pai	278660	3.32	0	278660	3.32	0
36.	Sunil Pai T.	278950	3.33	0	278950	3.33	0
37.	Narayan M. Pai T.	278250	3.32	0	278250	3.32	0
38.	Narayan M. Pai T.	278000	3.32	0	278000	3.32	0
39.	Sanjay Pai	700	0.01	0	700	0.01	0
40.	Sunil Pai	2500	0.03	0	2500	0.03	0
41.	Sanjay Pai	2500	0.03	0	2500	0.03	0
42.	Sunil Pai	1300	0.02	0	1300	0.02	0
43.	Sanjay Pai	1200	0.01	0	1200	0.01	0
44.	Manipal Sowbhagya Nidhi Ltd.	11500	0.14	0	11500	0.14	0

C) Change in Promoters' Shareholding (please specify, if there is no change)

Sl. No.	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	At the beginning of the year	-	-	-	-
2.	Date-wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/transfer/bonus/sweat equity etc.)	-	-	-	-
3.	At the end of the year	-	-	-	-

**D) Shareholding Pattern of top ten Shareholders
(Other than Directors, Promoters and Holders of GDRs and ADRs)**

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	At the beginning of the year	191979	2.30	191979	2.30
2.	Date-wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/sweat equity etc.)	-	-	-	-
3.	At the end of the year	191979	2.30	191979	2.30

E) Shareholding of Directors and Key Managerial Personnel

Sl. No.	Shareholding of each Directors and each Key Managerial Personnel	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1.	At the beginning of the year	659665	7.87	659665	7.87
2.	Date-wise Increase/Decrease in Promoters Shareholding during the year specifying the reasons for increase/decrease (e.g. allotment/ transfer/bonus/ sweat equity etc.)	-	-	-	-
3.	At the end of the year	659665	7.87	659665	7.87

F) Indebtedness – Indebtedness of the Company including interest outstanding/accrued but not due for payment.
Rs. in '000

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	47766	178434	1353	227553
ii) Interest due but not paid	14215	11611	250	26126
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	61981	190095	1603	253679
Change in Indebtedness during the financial year				
* Addition	-	-	-	-
* Reduction	11642	9247	-	20889
Net Change				
Indebtedness at the end of the financial year				
i) Principal Amount	38776	169734	1353	209863
ii) Interest due but not paid	11563	11114	250	22927
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	50339	180848	1603	232790



- IV. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL –
- A. Remuneration to Managing Director, Whole-time Directors and/or Manager:
Not applicable since no salary to Managing Director
- B. Remuneration to other director(s):

Sl. No.	Particulars of Remuneration	Name of Director	Total Amount
1.	Independent Directors	Vinoda C. Sherigar	–
	Fee for attending board committee meetings	Rs.	Rs
	Commission	12,000	12,000
	Others, please specify	–	–
	Total (1)	12,000	12,000
2.	Other Non-Executive Directors	–	–
	Fee for attending board committee meetings	–	–
	Commission	–	–
	Others, please specify	–	–
	Total (2)	12,000	–
	Total (B)=(1+2)	–	–
	Total Managerial Remuneration	12,000	12,000

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	CS	CFO T. Sanjay Pai	Total
1.	Gross salary	–	–	Rs. 2.10 Lakhs	Rs. 2.10 Lakhs
	(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	–	–	–	–
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	–	–	–	–
	(c) Profits in lieu of salary under Section 17(3) of the Income-tax Act, 1961	–	–	–	–
2.	Stock Option	–	–	–	–
3.	Sweat Equity	–	–	–	–
4.	Commission	–	–	–	–
	– as % of profit	–	–	–	–
	others, specify...	–	–	–	–
5.	Others, please specify	–	–	–	–
	Total	–	–	Rs. 2.10 Lakhs	Rs. 2.10 Lakhs

V. PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty/ Punishment/ Compounding fees imposed	Authority [RD/NCLT/ COURT]	Appeal made, if any (give Details)
A. Company					
Penalty	–	–	–	–	–
Punishment	–	–	–	–	–
Compounding	–	–	–	–	–
B. DIRECTORS					
Penalty	–	–	–	–	–
Punishment	–	–	–	–	–
Compounding	–	–	–	–	–
C. OTHER OFFICERS IN DEFAULT					
Penalty	–	–	–	–	–
Punishment	–	–	–	–	–
Compounding	–	–	–	–	–



Annexure – II

**FORM NO. AOC – 2
(Pursuant to Clause (h) of sub-section (3) of Section 134 of the Act and
Rule 8(2) of the Companies (Accounts) Rules, 2014)**

Form for Disclosure of particulars of contracts/arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arms length transaction under third proviso thereto.

1. Details of contracts or arrangements or transactions not at Arm's length basis: Nil
2. Details of contracts or arrangements or transactions at Arm's length basis : All related party transactions as covered u/s 188 of the Act were entered into during the period prior to 1.4.2016. Therefore making any further disclosures in Form AOC-2 does not arise.

Annexure–III

**Form No. MR–3
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED 31.03.2017
[Pursuant to Section 204(1) of the Companies Act, 2013 and Rule No.9 of the Companies
(Appointment and Remuneration Personnel) Rules, 2014]**

To,
The Members,
Manipal Finance Corporation Limited
REGD. OFFICE: "MANIPAL HOUSE"
MANIPAL – 576 104 (Udupi Dist.)

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Manipal Finance Corporation Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided me/us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31st March, 2017 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by Manipal Finance Corporation Limited for the financial year ended on 31st March, 2017 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the rules made thereunder;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
3. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
4. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
5. The Reserve bank of India Act, 1934 and all guidelines and prudential norms framed thereunder to an extent applicable;
6. The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act') viz.:
 - a) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Enforced from 1st December, 2015);
 - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992 (till 14th May, 2015) and The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (Enforced from 15th May, 2015);
 - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
 - f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and
 - h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998;
7. Central Excise Act, 1944
8. Customs Act, 1962
9. Income Tax Act, 1961
10. Karnataka Tax on Professions, Trade, Callings & Employment Act, 1976
11. Employee Provident Fund and Miscellaneous Provisions Act, 1952
12. The Payment of Gratuity Act, 1972



13. Employee State Insurance Act, 1948
14. Factories Act, 1948
15. Payment of Bonus Act, 1972
16. Minimum Wages Act, 1948
17. The Payment of Wages Act, 1936
18. The Trade Unions Act, 1926
19. Workmen's Compensation Act, 1923
20. Industrial Disputes Act, 1947
21. Maternity Benefits Act, 1961
22. Sexual Harassment at Workplace (Prevention) Act, 2013
23. Contract Labour (Regulation & Abolition) Act, 1979
24. The Apprentices Act, 1961
25. Equal Remuneration Act, 1976
26. The Environment (Protection) Act, 1986
27. Industrial (Development & Regulation) Act, 1951

We have also examined compliance with the applicable clauses of the following:

(i) The Listing Agreements entered into by the Company with BSE Limited.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above except to the extent as mentioned below:

1. *The Company has not published unaudited quarterly financial results in newspapers as per the provisions of SEBI (Listing Obligations and Disclosure Requirement) 2015.*
2. *The Company has not appointed Key Managerial Person (Company Secretary) in accordance with the provisions of Section 203(1) of the Companies Act, 2013 read with Rule 8 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.*

We further report that

The Board of Directors of the Company is duly constituted with minimum strength as per Section 149(1)(a) of the Companies Act, 2013. Pursuant to Section 149(4) of the Companies Act, 2013 read with Rule 4 of the Companies (Appointment and Qualification of Directors) Rules, 2014, there has to be at least 02 persons to be appointed as Independent Directors on the Board of the Company. Accordingly, the Company has appointed Two Independent Directors on the Board of the Company. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act. Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through and there were no dissenting members for any item.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period there were no instances of

- a. Public/Right/Preferential issue of shares/debentures/sweat equity, etc.
- b. Redemption/buy-back of securities
- c. Major decisions taken by the members in pursuance to Section 180 of the Companies Act, 2013
- d. Merger/amalgamation/reconstruction, etc.
- e. Foreign technical collaborations

Ramachandra Bhat S.
Company Secretary
FCS No.: 4441
CP No.: 5421

Place : Bangalore
Date : 30.05.2017

This report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.

Annexure – IV

Top Ten employees in terms of remuneration drawn in pursuance of Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Amendment Rules, 2016.

Sl. No.	Employee name	Designation	Education Qualification	Experience (In years)	Remuneration in fiscal (Rs.)	Previous employment	Designation
1.	T. Sanjay Pai	CFO	MBA	17 Years	21,000	–	–
2.	Sudhir Kumar Shetty	Manager	B.Com.	23 Years	17,720	–	–
3.	K. Narasappa Kotian	Security Officer	B.A.	18 Years	12,400	At Police Dept.	Sub-Inspector



Annexure – A

To,

The Members,
Manipal Finance Corporation Ltd.
REGD. OFFICE: "MANIPAL HOUSE"
MANIPAL – 576 104 (Udupi Dist.)

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Ramachandra Bhat S.
Company Secretary
FCS No.: 4441
C P No.: 5421

Place : Bangalore
Date : 30.05.2017

CORPORATE GOVERNANCE REPORT

Corporate Governance Code

The Directors present the Company's report on Corporate Governance as on 31st March, 2017 as required under Regulation 34(3) read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

1. Philosophy:

The Company believes in good corporate governance and has taken efforts to implement the same wherever possible in the present circumstances. The Board of Directors has always had adequate competent independent Directors. For effective discharge of its functions and proper deliberations, the Board has constituted committees from time to time. Adequate disclosure and information are provided to the Board as well as its Committees. Active participation of the independent Directors at the Board and Committee Meetings has always been the norm.

2. Board of Directors:

The Board comprised of three Directors, of which one is executive and two non-executives including a woman director.

The non-executive Directors are eminent personalities with experience in Management and Finance. The Board oversees as to how the management serves and protects the long-term interest of all the stakeholders.

i) Number of Board Meeting and Attendance of Directors:

The Board met 4 times during financial year 2016-2017. The details are as follows:

Date of Meeting	Board Strength	No. of Directors present
30.05.2016	3	2
13.08.2016	3	2
14.11.2016	3	2
14.02.2017	3	3

The last AGM was held on 29th September, 2016 and 1 out of 3 Directors are attended the AGM.

ii) The Composition of Board of Directors, their directorships in other companies and memberships in committees and the details of their attendance at the Board Meetings are given below:

Sl. No.	Name of the Directors	Category of Directorships	No. of Meetings attended	Attendance at last AGM	No. of other Directorship	No. of Board Committees in which Chairman (C) Member (M)
1.	Sri T. Narayan M. Pai	Promoter Executive	4	Yes	Nil	3(C)
2.	Sri Raghavendra Nayak	Non-Executive	4	No	Nil	2(M)
3.	Smt. Vinoda C. Sherigar	Non-Executive	1	No	Nil	2(M)

3. Audit Committee:

The Audit Committee comprised of the following members of the Board:

Sri T. Narayan M. Pai, Managing Director

Sri Raghavendra Nayak, Member

Smt. Vinoda C. Sherigar, Member

The role and terms of reference of Audit Committee cover the areas mentioned under Regulation 72 of the SEBI (Listing Obligation & Disclosure Requirements) Regulations, 2015 and Section 179 of the Companies Act, 2013, besides other terms referred to by the Board of Directors from time to time. During the year, the Committee met on 30.05.16, 13.08.16, 14.11.2016 and 14.02.2017. Sri T. Narayan M. Pai, Managing Director is the Compliance Officer.

Attendance of the Directors at the Audit Committee Meeting:

Meeting held on	No. of Members Present
30.05.2016	2
13.08.2016	2
14.11.2016	2
14.02.2017	3

4. Nomination and Remuneration Committee:

This Committee will attend to the function relating to review of remuneration policy, changes to be effected in the policy from time to time and other aspects of remuneration to the Directors and Key Managerial Personnel from time to time.

Sri T. Narayan M. Pai, Managing Director is the only whole-time Director of the Company and he does not draw any remuneration.

Details of remuneration for the year ended 31st March, 2017:

- i) Whole-Time Director: Nil
- ii) Non-Executive Directors & Independent Directors: Non-Executive Directors and Independent Directors were paid remuneration by way of sitting fees for attending Board Meetings.
- iii) Key Managerial Personnel: Details of remuneration paid Chief Financial Officer of the Company has been furnished in the Annexure – I. Form MGT-9 which forms part of the Boards' Report.

5. Stakeholders Relationship Committee:

The Committee approves transfer, transmission, issue of duplicate Debenture Certificates and Subordinated Debts, review and redress shareholders grievances/complaints on matters relating to transfer of shares, debentures, subordinated debts, non-receipt of Balance Sheet etc.

Mr. T. Narayan M. Pai, Managing Director is the Compliance Officer.

Number of Shareholders Complaints received	:	Nil
Number of Shareholders Complaints settled	:	Nil
Number not solved to the satisfaction of the shareholders	:	Nil
Number of pending Share transfers	:	Nil

6. Annual General Meetings:

The last three Annual General Meetings were held in Manipal House, Manipal – 576 104.

AGM No.	Date	Time	Special Resolution required
31	30.09.2014	3.30 p.m.	Yes
32	29.09.2015	4.30 p.m.	Yes
33	29.09.2016	3.30 p.m.	No

All the resolutions as set out in the respective notices were passed by the shareholders.

Postal Ballot:

The Notice of 34th Annual General Meeting does not contain any item which required approval by Postal Ballot.

7. Disclosures:

There were no transactions of material nature with the Directors or the Management or their relatives during the year.

There were no instances of non-compliance on any matter related to the capital markets during the last three years.

8. Related Party Transactions:

All related party transactions that were entered into were on an arm's length basis, in the ordinary course of business and were in compliance with the applicable provisions of Companies Act, 2013 ("the Act"). There were no materially significant related party transactions made by the Company during the year that would have required shareholders' approval under the provisions of the Act.

9. Whistle Blower Policy:

The Company has adopted a Whistle Blower Policy to provide a formal mechanism to the Directors and employees to report their concerns about unethical behavior actual or suspected fraud or violation of the Company's Code of Conduct. The Policy provided for adequate safeguards against victimization of employees who avail of the mechanism and also provides for direct access to the Chairman of the Audit Committee. It is affirmed that no personnel of the Company has been denied access to the Audit Committee. Your Company hereby affirms that no complaints were received during the year under review.

10. Compliance with Accounting Standards:

In the preparation of financial statements the Company has followed the Accounting Standards Referred to in Section 133 of the Companies Act, 2013. The significant accounting policies which are consistently applied are set out in the Notes to the Financial Statements.

11. Means of Communication:

- a. Quarterly/Half Yearly financial results are sent to the Stock Exchange, Mumbai where the shares of the Company are listed. The Company is not having its own web-site.
- b. Company has not made any presentations to any Institutional Investors/Analyst during the year.

12. Management Discussion and Analysis Report:

Review of Operations:

The Company is engaged in the business of Hire Purchase and Lease Finance and has completed 34 years of operation in this field. During the year 2016-2017, the Company has earned a net profit of Rs.126.97 Lakhs as against the net profit of Rs.85.17 Lakhs in the previous year 2015-2016.

Hire Purchase and Lease Finance business is facing severe competition and margins are under great pressure. In the aftermath of stringent Prudential Norms promulgated by the RBI, the NBFCs all across the country suffered a severe set back. Their borrowing capacity is drastically curtailed. With no avenues for further growth, together with ever increasing defaulters in the list of corporate clients, triggered the downfall in the performance of the NBFCs. The situation that has arisen in your Company is in no way different. In spite of these hurdles, the Company has tried its best to salvage the situation by reducing its operational cost on all fronts.

The Company is putting in serious efforts to recover NPA accounts. Criminal complaints under Section 138 of Negotiable Instrument Act are also lodged simultaneously against such defaulters whose cheques were dishonoured. The Company is making good progress on the Recovery Front.

The Company has appointed M/s N. P. Pai & Co., Chartered Accountants, Udupi (Firm Regn. No. 115271W) as its internal Auditor.

The discussion on financial performance of the Company is covered in the Director's Report. There has been no material development on the human resource front during the year. The number of employees employed as on 31st March 2017 was 3.

During the year ending 31st March, 2005 the Scheme of Compromise and Arrangement under Section 391 of the Companies Act, 1956 to effect the restructure of Company's debts particularly Debentures and subordinated debts of the Company was framed and presented before the Honorable High Court of Karnataka. Accordingly, the meeting of the Shareholders, Debenture Holders and Subordinated Debt holders were held on 20th April, 2005. The scheme as proposed had provided for payment of principal in a phased manner over 60 months from effective date and payment of interest accrued till 30th June, 2002 within 72 months from the effective date. The Scheme as proposed do not provide for accrual of interest after 30th June, 2002. (For the above purpose the effective date means the date on which the Order of High Court of Karnataka sanctioning the Scheme of Arrangement is filed with the Registrar of Companies in Karnataka.)

On 10th July 2009, Honorable High Court of Karnataka has directed the Company to submit the details of payments made to Non-Convertible Debenture holders and subordinated debt holders from 1st April, 2005. Accordingly the details were furnished to Honorable Court. It was submitted before the Honorable Court that the Company has settled substantial portion of Non-Convertible Debentures and Subordinated Debts and it was therefore felt that the scheme requires to be changed having regard to the settlements already made and quantum of non-convertible debentures and subordinated debts remaining to be settled. Therefore the Company had proposed to withdraw the scheme of arrangement from the Honorable High Court of Karnataka, with an option to present a new scheme of arrangement. The Honorable High Court of Karnataka has permitted the Company to withdraw the petition, with liberty to file a fresh petition, vide its order dated 28th October, 2009. Accordingly, the Company is exploring the possibility of proposing a fresh petition to be filed before the Honorable High Court of Karnataka.

13. Human Resource Development:

There has been no material development on the Human Resources front.

14. General Shareholder Information:

- | | |
|---|---|
| a) Annual general meeting | : 34th Annual General Meeting |
| Day & Date | : Wednesday, 27th of September, 2017 |
| Time | : 4.00 p.m. |
| Venue | : Manipal House, Manipal
Manipal – 576 104, Udupi District |
| b) Financial Calendar | : 1st April to 31st March |
| c) Date of Book Closure | : 25.09.2017 to 27.09.2017 (both days inclusive) |
| d) Dividend | : No Dividend has been recommended by the Board of Directors for the year ended 31st March, 2017. |
| e) Registered Office | : Manipal House, Manipal–576 104. |
| f) Listing on Stock Exchanges | : The equity shares are listed on Bombay Stock Exchange Ltd., Mumbai |
| Note: Annual Listing Fee has been paid upto date. | |
| g) a) Stock Code | : 507938 (BSE) |
| b) Dematerialization of Shares | : ISIN No. INE 798E01013 (CDSL) |

As on 31st March, 2017, 1,05,555 No. Equity Shares forming 1.25% of the share capital of the Company stands dematerialized (Previous Year: 1,04,197 No. Equity Shares forming 1.24% of the Share Capital).

- | | |
|----------------------|-----------------|
| h) Market Price Data | : Not Available |
|----------------------|-----------------|



i) Registrar and Share Transfer Agent for Physical and Demat Shares:

Cameo Corporate Services Ltd.

Subramanian Building

No. 1, Club House Road

Chennai – 600 002

Phone : (044-28460390), Email : investor@cameoindia.com

j) **Share Transfer System:**

As directed by SEBI, Company has appointed Cameo Corporate Services Ltd., V Floor, Subramanian Building, No.1 Club House Road, Chennai – 600 002, as Registrar and Share Transfer Agent under demat and physical form effective March, 2003. Till this date Share Transfers etc. were done in-house once in two weeks. The shareholders/investor's Grievance Committee approves all share transfer and transmission upon its receipt from the Registrars.

k) **Distribution of Equity Shareholding as on 31st March, 2017**

Sl. No.	Shareholding of Nominal Value (Rs.)	No. of Shareholders	Share Amount (Rs.)	Percentage of Shareholding
1.	Up to 5,000	8335	22779060.00	27.180
2.	5,001 to 10,000	1587	13482960.00	16.088
3.	10,001 to 20,000	570	8308450.00	9.913
4.	20,001 to 30,000	166	4161880.00	4.966
5.	30,001 to 40,000	52	1893740.00	2.260
6.	40,001 to 50,000	32	1548680.00	1.848
7.	50,001 to 1,00,000	37	2528370.00	3.017
8.	1,00,000 & above	20	29106470.00	34.729
TOTAL		10799	83809610.00	100.000

l) **Pattern of Equity Shareholding as on 31st March, 2017**

Shareholders	No. of Shares held	Percentage
Foreign Body Corporate	0	0
Directors, Relatives, Friends and Associates	2873831	34.29
Financial Institutions	0	0
Banks	0	0
Other Corporate Bodies	68778	0.82
Others	5438352	64.89
TOTAL	8380961	100.00

m) **Plant Locations: NIL**

n) **Address for Investor's Correspondence:**

Secretarial Department

Manipal Finance Corporation Ltd.

Regd. Office: Manipal House, MANIPAL – 576 104

Phone: (0820) 2570741

DECLARATION

As provided under Clause 49 of the Listing Agreement with Bombay Stock Exchange Ltd. (BSE) all Board Members and Senior Management Personnel affirmed compliance with Manipal Finance Corporation Ltd., Code of Conduct and Ethics for the year ended 31st March, 2017.

For Manipal Finance Corporation Ltd.,

Place : Manipal
Date : 30.05.2017

sd/-
T. Narayan M. Pai
Managing Director



WHOLE-TIME DIRECTOR/CFO CERTIFICATION

To

The Board of Directors
Manipal Finance Corporation Ltd.
Manipal

We Managing Director appointed in terms of the Companies Act, 2013 and Chief Financial Officer of the Company certify to the Board that:

- a) We have reviewed the financial statements and the cash flow statements for the year and that to the best of our knowledge and belief.
 - i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading.
 - ii) these statements together present a true and fair view of the listed entity's affairs and are in compliance with existing accounting standards, laws and regulations.
- b) To the best of our knowledge and belief, no transactions are entered into by the Company during the year which are fraudulent, illegal or violative of the Company's code of conduct.
- c) That we accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company.
- d) We have indicated to the Auditors and Audit Committee:
 - i) No significant changes have taken place in internal control process during the year.
 - ii) No significant changes in accounting policies during the year.

For Manipal Finance Corporation Ltd.

Sd/-
T. Sanjay Pai
Chief Financial Officer

Sd/-
T. Narayan M. Pai
Managing Director
DIN: 00101633

Place : Manipal
Date : 30.05.2017

**Certificate on
Compliance of Corporate Governance**

To: The Members of Manipal Finance Corporation Limited

I have examined the Compliance of the conditions of Corporate Governance by of Manipal Finance Corporation Limited ("the Company") as per the relevant provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") as referred in Regulation 15(2) of the Listing Regulations for the period from April 1, 2016 to March 31, 2017.

The compliance of conditions of Corporate Governance is the responsibility of the management. My examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

In my opinion and to the best of our information and explanations given to me, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Regulation 17 to 27 and clauses (b) to (i) of regulation 46(2) and paragraphs C, D and E of Schedule V of the SEBI Listing Regulations for the respective periods of applicability as specified under paragraph 1 above during the year ended March 31, 2017, except that,

- The Company has not appointed Company Secretary – Key Managerial Person (KMP)

I state that,

- In respect of shareholder grievances received during the year ended March 31, 2017, no shareholder grievances are pending against the Company as on 31st March, 2017 as per the records maintained by the Company and presented to the Investors/Shareholders Grievance Committee.
- In respect of investors grievances as regards to repayment of debentures/deposits on maturity I am informed that the same is being repaid in terms of the scheme of arrangement sanctioned by the Hon'ble High Court of Karnataka.

I further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

Ramachandra Bhat S.
Company Secretary
FCS No.: 4441
C P No.: 5421

Place: Manipal
Date : 30.05.2017



INDEPENDENT AUDITOR'S REPORT

To the Members of
Manipal Finance Corporation Limited, Manipal

Report on the Financial Statements

We have audited the accompanying financial statements of MANIPAL FINANCE CORPORATION LIMITED ("the Company"), which comprises the Balance Sheet as at 31st March 2017, the Statement of Profit and Loss, the Cash Flow Statement for the year ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Company's Board of Directors are responsible for the matters in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes the maintenance of adequate accounting records in accordance with the provision of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made there under.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by Company's Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements.

Basis for the qualified opinion

1. We draw attention to Note No.23.02 of the financial statements. The Company has incurred losses and its majority of funds are blocked in Non-Performing Assets, raising a doubt about the Company to continue as a going concern. The Company has presented a scheme of arrangement for restructure of liabilities as detailed in Note No.5.01 of the financial statements and subsequently withdrawn the same, for reasons given therein. The Company is exploring the possibility of presenting the new scheme of arrangement, as detailed in the aforesaid Notes. The account, however have been prepared on a "going concern basis" in view of management perception as detailed in Note No.23.02 as aforesaid. However we are unable to comment on the ultimate realisability of Company's assets including the Fixed Assets under lease. Accordingly we are also unable to comment on the Company's ability to settle its debts/liabilities (including Deposits, Subordinated debts and Secured Redeemable Debentures.)
2. We draw the attention to Note 5.01 of the Financial Statements. The Company has stopped (i) repayment of matured debentures & matured subordinated debts and (ii) payment of interest on debentures and subordinated debts from 1st day of July 2002 and proposed a scheme of arrangement before the Hon'ble High Court of Karnataka, as referred to in the aforesaid Note (which is since withdrawn and we are informed that the Company is exploring the possibility presenting a new scheme of arrangement). Further the Company has also stopped repayment of deposits matured for repayment from the aforesaid date. All the debts of the Company i.e. debentures, subordinated debts and deposits are matured for repayment. The Company has provided for interest on deposits/debentures/debts up to 30th June 2002 and not thereafter.

There are also many instances of settlement of debentures, debts and public deposits at the discounted rates with partial/full waiver of interest, which has been done with mutual consent. We are also informed that the remaining depositors/debenture holders/debt holders have approached the Company for settlement of the dues and the Company is in the process for the same.

As per the information given to us various Consumer Courts (including the Appellate Authorities/Courts acting under the Consumer Protection Act) have passed the orders, for the repayment of certain deposits/debentures/debts with interest and other costs. The detailed information on these orders have not been made available to us. However we are informed that the Company has settled the dues of such customers in many cases, which also includes settlement at discounted rates with partial/full waiver of interest and many of the remaining such persons have approached the Company for settlement.



We draw the attention to the Statement made by the Management of the Company in Note No. 5.01 of the Financial Statement which is as follows: "Considering the facts that the Company has settled the dues of depositors/debenture holders/debt holders at the discounted rates as stated above, that the remaining customers have approached the Company for settlement of their dues, that the orders issued by the various consumer courts including the appellate authorities/courts therein, that the Company has settled the many of such consumer court cases, that the total debts of the Company have reduced considerably because of settlement as aforesaid and that the Company is exploring the possibility of framing the new scheme of arrangement, it is not feasible for the Company to ascertain accurately its liability on any given date".

Considering all the facts as given above, we qualify our opinion that it is not feasible for us to ascertain accurately the liability of the Company as on the date of the Balance Sheet.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, *except for the effect of the matter described in the Basis of Qualified Opinion paragraph*, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2017;
- (b) in the case of the Statement of Profit and Loss, of the Profit for the year ended on that date; and
- (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of matter

1. We draw the attention to Note 2.01 of the Financial Statements. The Company during the year with a view towards restructuring its liabilities has settled deposits/debentures/subordinated debts at discounted rates. The same has been done with due consent of the parties to deposits, debentures and debts. The interest write back arising out of such settlement is considered as Extraordinary Income in the Statement of Profit and Loss. Principal write back arising out of such settlement is considered as capital receipt and taken directly to Capital Reserve (viz: Capital Reserve 2) in the Balance Sheet. This has been done as per the accounting policy followed by the Company, as stated in Note No. 23.01 (i). The Company had made similar settlements during the earlier years also, by giving the similar accounting treatment. Our opinion is not qualified on this matter.
2. We draw the attention to Note 23.12 of the Financial Statements. The Company has earned Profit during the year and also during immediate previous financial year i.e. year ending 31st March 2016 due to exceptional income as disclosed in Note 20 and Extraordinary Income as stated in Note 21 and also due to sale of shares held as stock in Trade as disclosed in Note No.13.

Report on other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Companies Act, 2013, we give in the 'Annexure A' a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. As required by the Master Direction DNBS PPD.03/66.15.001/2016-17 dated 29.09.2016 (RBI/DNBS/2016-17/48) issued by the Reserve Bank of India, Department of Non-Banking Supervision Central Office we give in the "Annexure B" a statement of matters specified in paragraph 3(A) & 3(B) of the order
3. *In terms of press release issued by Reserve Bank of India dated 27.06.2001, we state that:*
 - a) *The Certificate of Registration as issued by the Reserve Bank of India is not in force, since same was cancelled during December 2004.*
 - b) *The Company has not obtained credit rating.*
 - c) *The capital adequacy ratio is negative and accordingly the Company's loans, advances and investments are above the credit exposure limits.*
 - d) *The Company has not filed the prudential returns and annual returns as per revised directives. However the Company has filed such returns as per the directives as prevailed till 31st March 2011 i.e. prudential returns on half yearly basis and annual return once a year.*
 - e) *The public deposits are matured for repayment, but remained unpaid by the Company. However the Company has settled some of the deposits at discounted rates without interest. The Company has not provided/paid interest on deposits after 30th June 2002.*
 - f) *The Company has not created floating charge in favour of the depositors, on the statutory liquid assets invested.*
 - g) *The Company has not closed any of its branches during the year. Therefore the question of making any comments therein does not arise.*
4. **As required by Section 143(3) of the Act, we report**
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet, the Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
 - e) *Our Qualifications as given under paragraph titled "Basis for qualified opinion" may have adverse effect on the functioning of the Company, if the management perception as detailed in Note 23.02 of financial statement does not*



materialize. However our observation as given under paragraph titled “Emphasis of matter” will not have adverse effect on the functioning of the Company.

- f) *The qualification/observations relating to the maintenance of accounts and other matters connected therewith are as stated in the “Basis for Qualified Opinion paragraph” and “Emphasis of Matter paragraph” above.*
- g) *We are of the opinion that the Directors of the Company are disqualified from being appointed as Directors of other public companies under 164(2) of the Companies Act, 2013, for the reason that the Company has not fully discharged its liability towards matured deposits/debentures/subordinated debts. However the management of the Company are of the opinion that its directors are not disqualified u/s 164(2) of the Companies Act, 2013 for the reasons as stated in Note 23.06 of the financial statement.*
- h) *With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in ‘Annexure C’; and*
- i) *With respect to the other matters included in the Auditor’s Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 in our opinion and to the best of our information and according to the explanations given to us:*
 - 1) *The Company has stated vide Note 23.05 and 23.15 of the financial statement that the impact of pending litigations on its financial position is not ascertainable for the reasons as stated in the aforesaid notes.*
 - 2) *The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses, which has been confirmed by the management vide Note 23.16 of the financial statement.*
 - 3) *The Company has not transferred any amount to the credit of Investor Education and Protection Fund during the year under audit, for the reason as given by the management vide Note 5.01 and 23.17 of financial statement. Accordingly commenting on delay in transferring the amounts to the aforesaid fund does not arise.*
 - 4) *The Company has provided requisite disclosures in the Financial Statement as to Holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December 2016. Based on the audit procedures and relying on the management representation we report that the disclosures are in accordance with books of account maintained by the Company and as produced to us by the Management in Note No.23.10.*

For **PAI NAYAK & ASSOCIATES**
Chartered Accountants
Firm’s Registration Number: 009090S

sd/-
AMMUNJE VENKATESH NAYAK
Partner
Membership Number : 204685

Place: MANIPAL
Date : 30.05.2017

ANNEXURE “A” TO INDEPENDENT AUDITOR’S REPORT
(Issued to the Members of MANIPAL FINANCE CORPORATION LIMITED)
REFERRED TO IN PARAGRAPH 1 UNDER THE HEADING
“REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF EVEN DATE

As required by the Companies (Auditor’s Report) Order, 2016 (hereinafter referred to as “the order”), issued by the Central Government under Section 143(11) of the Companies Act, 2013, and on the basis of such checks as we considered appropriate, and according to the information and explanations given to us, we further report that

1. a) *The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.*
- b) *According to the information and explanations given to us the fixed assets other than those under lease, have been physically verified by the management during the period and no material discrepancies were noticed on such verification as compared to available records. In respect of leased assets physical verification has not been done during the year.*
- c) *According to the information given to us and on the basis of our examination, all title deeds of freehold immovable properties are held in the name of the Company. The title deeds of leasehold immovable properties are supported by Memorandum of agreement entered into with the lessor. We are informed that the original title deeds in respect of immovable properties of land and buildings (both freehold and leasehold), whose title deeds have been pledged as security for debentures, are lying with the Debenture Trustee, as evidenced by the records produced before us and accordingly we have given our report as above, based on the examination of copies of the above said documents.*
2. *According to the information and explanations given to us, the inventories which consist of shares and securities have been physically verified by the management during the year at reasonable intervals. No material discrepancy was noticed on physical verification of stocks by the management as compared to book records.*
3. *As per the information and explanation given to us, the Company during the year has not granted loans, secured or unsecured to/from companies, firms, LLP or other parties covered in the register maintained under Section 189 of the Act. Hence further commenting on clause (iii) of para 3 of the said order does not arise.*



4. According to the information and explanations given to us, the Company has not given loans, made any investments or provided any guarantee or security during the year under audit. Accordingly the question of reporting on compliance of Section 185 and 186 of the Act does not arise. Therefore the paragraph 3(iv) of the Order is not applicable to the Company.
5. In our opinion and according to the information and explanation given to us the Company has complied with the directives issued by the Reserve Bank of India, the provision of Section 73 to 76 of the Companies Act, 2013, Companies (Acceptance of Deposit) Rules 2014 and Non-Banking Financial Companies (Reserve Bank Directions) with regard to acceptance of deposit from public subject to the exception of renewal of deposits up to 18.01.2000 with maturity dates falling beyond 31st December, 2003, non-payment of principal/interest as and when it became due. *Our other observations are being made in main audit report under the head 'Basis for qualified opinion'.* However no fresh deposits accepted/renewed during the year under audit. *We are informed by the management that the Company has not received any order by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in respect of deposits, except the orders from various Consumer Courts (including the Appellate Authorities/Courts acting upon under Consumer Protection Act) regarding repayment of proceeds of debentures/debts/deposits with interest and other costs. The detailed information on these are not made available to us. Therefore we are not in a position to comment on the compliance of aforesaid orders. However we are informed that the Company has settled the dues of many of such cases, which also includes settlement at discounted rates. The Company has also received the order from Reserve Bank of India during December 2004, canceling the certificate of registration.*
6. The Central Government has not prescribed maintenance of cost records under clause (d) of Sub-section (1) of Section 148 of the Companies Act, 2013. Therefore the question of making further comments therein does not arise.
7. a) According to the information and explanation given to us, the Company is regular in depositing undisputed statutory dues (i.e. provident fund, employees' state insurance, income tax, sales tax, service tax, customs duty, excise duty, value added tax, cess and other statutory dues) with the appropriate authorities, and there are no arrears of outstanding statutory dues as at the last day of the financial year concerned for a period of more than six months from the date they became payable.
b) According to the records of the Company there are no dues of Sales Tax, Income Tax, Custom Duty, Service Tax, Excise Duty, Value added tax which have not been deposited due to any dispute.
8. *Based on our audit and according to the information and the explanations given to us, we are of the opinion that the Company has during the year defaulted in payment of dues to the debenture holders amounting Rs.50,339 thousands (P Y Rs.61,981 thousands). Interest on debentures not paid/provided since 1st day of July 2002. However a scheme of arrangement was submitted before the Hon'ble High Court of Karnataka to repay the debenture with interest thereon in the manner mentioned in the Note No. 5.01 to the financial statements. But the scheme is since withdrawn and the Company is exploring the possibility of presenting a new scheme of arrangement, as detailed in Note No.5.01 as aforesaid.*
9. In our opinion and according to the information and explanation given to us, no moneys were raised by the Company by way of initial public offer or further public offer (including debt instruments) during the year under audit. The Company has also not raised any term loan during the year under audit. Hence further commenting on clause (ix) of para 3 of the said Order does not arise.
10. Based on the audit procedures performed and the information and explanations given to us, we report that no fraud by the Company or on the Company by its officers or employees has been noticed or reported during the year, nor have we been informed of such case by the management.
11. According to the information and explanation given to us, no managerial remuneration has been paid during the year under audit. Therefore the clause (xi) of para 3 of the Order is not applicable to the Company.
12. The Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
13. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Section 177 and 188 of the Act wherever applicable and the details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
14. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
15. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into non-cash transactions with directors or persons connected with him. Therefore, the question of compliance with Section 192 of the Companies Act, 2013 does not arise. Accordingly, the paragraph 3(xv) of the Order is not applicable.
16. *The Company was registered under Section 45-IA of the Reserve Bank of India Act, 1934. However The Certificate of Registration as issued by the Reserve Bank of India is not in force, since same was cancelled during December 2004.*

For **PAI NAYAK & ASSOCIATES**
Chartered Accountants
Registration Number: 009090S

sd/-

AMMUNJE VENKATESH NAYAK
Partner

Membership No.: 204685

Place : MANIPAL
Date : 30.05.2017



ANNEXURE "B" TO INDEPENDENT AUDITOR'S REPORT (Issued to the Board of Directors of Manipal Finance Corporation Limited) REFERRED TO IN PARAGRAPH 2 UNDER THE HEADING

"REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS" OF EVEN DATE

Additional Report to Board of Directors as per Master Direction DNBS. PPD.03/66.15.001/2016-17 (hereinafter referred to as "the Directions") issued by Reserve Bank of India dated 29th September, 2016

- I. The Company had applied for registration as provided in Section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) on 25.06.1997 and it had received the certificate of Registration from Reserve Bank of India vide Letter No. DNBS (BG) 2618/09.01.04/97-98 dated 19.02.1998 (Certificate No. 02.00014 dated 14.02.1998). As per the documents produced before us, the Reserve Bank of India has cancelled the registration vide letter No. DNBS (BG) No./01C.03.0164/2004-05 dated 24th December 2004. Accordingly the Company does not hold Certificate of Registration at any time during the year.
- II. As stated in Paragraph I above, the Company does not hold Certificate of Registration from Reserve Bank of India at any time during the year and accordingly the question of further reporting on entitlement to hold the Certificate of Registration does not arise.
- III. The Company is having negative Net Owned Funds and accordingly has not met the required net owned fund as laid down in Master Direction – Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 and Master Direction - Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.
- IV. The Company has not accepted or renewed the deposits during the year. However there are public deposits accepted during earlier years, are outstanding as on the date of Balance Sheet. As per the information given to us and as evident from the records produced before us, the deposits outstanding as on 31st March 2017 are matured for repayment and remained unpaid as on date of Balance Sheet and during the year.
 - a) The Company has not accepted the deposits from the public by issue of unsecured non-convertible debentures/bonds.
 - b) The Company has not accepted public deposits from its shareholders and
 - c) The Company has not accepted any other deposits which are not excluded from the definition of 'public deposit' in the Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016.Further no such amounts (as stated in clause a, b and c) are outstanding as on 31st March, 2017.
- V. As per the information given by the management and evident from the records, the public deposits held by the Company are in excess of the quantum of such deposits permissible to it under the provisions of Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016 and such deposits are not regularized in the manner provided in the said Directions.
- VI. As per the information given by the Management and evident from records the Credit rating for fixed deposits of MB assigned by the Credit Rating Agency, viz., Investment information and Credit Rating Agency on 04.01.1999 is no longer valid. However the Company has stopped accepting/renewing deposits since 18th January, 2000.
- VII. As per the information given by the management and evident from the records the capital adequacy ratio as disclosed in the return submitted to the Bank in the terms of the Non-Banking Financial Company – Systemically Important Non-Deposit Taking Company and Deposit Taking Company (Reserve Bank) Directions, 2016 has been correctly determined being negative and restricted to zero. The Company has not attained Capital Adequacy ratio as prescribed by Reserve Bank of India during the year.
- VIII. As per the information provided by the management and from evident from the records the Credit rating for fixed deposits of MB assigned by the Credit Rating Agency, viz., Investment information and Credit Rating Agency on 04.01.1999 is no longer valid. Hence paragraph 3(B) (v) of the directions does not apply. Accordingly the whole of the public deposits outstanding as on the date of Balance Sheet is considered to be in excess of the limits.
- IX. As per the information given by the Management and evident from records the Company has stopped accepting and renewing Public Deposits since 18th January 2000. Hence commenting on paragraph 3(B) (vi) of the directions does not arise.
- X. The Company has not accepted or renewed the Public deposits during the year. As per the information given to us and as evident from the records produced before us, the deposits outstanding as on 31st March 2017 are matured for repayment and remained unpaid as on date of Balance Sheet.
- XI. The Company has complied with the prudential norms on income recognition, accounting standards, asset classification, provisioning for bad and doubtful debts, and concentration of credit/investments as specified in the Directions issued by the Bank in terms of the Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. However all the loans, advances and investments as on 31.03.2017 have exceeded the exposure limits specified by Reserve Bank of India, as the Company's net owned funds is negative.
- XII. The Company has maintained a sum of Rs.928 thousands (Including Accrued interest) as SLR Deposit (in Term Deposit of Nationalized Bank) as against the total unpaid principal portion of public deposit (as on 31st March 2017) of Rs.1353 thousands and as per the records produced before us, the details of the designated Bank in which the approved securities/deposits are held, is communicated to the concerned office of the Bank in terms of NBS-3; Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016.
- XIII. The Company has not prepared the Return on deposits in NBS1 as per revised directives. However the Company has prepared the return on deposits on annual basis, under the old norms. Company has submitted the aforesaid return to the Reserve Bank of India, for the year ending 31st March 2016. As evident from the records produced before us and as per information given to us, the aforesaid returns have been posted before 30th Sept. 2016. The return for the year ending 31st March 2017 is not yet prepared by the Company.
- XIV. The Company has not furnished to the Reserve Bank of India the quarterly return on prudential norms as specified in the Non-Banking Financial Company Returns (Reserve Bank) Direction, 2016. However the Company has filed belatedly the returns on prudential norms on half-yearly basis (under the old norms). However the returns for the half-year ending 31st March 2017 not yet filed.
- XV. As per the information and explanations given to us the Company has not opened any branches and as explained to us no agents are appointed as the Company is not accepting any fresh deposits on or after January 18th, 2000. As per the information made available to us and as per the documents produced before us, the Company has not closed any Branches during the year ending 31st March 2017.

For PAI NAYAK & ASSOCIATES
Chartered Accountants
Registration Number: 009090S

sd/-

AMMUNJE VENKATESH NAYAK
Partner

Place : MANIPAL
Date : 30.05.2017



**ANNEXURE “C” TO INDEPENDENT AUDITOR’S REPORT
(Issued to the Members of Manipal Finance Corporation Limited)
REFERRED TO IN PARAGRAPH 3(h) UNDER THE HEADING
“REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS” OF EVEN DATE**

Report on the Internal Financial Controls under Clause (h) of Sub-section 3 of Section 143 of the Companies Act, 2013 (“the Act”)

We have audited the internal financial controls over financial reporting of Manipal Finance Corporation Limited (“the Company”) as of 31st March 2017 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

Management’s Responsibility for Internal Financial Controls

The Company’s management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over financial Reporting issued by the Institute of Chartered Accountants of India (‘ICAI’). These responsibilities include design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

Auditor’s Responsibility

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the “Guidance Note”) and the standards on Auditing, issued by ICAI and deemed to be prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of Internal Financial Controls both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

A Company’s internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company’s internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention of timely detection of unauthorised acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Inherent Limitation of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Basis for issue of qualified opinion

The Company has not verified the Fixed Assets under lease falling under the head “leased machineries and equipment” & “leased vehicles and furniture” of Note 6 of the Financial Statement.

Qualified Opinion

In our opinion except for the effect of the matter described in the Basis of Qualified Opinion paragraph, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2017, based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **PAI NAYAK & ASSOCIATES**
Chartered Accountants
Registration Number: 009090S

Place : MANIPAL
Date : 30.05.2017

sd/-
AMMUNJE VENKATESH NAYAK
Partner

Membership No.: 204685

**Balance Sheet as on 31.03.2017**

(Rs. in '000)

Particulars	Note No.	31.03.2017		31.03.2016	
A. EQUITY AND LIABILITIES :					
1. Shareholders' Funds					
a) Share Capital	1	1,13,310		1,13,310	
b) Reserves & Surplus	2	<u>(3,82,217)</u>	<u>(2,68,907)</u>	<u>(3,69,907)</u>	<u>(2,56,597)</u>
2. Non-current Liabilities					
Other Long Term Liability	3	50,387		50,387	
Long term provisions	4	<u>441</u>	<u>50,828</u>	<u>441</u>	<u>50,828</u>
3. Current Liabilities					
Other Current Liabilities	5	<u>2,42,373</u>	<u>2,42,373</u>	<u>2,65,464</u>	<u>2,65,464</u>
TOTAL			<u><u>24,294</u></u>		<u><u>59,695</u></u>
B. ASSETS :					
1. Non-current Assets					
a) Fixed Assets:					
Tangible Assets (i.e. Property Plant and Equipments)	6	12,789		46,339	
b) Other Non-current Assets	7	<u>1,142</u>	<u>13,931</u>	<u>889</u>	<u>47,228</u>
2. Current Assets					
a) Inventories	8	6,923		9,198	
b) Trade Receivable	9	-		-	
c) Cash and Cash Equivalents	10	883		370	
d) Short term Loans and Advances	11	2,352		2,741	
e) Other Current Assets	12	<u>205</u>	<u>10,363</u>	<u>158</u>	<u>12,467</u>
TOTAL			<u><u>24,294</u></u>		<u><u>59,695</u></u>
OTHER DISCLOSURES TO ACCOUNTS:	23				

The notes are an integral part of these financial statements.

Place : Manipal

Date : 30th May, 2017

As per our report of even date
For **PAI NAYAK & ASSOCIATES**
Chartered Accountants
Firm Registration No.: 009090S

Sd/-
T. Narayan M. Pai
Managing Director
DIN: 00101633

Sd/-
Vinoda C. Sherigar
Director
DIN: 07224755

Sd/-
T. Sanjay Pai
Chief Financial Officer

Sd/-
Ammunje Venkatesh Nayak
Partner
Membership No.: 204685

**Statement of Profit & Loss for the year ended 31.03.2017**

(Rs. in '000)

Particulars	Note No.	2016-17	2015-16
I. REVENUE			
Revenue from Operations	13	10,930	1,195
Other Income	14	2,537	1,805
TOTAL REVENUE		13,467	3,000
II. EXPENSES			
Changes in inventories of stock in trade	15	2,275	–
Employee Benefit Expenses	16	690	639
Finance costs	17	473	410
Depreciation and Amortization Expense	18	650	1,524
Other Expenses	19	1,569	1,685
TOTAL EXPENSES		5,657	4,258
Profit/(Loss) Before Exceptional and Extraordinary items and Tax		7,810	(1,258)
Exceptional items (Income) (Net)	20	(1,582)	(7,841)
Profit/(Loss) Before Extraordinary items and Tax		9,392	6,583
Extraordinary Items (Income)	21	(3,305)	(1,934)
Profit before Tax		12,697	8,517
Tax Expense		–	–
Profit after Tax for the year		12,697	8,517
Earning Per Equity Share (Equity Share of Rs. 10/- each)	22		
Basic/Diluted Earning per Share (before extraordinary items)		1.12	0.79
Basic/Diluted Earning per Share (after extraordinary items)		1.51	1.02
OTHER DISCLOSURES TO ACCOUNTS:	23		

The notes are an integral part of these financial statements.

Place : Manipal

Date : 30th May, 2017

As per our report of even date

For **PAI NAYAK & ASSOCIATES**

Chartered Accountants

Firm Registration No.: 009090S

Sd/-

T. Narayan M. Pai

Managing Director

DIN: 00101633

Sd/-

Vinoda C. Sherigar

Director

DIN: 07224755

Sd/-

T. Sanjay Pai

Chief Financial Officer

Sd/-

Ammunje Venkatesh Nayak

Partner

Membership No.: 204685

**CASH FLOW STATEMENT FOR THE YEAR ENDED 31st MARCH, 2017**

(Rs. in '000)

Description	2016-17	2015-16
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax and extraordinary items :	9,392	6,583
Adjustments for :		
Depreciation	650	1,524
Interest income from investments/Bank Deposits	(110)	(212)
Dividend received	(307)	(283)
Gratuity Fund asset recognized	(185)	(12)
Provisions and write off of debts (net of reversal)	(1,484)	(5,256)
Operating profit (loss) before working capital changes	7,956	2,344
Adjustments for changes in working capital:		
(Increase)/Decrease in trade and other receivables	1,859	4,874
(Increase)/Decrease in inventories	2,275	5
Increase/(Decrease) in trade payables	(2,202)	675
Cash Generated from operations	9,888	7,898
Interest paid	106	(69)
Direct taxes (paid)/refund	(33)	50
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	9,961	7,879
B. CASH FLOW FROM INVESTING ACTIVITIES		
Receipt/(Payment) of lease security deposit	–	25
Fixed Deposits with Bank Realised (Made)	68	840
Interest Received	110	484
Dividend Received	307	283
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	349	1,632
C. CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Subordinated Debts	(5,404)	(2,415)
Increase/(Decrease) in N.C.D's	(4,393)	(6,899)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	(9,797)	(9,314)
Net Increase in Cash and Cash Equivalents	513	197
Opening Balance of Cash & Cash Equivalents	370	173
Closing Balance of Cash & Cash Equivalents	883	370

Notes:

1. Previous Year's figures are regrouped, rearranged and reclassified wherever necessary.
2. Cash Flow statement is being prepared under "Indirect Method" as laid down under Accounting Standard 3.
3. Cash and Cash equivalents does not include term deposit kept with Banks which are kept for maturity period beyond 3 months/earmarked bank balances. These are disclosed in Note No.7 & 12 of Balance Sheet.

Refer our Report of Even Date

For **PAI NAYAK & ASSOCIATES**

Chartered Accountants

Firm Registration No.: 009090S

Sd/-
T. Narayan M Pai
 Managing Director
 (DIN: 00101633)

Sd/-
Vinoda C. Sherigar
 Director
 (DIN: 07224755)

Sd/-
T. Sanjay Pai
 Chief Financial Officer

Sd/-
Ammunje Venkatesh Nayak
 Partner
 Membership No.: 204685

Place : Manipal
 Date : 30th May, 2017

Notes to Accounts Forming Part of Balance Sheet as on 31st March, 2017

(Rs. in '000)
31.03.2017 31.03.2016

NOTE 1:
SHARE CAPITAL

(also refer Note 1.01 to 1.03 below)

Authorised Capital :

1,00,00,000 Equity Shares of Rs. 10/- each	100,000	100,000
20,00,000 Cumulative Redeemable Preference Shares of Rs. 10 each	20,000	20,000
30,00,000 Non-Cumulative Redeemable Preference Shares of Rs. 10 each	30,000	30,000
	<u>150,000</u>	<u>150,000</u>

Issued, Subscribed & Paid-up :

83,80,961 Equity Shares of Rs. 10/- each fully paid-up (Previous year 83,80,961 Equity Shares of Rs. 10 each fully paid)	83,810	83,810
29,50,000 11% Non-Cumulative Redeemable Preference Shares of Rs. 10 each fully paid	29,500	29,500

(29,50,000 Non-Cumulative Redeemable Preference Shares are issued to Preference Shareholders of 17% Redeemable Cumulative Preference Shareholders in consideration of their redemption on the following dates: 20,00,000 Shares on 16th January, 2001 & 9,50,000 Shares on 6th September, 2001)

TOTAL

<u>1,13,310</u>	<u>1,13,310</u>
------------------------	------------------------

Note 1.01: Reconciliation of Number of Shares

	As at March 31, 2017		As at March 31, 2016	
	Number of Shares	Amount	Number of Shares	Amount
A. EQUITY SHARES				
Balance as at the beginning of the year	83,80,961	83,810	83,80,961	83,810
Adjustments during the period	-	-	-	-
Balance as at the end of the year	83,80,961	83,810	83,80,961	83,810
B. PREFERENCE SHARES				
11% Non-Cumulative Preference Shares				
Balance as at the beginning of the year	29,50,000	29,500	29,50,000	29,500
Adjustments during the period	-	-	-	-
Balance as at the end of the year	29,50,000	29,500	29,50,000	29,500

Note 1.02: Rights, Preferences and Restrictions attached to Shares
Equity Shares:

The Equity Shares are having a par value of Rs.10 per share. Each shareholder is eligible for one vote per each share held. The dividend if any, proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting, except in the case of interim dividend. In the event of liquidation, the equity shareholders are eligible to receive the remaining assets of the Company (after distribution of all preferential amounts including payment to the preference shareholders) in proportion to their shareholding.



Preference Shares:

Non-Cumulative Redeemable Preference Shares shall be redeemable at par after the expiry of 12 months but not later than 20 years from the respective dates of allotment at the option of the holders of such Shares by giving 3 months notice or at the discretion of the Board of Directors. The shares are entitled for preferential right over dividend (before the equity shareholders) at the rate of 11%, which is to be proposed by the Board of Directors, which is subject to the approval of the shareholders, in the ensuing Annual General Meeting, except in the case of payment of dividend as "interim dividend". However the shares are Non-Cumulative and therefore the shareholders are not entitled to carry forward the dividend of a year to the forthcoming year/s, in case the same is not declared in a year. In the event of liquidation, the such shareholders are eligible to receive the face value (after distribution of all preferential amounts) before the distribution of assets to the equity shareholders. In case the assets available are not sufficient to cover up the face value, then the same will be distributed in proportion to their shareholding, if the surplus available, after distribution of all preferential amounts.

Note 1.03: Details of shares held by shareholders holding more than 5% of the aggregate shares in the Company

	Number of Shares	Percentage	Number of Shares	Percentage
Equity Shares:				
M/s TVP Consultants Limited, Chennai	7,01,073	8.37	7,01,073	8.37
Mr. Narayan M. Pai T., Manipal	5,56,250	6.64	5,56,250	6.64
M/s ICDS Ltd., Manipal	4,49,163	5.36	4,49,163	5.36
Preference Shares:				
Sumukha Trust, Manipal	29,50,000	100.00	29,50,000	100.00
				(Rs. in '000)
			31.03.2017	31.03.2016

NOTE 2:

RESERVES & SURPLUS

Capital Reserve 1				
Same as last Balance Sheet		1,503		1,503
Capital Reserve 2 (refer note 2.01 below)				
Opening Balance	2,03,733		1,96,338	
Add: Transferred during the year	7,893	2,11,626	7,395	2,03,733
Share Premium Account (same as last Balance Sheet)		28,995		28,995
Revaluation Reserves				
Opening Balance	33,164		33,164	
Less: Transitional Adjustments (Refer Note 2.03)	(33,164)	—	—	33,164
Special Reserve (same as last Balance Sheet) (refer Note 2.02 below)		4,000		4,000
General Reserve (same as last balance sheet)	1,642	—	—	—
Add: Transitional Adjustments (Refer Note 2.03)	264	1,906	—	1,642
Surplus (Deficit) in Statement of Profit & Loss				
Balance at the beginning of the year	(642,944)		(651,461)	
Profit for the Year	12,697	(630,247)	8,517	(642,944)
		(382,217)		(369,907)

Note 2.01: The Company during the year with a view towards restructuring its liabilities has settled deposits/debentures/subordinated debts at discounted rates. The same has been done with due consent of the parties to deposits, debentures and debts. The interest write back pertaining to deposits/debentures/subordinated debts Rs.33,05 thousands (PY Rs. 19,34 thousands) is treated as Extraordinary Income in the Profit and Loss Account. Principal write back arising out of such settlement Rs.78,93 Thousands (PY Rs. 73,95 thousands) is considered as capital receipt and taken directly to Capital Reserve (viz: Capital Reserve 2) as above. This has been done as per the accounting policy followed by the Company, as stated in Note No. 23.01 (I). The Company had made similar settlements during the earlier years also, by giving the similar accounting treatment.

Note 2.02: Special reserve was created during earlier year/s, pursuant to Reserve Bank of India (Amendment) Act, 1997.

Note 2.03: Also Refer Note 6.01 for Transitional Adjustments.

(Rs. in '000)
31.03.2017
31.03.2016
NOTE 3:
OTHER LONG TERM LIABILITY

Advance for sale of property (Refer Note 3.01 below)	39,950	39,950
Lease security deposit – Premises (Refer Note 3.02 below)	10,437	10,437
	<u>50,387</u>	<u>50,387</u>

Note 3.01: Advance for Sale of Property as disclosed above represents amount received in advance in respect of the immovable property (freehold) agreed to be sold. The proceeds of the Advance amount has been utilised by the Company to reduce its debts.

Note 3.02: The break-up of lease security deposit (premises) is as follows: due to related parties Rs.7,500 thousands, (PY Rs.7,500 thousands), due to others Rs.2,937 thousands (PY Rs.2,937 thousands)

NOTE 4:
LONG TERM PROVISIONS

Provision for employee benefits

Provision for Leave Salary (refer Note 4.01 below)	88	88
Provision for Gratuity (refer Note 4.02 below)	353	353
	<u>441</u>	<u>441</u>

Note 4.01: The liability in respect of leave encashment, provision made on an estimated basis, considering the fact the amount involved therein is not material.

Note 4.02: The Company has made the provision of Rs.353 thousands towards gratuity in respect of deficit of Present value of obligations over the fair value of Plan Assets, during the year ending 31st March, 2009. The Management is of the opinion that the provisions so made is adequate, considering the fact that "Fair value of Plan Assets is more than the "deficit of Present value of obligations" as on 31st March, 2017.

NOTE 5:
OTHER CURRENT LIABILITIES

(also refer Note No. 5.01 to 5.05 below)

a. Unpaid matured unsecured Public Deposits	1,353	1,353
Interest accrued on above	250	250
b. Unpaid matured Secured Non-Convertible debentures	38,776	47,766
Interest accrued on above	11,563	14,215
c. Unpaid unsecured Subordinated Debts	169,734	178,434
Interest accrued on above	11,114	11,661
d. Other Payables: Liabilities for expenses	374	348
Lease security Deposit – Leasing	1,340	1,340
Other Items	7,869	10,097
	<u>242,373</u>	<u>265,464</u>

Note 5.01: The Company has stopped accepting/renewing deposits, debentures and subordinated debts with effect from 1st day of July, 2002. Therefore and also considering the fact that the public deposits accepted by the Company are fully matured, the Company has not created the floating charge in favour of the depositors, on the statutory liquid assets invested in terms of directives issued by Reserve Bank of India.

During the year ending 31st March 2005 the Scheme of Compromise and Arrangement under Section 391 of the Companies Act, 1956 to effect the restructure of Company's debts particularly Debentures and Subordinated Debts of the Company was framed and presented before the Honorable High Court of Karnataka. Accordingly the meeting of the Shareholders, Debentures Holders and Subordinated Debt holders were held on 20th April 2005. The scheme as proposed had provided for payment of principal in a phased manner over 60 months from the effective date and payment of interest accrued till 30th June 2002, within 72 months from the effective date. The scheme as proposed, do not provide for accrual of interest after 30th June 2002. (For the above purpose the effective date means the date on which the Order of the High Court of Karnataka sanctioning the Scheme of Arrangement is filed with the Registrar of Companies in Karnataka.)

On 10th July 2009, Honorable High Court of Karnataka has directed the Company to submit the details of payments made to Non-Convertible Debenture holders and subordinated debt holders from 1st April 2005. Accordingly the details were furnished to Honorable Court. It was submitted before the Honorable Court that the Company has settled substantial portion of Non-Convertible Debentures and Subordinated Debts and it was therefore felt that the scheme requires to be changed having regard



to the settlements already made and quantum of non-convertible debentures and subordinated debts remaining to be settled. Therefore the Company had proposed to withdraw the scheme of arrangement from the Honorable High Court of Karnataka, with an option to present a new scheme of arrangement. The Honorable High Court of Karnataka has permitted the Company to withdraw the petition, with liberty to file a fresh petition, vide its order dated 28th October 2009. Accordingly the Company is exploring the possibility of proposing a fresh petition to be filed before the Honorable High Court of Karnataka.

The total of the principal sum and interest due in respect of Public deposits/debentures/subordinated debts as on 31st March 2002 (i.e. as on the last date of the financial year, immediately preceding the year in which the Company has stopped payment of its debts) was Rs.1,07,44,26 thousands. The Company has settled the major portion of the aforesaid dues from time to time, at the discounted rates (which includes settlement of principal at discounted rates and partial/full waiver of interest). Out of the aforesaid amount, a sum of Rs.2,32,790 thousands (PY Rs.2,53,679 thousands) is remained unpaid as on the date of the Balance Sheet, thereby the liability of the Company reduced considerably over the period of time.

Further there are many instances, where the Company has received the orders from various Consumer Courts (including the Appellate Authorities/Courts acting under the Consumer Protection Act), regarding the repayment of proceeds of debentures/debts/deposits with interest and other costs. However many of such depositors/debenture holders/debt holders have approached the Company and Company has settled their dues at the mutually agreed rates, which also includes settlement at discounted rates. Many of the remaining such customers have approached the Company for settlement.

The Company is continuing to put more efforts on realisation of the dues, sale of assets etc., so that its debts can be settled at the earliest possible date. The remaining depositors/debenture holders/debt holders have approached the Company for settlement of their dues and the Company is in the process for the same.

Considering the above facts, the Company has not provided/recognised for interest after 30th June 2002, on deposits/debentures/subordinated debts and interest on advances taken on such instruments. All the aforesaid deposits/debentures/subordinated debts are fully matured for repayment. Any interest paid over and above the provision made till 30th June 2002, charged to statement of profit and loss as Finance cost under Note No. 17.

Considering the facts that the Company has settled the dues of depositors/debenture holders/debt holders at the discounted rates as stated above, that the remaining customers have approached the Company for settlement of their dues, that the orders issued by the various consumer courts including the appellate authorities/courts therein, that the Company has settled the many of such consumer court cases, that the total debts of the Company reduced considerably because of settlement as aforesaid and that the Company is exploring the possibility of framing the new scheme of arrangement, it is not feasible for the Company to ascertain accurately its liability on any given date.

The Company has in view of the above and also considering the fact that there are no unclaimed liabilities, the matured debentures, matured deposits, matured subordinated debts and interest payable including unencashed interest cheques on such deposits/debentures/debts has been considered as "not due to be transferred to Investor Education and Protection Fund".

Other items include balance lying unpaid after adjusting deposits with loans borrowed against it. For the reasons as given above, the same has not been considered as amount due to Investor Education and Protection Fund.

Note 5.02: Unpaid Secured Non-convertible Debentures are secured by mortgage on Land & Buildings (Freehold and Leasehold) situated at Udupi District of State of Karnataka, State of Goa, Nasik District & Mumbai in State of Maharashtra and floating charge on receivables and book debts. The debentures were redeemable at par. The whole of the debentures are matured for repayment. Further the Company has not provided any interest on such debentures after 1st day of July 2002, as detailed in Note 5.01 above. Therefore the question of disclosure as to rate of interest etc. does not arise. In the opinion of the Management, the Market Value of the security offered to the holders of the aforesaid Debenture is sufficient to cover the liability.

Note 5.03: The balances held under "unpaid matured unsecured public deposits", "unpaid matured secured non-convertible debentures", "unpaid unsecured subordinated debts", interest accrued on the aforesaid deposit/debenture/subordinated debts and "Other Payables" are subject to confirmation.

Note 5.04: The Company has not received information from vendors regarding their status under Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosure relating to amounts unpaid as at the year end together with interest paid/payable etc. as required under the aforesaid act and Schedule III to Companies Act, 2013 under the aforesaid Act has not been given.

Note 5.05: Other item also includes balance lying unpaid after adjusting deposits with loans borrowed against it, tax deducted at source remitted subsequently, other amounts received in the ordinary course of business, which are not material in nature etc.



NOTE 6 : FIXED ASSETS (also refer Note 6.01 to 6.04 below)

(Rs. in '000)

ASSETS	GROSS BLOCK			DEPRECIATION				NET BLOCK			
	As at 31.03.2016	Additions	Revaluation Reserve Adjustments	Sale/ Deduction	Up to 31.03.16	For the year	Sale/ Deduction	Revaluation Reserve Adjustments	Transitional Adjustment	As at 31.03.2017	As at 31.03.2016
Land – Freehold	6,089	-	(4,064)	-	-	-	-	-	-	2,025	6,089
Land – Leasehold	22,620	-	(22,620)	-	-	-	-	-	-	-	22,620
Buildings – Freehold	22,194	-	(10,757)	-	8,652	299	-	(4,277)	(264)	4,410	13,542
Buildings – Leasehold	11,648	-	(140)	-	9,630	351	-	(140)	-	9,841	2,018
Office Furniture & Fixtures	7,883	-	-	-	7,529	-	-	-	-	7,529	354
Computers	1,064	-	-	-	1,064	-	-	-	-	1,064	-
Office Equipments	3,050	-	-	-	3,007	-	-	-	-	3,007	43
Leased Machineries & Equip.	175,895	-	-	-	174,224	-	-	-	-	174,224	1,671
Leased Vehicles & Furnitures	1,137	-	-	-	1,135	-	-	-	-	1,135	2
TOTAL	251,580	-	(37,581)	-	205,241	650	-	(4,417)	(264)	201,210	46,339
PREVIOUS YEAR	251,580	-	-	-	203,717	1,524	-	-	-	205,241	47,863

Note 6.01: The Company has exercised the option of following "Cost Model" for determining the Gross carrying Amount of Fixed Asset as provided by AS 10 Property Plant and Equipment. As a result the whole of Revalued Amount portion has been deducted from Revaluation reserve to the extent of balance in Revaluation reserve and remaining balance in the revalued portion has been adjusted in the General Reserve (Refer Note No 2).

Note 6.02: Land and Building (freehold) also includes the property agreed to be sold, as detailed in Note No. 3.01.

Note 6.03: Note 23.07, with regard to impairment of Assets, also forms part of this Note, which may be referred to.

Note 6.04: Transitional Adjustments refers to the Adjustment because of switching to Cost Model from Revaluation Model as per AS 10, Property Plant and Equipment.

(Rs. in '000)

31.03.2017

31.03.2016

NOTE 7:**OTHER NON-CURRENT ASSETS**

Term Deposit with Nationalised Banks, with maturity period beyond 12 months (kept as SLR with Reserve Bank of India)	928	860
Net Asset Gratuity Fund Trust	214	29
	1,142	889

NOTE 8:**INVENTORIES**

Stock in Trade (Shares) (refer Note 8.01 below)	6,869	9,144
Stock of Stationery	54	54
	6,923	9,198

Note 8.01: The Inventories are valued at lower of cost and net realisable value except in the case of unquoted shares. Unquoted Shares held as inventories valued at lower of cost and break-up value. The list of Shares held as stock in trade is as below:

	Fully paid Equity Shares each of Rs.	31.03.2017		31.03.2016	
		No. of Shares	Total Value	No. of Shares	Total Value
Equity Instruments (Quoted)					
ICDS Limited	10	53,531	*	53,531	*
Praman Capital Market Services Limited	10	10,000	*	10,000	*
Arvind Limited	10	9	*	9	*
Modern Threads (I) Limited	10	150	*	150	*
Rajinder Steel Limited	10	100	*	100	*
Lloyds Steel Industries Limited	10	68	1	100	1
Uttam Value Steel Limited	1	500	*	0	*
Sangeetha Granites Limited	10	500	*	500	*
Sub Total (A)		64,858	1	64,390	1
* Market value of these shares taken as "Nil", since these shares are not actively traded.					
Preference Shares (Unquoted)					
Triveni Engineering & Industries Ltd. (12% redeemable cumulative)	10	30	1	30	1
Sub Total (B)		30	1	30	1
Equity Instruments (Unquoted)					
Manipal Housing Finance Syndicate Limited	10	523,094	6,762	699,100	9,037
Karnataka Rubbers Limited	100	50	-	50	-
Shamrao Vithal Co-operative Bank Limited	25	1,000	25	1,000	25
Manipal Sowbhagya Nidhi Limited	1	2	-	2	-
MPL Enterprises Limited	10	13,382	80	13,382	80
Sub Total (C)		537,528	6,867	713,534	9,142
Grand Total (A+B+C)		602,416	6,869	777,954	9,144

Aggregate Value of: 1. Unquoted Shares Rs. 6,868 thousands (PY Rs. 9,143 thousands).

2. Quoted Shares Rs. 1 thousands (PY Rs.1 thousands). Market value of quoted Shares Rs. 1 thousands (P Y Rs.1 thousands)



31.03.2017

31.03.2016

NOTE 9:

TRADE RECEIVABLE (also refer Note 9.01 below)

Unsecured

Stock on Hire (outstanding for a period exceeding 6 months from the date they are due for payment)

(At agreement value less amount realised and unexpired hire charges)

Considered Doubtful	77,292		97,542	
Less: Provision made	77,292	-	97,542	-
			<u> </u>	
Lease rent receivable:				
(Outstanding for a period exceeding 6 months from the date they are due for payment)				
Unsecured Considered Doubtful	15,269		15,669	
Less: Provision made	15,269	-	15,669	-
			<u> </u>	
			<u> </u>	<u> </u>

Note 9.01: The balances in Stock hire and Lease rent receivable are subject to confirmation.

NOTE 10:

CASH AND CASH EQUIVALENTS

(also refer Note 10.01 and 10.02 below)

A) Cash in hand	5		5	
B) Balance with banks				
in Current Accounts	878		365	
			<u> </u>	
	883		<u> </u>	<u> </u>

Note 10.01: Cash and Cash equivalents does not include Term Deposits kept with a maturity period of beyond 3 months, earmarked balances with banks and bank deposits held as margin money or security against borrowings etc. The same are being disclosed in Note No.7 or 12 as the case may be, as detailed in Note No. 10.02 below.

Note 10.02: The details of total cash and bank balances is as below (including earmarked bank balances, bank deposits held as security etc.)

Cash and Cash equivalents (as per Note 10 above)	883		370	
Bank balances (Non-current) (as per Note No. 7 above)	928		860	
Bank balances (Current) (as per Note No. 12 below)	66		66	
			<u> </u>	
	1,877		<u> </u>	<u> </u>



NOTE 11:

SHORT TERM LOANS AND ADVANCES

(also refer Note 11.01 to 11.03 below)

Secured loans:

Considered Doubtful	1,932		1,932	
Less: Provision made	1,932	-	1,932	-

Unsecured loans

Considered Doubtful	234,548		234,373	
Less: Provision made	234,548	-	234,373	-

Unsecured Time Bills Discounted:

Considered Doubtful	6,312		6,312	
Less: Provision made	6,312	-	6,312	-

Advance Income Tax and T D S (Net of Provisions)

202		169
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Other loans and advances (unsecured)

Considered Good	2,150		2,572	
Considered Doubtful	6		6	
	2,156		2,578	
Less: Provision made	6	2,150	6	2,572
	<u>2,352</u>		<u>2,741</u>	

Note 11.01: The Company had assigned under an assignment deed certain debts & recoverable consisting inter alia stock on hire along with equal liabilities of the Company to the extent of Rs. 2,66,292 thousand on 30.09.1998 to Vedachala Electronics & Financial Services Private Limited (VEFSPL). The Company had discharged the assigned liabilities of VEFSPL on its failure to service the same in terms of the Assignment deed, which has resulted in Rs. 2,11,689 thousand (PY Rs. 2,15,515 thousands) receivable from VEFSPL. The Company based on the estimated recovery has made a provision of Rs. 2,11,689 thousand (PY Rs. 2,11,515 thousands) against the receivables of VEFSPL. The unsecured Loans as disclosed in the above schedule includes this amount.

Note 11.02: The balances in Secured Loans, Unsecured Loans and Other Loans & Advances as above are subject to confirmation.

Note 11.03: Other Loans and advances represents departmental deposit, tour advances, and other petty advances made in the ordinary course of business.

NOTE 12:

OTHER CURRENT ASSETS

(also Refer Note 12.01 below)

Other Receivables (Unsecured)

Outstanding for a period exceeding 6 months from the date they are due for payment

Considered Good	139		92	
Considered Doubtful	10,080		10,139	
	10,219		10,231	
Less: Provision made	10,080	139	10,139	92

Balance with banks

in Fixed Deposit Account		66		66
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Pledged with sales tax authorities Rs. 66 thousands
(P.Y. Rs. 66 thousands)

<u>205</u>		<u>158</u>
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Note 12.01: Other receivables represents sundry amounts due from borrowers, hirers etc., which are not material in nature.

Notes to Accounts Forming Part of Statement of Profit and Loss for the year ending 31st March, 2017

(Rs. in '000)

	2016-17	2015-16
NOTE 13:		
REVENUE FROM OPERATIONS		
Interest	–	1,195
Sales of Shares held as stock in Trade (refer Note No. 15.02)	10,930	–
NET REVENUE FROM OPERATIONS	10,930	1,195

NOTE 14:

OTHER INCOME (also refer Note 14.01 below)

Interest on Bank Deposit	68	203
Interest on Other Deposits & Income tax refund	42	9
Miscellaneous Income	60	50
Rent received	1,875	1,248
Dividend on Shares held as stock in trade	307	283
Net actuarial gain on Gratuity Fund (maintained by LIC of India)	185	12
	2,537	1,805

Note 14.01: Rent received represents amount of income accrued on cancellable operating lease.

NOTE 15:

CHANGES IN INVENTORIES OF STOCK IN TRADE (refer Note 15.01 and 15.2 below)

	Current Year		Previous Year	
	Quantity Nos.	Value	Quantity Nos.	Value
Opening Stock				
Equity Shares (Quoted)	64,390	1	64,390	1
Equity Shares (Unquoted)	713,534	9,142	713,534	9,142
Preference Shares (Unquoted)	30	1	30	1
Total	777,954	9,144	777,954	9,144
Closing Stock				
Equity Shares (Quoted)	64,858	1	64,390	1
Equity Shares (Unquoted)	537,528	6,867	713,534	9,142
Preference Shares (Unquoted)	30	1	30	1
Total	602,416	6,869	777,954	9,144
Changes		2,275		–

Note 15.01: There are no purchases of stock in trade during the year and also during the immediate previous year.

Note 15.02: There are no sale of stock in trade during the year and also during the immediate previous year. Except as below.

	2016-2017		2015-2016	
	Number of Shares	Amount (Rs. '000)	Number of Shares	Amount (Rs. '000)
Equity Shares (Unquoted)	176,006	10,930	–	–
				<i>(Rs. in '000)</i>
		2016-17		2015-16

NOTE 16:

EMPLOYEES' BENEFITS EXPENSE (refer Note 16.01 below)

Salary & Allowances	525	508
Staff Welfare Expenses	4	–
Bonus & Incentives	21	21
Contribution to Provident and other Funds	53	52
Contribution to Gratuity Premium	76	51
Contribution to ESI	11	7
	<u>690</u>	<u>639</u>

Note 16.01: Disclosure as required under Accounting Standard 15 i.e. Employee benefits, given under Note No. 23.09.

NOTE 17:

FINANCE COSTS (refer Note 17.01 below)

Interest	450	397
Bank Charges	23	13
	<u>473</u>	<u>410</u>

Note 17.01: Note No. 5.01 forms part of this note, which may also be referred to.

NOTE 18:

DEPRECIATION AND AMORTIZATION EXPENSE

Depreciation on Tangible Assets (refer Note 6)	650	1,524
	<u>650</u>	<u>1,524</u>

NOTE 19:

OTHER EXPENSES

Consultancy and Professional Charges	482	817
Travelling and Conveyance Expenses	35	32
Electricity Charges	10	1
Sales Promotion Expenses	2	5
Repairs & Maintenance		
– Building	–	37
– Others	299	211
Printing & Stationery	32	38
Postage & Telephone	14	13
Directors Sitting fees	12	12
Payment to Auditors :		
– Statutory Audit	40	40
– Other Services (certification work and tax audit)	1	10
– Service Tax	8	7
Registration & Filing fees	344	348
Rates and Taxes	184	67
Miscellaneous Expenses	106	47
	<u>1,569</u>	<u>1,685</u>

(Rs. in '000)

	2016-17	2015-16
NOTE 20:		
EXCEPTIONAL ITEMS		
(Also refer Note 20.01 below)		
1. EXCEPTIONAL EXPENSES:		
Bad debts written off	19,051	11,200
	<u>19,051</u>	<u>11,200</u>
2. EXCEPTIONAL INCOME :		
Bad debts recovered	(98)	(2,585)
Provision for NPA written back	(20,535)	(16,456)
	<u>(20,633)</u>	<u>(19,041)</u>
EXCEPTIONAL ITEMS (INCOME) (NET)	<u>(1,582)</u>	<u>(7,841)</u>

Note 20.01: The present activity of the Company is being restricted to recovery of dues and repayment of the debts. Accordingly the income of the Company depends upon the recoveries made during the period, which varies substantially on year to year basis. Therefore the Company has disclosed the amount of Bad debts recovered, reversal of provisions for NPA and Bad debts written off under the head "Exceptional Item".

NOTE 21:
EXTRAORDINARY ITEMS:

(Also refer Note 21.01 below)

Income

Settlement credit (interest portion)	3,305	1,934
	<u>3,305</u>	<u>1,934</u>

Note 21.01: Note No. 2.01 also forms part of this note, which may be referred to.

NOTE 22:
EARNING PER EQUITY SHARE

a) Net profit (loss) available for equity shareholder (used as numerator)	12,697	8,517
b) Extraordinary Income (as per Note No. 21)	3,305	1,934
c) Net profit (loss) before considering extraordinary item (used as numerator)	9,392	6,583
d) Weighted Average No. of equity shares (used as Denominator)	8,380,961	8,380,961
Basic/Diluted Earnings per share before Extraordinary Income (c/d)	1.12	0.79
Basic/Diluted Earnings per share after Extraordinary Items (a/d)	1.51	1.02



Notes to Balance Sheet and Statement of Profit & Loss year ending 31st March, 2017

NOTE 23: OTHER DISCLOSURE TO ACCOUNTS:

23.01 Corporate Information and Accounting Policies:

Corporate Information:

The Registered Office of the Company is at Manipal (State: Karnataka). The Company had commenced its business as Non-Banking Financial Company registered with Reserve Bank of India as "Hire Purchase & Leasing Company". However the Reserve Bank of India has since cancelled the registration of the Company, the Company has stopped activities of accepting deposits from public/debentures/subordinated debts, extending loans, Hire Purchase and leasing activities since 1st day of July 2002. The present activity of the Company is being mainly restricted to recovery of dues and repayment of the debts. The other necessary details are being given under Note 5.01.

Accounting Policies:

A. Basis of Accounting and Revenue Recognition:

- 1) The financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India to comply with the Accounting Standards specified under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014 i.e. the Companies (Accounting Standard) Rules, 2006 read with Companies (Accounting Standard) Amendment Rules, 2016 and the relevant provisions of the Companies Act, 2013. The financial statements are prepared under the historic cost convention in accordance with the provisions of the Companies Act, 2013 as adopted consistently by the Company. All significant items of income & expenditure are accounted on accrual system of accounting. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year, except in the cases of clause (E) below, to which the amendment rules as aforesaid are applicable.
- 2) The Company has followed the Prudential Norms for Income Recognition as prescribed by Reserve Bank of India for Non-Banking Financial Companies. The principal write back pertaining to deposits & debentures (as stated in Note 2.01) has been directly taken to the credit of Capital Reserve in the Balance Sheet, since the same is in the nature of capital receipt for the reasons as stated in Note 23.01.(I)
- 3) Income by way of "Interest" & "Rent" is recognized on the time proportionate method. "Dividend income" is recognized when the unconditional right to receive the income is established.

Interest on Income Tax refund and miscellaneous income are accounted as and when received, since the same are considered being due on the date of receipt.

B. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period end. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

C. Investments:

Investments held as long term, if any, are valued at cost. Provision for diminution in the value of the investments is made wherever the management is of the opinion that such decline is other than temporary. Investments held as other than long term investments, if any, are valued at cost or net realizable value whichever is lower. There are no immovable properties held as investments and therefore the Company has not made any policy in respect of aforesaid matter.

D. Inventory:

Inventory held is of the nature stationery and is valued at cost or net realizable value whichever is lower except for unquoted shares, which are valued at cost or break-up value, whichever is lower. The Company has not purchased or dealt in spare parts and therefore has not framed any policy for valuation of the same.

E. Fixed Assets (Property, Plant & Equipment) and Depreciation:

During the current year the Company has switched to Cost Model (from revaluation model) as per the option given by the AS 10, 'Property Plant and Equipment'. The Transitional Adjustment in relation to switching from Revaluation model to Cost Model (as aforesaid) has been first adjusted to Revaluation Reserve and balance amount adjusted to General Reserve. Accordingly the Company has reframed the accounting policy as below.

Freehold land is carried at historical cost. All other items of 'Property, Plant and Equipment' are stated at historical cost less accumulated depreciation and accumulated impairment losses if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items such as purchase price, freight, duties and levies. Such cost includes the cost of replacing parts of the 'Property, Plant and Equipment' and the borrowing cost till the date of installation of qualifying asset and any attributable cost of bringing the asset to its working condition for its intended use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit and loss during the reporting period in which they are incurred.



An item of 'Property, Plant and Equipment' and any significant part initially recognised is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit and loss when the asset is derecognised.

Further, when each major inspection is performed, its cost is recognised in the carrying amount of the item of 'Property, Plant and Equipment' as a replacement if the recognition criteria are satisfied. Machinery spares which are specific to a particular item of 'Property, Plant and Equipment' and whose use is expected to be irregular are capitalized as 'Property, Plant and Equipment'.

Spare parts if any, are capitalized when they meet the definition of 'Property, Plant and Equipment' i.e., when the Company intends to use these for more than a period of 12 months.

As 'Property, Plant & Equipment' held by the Company does not involve decommissioning cost and the cost of removal of the Machinery is not material considering the size of the Company. Considering this aspect, the Company has not made any policies for capitalising the decommissioning cost.

Depreciation on 'Property, Plant & Equipment' generally is provided on the Straight Line Method over the useful lives of the assets in terms of Schedule II of the Companies Act, 2013. Depreciation for the assets purchased/sold during the period is proportionately charged. Building constructed on the leasehold land, is depreciated over the period of lease or the useful life in terms of Schedule II of the Companies Act, 2013, whichever expires earlier. Leasehold land if any, is amortized over the period of the lease. Improvements to buildings are amortized over the period of remaining useful life of the building. The residual values, useful lives and methods of depreciation of 'Property, Plant and Equipment' are reviewed at each financial year end and adjusted prospectively, if appropriate and under such circumstances the appropriate disclosure will be made in the notes to accounts.

Leasehold assets i.e. Machinery, Equipments, Vehicles & Furniture are fully depreciated and the net block of those assets are being disclosed at residual value. Accordingly the Company has not made any fresh policy in respect of those type of leased assets.

F. **Employee Benefit:**

The Company's "Retirement Benefit Plan" and "Other Benefit Plans" comprises of Contribution to Provident Fund, Employee State Insurance and Gratuity. Contribution to Provident Fund and Employee State Insurance is being made at pre-determined rates and are charged to the Statement of Profit & Loss. The Company's liability towards gratuity to employees is covered by group gratuity policy with LIC of India and accordingly the premium paid, charged to the Statement of Profit & Loss. Deficit of present value of obligations (under Gratuity policy) over the fair value of Gratuity plan assets duly charged to the Statement of Profit and Loss, on year to year basis. Provision for leave encashment made on estimated basis.

There are no other retirement benefits/other benefits are being provided by the Company.

G. **Operating Cycle:**

Based on the nature of activities of the Company, the Company has determined its operating cycle as 12 months for the purpose of classification of its assets and liabilities as current and non-current.

H. **Taxes on Income:**

The Company has charged off the Current Income Tax to the Statement of Profit and Loss. Deferred Tax Assets/Liabilities recognised/provided in accordance with the Accounting Standard 22. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date, on the timing differences being the difference between the taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent period. Deferred tax Asset is recognised, subject to the considerations of prudence. Deferred tax asset so recognised, is being netted off to deferred tax liability or vice versa. Advance Income Tax Paid (including Tax deducted at source, tax paid on self assessment or otherwise) and provision for current Income Tax (if any) are presented in the Balance Sheet after setting off the same against each other.

I. **Capital Reserve:**

The principal write back pertaining to deposits, debentures and subordinated debts as stated in Note no. 2.01, is in the nature of capital receipt. The stand taken by the Company is also duly supported by the decision of Jurisdictional High Court i.e. Honorable High Court of Karnataka, as reported in 285 ITR 310 (2006) (CIT Vs ICDS Limited) wherein it is held that surplus on purchase of own debentures is a Capital Receipt, not subject to tax and 249 CTR 214 (2011) (CIT Vs Compaq Electric Limited) wherein it was held that the waiver of the loan is a Capital receipt. In the case of the Company viz. CIT Vs Manipal Finance Corporation Limited (ITA No. 795 & 794/2008) the Hon. High Court of Karnataka has dismissed the appeal filed by the department on the similar grounds. Considering the above, the same has been directly taken to the credit of Capital Reserve in the Balance Sheet.

J. **Borrowing Cost:**

Borrowing cost are recognized as an expense in the year in which they are incurred except those which are directly attributable to acquisition/construction of qualifying fixed assets (as defined under Accounting Standard 16), till the time such assets are ready for use, in which case the borrowing costs are capitalized as part of the cost of the asset.

K. **Earnings per share:**

Basic earnings per share is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the year. Diluted earning per share, if any is computed using the weighted average number of equity shares and dilutive potential equity share outstanding during the period except when the results would be anti-dilutive.

L. **Impairment of Assets:**

The Company has framed the policy of impairing the asset, when the carrying value of the assets exceeds its recoverable amount, under the circumstances when the Company is having the sources of information (whether internal or external) that



an impairment loss may have occurred. Accordingly, impairment losses will be charged to profit and loss account in the year in which an asset is identified as impaired. The impairment losses recognised in prior accounting periods is reversed if there has been a change in the estimate of the recoverable amount.

M. Contingent Liabilities/Assets:

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Provisions not made in the account (which otherwise should have been made) are disclosed by way of appropriate note. Contingent liabilities are not recognized but are disclosed in the notes. Contingent assets are neither recognized nor disclosed in the financial statements.

N. Cash Flow Statement:

Cash flows are reported using the indirect method, whereby profit/(loss) before extraordinary items and tax is adjusted for the effects of transactions of non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated based on the available information. Cash comprises cash on hand and demand deposits with banks. Cash equivalents are short-term balances (with an original maturity of three months or less from the date of acquisition), highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

O. Rent:

Lease rent on cancellable operating lease is recognized as Income in the Statement of Profit and Loss.

23.02 The Company has been incurring substantial losses over the last few years and major portion of its funds are blocked in non-performing assets. In view of the same there is considerable uncertainty that the Company will continue as a going concern and meet its commitments to its creditors. The accounts however have been prepared on the going concern basis in view of management's efforts to settle the liabilities with the debenture holders and subordinated debt holders by exploring the possibility of submitting a new scheme and or settlement at discounted rates etc. as detailed in Note No. 5.01 and the management is being hopeful of recovery of dues from borrowers so that dues of creditors can be settled. Accordingly the management is of the opinion that the losses as aforesaid and also the circumstances as stated in Note 5.01 of the financials statement will not have adverse effect on the functioning of the Company.

23.03 The Company has not recognised the net deferred tax asset which constitutes mainly of carry forward losses, excess depreciation claimed in Income Tax and Provisions for doubtful debts, as a matter of prudence.

23.04 Disclosures in respect of related parties with whom transactions have taken place during the year:

A. Key Management Personnel and his relatives

Sri T. Narayan M. Pai, Managing Director
Sri T. Sanjay Pai, Chief Financial Officer

B. Other Related Companies

Vedachala Electronics and Financial Services Pvt. Limited
Manipal Housing Finance Syndicate Limited

Details of transactions are as follow:

	(Rs. in '000)	(Rs. in '000)
	31.03.2017	31.03.2016
A. Remuneration		
– Key Management Personnel and relatives		
<i>Sri Sanjay Pai Rs. 2,10/- (P. Y. Rs. 2,10)</i>	210	210
B. Outstanding balances as at 31.03.2017		
<i>Due to the Company</i>		
– Other Related Companies		
(Vedachala Electronics & Financial Services Pvt. Limited)	211,689	211,515
Rs. 2,11,689 (P.Y. Rs. 2,11,515)		
<i>Payable by the Company</i>		
– Other Related Companies		
(Manipal Housing Finance Syndicate Limited)		
1. For Lease Deposit	7,500	7,500
2. Liability of Expenses	33	Nil
C. Provisions made on the balances from related parties		
– Other Related Companies	211,689	211,515
Vedachala Electronics & Financial Services Private Limited Rs. 2,11,689		
(P. Y. Rs. 2,11,515)		
D. Investment in Other Related Companies		
In equity shares		
Manipal Housing Finance Syndicate Limited Rs. 6,762 (P. Y. Rs. 90,37)	6,762	9,037
(5,23,094 P.Y. 6,99,100) shares of Rs.10 each		

23.05 Contingent & Other Liabilities :

- Liability on debentures assigned to Vedachala Electronics and Financial Services Private Limited inclusive of interest accrued is Rs. 1,487 thousand (P.Y. Rs 1,487 thousand), without considering interest due on or after 1st day of July 2002.
- Liability in respect of damages and others in respect of suits against the Company before various Courts, Consumer Courts etc. (in respect of repayment of deposits/debentures/debts with interest & other costs) has not been quantified and provided, due to lack of information with the Company and also considering the fact that many of such customers have approached the Company for settlement at discounted rates. The collection of information is under process.



- C. No provision made for disputed income tax liability for various years wherever department has preferred an appeal before the Honorable Tribunal, Honorable High Court and Honorable Supreme Court. The question of quantification of liability thereon, does not arise, for the reason that the cases were allowed in favor of the Company, by the lower appellate authorities.
- 23.06** The Management of the Company is of the opinion that the directors of the Company are not disqualified u/s 164(2) of Companies Act, 2013 [in spite of the fact that the Company has stopped repaying matured Debentures/debts/deposits and interest thereon as detailed in Note No. 5.01], for the reason that the Company is exploring the possibility of presenting a new scheme of arrangement, as detailed in the aforesaid note.)
- 23.07** The assets of the Company are not valued, considering the cost involved therein. However the management is of the opinion that the carrying cost of the asset does not exceed its recoverable value. Further the Company does not have any information whether internal or external, that indicates that "impairment loss may have occurred". Accordingly the question of impairment of assets does not arise.
- 23.08** The Company has not verified the Fixed Assets under lease falling under the head "leased machineries and equipment & leased vehicles and furniture", considering the fact that the present value of such assets are not material and also considering the cost involved in the aforesaid verification.
- 23.09** **Employee Benefits:**
Brief description of the Plans :
- a) The Company has two schemes for long-term benefits such as provident fund and gratuity. In case of funded schemes, the funds are recognized by the Income tax authorities and administered through trustees / appropriate authorities. The Company's defined contribution plan is employees' provident fund (under the provisions of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952) wherein the Company has no further obligation beyond making the contributions.
The Company is also contributing towards Employee State Insurance Plan, as per statutory requirements, wherein the Company has no further obligation beyond making the contributions.
The Company is also providing employee benefit by way of encashment of earned leave. The provision for the same has been made on estimated basis. The amount involved therein is not material, considering the size of the Company. The Company has not opted for actuarial valuation, considering the cost involved and also the concept of materiality.
The Company's defined benefit plan is gratuity.
- b) Charge to the Profit and Loss Account based on contributions:
The Company's contribution to Provident Fund charged to Statement of Profit and Loss during the year is Rs.53 thousands. (PY: Rs. 52 thousands)
The Company's Contribution to Employee State Insurance Plan charged to Statement of Profit and Loss during the year is Rs. 11 thousands (PY Rs. 7 thousands)
The Company's liability towards gratuity to employees covered by group gratuity policy with LIC of India. Premium paid on this account is Rs.76 thousands (PY Rs. 51 thousands).
The detail of provision for leave encashment is as under: Provision as on 1st April 2016 Rs. 88 thousands (PY Rs.88 thousands). Amount charged to the Statement of Profit & Loss during the year Rs. Nil (PY Rs. Nil). Actual payment during the year is Nil (PY Rs. Nil). Provision as on 31st March 2017 Rs. 88 thousands (PY Rs. 88 thousands).
- c) Disclosures for defined gratuity benefit plans based on actuarial reports obtained from Life Insurance Corporation of India as on 31st March 2017:
Valuation Method: Projected Unit Credit Method.

	Current Year	Amount in Rs. '000s Previous Year
Changes in present value		
Opening value of obligations	145	130
Current service cost	8	7
Interest cost	12	10
Actuarial loss / (gain)	(165)	12
Benefits paid	*	(14)
Closing value of obligations (# see note below)	*	145
Change in Fair Value of Assets		
Opening fair value of plan assets	175	147
Expected return on plan assets	15	12
Contributions by employer	24	29
Benefits paid	*	(14)
Closing fair value of plan assets (# see note below)	214	174
Funded Status	214	29
Amount recognised in the Balance Sheet		
Present value of obligations as at year end	*	146
Fair value of plan assets as at year end	214	174
Amount not recognised as an asset	*	*
Funded Status	214	29
Net asset / (liability) recognised as on 31st March	214	29
Expenses recognised in the Profit and Loss Account		
Current service cost	8	7
Interest on defined benefit obligation	12	10
Expected return on plan assets	(15)	(12)
Net actuarial loss / (gain) recognised in the current year	(165)	12
Effect of the limit in Para 59(b) of AS 15	*	*
Total expenses	160	17
Asset information (as per para 120 (h) of AS 15)		
Principal actuarial assumptions used		
Discount rate (p.a.)	8%	8%
Expected rate of return on plan assets (p.a.)	*	*
Salary Escalation	3.50%	3.50%
Withdrawal Rate :	*	*
Rate of increase in compensation levels	*	*
Expected average remaining working lives of employees in number of years	*	*
Experience adjustments (as per para 120(n) of AS 15	*	*
Expected employer's contribution for the next year	*	*



(*) The Life Insurance Corporation of India has not given these information.

The Company has written to Life Insurance Corporation of India to furnish information of the Defined Gratuity Benefit Plan, in the manner required under Accounting Standard 15. Accordingly the Life Insurance Corporation of India has given the information as given above, which has been relied by the Auditors.

(#) The Company has made the provision of Rs.353 thousands in respect of deficit of Present value of obligations over the fair value of Plan Assets, during the year ending 31st March 2009 and therefore the question of making further provision does not arise.

d) Data regarding the Defined Gratuity Benefit obligation and fair value of planned assets are as under:

(Rs. '000s)

Particulars	2016-17	2015-16	2014-15	2013-14	2012-13
Closing value of obligations	-	146	130	226	197
Closing fair value of plan assets	214	174	147	232	190
Net asset/(liability) recognised as at year end	214	29	17	6	(7)

23.10 Disclosure Regarding the details of Specified Bank Notes (SBN) held and transacted during the period from 8th November 2016 to 30th December 2016, SBN's and other notes as per MCA Notification G.S.R. 308(E) is given below

Particulars	Specified Bank Note (Rs. '000)	Other Denomination Notes (Rs. '000)	Total (Rs. '000)
Closing Cash in hand as on 08.11.2016	-	5	5
(+) Permitted Receipts	-	-	-
(-) Permitted Payments	-	-	-
(-) Amount Deposited in Banks	-	-	-
Closing Cash in hand as on 30.12.2016	-	5	5

For the purposes of this clause the term 'Specified Bank Notes' (SBN) shall have the same meaning provided in the notification of the Government of India, in the Ministry of Finance, Department of Economic Affairs number S.O 3407(E), dated the 8th November, 2016.

23.11 In the opinion of the Board of Directors, the assets listed under the head Non-Current Assets & Current Assets (other than Fixed Assets and Non-Current Investments) in the Balance Sheet (viz: assets covered under Note No.7 to 12), have a value on realisation in the ordinary course of business at least equal to the amount at which they are stated.

23.12 The Company has earned Profit during the year and also during immediate previous financial year i.e. year ending 31st March 2016, due to Exceptional Income as stated in Note 20 and Extraordinary Income as stated in Note 21, and also includes income from sale of shares held as stock in trade.

23.13 As informed in Note 23.01 (A) and (E) the Company has switched to Cost Model (from revaluation model) as per the option given under AS 10, 'Property Plant and Equipment'. As a result the depreciation charged to statement of profit and loss reduced by Rs.331 thousands and accordingly the profit after tax increased by the aforesaid amount. Further the revaluation reserve fully reduced i.e to the extent of Rs.33164 thousands, General Reserve increased by Rs.264 thousands, accumulated losses reduced by Rs.331 thousands and Tangible Fixed Assets (i.e. Property, Plant & Equipment) reduced by Rs.32569 thousands in the Balance Sheet. However the cash flow statement is not effected due to the change as aforesaid.

23.14 The Company is operating under one Geographical and Business segment. Therefore the question of making disclosures as required under Accounting Standard 17 does not arise.

23.15 The nature of pending litigations has been disclosed in Note 23.05. However the impact on the financial position of the Company is not ascertainable for the present, for the reasons as mentioned therein.

23.16 The Company did not have any long-term contracts including derivatives contracts for which there were any material foreseeable losses.

23.17 The Company is not required to transfer any amount to the investor education and protection fund for the reason that there are no unclaimed deposits/debentures/subordinated debts as on 31st March 2017 and also for the reasons as given in Note 5.01.

23.18 The Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2017, subject to the Note No. 23.08 of financial statement.

23.19 Previous Year's amounts are regrouped/reclassified/rearranged, wherever necessary.

As per our report of even date
For **PAI NAYAK & ASSOCIATES**
Chartered Accountants
Firm Registration No.: 009090S

Sd/-
T. Narayan M. Pai
Managing Director
DIN: 00101633

Sd/-
Vinoda C. Sherigar
Director
DIN: 07224755

Sd/-
T. Sanjay Pai
Chief Financial Officer

Sd/-
Ammunje Venkatesh Nayak
Partner
Membership No.: 204685

Place : Manipal
Date : 30th May, 2017



**Schedule to the
Balance Sheet of a Non-Banking Financial Company**

(as required in terms of Paragraph 9BB of
Non-Banking Financial Companies Prudential Norms (Reserve Bank) Directions, 1998
Manipal Finance Corporation Ltd., Manipal
As on 31st March, 2017

(Rs. in lakhs)

	Particulars	Amount Outstanding	Amount Overdue
	Liabilities side:		
(1)	Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid		
	(a) Debentures : Secured	503	503
	: Unsecured (other than falling within the meaning of public deposits)	0	0
	(b) Deferred Credits	0	0
	(c) Term Loans	0	0
	(d) Inter-corporate loans and borrowing	0	0
	(e) Commercial Paper		
	(f) Public Deposits	16	16
	(g) Other Loans (subordinated debts, working capital loans)	1808	1808
(2)	Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):		
	(a) In the form of Unsecured debentures	0	0
	(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	0	0
	(c) Other public deposits	16	16
			Amount Outstanding (before provisions)
(3)	Assets side: Break-up of Loans and Advances including bills receivables (other than those included in (4) below):		
	(a) Secured		19
	(b) Unsecured (including debtors)		2508
(4)	Break-up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities		
	(i) Lease assets including lease rentals under sundry debtors:		
	(a) Financial lease		153
	(b) Operating lease		0
	(ii) Stock on hire including hire charges under sundry debtors:		
	(a) Assets on hire		773
	(b) Repossessed Assets		0
	(iii) Hypothecation loans counting towards EL/HP activities		
	(a) Loans where assets have been repossessed		0
	(b) Loans other than (a) above		0
(5)	Break-up of Investments: Current Investments: (Stock in trade considered)		
	1. Quoted:		
	(i) Shares: (a) Equity (Rs. 1000)		0
	(b) Preference		0



	(ii) Debentures and Bonds			0
	(iii) Units of Mutual Bonds – ICICI Prudential Plan			0
	(iv) Government Securities			0
	(v) Others (please specify)			0
	2. Unquoted (Stock in trade considered)			
	(i) Shares: (a) Equity			69
	(b) Preference			0
	(ii) Debentures and Bonds			0
	(iii) Units of Mutual Bonds			0
	(iv) Government Securities			0
	(v) Others (please specify)			0
	Long Term Investments:			
	1. Quoted:			
	(i) Shares: (a) Equity			0
	(b) Preference			0
	(ii) Debentures and Bonds			0
	(iii) Units of Mutual Bonds			0
	(iv) Government Securities			0
	(v) Others (please specify)			0
	2. Unquoted:			
	(i) Shares: (a) Equity			0
	(b) Preference			0
	(ii) Debentures and Bonds			0
	(iii) Units of Mutual Bonds			0
	(iv) Government Securities			0
	(v) Others (please specify) – IDBI Bonds			0
	Interest accrued on Investments			0
	Fixed deposit with Nationalised Banks			0
(6)	Borrower group-wise classification of all leased assets, stock on hire and loans and advances:			
	Category	Amount net of provisions		
		Secured	Unsecured	Total
	1. Related Parties			
	(a) Subsidiaries	0	0	0
	(b) Companies in the same group	0	0	0
	(c) Other related parties	0	0	0
	2. Other than related parties (*)	0	0	0
	Total	0	0	0
(7)	Securities (both quoted and unquoted):			
	Category	Market Value/ Break-up or Fair Value of NAV	Book Value (net of provision)	
	1. Related Parties			
	(a) Subsidiaries	0	0	
	(b) Companies in the same group	0	68	
	(c) Other related parties	0	0	
	2. Other than related parties	0	1	
	Total	0	69	
(8)	Other Information			
	Particulars			Amount
	(i) Gross Non-Performing Assets		NIL	0
	(a) Related Parties		NIL	0
	(b) Other than related parties (*)		NIL	3456
	(ii) Net Non-Performing Assets		NIL	0
	(a) Related Parties		NIL	0
	(b) Other than related parties		NIL	0
	(iii) Assets acquired in satisfaction of debt			

Note: (*) Due from VEFSP is not considered as related party due to the reason that such due has arisen on account of repayment of debenture liability assigned to VEFSP, as detailed in Note No. 11.01 of Notes to the Account.



MANIPAL FINANCE CORPORATION LIMITED

CIN: L65910KA1984PLC005988

REGISTERED OFFICE: MANIPAL HOUSE, MANIPAL – 576 104

FORM NO. MGT-11

PROXY FORM

[Pursuant to Section 105(6) of the Companies Act, 2013 and Rule 19(3) of the Companies (Management and Administration) Rules, 2014]

Name of the Member(s)

Registered Address

E-mail Id Folio No./Client ID DP ID

I/We, being the member(s) of shares of the above named company. Hereby appoint

Name : E-mail Id:

Address:

Signature, or failing him

Name : E-mail Id:

Address:

Signature, or failing him

Name : E-mail Id:

Address:

Signature, or failing him

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 34th Annual General Meeting of the Company, to be held on

Wednesday, 27th September, 2017 at 4.00 p.m. at the Regd. Office: "Manipal House", Manipal – 576 104 and at any adjournment thereof in respect

of such resolutions as are indicated below:

Sl. No.	Resolution(s)	Vote	
		For	Against
1.	Adoption of statement of Profit & Loss, Balance Sheet, Report of Director's and Auditor's for the financial year 31 st March, 2017		
2.	Re-appointment of Smt. Vinoda Chandappa Sherigar (DIN: 07224755), Director		
3.	Appointment of M/s Sriramulu Naidu & Co., Chartered Accountants, Mangalore (Firm Registration No. 008975S) as Statutory Auditors & fixing their remuneration		

Signed this _____ day of _____, 2017

Affix
Revenue
Stamp

Signature of Shareholder

Signature of Proxy holder

Signature of the Shareholder
across Revenue Stamp

- 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 less than 48 hours before the commencement of the Meeting.
2) The proxy need not be a member of the Company.

ATTENDANCE SLIP

CIN: L65910KA1984PLC005988

(To be handed over at the entrance of the meeting hall)

34th Annual General Meeting on Wednesday, 27th September, 2017 at 4.00 p.m

Full name of the members attending

(In block capitals)

Ledger Folio No./Client ID No. No. of shares held:

Name of Proxy

(To be filled in, if the proxy attends instead of the member)

I hereby record my presence at the 34th Annual General Meeting of the Manipal Finance Corporation Ltd., Manipal House, Manipal – 576 104, on Wednesday, 27th September, 2017 at 4.00 p.m

(Member's/Proxy's Signature)

- Note:** 1) Members are requested to bring their copies of the Annual Report to the meeting, since further copies will not be available.
2) The Proxy, to be effective should be deposited at the Registered Office of the Company not less than FORTY EIGHT HOURS before the commencement of the meeting.
3) A Proxy need not be a member of the Company.
4) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by Proxy, shall be accepted to the exclusion of the vote of the other joint holders. Seniority shall be determined by the order in which the names stand in the Register of Members.
5) The submission by a member of this form of proxy will not preclude such member from attending in person and voting at the meeting.

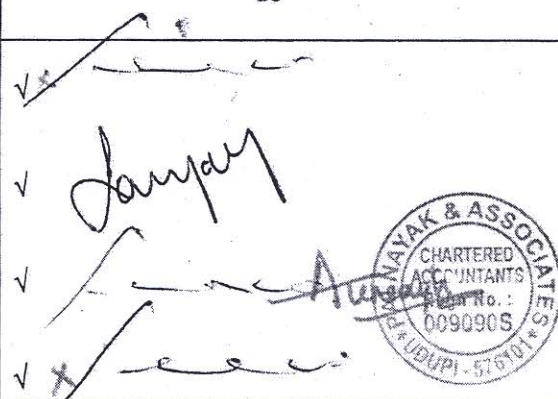
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**34th
ANNUAL REPORT, 2016-2017**


If undelivered, please return to :
Manipal Finance Corporation Ltd.
Registered Office: **Manipal House**
Manipal – 576 104

FORM B

(For Audit Report with modified opinion on Annual Financial Statements)

1.	Name of the Company	Manipal Finance Corporation Ltd CIN : L65910KA1984PLC005988
2.	Annual financial statements for the year ended	31 st March 2017
3.	Type of Audit qualification	Qualified Opinion
4.	Frequency of qualification	Same as qualified last year. (Sl.No.1 of the annexure is repetitive since 1999-2000 and Sl.No.2 of the annexure is repetitive since 2003-04 with some modifications on year to year basis).
5.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the Directors Report.	Reference to Notes to Accounts: Note 23.02 & 5.01 of Notes to Accounts of the Audited Financial Statement for the year ended 31 st March, 2017.
6.	Additional comments from the board/audit committee chair	-do-
7.	To be signed by <ul style="list-style-type: none"> • CEO/ Managing Director • CFO • Auditor of the company • Audit Committee Chairman 	

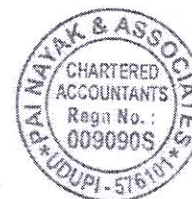
For Manipal Finance Corporation Limited


T Narayan M Pai (DIN 00101633)
Managing Director


Chairman of Audit Committee / CFO

For Pai Nayak & Associates
Chartered Accountants
Firm Registration No.009090S


CA Ammunje Venkatesh Nayak
Partner
Membership No.204685



Place : Manipal
Date : 30/05/2017

Place: Manipal
Date: 30/05/2017

Annexure

Extract from Auditors Report to the Members of Manipal Finance Corporation Ltd.

Basis for the qualified opinion:

1. We draw attention to Note No.23.02 of the financial statements. The Company has incurred losses and its majority of funds are blocked in Non Performing Assets, raising a doubt about the Company to continue as a going concern. The Company has presented a scheme of arrangement for restructure of liabilities as detailed in Note No.5.01 of the financial statements and subsequently withdrawn the same, for reasons given therein. The Company is exploring the possibility of presenting the new scheme of arrangement, as detailed in the aforesaid Notes. The account, however have been prepared on a "going concern basis" in view of management perception as detailed in Note No.23.02 as aforesaid. However we are unable to comment on the ultimate reliability of Company's assets including the Fixed Assets under lease. Accordingly we are also unable to comment on the Company's ability to settle its debts/liabilities (including Deposits, Subordinated debts and Secured Redeemable Debentures.)

2. We draw the attention to Note 5.01 of the Financial Statements. The Company has stopped (i) repayment of matured debentures & matured subordinated debts and (ii) payment of interest on debentures and subordinated debts from 1st day of July 2002 and proposed a scheme of arrangement before the Hon'ble High Court of Karnataka, as referred to in the aforesaid Note (which is since withdrawn and we are informed that the Company is exploring the possibility of presenting a new scheme of arrangement). Further the Company has also stopped repayment of deposits matured for repayment from the aforesaid date. All the debts of the Company i.e debentures, subordinated debts and deposits are matured for repayment. The Company has provided for interest on deposits/debentures/debts upto 30th June 2002 and not thereafter.

There are also many instances of settlement of debentures, debts and public deposits at the discounted rates with partial/full waiver of interest, which has been done with mutual consent. We are also informed that the remaining depositors/ debenture holders / debt holders have approached the Company for settlement of the dues and the Company is in the process for the same.

As per the information given to us various consumer courts (including the Appellate Authorities/Courts acting under the Consumer Protection Act) have passed the orders, for the repayment of certain deposits/debentures/debts with interest and other costs. The detailed information on these orders have not been made available to us. However we are informed that the Company has settled the dues of such customers in many cases, which also includes settlement at discounted rates with partial/full waiver of interest and many of the remaining such persons have approached the Company for settlement,

We draw the attention to the Statement made by the Management of the Company in note no. 5.01 of the Financial Statement which is as follows: "Considering the facts that the Company has settled the dues of depositors/debenture holders/debt holders at the discounted rates as stated above, that the remaining customers have approached the Company for settlement of their dues, that the orders issued by the various consumer courts including the appellate authorities/courts therein, that the Company has settled the many of such consumer court cases, that the total debts of the Company have reduced considerably because of settlement as aforesaid and that the Company is exploring the possibility of framing the new scheme of arrangement, it is not feasible for the Company to ascertain accurately its liability on any given date".

Considering all the facts as given above, we qualify our opinion that it is not feasible for us to ascertain accurately the liability of the Company as on the date of the Balance Sheet.

For MANIPAL FINANCE CORPORATION LTD.

Managing Director

Signed for Identification Purpose

