

## **DIRECTORS' REPORT TO MEMBERS**

Your Directors take pleasure in presenting Eighth Annual Report for the operations carried out in the Financial Year 2015-2016.

### **FINANCIAL HIGHLIGHTS:**

<b>PARTICULAR</b>	<b>For the financial year ended,31<sup>st</sup> March,2016 Amount in Rs</b>	<b>For the financial year ended,31<sup>st</sup> March,2015 Amount in Rs</b>
Profit Before Tax	21,89,189	19,82,136
Profit after tax	13,90,555	11,00,304
Transfer to statutory Reserves	2,78,111	2,20,061
Balance carried forward to general reserve	11,12,444	8,80,243

### **OPERATIONAL HIGHLIGHTS:**

During the year Microfinance Portfolio has decreased from Rs.800.45 lakhs in the previous year to Rs.719.30 lakhs in the current year. The fall in portfolio is due to lack of bank support for Microfinance program in spite of sizeable demand from customers.

Though the overall scenario of Microfinance space in India is in growth path and well recognised by Govt of India to be a prime mover in Financial inclusion initiatives, there are certain difficulties in finding the operations for small micro finance institutions like that of ours..

The company is continuously taking good efforts to mobilize funds. During the year Mr.L. Isithore, Managing Director resigned his post on personal ground. The vacancy will be filled up during the Annual General Meeting.

The operations in the year 2016-2017 can be expected to be more promising with the induction of Mr. Dev Asokan as the new Managing Director.

Your company has been complying with RBI'S regulations for MFI classification and has 90.17% as Qualifying Assets and we continue to comply meticulously with all the directives of RBI relating to NBFC-MFI- ND.

Your company though has improved profitability of the operation, time is not ripe for declaring dividend due to inadequacy of profit. We need sizeable operation and portfolios to produce profits that will be adequate to declare dividend.

### **DIRECTOR'S RESPONSIBILITY STATEMENT:**

Directors' responsibility statement as required under Section 134(3) (c) of the Companies Act, 2013

The financial statements are prepared in accordance with the Generally Accepted Accounting Principles (GAAP) under the historical cost convention on accrual basis except for certain financial instruments, which are measured at fair values. GAAP comprises mandatory accounting standards as prescribed under Section 133 of the Companies Act, 2013, read with Rule 7 of the Companies (Accounts) Rules, 2014. There are no material departures from prescribed accounting standards in the adoption of these standards.

The directors confirm that:

- In preparation of the annual accounts for the financial year ended March 31, 2016, the applicable accounting standards have been followed.
- The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period.
- The directors have taken proper and sufficient care towards 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.

- The Directors have prepared the Accounts on a Going Concern basis

### **INDEPENDENT DIRECTORS**

Mr. R.P. Joshua continues to act as independent director and has given a declaration that he meets the criteria of independence under Sec 149(6) of the Companies Act 2013.

### **NUMBER OF MEETINGS OF THE BOARD**

The Board met five times on 11<sup>th</sup> June'15, 15<sup>th</sup> July,'15, 11<sup>th</sup> December'15, 27<sup>th</sup> February'16 and 28<sup>th</sup> March,16. The intervening gap between any two meetings remains within the period prescribed by the Companies Act, 2013.

### **CONSERVATION OF ENERGY – TECHNOLOGY ABSORPTION**

Our operations are neither energy intensive nor is there scope for any technology absorption.

The Company does not have any Research and Development facility. The Company has not undertaken any R&D activity in any specific area during the year under review.

## **FOREIGN EXCHANGE EARNING & OUT GO**

The company did not have such earnings and out go of foreign exchange.

## **RISK MANAGEMENT & INTERNAL AUDIT**

Your company has in built system of Risk Management evaluation done by the board through the mechanism of internal Audit & Assurance Committee.

The risks of operations, investments, business including competition and related matters are regularly discussed at Board level and steps for mitigation are taken.

Audit committee functioned effectively giving directives to internal audit department throughout the year.

## **BRANCH EXPANTION**

It is proposed to expand to more branches at appropriate time which is presently standing at 6 which will be in line with fresh inflow of funds.

## **AUDITORS**

Your present auditors M/s. ANBALAGAN& CO having their office at Trichy will retire at the ensuring Annual General Meeting of the Company. The Directors propose the appointment of A. John Moris & Co., Chennai. We have received a letter from them to the effect that they satisfy the criteria provided in Sec 141 of the Companies Act, 2013.

## **DEBENTURES & DEPOSITS**

The outstanding secured debentures as on 31st March 2016 stood at Rs3.16 lakhs. Your company has not accepted any public deposits during the year.

## **REPORT ON FRAUD**

During the financial year there has been a incident of fraud committed by an employee at Jayamkondan branch involving an amount of Rs.11.71lakhs which has, to the extent of doubtful of recovery, been provided for.

## **DIRECTORS**

Mr. Isithore resigned from the membership of the board and as Managing Director of the company with the effect from 26-02-2016. Mr.Devasokan who joined the board with effect from 17-07-2015 has been appointed as Managing Director by the Board on 30.06.2016.

The subject matter is being brought before the members for approval.

The Board places on record its deep appreciation for the services rendered by Mr. Isithore during his association with the company.

## **ACKNOWLEDGEMENT**

Yours directors place on record deep appreciation for the excellent cooperation from TAMILNADU MERCANTILE BANK LIMITED and BANK OF MAHARASTRA and all Central & State Authorities.

Your directors also acknowledge the sustained good & committed work of the employees and support extended by share holders and debenture holders.

Place: Madurai

for and on behalf of the Board

Date: 23.04.2016

(M.Jesudasan)

Chairman