



# 25<sup>th</sup> ANNUAL REPORT

2016-2017

**CSL FINANCE LIMITED**

**CORPORATE INFORMATION****BOARD OF DIRECTORS**

Rohit Gupta	Managing Director
Ashok Kumar Kathuria	Director
Anjna	Director
Manoj Gupta	Additional Director

**CHIEF EXECUTIVE OFFICER**

Mr.Sandeep Kumar Lohani

**CHIEF FINANCIAL OFFICER**

Mr.Naresh Chandra Varshney

**CHIEF OPERATING OFFICER- SME**

Mr. Rajeev Mehra

**COMPANY SECRETARY & LEGAL HEAD**

Mr. Akash Gupta

**BANKERS**

State Bank of India

HDFC Bank Limited

Kotak Mahindra Bank Limited

**STATUTORY AUDITORS**

R. Mahajan & Associates, Chartered Accountants, New Delhi

**INTERNAL AUDITOR**

H.K. Batra & Associates, Chartered Accountants, New Delhi

**SECRETARIAL AUDITOR**

Mr. Sanjay Kumar, Practicing Company Secretary

**REGISTERED OFFICE**

8/19, Ground Floor,

W.E.A., Pusa Lane,

Karol Bagh, New Delhi-110005

**REGISTRAR & SHARE TRANSFER AGENTS**

MAS Services Limited

T-34, 2nd Floor,

Okhla Industrial Area, Phase-2,

New Delhi-110020

**BRANCHES****AMBALA BRANCH**

6275/28, IInd Floor,

Akash

Hotel Building, Nicholson

Road, Ambala Cantt.-133001

**YAMUNANAGAR BRANCH**

1/75, 1<sup>st</sup> Floor, Rawal Complex,

Thapar Colony, Workshop Road, Yamuna Nagar,  
Haryana

**PANIPAT BRANCH**

101, 1<sup>st</sup> Floor, Malik Plaza

Building, G.T. Road, Panipat, Haryana

# INDEX

1.	Letter from Managing Director	3
2.	Notice	5
3.	Explanatory Statement Pursuant to the Provisions of Section 102 of the Companies Act, 2013	17
4.	Directors Report	24
5.	Secretarial Audit Report	33
6.	Form No. MGT-9 Extract of Annual Return	35
7.	Company's CSR POLICY	43
8.	Management Discussion and Analysis report	45
9.	Corporate Governance Report	49
10.	Auditors' Certificate regarding compliance of conditions of Corporate Governance	59
11.	CFO certificate	60
12.	Independent Auditor's Report	61
13.	Balance Sheet	68
14.	Statement of Profit & Loss	69
15.	Notes on Accounts	70
16.	Cash flow Statement	84
17.	Schedule to the Balance Sheet of a Non Deposit taking (NBFC)	86
18.	Attendance Slip	89
19.	Proxy form	91

## Letter from Managing Director

Dear Shareholders

The year FY 2016-17 was a mixed year for financial sector. The banking sector remained challenging due to rising NPAs and lower investment by private sector. Further Demonetisation increased problems in the financial sector. Demonetisation slowed down growth of economy, as most of the businesses were impacted due to liquidity crunch. However NBFC sector remained on a growth path, the loan & advances from sector grew by 16.4% YoY. Clearly with the challenges with the NPAs in the PSU banks, NBFCs have captured market share from banks in many product lines.

We feel that NBFCs will continue to grow in the near future while the public sector banks are unable to meet credit demand and struggling with their rising NPAs. NBFCs have created their specialized niches and have also built a deeper reach into the suburban and rural India which is expected to be the growth driver for sector in years to come. Another healthy trend is that inspite of rising NPAs, Net NPAs of NBFC sector declined from 2.7% to 2.3%.

Another key trend that is playing out is shifting of savings from physical assets like gold and real estate to financial assets. This could be a mega trend which has the potential to change the entire face of financial services in India in the long term. Another disrupting force is the increased use of technology by various players in the financial services space with disruptive business models. Mobile Wallets, increasing use of fintech platforms, Online Credit Scoring, Payment Gateways and Digital Currencies will increasingly gain acceptance and change consumer habits. Aadhar is another disruptive force that will make a huge impact in Indian financial Services.

Your management team sees a big opportunity emerging out of all these trends and has decided to scale up its existing operations and pursue new avenues of growth. As a company we are embarking on a new journey to scale up our operations.

FY 2016-17 was a transformational year for our company. We have decided to discontinue our non-core activities and from Q2FY2016-17 onwards our operations are focused on lending operations only. We propose to grow in our core area of lending and are also venturing into smaller ticket SME loans, by building our retail presence. We opened new retail branches in Ambala, Panipat and Yamunanagar and also started retail operations out of our existing office in Delhi. We are aiming to build our retail SME product line by providing loans in the Rs 2-25 lakh ticket size to small traders and businesses in Tier 2 & Tier 3 cities as well as in NCR region. Over the next couple of years we aim to build our presence in Northern India, using a hub and spoke model.

During the year we got a rating of BBB from Care Ratings. Its a good start and highlights the strength of our balance sheet. We successfully raised Rs50Cr from SBI for our working capital needs, and further aim to leverage our balance sheet to scale up our business.

As on 31<sup>st</sup> March 2017 our total loan book is Rs.135.45 Cr. This is a 28.23% growth over last year. A large part of our current loan book is of short term duration and serves as mezzanine loans to meet the short term requirements of smaller companies and real estate developers. Our company has strong due diligence process, regular client meetings and detailed monitoring Which has helped build a excellent track record with minimal NPAs. Due to all our efforts towards due diligence and tight control we managed to grow our loan book with excellent portfolio quality.

During the year we earned Profit after Tax of Rs 16.42 Cr versus Rs 13.05 Cr in FY2015-16, a growth of 16% YoY. As we start on our new journey we have announced our maiden dividend of Re.1 per share.

We think that there are ample growth opportunities in the country for a NBFC and we are aiming to expand our reach and balance sheet. We have hired a new team for our SME operations with rich experience in lending, which will focus of building the retail SME product line and we will remain focused on building upon our existing strengths. We remain optimistic about the future prospects for the company and thank all our shareholders for their continued support.

Sd/-

**Rohit Gupta**  
**Managing Director**

## NOTICE

Notice is hereby given that the Twenty Fifth Annual General Meeting of the members of CSL Finance Limited will be held on Tuesday, 5<sup>th</sup> day of September 2017 at 11:30 a.m. at Oodles Hotel, 759-762, Main Road, Chattarpur, New Delhi-110074, to transact the following businesses:-

### ORDINARY BUSINESS

#### Item No.1 – Adoption of Financial Statements

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

**“RESOLVED THAT** the Audited Balance Sheet, Profit and Loss Account and the Cash Flow Statement for the Financial Year ended March 31<sup>st</sup>, 2017 together with the Director’s Report and Independent Auditor’s Report thereon as circulated to the members and laid before the meeting be and are hereby received, considered, approved and adopted.”

#### Item No.2 – Declaration of Dividend

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

**“RESOLVED THAT** the dividend of Re.1 per equity share as recommended by the Board of Directors of the Company at their meeting held on May 23, 2017, be and is hereby approved and declared for the year ended March 31, 2017.”

#### Item No.3 – To appoint a director in place of Mr. Ashok Kumar Kathuria (DIN: 01010305), who retires by rotation and being eligible, offers himself for re-appointment

To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

**“RESOLVED THAT** Mr. Ashok Kumar Kathuria (DIN: 01010305), who retire by rotation and being eligible offers himself for reappointment, be and is hereby re-appointed as a Director of the Company liable to retire by rotation.”

#### Item No.4 – Appointment of M/s. Aggarwal & Rampal, Chartered Accountants (FRN: 003072N) as the Statutory Auditors of the Company for a period of five (5) years starting with F.Y. 2017-18, and the fixing of their remuneration

To consider and if thought fit, to pass with or without modification(s) the following resolution as an **Ordinary Resolution**:

**“RESOLVED THAT** pursuant to the provisions of Sections 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any amendment thereto or re-enactment thereof for the time being in force) M/s. Aggarwal & Rampal, Chartered Accountants (FRN: 003072N) be and are hereby appointed as Statutory Auditors of the Company and to hold office from the conclusion of this 25th Annual General Meeting until the conclusion of the 30th Annual General Meeting of the Company, subject to the ratification by the Members at every Annual General Meeting, at a remuneration to be decided by the Board of Directors in consultation with the Auditors from time to time.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized for and on behalf of the Company to take all necessary steps and to do all such acts, deeds, matters and things which may deem necessary in this behalf.”

## SPECIAL BUSINESS

### Item No.5 – To re-appoint Mr. Rohit Gupta as the Managing Director of the Company for a period of 5 years

To consider and, if thought fit, to pass, the following resolution as an **Ordinary Resolution**:

**“RESOLVED THAT** pursuant to provisions of Section 196, 197, 203 and other applicable provisions of the Companies Act, 2013 and the Rules made thereunder (including any statutory modification or re-enactment thereof) read with Schedule-V thereof, the recommendations of Nomination & Remuneration Committee and the Board of Directors, the consent of Members of the Company be and is hereby accorded to the re-appointment of Mr.Rohit Gupta (DIN: 0045077) as the Managing Director of the Company for the period of five years with effect from 10<sup>th</sup> August, 2017 on the terms and conditions as set out in the Explanatory Statement annexed to the Notice convening this meeting and as enumerated in the Agreement dated 10<sup>th</sup> August, 2017, a copy whereof, initialed by the Chairman of the meeting for the purposes of identification, has been submitted to this meeting, which agreement is also hereby specifically approved.

**RESOLVED FURTHER THAT** the Managing Director shall not be liable to retire by rotation during his tenure as Managing Director and shall function under the superintendence, direction and control of the Board of Directors.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the aforesaid resolution, the Board of Directors and the Secretary of the Company be and are hereby severally authorized to do all such acts, deeds and things, as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in the said regard.”

### Item No.6 – To regularize Mr.Manoj Gupta as the Independent Director of the Company

To consider and, if thought fit, to pass the following resolution as an **Ordinary Resolution**:

**“RESOLVED THAT** pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 (“the Act”) and the Securities & Exchange Board of India (Listing Obligations & Disclosure Requirements) Regulations 2015, Mr.Manoj Gupta (DIN: 01160953), who was appointed as an Additional Director on May 16, 2017, pursuant to the provisions of Section 161(1) of the Act and the Articles of Association of the Company and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as an Independent Director of the Company upto May 16, 2022, not liable to retire by rotation.

**RESOLVED FURTHER THAT** for the purpose of giving effect to the aforesaid resolution, the Board of Directors and the Secretary of the Company be and are hereby severally authorized to do all such acts, deeds and things, as may be required in connection with the same.”

### Item No.7 – To Issue and Allot Convertible Warrants on Preferential Basis to Non-Promoters:

To consider, and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

**“RESOLVED THAT**, pursuant to Sections 42, 62(1)(c) and other applicable provisions, if any, of the Companies Act, 2013, read with the relevant rules framed thereunder (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force) and in accordance with the enabling provisions of the Memorandum and Articles of Association of the Company and in accordance with the provisions on preferential issue as contained in Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations 2009, as amended (**“SEBI ICDR Regulations”**), the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**“SEBI LODR Regulations”**), Securities and Exchange Board of India (Substantial Acquisitions of Shares and Takeover) Regulations, 2011, as amended from time to time, (**“SEBI Takeover Regulations”**), and subject to the approval(s), consent(s), permission(s) and/or sanction(s), if any, of

any statutory / regulatory authorities, Stock Exchange(s), SEBI, institutions, or bodies, as may be required and subject to such terms and condition(s), alteration(s), correction(s), change(s) and/or modification(s) as may be prescribed by any of them while granting such consent(s), permission(s) or approval(s), and which may be agreed to by the Board of Directors of the Company (hereinafter referred to as '**the Board**' which terms shall be deemed to include any Committee which the Board may have constituted or hereinafter constitute to exercise its power including the powers conferred by this Resolution), consent of the Members of the Company be and is hereby accorded to the Board to create, offer, issue and allot, in one or more tranches, 1,50,000 (one lac fifty thousand) convertible warrants on **preferential basis** ("Warrants") convertible into equivalent number of Equity Shares of Rs.10/- each, at any time within and up to 18 months from the date of allotment of warrants, for cash, at an issue price of Rs. 390/- per warrant , on such terms and conditions as may be decided by the Board, to the below-mentioned persons belonging to Non- Promoter category (Warrant Holder(s)):

<b>S No.</b>	<b>Name of the proposed Warrant Allottee(s)</b>	<b>No. of Warrants proposed to be issued</b>	<b>Category</b>
1	Gaurav Sud	1,00,000	Non-promoter
2.	Sweta R. Kumar	16,000	Non-promoter
3.	Seema Kumari	17,000	Non-promoter
4.	Sunanda Kumari	17,000	Non-promoter
	<b>Total</b>	<b>1,50,000</b>	

**RESOLVED FURTHER THAT** in accordance with the provisions of Chapter VII of the ICDR Regulations, the "Relevant Date" for the purpose of determining the minimum issue price for the issue of warrants/equity shares arising on conversion of warrants is August 4, 2017.

**RESOLVED FURTHER THAT** the Board or any Committee thereof be and is hereby authorized to determine, vary, modify, alter any of the terms and conditions of the proposed issue of Warrants including reduction of the size of the issue, as it may deem expedient, in its discretion.

**RESOLVED FURTHER THAT**, the aforesaid issue of the Warrants shall be issued on the following terms and conditions:

- The proposed allottee(s) of Warrants shall, on the date of allotment of warrants, pay an amount equivalent to at least 25% of the price fixed per Warrant in terms of the SEBI (ICDR) Regulations, 2009. The balance 75% of the Issue Price shall be payable on or before the conversion of said Warrants into Equity Shares, within a maximum permissible period of 18 months from the allotment thereof;
- The consideration for allotment of warrants and/or Equity Shares arising out of exercise of such Warrants shall be paid to the Company from the Bank account of the respective proposed warrant allottees.
- In the event the Warrant Holder does not exercise the Warrants within 18 (Eighteen) months from the date of allotment of the Warrants, the Warrants shall lapse and the amount paid on such Warrants shall stand forfeited by the Company;
- The Warrant Holder shall be entitled to exercise the option of exercising any or all of the Warrants in one or more tranches by way of a written notice to the Company, specifying the number of Warrants proposed to be exercised along with the aggregate amount thereon, without any further approval from the shareholders of the Company prior to or at the time of conversion. The Warrants and Equity Shares arising on conversion of aforesaid warrants shall be in dematerialized form and shall rank pari – passu with existing equity shares;
- The issue of the Warrants as well as Equity Shares arising from the exercise of the Warrants shall be governed by the regulations and guidelines issued by SEBI or any other statutory authority as the case may be or any modifications thereof;

- vi. In the event that the Company completes any form of capital restructuring prior to the conversion of the Warrants, then, the number of Equity Shares that each Warrant converts into and the price payable for such Equity Shares, shall be adjusted accordingly in a manner that, to the extent permitted by applicable laws, Warrant holder: (a) receives such number of Equity Shares that Warrant holder would have been entitled to receive; and (b) pays such consideration for such Equity Shares to the Company which Warrant holder would have been required to pay, had the Warrants been exercised immediately prior to the completion of such capital restructuring;
- vii. The Warrants and the Equity Shares allotted pursuant to exercise of such Warrants shall be subject to a lock-in for such period as specified under Chapter VII of ICDR Regulations relating to preferential issues and;
- viii. Warrants so allotted under this resolution shall not be sold, transferred, hypothecated or encumbered in any manner during the period of lock-in provided under SEBI (ICDR) Regulations except to the extent and in the manner permitted there under.
- ix. The Warrants by itself, until exercise of conversion option and Equity Shares allotted, does not give to the Warrant holder thereof any rights with respect to that of a shareholder(s) of the Company.

**RESOLVED FURTHER THAT**, all or any of the powers conferred on the Company and the Board of Directors vide this resolution may be exercised by the Board (hereinafter referred to as the 'Board', which term shall be deemed to include any Committee(s) constituted/to be constituted by the Board to exercise its powers including the powers conferred by this Resolution), comprising of two (2) Independent Directors of the Company or any other Committee of the Board (with power to delegate to any Officer of the Company), for the purpose of giving effect to this resolution, may in its absolute discretion deem necessary, desirable or expedient, including the Listing Application to the Stock Exchange(s), filing of requisite forms with Registrar of Companies, Ministry of Corporate Affairs and to resolve and settle any questions and difficulties that may arise in the proposed offer, issue and allotment of aforesaid securities, utilization of issue proceeds, signing of all deeds and documents as may be required and to do all acts, deeds and things in connection therewith and incidental thereto without being required to seek any further consent or approval of the Members of the Company or otherwise 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** all actions taken by the Board or Committee(s) duly constituted for this purpose in connection with any matter(s) referred or contemplated in any of the foregoing resolutions be and are hereby approved, ratified and confirmed in all respects."

#### **Item No.8 – To Issue and Allot Equity Shares on Preferential Basis to Non-Promoters:**

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 42, 62 and all other applicable provisions, if any, of the Companies Act, 2013 (including any re-enactment(s) and modification(s) made there under, if any, for the time being in force) (hereinafter referred to as "Companies Act") read with Rule 14 of Companies (Prospectus and Allotment of Securities) Rules, 2014, as amended and Rule 13 of the Companies (Share Capital and Debenture) Rules, 2014, as amended and other relevant rules made there under (including any statutory modification(s) thereto or re-enactment thereof for the time being in force), enabling provisions of Memorandum of Association and Articles of Association of the Company, provisions of the uniform listing agreement entered into by the Company with the Stock Exchange(s) where the shares of the Company are listed ("Stock Exchange(s)"), and in accordance with the guidelines, rules and regulations of the Securities and Exchange Board of India ("SEBI"), including the SEBI (Issue of Capital And Disclosure Requirements) Regulations, 2009 ("SEBI ICDR Regulations"), SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015, SEBI (Substantial Acquisitions of Shares and Takeovers) Regulations, 2011, as amended, the Foreign Exchange Management (Transfer

or Issue of Security by a Person Resident Outside India) Regulations, 2000, as amended and subject to the approvals, consents, permissions and/ or sanctions, as may be required from the Government of India, Reserve Bank of India, SEBI, Stock Exchange(s) and any other relevant statutory, governmental authorities or departments, institutions or bodies by the Company or the Proposed Allottee (as defined hereinafter) and subject to such terms, conditions, alterations, corrections, changes, variations and/or, modifications, if any, as may be prescribed by any one or more or all of them in granting such approvals, consents, permissions and/ or sanctions and which may be agreed by the board of directors of the Company (hereinafter referred to as the “Board” which terms shall be deemed to include any committee duly constituted by the Board or any committee, which the Board may hereafter constitute, to exercise one or more of its powers, including the powers conferred by this resolution), the consent of the members be and is hereby accorded to the Board to create, offer, issue and allot upto 12,47,000 (twelve lacs forty seven thousand Only) Equity Shares of face value of Rs. 10/- (Rupees Ten only) each at an issue price of Rs. 390/- (Rupees three hundred ninety only) per Equity Share or such other price as may be determined in accordance with the provisions of Chapter VII of SEBI (ICDR) Regulations and on such terms and conditions as may be determined by the Board in accordance with the provisions of Chapter VII of the SEBI (ICDR) Regulations to the below-mentioned persons belonging to Non- Promoter Category.

<b>S. No.</b>	<b>Name of the Proposed Allottees</b>	<b>Category</b>	<b>No. of Equity Shares proposed to be allotted</b>
1	Kothari Ventures LLP	385000	Non-promoter
2	Aadi Financial Advisors LLP	385000	Non-promoter
3	Madhuri Kela	80000	Non-promoter
4	Gagan Chaturvedi	30000	Non-promoter
5	Aditya Parekh	25000	Non-promoter
6	Nidhi Shyamsukha	13000	Non-promoter
7	Hina Doshi	13000	Non-promoter
8	Niyati Mehta	13000	Non-promoter
9	Pankaj K mehta Investment Pvt Ltd.	13000	Non-promoter
10	Geecee Investments Limited	35000	Non-promoter
11	Raj Vinay Ajmera	10000	Non-promoter
12	Amar Patel	10000	Non-promoter
13	Sarvadaman Doshi	10000	Non-promoter
14	Mithun Soni	5000	Non-promoter
15	Rajiv Pathak	3000	Non-promoter
16	Ajay Relan	100000	Non-promoter
17	Radhika Sharma	80000	Non-promoter
18	Madhu Jain	20000	Non-promoter
19	Lata Gupta	12000	Non-promoter
20	Subodh Narain Agarwal	5000	Non-promoter
	<b>Total</b>	<b>12,47,000</b>	

**RESOLVED FURTHER THAT** the Relevant Date, as per the SEBI ICDR Regulations for the determination of issue price of Equity Shares is Friday, August 4, 2017.

**RESOLVED FURTHER THAT** aforesaid issue of Equity Shares shall be subject to the following terms and conditions: