



The Power of Distribution

20TH ANNUAL REPORT

2014-15

REGISTERED OFFICE

6, GROUND FLOOR, NARAYAN CHAMBERS,
B/H.PATANG HOTEL, ASHRAM ROAD,
AHMEDABAD – 380009.

NOTICE

NOTICE is hereby given that the 20th Annual General Meeting of the Members of ~~FLS~~ **FLS Financial Services Limited** will be held at the registered office of the company on Wednesday 24th June, 2015 at 12.00 Noon to transact the following business:

ORDINARY BUSINESS:

1. To adopt and approve the Audited Balance Sheet as at 31st March, 2015 & Profit and Loss Account for the year ended on that date and the reports of the Directors, Secretarial Audit and the Auditors thereon.
2. To declare Dividend on Equity shares for the financial year 2014-15.
3. To appoint a Director in place of Mr. Mukesh C. Gandhi who retires by rotation and being eligible offer him-self for re-appointment.
4. To appoint the Auditors and fix their remuneration.
5. To appoint internal auditor and fix their remuneration.

SPECIAL BUSINESS:

To consider and, if thought fit, to pass, with or without modifications, the following resolutions as an ordinary resolution:

6. To approve the revised remuneration payable to Shri. Kamlesh Gandhi, Managing Director of the company.

"RESOLVED THAT pursuant to the provisions of section 196, 197 read with Schedule V of the Companies Act, 2013 and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modification or re-enactment thereof for the time being in force) and pursuant to Articles of Association of the company, Consent of members of the company be and is hereby accorded for the remuneration payable to Shri. Kamlesh C. Gandhi, Managing Director of the Company, with effect from April 1, 2014 as mentioned in explanatory statement."

"RESOLVED FURTHER THAT the aggregate amounts of Managerial Remuneration to the said executive directors of the Company individually shall always be within the overall ceiling laid down in the sections 197 and schedule V and other applicable provisions of the Companies Act, 2013."

"RESOLVED FURTHER THAT in the event of loss or inadequacy of profits, in any financial year during the currency of tenure of service, the payment of salary, commission, perquisites and other allowances shall be governed under of Schedule V to the Companies Act, 2013, including any statutory modifications or re-enactment thereof, as may, for the time being, be in force."



"RESOLVED FURTHER THAT the board of directors (including a committee thereof) be and is hereby authorised to do all such things, deeds, matters and acts as may be required to give effect to this resolution and all things incidental and ancillary thereto including but not limited to the power to grant increments and to alter or amend or revise or vary the terms of remuneration from time to time and obtaining Central Government approval and all things incidental and ancillary thereto."

7. To approve the revised remuneration payable to Shri. Mukesh Gandhi, Whole Time Director & CFO of the company.

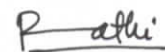
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"RESOLVED FURTHER THAT the board of directors (including a committee thereof) be and is hereby authorised to do all such things, deeds, matters and acts as may be required to give effect to this resolution and all things incidental and ancillary thereto including but not limited to the power to grant increments and to alter or amend or revise or vary the terms of remuneration from time to time and obtaining Central Government approval and all things incidental and ancillary thereto."

By Order of the Board



Punita Maheshwari
(Company Secretary)

Date : 27th May, 2015

Place : Ahmedabad



NOTES:

1. A member entitled to attend and vote at the meeting is also entitled to appoint proxy to attend and vote instead of himself and such proxy need not be a member of the company. The proxies in order to be effective must be lodged with the company not less than 48 hours before the meeting.
2. Members are requested to notify immediately any change in their address to the Company's Registered Office.
3. Members are requested to bring their copies of the Annual Report to the meeting.
4. The Members/Proxies should bring the Attendance Slip sent herewith duly filled for attending the meeting.



ANNEXURE OF NOTICE

Explanatory Statement pursuant to Section 102(2) of the Companies Act, 2013

Item No. 6

In due consideration of his leadership capabilities and encouraging performance shown by the Company during the course of Mr. Kamlesh Gandhi, Managing Director of the Company, the Directors of the Company propose revision of his remuneration as mentioned below as part of this explanatory statement.

Remuneration Detail:

Salary

Salary shall not be less than Rs. 16,14,000/- (Rupees Sixteen Lacs and Fourteen Thousand only) Basic per month. The Salary may progressively go up subject to his performance and industry trends, subject however that in no case, the salary shall not exceed the limits prescribed from time to time under Sections 197 and other applicable provisions of the Companies Act, 2013 read with Schedule V to the said Act, as may for the time being, be in force and any amendments thereto.

Bonus

The Bonus shall be payable as per the rules of the company

Commission/ Ex Gratia

Commission shall be payable as per the rules of the company, subject to a ceiling of Six Month's salary.

Allowance/ Perquisites

Until otherwise decided by the Board, the Managing Director will be entitled to the following allowances/ perquisites which will be paid to him in addition to the salary.

Housing

The Company shall provide furnished accommodation and if he is having his own accommodation then the Company shall pay house rent allowance as per the rules of the company.

The Company shall provide equipment and appliances, furniture and fixtures and furnishing at the residence of the Managing Director at the entire cost of the Company.

Gas, Electricity, Water, Etc.

The Company shall reimburse the expenses of Gas, Electricity, Water, Etc. the expenditure on these valued, in accordance with the Income Tax Rules, shall be as per the rules of the company.

Medical Reimbursement:-

Reimbursement of medical expenses actually incurred for self and family as per the rules of the Company

Education Allowance

The Education Allowance shall be payable as per the rules of the company

Uniform Allowance/ Reimbursement



The Uniform Allowance/ Reimbursement shall be payable as per the rules of the company

Books and Periodical Allowance

The Books and Periodical Allowance shall be payable as per the rules of the company

Leave Travel concession

For self and family, once in a year in accordance with the rules of the Company

Club Fees

Fees of Club payable as per the rules of the Company

Personal Accident Insurance

The Company shall pay personal accident insurance premium as per its rules.

Contribution to Superannuation Fund

The Company shall contribute towards Provident Fund/ Pension/ Superannuation/ Retirement/ Annuity Fund provide that such contribution either singly or put together shall not exceed the tax – free limit prescribed under the Income Tax Act.

Gratuity

Gratuity is payable as per the rules of the Company.

Earned Leave

The Managing Director shall be entitled to one Month's Privilege leave for every eleven Months Services. He shall be entitled to encase un-availed leave at the end of his tenure.

Car Facility

The Company shall provide a car with driver at the entire cost of the Company for use of Company's business."

Item No. 7

In due consideration of his leadership capabilities and encouraging performance shown by the Company during the course of Mr. Mukesh Gandhi, Whole Time Director & CFO of the Company, the Directors of the Company propose revision of his remuneration as mentioned below as part of this explanatory statement.

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Salary

Salary shall not be less than . 16,14,000/- (Rupees Sixteen Lacs and Fourteen Thousand only) Basic per month. The Salary may progressively go up subject to his performance and industry trends, subject however that in no case, the salary shall not exceed the limits prescribed from time to time under Sections 197 and other applicable provisions of the Companies Act, 2013 read with Schedule V to the said Act, as may for the time being, be in force and any amendments thereto.

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The Bonus shall be payable as per the rules of the company

Commission/ Ex Gratia

Commission shall be payable as per the rules of the company, subject to a ceiling of Six Month's salary.

Allowance/ Perquisites

Until otherwise decided by the Board, the Whole Time Director will be entitled to the following allowances/ perquisites which will be paid to him in addition to the salary.



Housing

The Company shall provide furnished accommodation and if he is having his own accommodation then the Company shall pay house rent allowance as per the rules of the company.

The Company shall provide equipment and appliances, furniture and fixtures and furnishing at the residence of the Whole Time Director at the entire cost of the Company.

Gas, Electricity, Water, Etc.

The Company shall reimburse the expenses of Gas, Electricity, Water, Etc. the expenditure on these valued, in accordance with the Income Tax Rules, shall be as per the rules of the company.

Medical Reimbursement:-

Reimbursement of medical expenses actually incurred for self and family as per the rules of the Company

Education Allowance

The Education Allowance shall be payable as per the rules of the company

Uniform Allowance/ Reimbursement

The Uniform Allowance/ Reimbursement shall be payable as per the rules of the company

Books and Periodical Allowance

The Books and Periodical Allowance shall be payable as per the rules of the company

Leave Travel concession

For self and family, once in a year in accordance with the rules of the Company

Club Fees

Fees of Club payable as per the rules of the Company

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The Company shall pay personal accident insurance premium as per its rules.

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The Company shall contribute towards Provident Fund/ Pension/ Superannuation/ Retirement/ Annuity Fund provide that such contribution either singly or put together shall not exceed the tax – free limit prescribed under the Income Tax Act.

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Gratuity is payable as per the rules of the Company.

Earned Leave

The Whole Time Director shall be entitled to one Month's Privilege leave for every eleven Months Services. He shall be entitled to encase un-availed leave at the end of his tenure.

Car Facility

The Company shall provide a car with driver at the entire cost of the Company for use of Company's business.

By Order of the Board



Punita Maheshwari
(Company Secretary)

Date : 27th May, 2015

Place : Ahmedabad



DIRECTORS' REPORT

To,
The Members,
HAAS FINANCIAL SERVICES LTD.
Ahmedabad

Your Directors are happy to present the **TWENTYTH ANNUAL REPORT** of your Company together with the Audited Accounts drawn for the year ended on 31st March 2015.

FINANCIAL RESULTS:

(Amount in ₹)

PARTICULARS	Year Ended on 31 st March 2015	Year Ended on 31 st March 2014
	RUPEES	RUPEES
Revenue from Operations	2,250,532,987	1,766,540,470
Other Income	8,540,899	7,493,633
Total Income	2,259,073,886	1,774,034,103
Total Expenditure	1,677,433,955	1,298,633,626
Profit Before Tax	581,639,931	475,400,477
Provision for Taxation (Including Current tax, Deferred Tax & Income Tax of earlier Years)	191,679,983	164,821,697
Net Profit	389,959,948	310,578,780
Profit Brought Forward	174,758,810	56,260,264
Depreciation on transition to Schedule II of the Companies Act, 2013 on tangible fixed assets with nil remaining useful life (Net of deferred tax)	(7,099,057)	-
Profit Available for Appropriation	557,619,701	366,839,044
APPROPRIATIONS:		
Transfer to Statutory Reserve	77,991,990	62,115,756
Interim Dividend	-	24,778,522
Proposed Dividend	104,952,340	59,328,477
Corporate Tax on Dividend	21,368,298	14,293,987
Transfer to General Reserve	38,995,995	31,057,878
Short provision for dividend distribution tax of earlier year	-	505,614
Surplus Balance carried to Balance Sheet	314,311,078	174,758,810



BUSINESS PERFORMANCE:

In the year 2014-15 the company reached an important milestone in its journey by crossing ₹ 2000 cr. in AUM. During its journey from a humble beginning of asset size of ₹ 2 cr. in 1995 to reaching ₹ 2000 cr. in the year 2015, every time we reach a milestone, we believe that we have just begun.

The gross income realized by the company is ₹ 225.90 Crore (Previous year ₹ 177.40 Crore) comprising of income from operations and other income. Net Profit after tax is ₹ 38.99 Crore (Previous year ₹ 31.06 Crore). Asset under Management is ₹ 2000.01 Crore (Previous year ₹ 1383.27 Crore). This year's performance in spite of the challenging macro-economic factors set the stage for the further growth in AUM accompanied by increased geographical presence.

PROSPECTS AND DEVELOPMENTS:

The company continues to pursue the policy of catering to the lower and the middle income segment, which is reckoned to be the key driver of our economy. Various products ranging from MSME (Micro, Small and Medium Enterprises) Home Loans (through its subsidiary MRHMFL) caters to the various needs of the vast section of the society.

This is a very huge market to be served, which needs an efficient last mile delivery of credit thus creating enormous opportunity for all the financial institutions and NBFCs in special.

We firmly believe, that financial inclusion in a country like India is a function of efficient last mile delivery of credit, for which a very robust value chain has to be nurtured and developed. NBFCs in special play a pivotal role in this value chain and deserve its due understanding and recognition thus creating an enabling situation to perform to its full potential. It is worth mentioning here that, the regulators have taken a fresh look at the sector. The introduction of SARFAESI for NBFC (SI) is the step in the right direction, while we await few other measures to be taken by the regulator to further strengthen the sector, I trust that, they will be able to create an enabling situation for this sector to develop.

SMALL AND MEDIUM ENTERPRISE LOAN:

Introduction of machinery loans to the SME this year has shown lot of promise. We are in the process of understanding the segment and are keen to add value to all such small and medium enterprises by extending the most efficient financial services.

In consonance to our policy of building up quality assets, we are confident of creating inroads in this market too. We are planning to expand geographically, starting from Maharashtra.

PARTNERING WITH REGIONAL NBFCs AND NBFC-MFIs:

Partnering with regional NBFCs and NBFC-MFIs for distribution of various products and providing them the line of credit also remains one of the major business plans. We firmly believe that the players having proximity to the region are the most potential organization in the last mile delivery of credit. We not only fund them but also share with them the domain expertise, which the company possesses through its



vintage of more than two decades. We continue to get encouraging response from all our partner NBFCs and are keen to leverage the relationships for mutual benefits.

DISTRIBUTION NETWORK:

The company is in the process of consolidating its operations in the region of Rajasthan, Maharashtra, besides Gujarat. The company has expanded its operations in Madhya Pradesh beyond Indore to Bhopal, Gwalior and Jabalpur. In Tamilnadu it operates through its Chennai branch and Karnataka through its Bengaluru (Bangalore) branch, taking the tally of the branches to 64 and the total centers covered to approx. 3200.

MRHMFL (HAS Rural Housing & Mortgage Finance Ltd.):

MRHMFL (HAS Rural Housing & Mortgage Finance Ltd. – subsidiary of MFSL) aims at serving the middle income and the lower income sector of the economy, especially in the semi urban and rural areas, which are reckoned to be the key drivers of the sector in the coming decades. Full-fledged efforts are on to execute efficiently, as per the detail planning. Being aware of the challenges involved in serving this class of the society, a very cautious approach is adopted in building up volumes. Nevertheless, company is quite confident of building substantial volumes in the near future. The company's rural initiative will also start yielding results shortly.

We will continue to pursue our efforts relentlessly and are confident of creating a quality portfolio and add value to the ecosystem we work in.

RESOURCES:

The company continues to enjoy the confidence of its current investors FMO, DEG and LOK Capital and acknowledges their constructive support. We firmly believe that, this will go a long way in realizing company's vision.

The company is in process of identifying the potential investors. The internal accruals of the company and the business model pursued will successfully enable us to grow at a commendable pace of close to 30% per annum. Number of institutional investors has shown keen interest.

The company has raised Tier – II Capital of ₹ 20 cr. in form of a sub debt from Ratnakar Bank Ltd.

The company by virtue of its performance over the years enjoys very good relationships with many leading banks and financial institutions. The company could raise the required resources from various banks and financial institutions comfortably. We anticipate the same response from all our lending partners for the coming year too. The company anticipates credit lines from few more banks and financial institutions besides the existing ones.

Your Company continues to command the respect and the confidence of Bankers as their extended channel in their task of providing efficient delivery of credit. The company acknowledges the constructive support of the Investors and consortium member banks.

