



McDowell Holdings Limited

ANNUAL REPORT 2015 - 2016

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McDOWELL HOLDINGS LIMITED

Directors

Mr. N. Srinivasan *Independent Non Executive Director*

Mr. M. S. Kapur *Independent Non Executive Director*
(from May 16, 2016)

Mr. Anil Pisharody *Non Executive Director*

Ms. Tushita Patel *Non Executive Director*

President & Chief Financial Officer UB Group

Mr. Ravi Nedungadi
(upto April 30, 2016)

Company Secretary and Compliance Officer

Mr. Manoj Kumar

Statutory Auditors

M/s Vishnu Ram & Co.,
Chartered Accountants
No.12, Margosa Road, Malleswaram,
Bengaluru – 560 003

Registered Office

UB Tower, Level - 12, UB City,
No. 24 Vittal Mallya Road,
Bengaluru – 560 001

Registrars and Share Transfer Agent

Integrated Enterprises (India) Limited
No. 30, Ramana Residency,
4th Cross, Malleswaram,
Bengaluru – 560 003

TO THE MEMBERS,

The Directors have pleasure in presenting the Twelfth Annual Report of the Company along with Audited Accounts for the year ended 31st March, 2016.

Financial Performance for the year ended 31st March, 2016:

Particulars	For the Financial Year Ended	
	31.03.2016 (₹)	31.03.2015 (₹)
Income	1066,00,154	1408,85,782
Less : Expenditure	1746,49,169	1508,11,143
Loss before Provisions, write off and diminution in value of investments	(680,49,015)	(99,25,361)
Less : Provision for doubtful advances	1509,26,605	1097,82,640
Less : Advances no longer recoverable	16572,77,723	-
Less : Diminution in value of investments	1980,73,525	-
Loss before tax and exceptional item	(20743,26,868)	(1197,08,001)
Exceptional item : Profit on sale of pledged shares	18973,86,112	1742,87,937
Profit / (Loss) before Tax	(169,40,756)	545,79,936
Tax Expense (MAT)	370,00,000	Nil
Profit / (Loss) After Tax	(2139,40,756)	545,79,936
Less : Transfer to statutory reserve	-	109,15,987
Surplus / (Deficit) carried to Balance Sheet	(2139,40,756)	436,63,949

Dividend

In view of the losses during the financial year, no dividend has been recommended for the financial year ended 31st March, 2016.

Operations of the Company

The total income of the Company during the financial year under review has decreased to Rs. 10,66,00,154 against Rs. 14,08,85,782 in the previous financial year. The total expenditure during the year was Rs. 17,46,49,169 against Rs. 15,08,11,146 in the previous financial year resulting in a loss of Rs. 6,80,49,015 as compared to loss of Rs. 99,25,361 during the previous year.

In a significant development during the year under review, one of the lender bank, in whose favour one of the Company's investment was pledged, had sold the pledged shares resulting in a profit of Rs. 1,89,73,86,112. The Directors after critical review of the recoverability of certain loans & advances have written off Rs. 1,65,72,77,723 and provided for accrued interest and other dues amounting to Rs. 15,09,26,605. The Directors have also provided for the diminution in the value of investment amounts to Rs. 19,80,73,525 in a group company, which has been registered with the Board of Industrial and Financial Reconstruction under Section 15 of Sick Industrial Companies (SP) Act, 1985. The net effect of these is a net loss of Rs. 21,39,40,756.

Pursuant to the corporate guarantee given by the Company on behalf of the group companies borrowings, the lender bank has invoked the corporate guarantee and has demanded repayment of such dues to it by the borrowing group companies amounting to Rs. 208 Cr. The borrower group companies are in negotiation with the lender bank for restoration of facilities and in meanwhile they are servicing their obligation.

Market Value of Company's Investment

The market value of the Company's investment stocks is at Rs. 710 Cr., which is significantly higher than that of any potential financial exposure of the Company in future.

Future Prospects

Your Company continues to hold strategic investments in the UB Group Companies and dividend distribution by such investee companies would enhance its revenue progressively.

As the Company does not have minimum prescribed net owned fund, capital risk adequacy ratio etc. The Reserve Bank of India has advised the Company to apply for reclassification of the Company as a Core Investment Company, which is being addressed.

In order to strengthen the prospects of the Company, your Directors are evaluating to enter into some additional activities. Should such opportunities prove to be attractive, your Company would consider these during the current year.

Registration with Reserve Bank of India (RBI) as Non-banking Financial Company

Your Company continues to be a Non-banking (non-deposit taking) Financial Company (NBFC-ND), duly registered with Reserve Bank of India under the provisions of Section 45-IA of the Reserve Bank of India Act, 1934.

Certain regulatory financial requirements prescribed under the said Act and Regulations made there under, could not be met by the Company. The matter is being addressed by the Board of Directors.

Directors and Key Managerial Personnel

Since the last Annual General Meeting, the following changes have taken place in the Board of Directors:

- i. Mr. M S Kapur (DIN: 00703815) was appointed as the Additional Director designated as Independent Director on the Board of the Company with effect from 16th May 2016. He holds office upto the date of the ensuing Annual General Meeting. A Notice has been received from a member pursuant to Section 160 of the Companies Act, 2013 proposing Mr. M S Kapur as a candidate for the office of Independent Director of the Company.
- ii. Mr. M S Reddy, Director resigned from the Board of the Company w.e.f. 7th April, 2016. The Board records its appreciation for the service rendered by him during his tenure as Director.

Mr. Ritesh Shah, Company Secretary, resigned as Company Secretary and Compliance Officer w.e.f 12th June, 2015. Mr. Manoj Kumar was appointed as a Company Secretary and Compliance Officer of the Company w.e.f., 14th August, 2015.

The Company presently does not have a Managing Director and a Chief Financial Officer. The only Key Managerial Personnel of the Company is the Company Secretary.

The affairs of the Company for the year under review were monitored by the Group Chairman under the guidance of the Group Chief Financial Officer.

None of the directors of the Company are disqualified under Section 164 (2) of the Companies Act, 2013. Your Directors have made necessary disclosures as required under various provisions of the Companies Act, 2013.

Directors' Responsibility Statement

The Board of Directors of the Company hereby states that:

- (a) in the preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (b) accounting policies have been selected and applied consistently and the judgments and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the loss of the Company for that period;

- (c) proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013, for safeguarding the assets of the Company and for prevention and detection of fraud and other irregularities;
- (d) the Annual Accounts have been prepared on a going concern basis;
- (e) Internal Financial Controls have been laid down to be followed by the Company and that such Internal Financial Controls are adequate and operating effectively;
- (f) proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively

Statutory Auditors*(a) Ratification of appointment of Statutory Auditors.*

M/s. Vishnu Ram & Co., Chartered Accountants (Firm Registration No. 004742S), the Statutory Auditors of the Company in terms of the provisions contained in the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 were appointed for a period of three financial years commencing from 2014-2015 to hold office from the conclusion of the Tenth Annual General Meeting till the conclusion of the Thirteenth Annual General Meeting subject to ratification by the Members at each subsequent Annual General Meetings. The Company has received a letter from them to the effect that ratification, if made at the ensuing Annual General Meeting would be within the prescribed limits under Section 139 of the Companies Act, 2013.

(b) Auditors Qualifications and Board responses

Certain matters relating to invocation of corporate guarantee and pledge of securities by a lender bank against borrowing of group companies and preparation of the financial statements on going concern basis are subject matter of qualification in the Audit Report – all these have been explained in the relevant Notes to Accounts.

Corporate Governance & Management Discussion and Analysis Report

Pursuant to the erstwhile Clause 49 of the Listing Agreement with the Stock Exchanges and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, ('Listing Regulations') a report on Corporate Governance and Management Discussion and Analysis Report is attached to this Report.

The Auditors' Certificate confirming compliance of conditions of Corporate Governance is appended to this report and CEO/ CFO Certificate as required under Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 signed by a Director of the Company is obtained.

DISCLOSURES :**Board and its Committees**

The details of the meetings of the Board and its committees held during the financial year, the composition of the committees and the details of Committee Meetings are given in the Report on Corporate Governance.

Declaration by Independent Directors

The Company has received declaration from all Independent Director(s) that they meet the criteria of independence as provided in Sub-section (6) of Section 149 of the Companies Act, 2013.

Report of the Directors (Contd.)

Performance Evaluation of the Board and Committees

The details of annual evaluation made by the Board of its own performance and that of its committees, individual Directors individually and performance criteria for Independent Directors laid down by the Nomination and Remuneration Committee are enclosed as **Annexure – A** to this Report. The Company has formulated a policy for performance evaluation of the Independent Directors, Board of Directors and is available on the Company 's website www.mcdowellholdings.co.in .

Particulars of Employees and Related Disclosures

Disclosures required to be made under Section 197(12) of the Companies Act, 2013 read with Rule 5(1), 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 do not apply to Company for the period under review. The Company had not offered any shares to its employees or Key Managerial Personnel under any scheme of Employees Stock Option and has also not issued any sweat equity at any time.

Deposits

During the year under review, your Company did not accept any deposits within the meaning of provisions of Chapter-V, Acceptance of Deposits by Companies of the Companies Act, 2013 read with the Companies (Acceptance of Deposits) Rules, 2014.

Corporate Social Responsibility (CSR)

The Company has constituted a Corporate Social Responsibility Committee to assume and execute responsibility as a corporate citizen towards the society at large. Since the average net profit of the Company in the preceding three financial years was negative, the Company has not carried out any CSR expenditure during the period under review.

Secretarial Audit

(a) Secretarial Audit Report

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company has appointed Mr. Sudhir Hulyalkar, Company Secretary in Practice having Certificate of Practice No. 6137 to undertake the Secretarial Audit of the Company. The Report furnished by Auditor in the format prescribed is enclosed as **Annexure - B** to this report.

(b) Qualifications and Board response

- i. Efforts are still on for appointment of a suitable candidate for the position of the Managing Director and Chief Financial Officer.
- ii. Measures for compliance of the provisions under Section 117 of the Companies Act, 2013 are being taken.
- iii. In the absence of a Chief Executive Officer/Managing Director and Chief Financial Officer, the requirement of providing the Certificate to the Board was possible only by issue of the same from a Director of the Company.
- iv. The matters relating to the non fulfilment of certain regulatory financial requirements prescribed under the Reserve Bank of India Act are being addressed by the Board of Directors.

Internal Control System

The Internal Control System is effectively done by the Sr. Vice President – Finance & Accounts of the Group Company, who is also a Director in the Company. The Internal Auditor of the Company, on regular basis reviews the Internal Control System.

Your Company through internal audit under the supervision of the Audit Committee reviews the risk management process, risk mitigation plans and risk reporting.

The adequacy and effectiveness of Internal Financial Control have been endorsed by the Internal Auditor and the Statutory

Auditors. The report of the Independent Statutory Auditors in the annexure to their Audit Report does not ascertain any adverse observation.

Vigil Mechanism

The Company has implemented a vigil mechanism to provide a framework for the Company's employees and Directors to promote responsible and secure whistle blowing. It protects the employees who raise concern about serious irregularities within the Company. A brief summary of the vigil mechanism implemented by the Company is enclosed as **Annexure - C** to this report.

Your Company hereby affirms that no Director/ employee has been denied access to the Chairman of the Audit Committee and that no complaints were received during the year. The said policy is available in the Company website, <http://www.mcdowellholdings.co.in>

Listing Requirements

Your Company's Equity Shares are listed on the BSE Limited (formerly Bombay Stock Exchange Limited) and National Stock Exchange of India Limited. The listing fees have been paid to both the Stock Exchanges for the year 2016-2017. The Bangalore Stock Exchange has been derecognised under the relevant provisions of the Securities and Exchange Board of India Act, 1992 and the Securities Contracts (Regulation) Act, 1956.

Extract of Annual Return

An extract of Annual Return in Form MGT-9 as on March 31, 2016 is enclosed as **Annexure - D** to this Report.

Nomination and Remuneration Policy

The Board on the recommendation of the Nomination and Remuneration Committee has approved and adopted the Company's Nomination and Remuneration Policy for the appointment and remuneration of the Directors, Key Managerial Personnel and Senior Executives of the Company. The same is enclosed as **Annexure - E** to this report. However no Managing Director and CFO were appointed during the period under review.

Particulars of Loans, Guarantees or Investments

Details of loans, guarantees and investments covered under Section 186 of the Companies Act, 2013 are given in Note 9 of the Notes to the Financial Statements.

Related Party Transactions

There has been no related party transaction during the year under review, except for certain transaction exempted under Section 186 of the Companies Act, 2013. The Board had approved policy on Related Party Transactions. The policy has been uploaded on the Company's website: <http://www.mcdowellholdings.co.in>.

Familiarisation Programme for Independent Directors

The detail programme for familiarisation of the Independent Directors with the Company, their roles, rights, responsibilities in the Company, nature of the industry in which the Company operates, business model of the Company and related matters are put up on the website of the Company :www.mcdowellholdings.co.in. The Board comprises of independent and Non-executive Directors and they have been familiarised with the Company, their role, rights , responsibility in the Company's, business, etc.

Energy Conservation, Technology Absorption, Foreign Exchange Earnings and Outgo

The provisions under Section 134 of the Companies Act, 2013 and rules made there under relating to energy conservation,

technology absorption do not apply to the Company, as the Company is not engaged in the manufacturing activities. Further there has not been any foreign exchange earnings or outgo during the period under review.

Significant and material orders passed by the regulators or courts or tribunals impacting the going concern status of the Company

There were no material orders passed by the regulators or courts or tribunals which may impact the going concern status of the Company

Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Your Directors further state that during the year under review, there were no cases filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

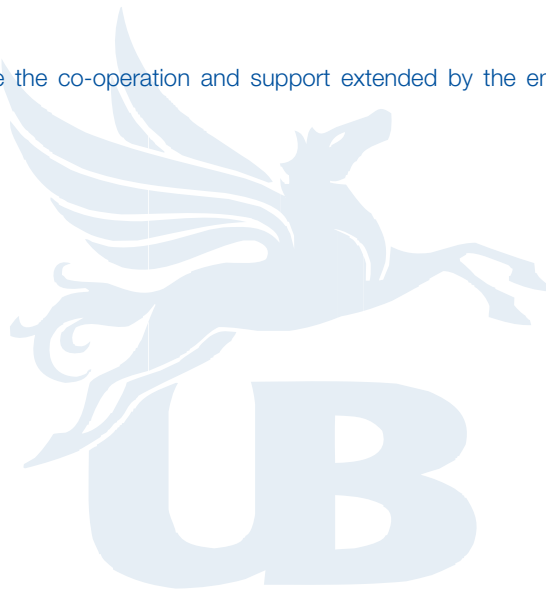
Acknowledgement

Your Directors wish to acknowledge the co-operation and support extended by the employees and the shareholders of the Company.

By order of the Board

**Place : Bengaluru
Date : 04-07-2016**

**N Srinivasan
Chairman
[DIN: 00004195]**



ANNEXURE- A**PERFORMANCE EVALUATION PROCESS & CRITERIA**

Nomination and Remuneration Committee (N & R Committee) of Board of Directors has formulated criteria and questionnaires to evaluate the performance of Board, its committees and Individual Directors including the Independent Directors. Further, the Independent Directors at their separate meeting, formulated the criteria and questionnaire to evaluate the performance of Non Independent Directors and the Chairman of the Board.

The formal annual evaluation has been carried out in the manner given below:

- Based on the questionnaire and feedback, the performance of every Director was evaluated in the meeting of the Nomination and Remuneration Committee.
- Independent Directors at their separate meeting has carried out annual evaluation on the performance of Non Independent Directors, Board as a whole and performance of the Chairman of the Company.
- As stipulated under the Code for Independent Directors, the Board of Directors has carried out the performance evaluation of each Independent Directors by circulating the questionnaires to the other Board members, excluding the Director being evaluated.

Some of the key criteria for performance evaluation are as follows:

Evaluation of Non Independent Directors:

- Attendance and participation at Board and Committee meetings.
- Level of familiarity and compliance with the codes and policies.
- Familiarity with all the spheres of the activities of the Company.
- Level of participation in developing Business Strategies.
- Quality of relationship with other members of the Board.

Evaluation of Independent Directors: (In addition to the criteria for Non Independent Directors)

- Ability to exercise responsibilities in a bona fide manner.
- Level of Contribution in Implementing best Corporate Governance practice.
- Independent Judgment during Board's deliberation on strategy, performance, risk management etc.