

## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in submitting the Annual Report of Navarathna Housing Finance Limited ("NHFL" or "the Company") together with the Audited Statement of Accounts for the year ended 31<sup>st</sup> March 2025.

### Company Overview

#### State of Company's affairs:

NHFL is a first generation housing finance company, with a clear mandate to serve the underserved segment of the society who are not served by banks & other financial institutions. During the financial year 2024-25, your Company achieved foundational milestones that position it for sustained growth in the affordable housing finance sector.

### Financial Results

The key highlights of the Audited Financial Statements of your Company for FY25 and a comparison with the previous financial year ended on 31<sup>st</sup> March 2024 ("FY24") is summarized below:

(Amount in Rs.)

Particulars	For the period ended 31-03-2025	For the period ended 31-03-2024
Total Income	7,98,00,030	8,56,17,242
Total Expenses	5,73,14,420	4,09,22,123
Profit and Loss before Exceptional and Extraordinary items and Tax	2,24,85,610	4,46,95,119
Profit and Loss before Tax	2,24,85,610	4,46,95,119
Less : Current Tax	57,41,581	1,00,86,765
Previous Year's Tax	16,875	(6,60,606)
Deferred Tax	6,47,179	26,40,955
Profit and Loss After Tax	1,60,79,975	3,26,28,005



## Financial Performance Highlights

Rs. in Lacs)

Particulars	FY 2024-25	FY 2023-24	Increase (%)
Shareholder's Fund	3,732.90	3,572.09	4.50%
Loans & Advances Portfolio	3,983.09	4,532.53	(12.21%)
Average Loans Portfolio	4257.81	4,095.68	3.95%
Total Income	798.00	856.17	(6.79%)
Interest Income	745.93	841.09	(11.31%)
Average Earning Rate	17.52	20.54%	
Profit Before Tax (PBT)	224.86	446.95	(49.69%)
Profit After Tax (PAT)	160.81	326.28	(50.71%)
Earnings Per Share (EPS)	0.69	1.41	(50.72%)
Gross NPA - Amount	337.53	178.85	114.94%
- Percent	8.47%	3.95%	
Provision for NPA	109.12	61.88	
Net NPA - Amount	228.41	116.97	125.57%
- Percent	5.90%	2.62%	

## Transfer to Special Reserves

As required under Section 29C(1) of the National Housing Bank Act, 1987, the Company shall create a reserve fund and transfer therein a sum not less than 20% of its net profit every year as disclosed in the statement of profit and loss before any dividend is declared. The Company has transferred the requisite amount to the reserve fund for the financial year ended 31<sup>st</sup> March 2025.

## Transfer to General Reserves

The net profit of the Company for the reporting period has been aggregated to the surplus in Profit and Loss account.

## Dividend

Your directors do not recommend any dividend for the financial year ended 31<sup>st</sup> March 2025.

## Statutory and Regulatory Compliances

Your company has complied with all the provisions of Secretarial Standards issued by the Institute of Company Secretaries of India in respect of meetings of the board of directors and general meetings held during the period and has complied with all applicable compliances as required under the Companies Act,





2013, Reserve Bank of India, National Housing Bank, Foreign Exchange Management Act, 1999 and other applicable statutes and regulations.

#### **Disclosure under section 67(3)(c) of the Companies Act, 2013**

The disclosure with regard to voting rights not exercised directly by the employees of the Company as required under proviso to Section 67(3)(c) of the Companies Act, 2013 read with Rule 16(4) of the Companies (Share Capital and Debentures) Rules, 2014 is not applicable to the Company.

#### **Disclosure regarding issue of equity shares with differential rights**

The Company has not issued any Equity Shares with differential rights during the Financial Year 2024-25 and there are no outstanding Equity Shares with differential rights as on 31<sup>st</sup> March 2025.

#### **Employee Stock Option Scheme**

As on the date of this report, your Company does not have any Employee Stock Option Scheme in place. Your Directors are contemplating about adopting an ESOP scheme with a view to attract, reward and retain talented and key employees and encourage them to align individual performance with Company objectives and to grant share-based benefits to eligible employees.

The provisions of Section 197(12) of the Act is not applicable to the Company, hence the disclosure required under the section has been dispensed with.

#### **Annual Return: (u/s 134 (3)(a))**

As per Section 134 (3) (a) and Section 92 (3) of the Companies Act, 2013 read with Rule 12(1) of the Companies (Management and Administration) Rules, 2014, the annual return of the Company for the period ended 31<sup>st</sup> March 2025 will be made available at the website: <https://www.navarathnahousing.com/finance.html>

#### **Internal Financial Controls**

Your Company has an internal control system commensurate with the size, scale and complexity of its operations. The Company has policies and procedures which, inter alia, ensure integrity in conducting business, timely preparation of reliable financial information, accuracy and completeness in maintaining accounting records and prevention and detection of frauds and errors. The Audit Committee regularly reviews the adequacy and effectiveness of the internal financial systems and controls. Your Company has



formed a Risk Management Committee, a sub-committee to the Board of Directors to review various risks which are faced by the Company.

In line with our commitment to robust governance practices, the Company has framed a risk based internal audit mechanism to effectively manage and mitigate risks inherent in its operations. This ensures comprehensive coverage and meticulous scrutiny of our operational processes. The internal audit activities are meticulously planned and executed based on an annual audit plan, which undergoes thorough review and approval by the Audit Committee, ensuring alignment with strategic objectives and regulatory requirements.

The Management has assessed the effectiveness of the Company's internal control over financial reporting as of 31<sup>st</sup> March 2025 and found the same to be adequate and effective.

Further, Statutory Auditors of the Company have conducted a comprehensive review of our internal control systems, culminating in an unmodified opinion, thus endorsing the robustness of our internal control environment. This validation underscores our steadfast dedication to upholding the highest standards of corporate governance and financial integrity.

#### **Risk Management Framework**

The Company adheres to a structured and systematic approach to identify and manage risks across the diverse operations. By conducting meticulous risk assessments, evaluating potential impact and developing mitigation strategies, we ensure proactive risk management.

The Company operates within a dynamic financial landscape, inherently exposed to a spectrum of risks inherent to the financing sector. These encompass capital risk, credit risk, interest rate risk, market risk, operational risk, liquidity risk, information technology risk, as well as regulatory and compliance risk.

Acknowledging the potential impact of these risks on both our financial resilience and operational efficacy, we have instituted a comprehensive framework of Board-approved risk-related policies. Under the oversight of the Risk Management Committee, the implementation of these policies is rigorously monitored to ensure proactive identification, assessment, and mitigation of potential risks.

We give due importance to prudent lending practices and have put in place suitable measures for risk mitigation, which include verification of credit history from credit information bureaus, personal verification of customer's business place and residence, inhouse technical and legal verification, conservative loan to value and required term cover for insurance.





### Board of Directors

As on the financial year end, the composition of the Board of Directors of the Company is as given below:

1. Mr. Chokkalingam Palaniappan, Managing Director
2. Mrs. Thirupathi Manonmani Ramanathan, Director
3. Mr. Balamurugan Neelamegam, Additional Director (Independent Category)
4. Mr. Palaniappan Alagappan, Director (Independent Category)
5. Mr. Thirunavukarasu Sockaligam, Director
6. Mrs. Devikala Venkatkumar, Director

During the year under review, the following changes took place in the composition of the Board of Directors:

1. Mr. Meenakshisundaram Ramanathan, Independent Director, retired from his office with effect from 23<sup>rd</sup> September 2024.
2. Mr. Balamurugan Neelamegam was appointed as an Additional Director (Independent Category) with effect from 23<sup>rd</sup> September 2024

The following changes took place between the financial year end and the date of this report:

1. Mrs. Thirupathi Manonmani Ramanathan, Director resigned from her office with effect from 4<sup>th</sup> July 2025.
2. Mr. Thirupathi Ramanathan was appointed as an Additional Director with effect from 4<sup>th</sup> July 2025.

### Board and Committee meetings

The Board met Eight (8) times during the year under review. Details on the composition of the Board and various Committees of the Board and particulars of meetings of the Board and Committees during the year under review are given in the Corporate Governance Report enclosed as **Annexure A** to this Annual Report.

### Maintenance of cost records and cost audit

Maintenance of cost records and requirements of cost audit as prescribed under the provisions of section 148(1) of the Companies Act, 2013 are not applicable to the business activities carried out by the company.



#### Changes in Share Capital:

The details of the share capital of the Company is as given below:

Particulars	No. of Equity shares of Rs. 10/- each	Amount (Rs.)
Authorised Capital (Rs)	3,05,00,000	30,50,00,000
Paid Up Capital (Rs)	2,32,13,057	23,21,30,570

There were no changes that took place in the share capital of the Company during the year under review.

#### Particulars of Loans, Guarantees or Investments made under section 186 of the Companies Act 2013 :

There were no loans, guarantees or investments made by the Company under Section 186 of the Companies Act, 2013 during the year under review

#### Particulars of Contracts or Arrangement made with Related Parties: (Sec. 188)

During the year under review, the Company did not enter into any Contracts or Arrangements made with related parties made pursuant to Section 188.

#### Explanation or Comments on Qualifications, Reservations or Adverse Remarks or Disclaimers made by the Auditors and the Practicing Company Secretary in their Reports: (Sec 134 (3)(f))

There are no qualifications, reservations or adverse remarks made by the Auditors in their report. The provisions relating to submission of Secretarial Audit Report is not applicable to the Company.

#### Material Changes and Commitment if any, affecting the Financial position of the Company occurred between the end of the financial year to which this financial statements relate and the date of the Report:

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which these financial statements relate on the date of this report.

#### Statement concerning development and implementation of Risk Management Policy of the Company: Sec 134 (3)(N))

The Company does have any Risk Management Policy. The Company has been addressing various risks impacting the Company as stated in the Policy. However, as the elements of risk threatening the Company's existence are very minimal. The Risk Management Committee conducted one meeting on 08<sup>th</sup> June 2024 during the FY 2024-25 and all the three members were present at the meeting.





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**STATUTORY AUDITORS:**

M/s. T Selvaraj & Co., (FRN: 003703S) Chartered Accountants, Chennai were appointed as Statutory Auditors at the Annual General Meeting of the Company held on 19<sup>th</sup> July 2024 for a period of two financial years upto the conclusion of the AGM to be held during the year 2026.

**Conservation of Energy, Technology Absorption, Foreign Exchange earnings and outgo: Rule 8(iii)**

The provisions of Section 134(m) of the Companies Act, 2013 apply to our Company.

Foreign Exchange Inflow - NIL  
Foreign Exchange Outflow- NIL  
Conservation of Energy - NIL  
Technology Absorption – NIL

**Transfer of Unclaimed Dividend to Investor Education and Protection Fund:**

The company has not declared dividend during the FY 2024-25. Previous year also the company has not declared the dividend. Hence there was no balance outstanding in the Unclaimed Dividend Account. As such, the provisions of Section 124(5)) of the Companies Act, 2013 do not apply

**Compliances of Secretarial Standards:**

The Company has complied with the applicable Secretarial Standards specified by the Institute of Company Secretaries of India (ICSI).

**Secretarial Audit**

Pursuant to Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, there is no requirement for appointing a Secretarial Auditor for the Financial Year 2024-25.

**Compliance with the National Housing Bank (NHB) Act 1987 and NHB Directions, 2010**

The Company is registered with the NHB as a Non-Deposit accepting Housing Finance Company. The Company has complied with and continues to comply with all applicable provisions of the Act, the National Housing Bank Act, 1987, NHB Directions, 2010 and other applicable rules/regulations/guidelines, issued from time to time.



#### Subsidiaries, Associates and Joint Ventures

During the year ended 31<sup>st</sup> March 2025, your Company did not have a Subsidiary / Associate / Joint Venture Company. Also, the Company did not become a part of any Joint Venture during the reporting period.

#### Disclosure of Significant & Material Orders passed by the Regulators or Court or Tribunal

During the period under review, there were no significant and material orders passed by the regulators or Courts or Tribunals which would impact the going concern status of the Company and its future operations.

#### Non- acceptance of Deposits

Your Company being a non-deposit-taking Housing Finance Company has not accepted or renewed any amount falling within the purview of provisions of Section 73 of the Companies Act, 2013 ("Act") read with the Companies (Acceptance of Deposit) Rules, 2014 during the financial year under review. Hence, the requirement for furnishing the details relating to deposits covered under Chapter V of the Act or the details of deposits that are not in compliance with Chapter V of the Act is not applicable.

#### Declaration from Independent Directors

The Independent Directors of the Company have submitted declarations as required under Section 149(7) of the Companies Act, 2013 ("the Act") stating that they meet the criteria of independence as provided in Section 149(6) of the Act. In the opinion of the Board, the Independent Directors fulfil the conditions specified in the Act and the rules made thereunder for appointment as Independent Directors including their integrity, expertise and experience and confirm that they are independent of the Management.

During the year under review, the Non-executive Director of the Company had no pecuniary relationship or transactions with the Company, other than sitting fees and reimbursement of expenses, if any.

#### Board Evaluation

The Board of Directors has carried out an annual evaluation of its own performance, Board Committees, and individual Directors. The performance of the Board was evaluated after seeking inputs from all the Directors on the basis of criteria such as the Board Composition and Structure, effectiveness of Board processes, information and functioning, etc.

In a separate meeting of Independent Directors, performance of non-independent Directors, the Board as a whole and the Chairman of the Company was evaluated, taking into account the views of Non-Executive Director. The Independent Directors have expressed their satisfaction with the review process.





### Corporate Social Responsibility

The Company does not fall under the purview of the provisions of Section 135 of the Companies Act, 2013, hence the requirement to devise a Policy for the implementation of the CSR framework is not applicable.

### Whistle Blower Policy and Vigil Mechanism

In our commitment to upholding the highest standards of ethics and transparency, the Company has established a whistle-blower mechanism to foster a culture of accountability and integrity within our organization. This mechanism serves as a vital avenue for our directors and employees to report any instances of unethical behavior or violations of our code of conduct without fear of reprisal.

The Company has established a Board approved policy on whistle blowing and separate email addresses are designated wherein the employees or the stakeholders can report the matters falling under the purview of Vigil Mechanism. There was no complaint received under this category during the Financial Year ended March 31, 2025. The policy may be accessed at the website of the Company.

### Management Discussion and Analysis

The Management Discussion and Analysis report as required in terms of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, is enclosed and forms part of this Annual Report as **Annexure B**.

### Corporate Governance

Reserve Bank of India, vide its Master Direction - Non-Banking Financial Company-Housing Finance Company (Reserve Bank) Directions, 2021 dated 17th February 2021, has mandated all Housing Finance Companies to follow the guidelines on Corporate Governance as per the Housing Finance Companies – Corporate Governance (NHB) Directions, 2016. The Company has accordingly framed internal guidelines on Corporate Governance.

Your Company is committed to achieving the highest standards of Corporate Governance and it aspires to benchmark itself with the best practices in this regard. The Board regularly reviews the Management's reports on statutory and regulatory compliances.

A report on corporate governance is attached and is forming part of this report as **Annexure A**.



**Disclosure under Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013**

Your Company has adopted zero tolerance for sexual harassment at the workplace and has formulated a policy in the name and style of "Prevention of Sexual Harassment Policy", in line with the requirements stipulated under the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. The said policy is available on the website of the Company. The Company has complied with the formation of the Internal Complaints Committee as prescribed under the Companies Act, 2013. During the period under review, no complaint of sexual harassment was received and there were no unresolved complaints as of 31<sup>st</sup> March 2025.

**Code of Conduct**

The Company has adopted a "Code of Conduct" for all the Board Members and the senior management of the Company, which can be accessed at the website of the Company.

**Details of application made or any proceeding pending under the Insolvency Bankruptcy Code, 2016**

There were no applications made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 for the Company during the period under review.

**Details of difference between the amount of the valuation done at the time of onetime settlement and valuation done while taking loan from the Banks or Financial Institutions**

During the financial year under review, there was no instance of one-time settlement with any bank or financial institution and that there was no difference between amount of the valuation done at the time of one time settlement and the valuation done while taking loan from the Banks or Financial Institutions.

**Cautionary Statement**

Statements in the Management Discussion and Analysis Report describing the Company's objectives, expectations or predictions may be forward-looking within the meaning of applicable securities laws and regulations. Actual results may differ materially from those expressed in the statements, since various economic, legal, policy and regulatory factors may affect or influence the performance of the Company.

**Directors' Responsibility Statement**

The Board of Directors have instituted/put in place a framework for internal financial controls and compliance systems, which is reviewed by the management and the relevant board committees, including the audit committee and independently reviewed by the internal and statutory auditors.

Pursuant to Section 134(5) of the Companies Act, 2013, the Board of Directors confirms that:





GST: 33AAECN9105E1ZS CIN: U65922TN2015PLC100156

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that there were no material departures therefrom;
- (ii) they have, in the selection of the accounting policies, consulted the statutory auditors and have applied their recommendations consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March 2025 and the profit of the Company for the year ended on that date;
- (iii) they have taken proper and sufficient care 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 preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis;
- (v) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively during the year ended 31<sup>st</sup> March 2025; and
- (vi) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively during the year ended 31<sup>st</sup> March 2025.

**Acknowledgements:**

Your Directors wish to place on record their appreciation and sincerely acknowledge the contribution and support from shareholders, customers, banks, debenture holders, debenture trustees, Reserve Bank of India, National Housing Bank, Registrar of Companies, Registrar & Share Transfer Agents and other Statutory and Regulatory Authorities for the kind co-operation and assistance provided to the Company. Your Directors also wish to express their sincere gratitude to employees at every level for their invaluable contributions to the Company's growth, made possible through their diligence, dedication, and unwavering support.

For and on behalf of Board of Directors of Navarathna Housing Finance Limited

Place: Chennai  
Date: 4<sup>th</sup> July 2025

  
Chokkalingam Palaniappan  
DIN: 00884596  
Managing Director

  
  
Sockalingam Thirunavukarasu  
DIN: 03358334  
Director



**Annexure A**  
**REPORT ON CORPORATE GOVERNANCE**

The fundamental objective of "Good Corporate Governance and Ethics" is to ensure the commitment of an organization in managing its affairs in an ethical, legal and transparent manner in order to maximize the long-term value of the company for its stakeholders including shareholders, customers, employees and other partners. Your Company is committed to good corporate governance in all its activities.

**1. Company's philosophy on Corporate Governance**

Your Company's philosophy on corporate governance envisages adherence to the highest levels of commitment, integrity, transparency, accountability and fairness, in all areas of its business and in all interactions with its stakeholders.

The details regarding the composition of the Board and its various committees that constitute the governance framework of the organization are covered in detail in this report.

**2. Board of Directors**

**2.1 Composition of Board:**

The composition of the Board is in conformity with Sections 149 and 152 of the Companies Act, 2013 ("the Act").

Your Board of Directors currently comprises of Six (6) members including the Chairman. None of the Directors are inter-se related to each other.

The Company adheres to the Secretarial Standards on the Board, Committee and General Meetings as prescribed by the Institute of Company Secretaries of India. The Board is regularly briefed and updated on the key activities of the business and is provided with presentations on operations, quarterly financial statements, performance of the subsidiary, and other specific matters concerning the Company.

The Board meets at least once in a quarter to review the quarterly performance and approve the financial results of the Company.

During the financial year ended 31<sup>st</sup> March 2025, Eight (8) Board Meetings were held. The gap between two meetings of the Board was not more than 120 days during the financial year under review.





Details of Attendance of Directors in the Board meetings held during the financial year ended 31<sup>st</sup> March 2025 is given below:

S No	Date /Day of Board Meeting	Board Strength	No of Directors Attended
1.	20-04-2024	6	6
2.	29-05-2024	6	6
3.	08-06-2024	6	6
4.	15-07-2024	6	6
5.	19-07-2024	6	6
6.	23-09-2024	6	6
7.	22-11-2024	6	6
8	21-03-2025	6	6

#### Details of change in composition of the Board:

During the year under review, the following changes took place in the composition of the Board of Directors:

1. Mr. Meenakshisundaram Ramanathan, Independent Director, retired from his office with effect from 23<sup>rd</sup> September 2024.
2. Mr. Balamurugan Neelamegam was appointed as an Additional Director (Independent Category) with effect from 23<sup>rd</sup> September 2024

The following changes took place between the financial year end and the date of this report:

1. Mrs. Thirupathi Manonmani Ramanathan, Director resigned from her office with effect from 4<sup>th</sup> July 2025.
2. Mr. Thirupathi Ramanathan was appointed as an Additional Director with effect from 4<sup>th</sup> July 2025.

#### 2.3 Independent Directors

Independent Directors are appointed for a specific term based on the recommendations of the Nomination and Remuneration Committee by the Board and the members at their respective meetings.



None of the Independent Directors are Promoters and are related to Promoters. They do not have any pecuniary relationship with the Company and further do not hold two percent or more of the total voting power of the Company.

#### **2.4 Meeting of Independent Directors**

In compliance with Schedule IV of the Companies Act, 2013, a separate meeting of Independent Directors was held for FY 2024-25, without the presence of Non-Independent Directors and members of the management.

#### **2.5 Declaration by Independent Directors**

The Independent Directors have submitted a declaration of independence, as required pursuant to sub-section (7) of Section 149 of the Act stating that they meet the criteria of independence as provided in sub-section (6) of Section 149 of the Act.

#### **2.6 Code of Conduct for Directors and Senior Management**

Your Company has adopted a Code of Conduct for Independent Directors as per Schedule IV to the Companies Act, 2013. The Code aims at ensuring transparency and independence and at the same time to bring value to the company by providing input on strategy, business, and other matters including performance of monitoring functions.

Your Company has also adopted a Company's General Code of Conduct for Directors, Key Managerial Personnel and Employees. The Code aims at ensuring consistent standards of conduct and ethical business practices across the Company.

Your Company continues to ensure effective implementation and enforcement of these codes to achieve the objectives enshrined in these Codes.

### **3. Committees of the Board of Directors**

#### **3.1 Audit Committee**

The Audit Committee has been constituted as required under Para 50.1 of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, Para 94.1 of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and Section 177 of the Companies Act, 2013.





### 3.1.1 Composition, Meetings and Attendance

The Audit Committee of the Board is comprised of three members namely,

1. Mr. Meenakshi Sundaram - Chairman (Resigned on 23rd Sep 2024)
2. Mr. Balamurugan Neelamegam - Chairman (Since 23rd Sep 2024)
3. Mr. Palaniappan Alagappan- Member
4. Mr. T Sockalingam- Member

Details of Attendance of Directors in the Audit Committee meetings held during the financial year ended 31<sup>st</sup> March 2025 is given below:

S No	Date /Day of Board Meeting	Committee Strength	No of Directors Attended
1.	29-05-2024	3	3
2.	08-06-2024	3	3
3.	22-11-2024	3	3
4.	21-03-2025	3	3

### 3.1.2 Terms of reference

1. Oversight of the Company's financial reporting process and the disclosure of its financial interest to ensure that the financial statements are correct, sufficient and credible.
2. the recommendation for appointment, remuneration and terms of appointment of statutory, secretarial and internal auditors of the company
3. Reviewing with the management the quarterly, half yearly and annual financial statements before submission to the Board, with reference to:
  - Matters required to be included in the Director's Responsibility Statement to be included in the Board's report to members.
  - Changes, if any in accounting policies and practices and reasons for the same.
  - Major Accounting entries involving estimates based on the exercise of judgment by management.
  - Significant adjustments made in the financial statements arising out of audit findings.
  - Compliance with accounting and other legal requirements relating to financial statements.
  - Disclosure of any Related Party Transactions.
  - Qualifications in draft Auditors Report



GST: 33AAECN9105E1ZS CIN: U65922TN2015PLC100156

4. Reviewing with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
5. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department reporting structure and frequency of internal audit.
6. Discussion with internal auditors about any significant findings and follow up there on.
7. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
8. Discussion with statutory auditors before the audit commences, about the nature & scope of audit as well as post audit discussion to ascertain any area of concern
9. Laying down the review of procedures relating to risk assessment & risk minimization to ensure that executive management controls risk through means of a properly defined framework
10. Laying down guidelines on KYC Norms
11. Review on quarterly basis the securitization/bilateral assignment transactions and investment activities of the Company.
12. Annual Review of Company's policies framed pursuant to RBI and NHB guidelines and suggest changes if any, required to the Board for adoption
13. review and monitor the auditor's independence and performance, and effectiveness of audit process;
14. examination of the financial statement and the auditors' report thereon;
15. approval or any subsequent modification of transactions of the company with related parties;
16. scrutiny of inter-corporate loans and investments;
17. valuation of undertakings or assets of the company, wherever it is necessary;
18. evaluation of internal financial controls and risk management systems;
19. Quality and integrity of the accounting, reporting practices of the Company adequacy and reliability of Internal Control system;
20. Overall compliance by the Company with legal and regulatory requirements;
21. Any other area that the Board of Directors of the Company may mandate/direct the Audit Committee to take up.

The Committee shall mandatorily review the following information:

1. Management discussion and analysis of financial condition and results of operation;
2. Statement of significant related party transactions;
3. Management letters/letters of internal control weaknesses issued by the statutory auditors;
4. Internal audit report relating to internal control weaknesses.





### 3.2 Nomination and Remuneration Committee

The Nomination & Remuneration Committee has been constituted as required under Para 50.2 of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, Para 94.2 of Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and Section 178 of the Act.

#### 3.2.1 Composition, Meetings and Attendance

The Nomination and Remuneration Committee of the Board is comprised of three members namely:

1. Mr. Balamurugan Neelamegam- Chairman (Since 23<sup>rd</sup> Sep 2024)
2. Mr. Palaniappan Alagappan– Member
3. Mr. Chokkalingam Palaniappan- Member
4. Mr. Meenakshisundaram Ramanathan - Chairman (Resigned on 23<sup>rd</sup> Sep 2024)

Details of Attendance of Directors in the Nomination and Remuneration Committee meetings held during the financial year ended 31<sup>st</sup> March 2025 is given below:

S No	Date /Day of Board Meeting	Committee Strength	No of Directors Attended
1	29-05-2024	3	3
2	23-09-2024	3	3

#### 3.2.2 Terms of reference

1. To review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's Corporate Strategy.
2. To identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for Directorships
3. To assess the independence of Independent Non-Executive Directors
4. To review the result of the performance evaluation process that relates to the composition of the Board.
5. To make a recommendation to the Board regarding the appointment and re-appointment of Directors and succession planning for Directors and CEO.

6. To recommend the remuneration payable to Directors of the Company from time to time.
7. Annual appraisal of the performance of CEO and fixing his terms of remuneration
8. Annual appraisal of the Senior Management Team reporting to the CEO
9. All decisions, determinations and interpretations in respect of the Scheme shall be at the sole discretion of the Nomination & Remuneration Committee and shall be final and binding on all the Eligible Employees and Option Holders.
10. Identification of persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every director's performance.
11. Formulation of criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees;

**4. Details of non-compliance with requirements of Companies Act, 2013**

During the period under review, there were no instances of non-compliance with requirements of the Companies Act, 2013, Accounting Standards and Secretarial Standards.

**5. Details of Penalties and Strictures**

There were no instances of penalties or strictures imposed on the Company by the Reserve Bank or any other statutory authority or regulator.

**6. Board Procedure and Responsibilities**

The Board plays a key role in ensuring that the Company adopts good corporate governance practices. The Board has a formal schedule of matters reserved for its consideration and decision. Amongst other things, the Board considers and approves:

- operational and financial policies;
- annual business strategy, plans and budgets;
- strategy and plans for mobilization of resources
- quarterly/half-yearly/annual financial statements.

The Board takes decisions after careful consideration of the issues involved with inputs from the Management, wherever needed, and ensures that appropriate action is taken by the Company to implement Board decisions and directions.

The Board also reviews periodically the Company's compliance with various statutory and regulatory requirements. The Board has constituted various Internal committees with appropriate delegated





authority. The day-to-day operations of the Company are looked after by the CEO under the overall superintendence and guidance of the Board. The CEO is assisted by senior management personnel with well-defined responsibilities.

**7. Means of Communication**

The primary source of information for shareholders, customers and other stakeholders of the Company as well as public at large is accessible through Company's website.

The Company also sends periodical newsletters to its shareholders updating them about the operations and affairs of the Company.

For and on behalf of Board of Directors of Navarathna Housing Finance Limited

Place: Chennai  
Date: 4<sup>th</sup> July 2025

  
Chokkalingam Palaniappan  
DIN: 00884596  
Managing Director

  
Sockalingam Thirunavukarasu  
DIN: 03358334  
Director



## Annexure - B

### Management Discussion and Analysis & Managing Director's Message

#### Macro-Economic Outlook

The global economy continues to advance steadily, buoyed by favourable macroeconomic conditions. While inflation is gradually returning to targeted levels, geopolitical tensions—especially conflicts in Ukraine, Gaza, and the recent escalation between Israel and Iran—present risks, primarily in the form of commodity price volatility and renewed inflationary pressures.

For FY 2024–25, global GDP growth is projected at 3%, while global headline inflation is anticipated to ease to around 4%. Central banks across major economies have begun loosening monetary policy. In India, the Reserve Bank reduced the repo rate by a cumulative 100 basis points (from 6.5% to 5.5%) across three revisions during the year to stimulate growth.

#### Indian Economic Outlook

India remains a standout performer among major economies, with projected GDP growth of 6.5% in FY 2025. The country has now surpassed Japan to become the fourth-largest global economy, significantly outpacing the global average.

This momentum has been powered by structural reforms, strong domestic consumption, and long-term policy stability. India's young and aspirational demographic—58% under the age of 35—is increasingly focused on financial independence and homeownership. Subsidized housing loans have made home ownership more accessible than ever before.

India's housing finance sector stands at a pivotal juncture, backed by: Rapid urbanization, Fiscal incentives such as tax rebates, Supportive government policy. The sector, currently valued at approximately ₹33 lakh crore, is expected to grow at a CAGR of 15–16%. Housing Finance Companies (HFCs) represent 53% of this market, with the remainder served by banks.

#### Company Overview: Navarathna Housing Finance Ltd.

In FY 2024–25, the Company achieved significant growth in its core business segments:

#### Business Development Initiatives

- New Branch: Opened a branch in Tanjore
- Geographic Expansion: Began sourcing proposals from the Salem region





- Distribution Network: Expanded DSA network across all operating regions
- Digital Strategy: Launched a digital marketing campaign to generate leads
- Affordable Housing Push: Signed an MoU with NHB under the PMAY scheme for subsidized housing loans to EWS/LIG customers

### Prudent Growth Approach

We remain committed to sustainable and risk-mitigated growth. A dedicated collections team has been deployed to strengthen recovery efforts, employing both personal follow-ups and legal recourse for chronic defaults.

### Funding Sources

Historically, the Company relied on: Equity infusion, Bank loans, Director contributions.

New Developments: Co-lending agreement signed with Bharat Housing Network in a 70:30 ratio. Advanced discussions ongoing with multiple banking partners for additional funding. Inter-Corporate Deposits (ICDs) may be tapped if required.

### External Credit Rating

Our current credit rating by CRISIL stands at BB- (Stable). We have requested a re-evaluation to support enhanced borrowing capacity.

### Capital Adequacy

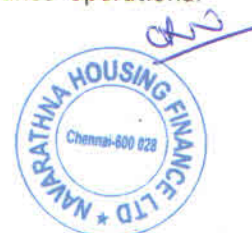
As of March 31, 2025, our Capital Adequacy Ratio (CAR) stood at 137.90%, substantially higher than the RBI-mandated minimum of 15%, reflecting our robust financial stability.

### Technology Upgrades

To modernize and scale operations, we partnered with Cloud Banking for: Loan Management System (LMS) – 95% implemented, to go live this quarter; Loan Origination System (LOS) and Finance & Accounting (F&A) – to be completed within three months.

### Internal Control Systems

We have strengthened internal controls in line with operational complexity: Appointed CA V. Thiyagarajan, FCA, as Internal Auditor; Jewel loan operations discontinued at Orathanadu; At Pudukkottai and Ponnamaravathy, implemented third-party appraisals and CCTV surveillance to enhance operational security.



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### Human Resources

Our people-centric approach remains a strategic pillar. Key HR initiatives include: Mandatory background verification; Training and upskilling programs; Employee Benefits - ESI and PF coverage, Personal Accident Insurance for all field sales staff, Medical Insurance (after 1 year of service).

### Cautionary Statement

This report may contain forward-looking statements that involve risks and uncertainties. Actual outcomes may differ due to various market dynamics, regulatory changes, or other unforeseen events.

### Acknowledgements

The Board extends its sincere appreciation to the: National Housing Bank, Reserve Bank of India, Regulatory authorities, Auditors, bankers, promoters, and shareholders. Most importantly, our dedicated employees, whose efforts have been critical to our continued success.

For and on behalf of Board of Directors of Navarathna Housing Finance Limited

Place: Chennai  
Date: 4<sup>th</sup> July 2025

  
Chokkalingam Palaniappan  
DIN: 00884596  
Managing Director

  
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