

Directors' Report

Dear Members,

Your Board of Directors (the "Board") take pleasure in presenting the Twenty-fifth Annual Report of Dhanvarsha Finvest Limited (the "Company") together with the audited financial statements for the year ended March 31, 2019.

Financial Highlights

The financial performance of the Company is summarized below: (Rs. in Lakh)

| Particulars | FY 2018-19 | FY 2017-18 |
|--|------------|------------|
| Total revenue | 2129.93 | 1,189.17 |
| Profit before interest and depreciation | 1106.90 | 667.00 |
| Less: Interest and finance charges | 517.67 | 200.11 |
| Less: Depreciation and amortization | 16.60 | 5.39 |
| Profit Before Tax | 572.63 | 461.50 |
| Less: Provision for taxation | 130.02 | 53.22 |
| Profit After Tax | 442.61 | 408.28 |
| Add: Balance brought forward from previous year | 386.92 | 60.30 |
| Balance available for appropriation | 829.53 | 468.58 |
| Statutory reserve | 88.52 | 81.66 |
| Balance carried to Balance Sheet | 578.26 | 386.92 |
| Basic Earnings Per Share (EPS) (Rs.) | 3.66 | 5.26 |
| Diluted EPS (Rs.) | 3.53 | 5.26 |
| Proposed Dividend on equity shares of Rs.10/- each | 33.75 | 135.00 |
| Tax on Proposed Dividend | 6.94 | 27.75 |

Business Overview

For the financial year ended March 31, 2019, your Company earned Profit Before Tax of Rs.572.63 Lakhs as against Rs.461.50 Lakhs in the previous financial year and the Profit After Tax of Rs.442.61 Lakhs as against Rs.408.28 Lakhs in the previous financial year. The total Income for the year under consideration was Rs.2129.93 Lakhs and total expenditure was Rs.1557.30 Lakhs. As of March 31, 2019, the Company had 225 Borrowers, operating out of two (2) Branches in Mumbai and Pune, with a gross loan portfolio of Rs.4,873 Lakh. The Company repaid a sum of Rs.1455 Lakhs of short-term loans.

Your Company's strategy had the following building blocks:

- Offering sustainable financial products for the unbanked and underpenetrated;
- Providing turnkey solutions across secured and unsecured lending to suit borrower needs; and
- Focus on Micro, Small, Medium Enterprises and Low to Mid Income Group;

Your Company currently offer Secured Loans – Loan against Property, Equipment Financing and proposes to introduce new products in the year ahead with Affordable Housing Loans, Vehicles Loans and Unsecured Loans – Business Loans for Working Capital Requirement and Business Expansion, Personal Loans and Loans through Digital platform.

Preferential Issue

The Members of the Company at the Twenty-third Annual General Meeting ("AGM") held on August 28, 2017 had approved Preferential Issue of 57,42,200 equity shares of face value of Rs.10/- each at a price of

Rs.21/- each to Wilson Holdings Private Limited (formerly "Truvalue Agro Ventures Private Limited"), aggregating to Rs.1,205.86 Lakh, subject to receipt of regulatory approvals.

Your Company successfully completed Preferential Issue on June 29, 2018 consequent to prior approval accorded by Reserve Bank of India ("RBI") for change in shareholding and management on June 18, 2018. The proceeds from the Preferential Allotment aggregating Rs.1,205.86 Lakh, brought in the much-needed growth capital for your Company.

Post allotment of equity shares as aforesaid, the issued, subscribed and paid-up share capital of the Company stands at Rs.13,50,00,000 (Rupees Thirteen Crore Fifty Lakh only) comprising of 1,35,00,000 (One Crore Thirty-five Lakh) equity shares of Rs.10/- each as on March 31, 2019, as against the issued, subscribed and paid-up share capital of Rs.7,75,78,000 (Rupees Seven Crore Seventy-five Lakh Seventy-eight Thousand only) comprising of 77,57,800 (Seventy-seven Lakh Fifty-seven Thousand Eight Hundred) equity shares of Rs.10/- each as on March 31, 2018.

Subsequently, the Members of the Company at the Twenty-fourth AGM held on September 28, 2018 had approved issuance of fully convertible Warrants on Preferential basis, for an amount up to Rs.7,500 Lakh to Wilson Holdings Private Limited, Promoters of the Company with a rights exercisable to subscribe for one equity share of the Company per Warrant, within 18 months from the date of issue of the Warrants, in accordance with the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 as amended, and other applicable laws, subject to the receipt of necessary approvals;

The Board at its meeting held on November 5, 2018 issued and allotted 7,75,200 (Seven Lakh Seventy-five Thousand Two Hundred) Warrants (convertible into equivalent number of Equity Shares) to Wilson Holdings Private Limited, on receipt of subscription price equivalent to 25% of the Issue Price (Issue Price being Rs.64.50 per warrant). As the Company has allotted Warrants, there is no change in the paid-up share capital of the Company. Fully paid-up equity shares of the face value of Re.10/- each of the Company will be allotted on receipt of balance 75% Issue Price on each Warrant within eighteen months from November 5, 2018. The Company has also obtained in principle approval from the BSE Limited to issue and allot above mentioned Warrants.

The State of Company's Affairs

The Company continues to be categorised as a Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company under the Reserve Bank of India ("RBI") Regulations. The Company is in compliance with the conditions of RBI Master Direction - Non-Banking Financial Company – Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016, as amended

Investment in Subsidiary

The Board, on August 13, 2019 approved incorporation of a wholly owned subsidiary of the Company for carrying on the business of Digital Lending Solutions, subject to receipt of necessary approvals.

Dividend

The Board is pleased to recommend a dividend of Rs.0.25/- (i.e. 2.5%) per equity share of Rs.10/- each for your approval at the Twenty-fifth AGM. The dividend shall be subject to tax on distribution of dividend to be paid by the Company. The dividend distribution will involve in a cash outflow of Rs.40.69 Lakhs together with tax on dividend.

In terms of the provisions of Section 124(5) of the Companies Act, 2013 (the "Act"), the Company is not required to transfer the unclaimed dividend amount to the Investors Education and Protection Fund as of yet, since the Company has declared the dividend only for FY18.

Deposits

During the year under review, your Company has not accepted any deposit from the public.

Transfer to Reserves

Your Company has transferred an amount of Rs.8.8 lakhs to the statutory reserve during FY19.

Capital Adequacy Ratio

Your Company's total Capital Adequacy Ratio (CAR), as of March 31, 2019, stood at 55.23% of the aggregate risk weighted assets on balance sheet and risk adjusted value of the off-balance sheet items, which is above the regulatory minimum of 15%.

Reclassification of Promoter

Mrs. Aarti Jagdishkumar Thakkar and Mr. Malay Rohitkumar Bhow, the erstwhile promoters of the Company have requested the Company to reclassify them from 'promoter and promoter group category' to 'public category'. The Members at the Twenty-fourth AGM held on September 28, 2018 had approved the reclassification of Promoters of the Company as Public Shareholders.

BSE Limited vide its letter LIST/COMP/BP/1130/2018-19 dated February 26, 2019 accorded approval for the reclassification of Mrs. Aarti Jagdishkumar Thakkar and Mr. Malay Rohitkumar Bhow from 'Promoter Category to 'Public Category' under Regulation 31A of the Listing Regulations and accordingly Wilson Holdings Private Limited (formerly "Truvalue Agro Ventures Private Limited") is the only remaining Member in Promoter Category.

Shifting of the Registered Office from Gujarat to Maharashtra

The Members vide Special Resolution dated April 8, 2019 passed through postal ballot, approved the shifting of the Registered Office from Gujarat to Maharashtra, by amendment to the Situation Clause of the Memorandum of Association of your Company.

Your Company is in the process of obtaining the necessary statutory approvals for shifting the Registered Office of your Company to Maharashtra.

Directors

Cessation of Directorships

Consequent to the approval accorded by RBI for change in shareholding and management on June 18, 2018, Mr. Malay Rohitkumar Bhow (DIN:02770605), Whole-time Director of the Company resigned from the directorship of the Company with effect from August 10, 2018. Subsequently, Mrs. Arunaben Shah (DIN: 00014528) and Mr. Darmil Shah (DIN:02496445), Non-Executive Independent Directors of the Company resigned from the directorship of the Company with effect from August 24, 2018.

Appointment of Directors

The Board appointed (i) Mr. Nimir Kishore Mehta ((DIN:00699993) and (ii) Mr. Ashish Sharad Dalal (DIN:00024632) as Additional Directors in the category of Non-Executive Director of the Company liable to retire by rotation with effect from August 10, 2018; (iii) Mr. Nirmal Vinod Momaya (DIN:01641934) as an

Additional Director in the category of Independent Director of the Company with effect from August 10, 2018 for a period of five consecutive years up to August 9, 2023; (iv) Mr. Krishipal Tarachand Raghuvanshi (DIN: 07529826) as an Additional Director in the category of Independent Director of the Company with effect from August 24, 2018 for a period of five consecutive years up to August 23, 2023; and (v) Mr. Karan Neale Desai (DIN:05285546) as Managing Director & Chief Executive Officer of the Company with effect from August 11, 2018 for a period of three years up to August 10, 2021. The Members of the Company at the Twenty-fourth AGM held on September 28, 2018 had approved the appointment of the above-mentioned Directors.

The Board of Directors appointed (i) Mrs. Manjari Ashok Kacker (DIN:06945359) as an Additional Director in the category of Independent Director of the Company with effect from September 28, 2018 for a period of five consecutive years up to September 27, 2023; and (ii) Mr. Surendra Kumar Behera (DIN: 07480667) as an Additional Director in the category of Independent Director of the Company with effect from May 22, 2019 for a period of five consecutive years up to May 21, 2024, subject to approval of Members at the ensuing Twenty-fifth AGM.

Retirement of Director by Rotation

Mr. Nimir Kishore Mehta ((DIN:00699993), Non-Executive Non- Independent Director of the Company will retire by rotation at the ensuing Twenty-fifth AGM and being eligible, offers himself for re-appointment.

All the above appointments / re-appointments by the Board are based on the recommendation of the Nomination and Remuneration Committee. The resolutions for appointment / reappointments together with requisite disclosures are set out in the Notice of the ensuing Twenty-fifth AGM. The Board recommends all the resolutions for your approval.

Declaration by Independent Directors

The Board has received the declaration from all the Independent Directors as per the Section 149(7) of the Act and Regulation 16(1)(b) of the Listing Regulations and the Board is satisfied that all the Independent Directors meet the criteria of independence as mentioned in Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations.

Policies on Selection and Appointment of Directors

In compliance with the provisions of the Act and Listing Regulations, the Board, on the recommendation of the Nomination and Remuneration Committee had adopted the Policy for Selection and Appointment of Directors.

The aforesaid Policy provides a framework to ensure that suitable and efficient succession plans are in place for appointment of Directors on the Board so as to maintain an appropriate balance of skills and experience within the Board. The Policy also provides for selection criteria for appointment of directors, viz. educational and professional background, general understanding of the Company's business dynamics, Board diversity and payment of remuneration to the directors of the Company. The Nomination and Remuneration Committee takes into account the fit and proper criteria for appointment of directors as stipulated by RBI.

Number of Meetings of the Board

Eleven Board Meetings were held during the financial year ended March 31, 2019. The details of the Board and various Committee meetings are given in the Corporate Governance Report which is provided separately in this Annual Report.

Performance Evaluation of Directors at Board and Independent Directors' Meetings

Pursuant to the provisions of the Act and Listing Regulations, the Board has carried out an annual performance evaluation of its own performance, the Directors individually as well as the evaluation of the working of its various Committees for FY19. The evaluation was conducted on the basis of a structured questionnaire which comprises performance criteria such as performance of duties and obligations, independence of judgement, level of engagement and participation, attendance of directors, their contribution in enhancing the Board's overall effectiveness, etc.

The Independent directors met without the presence of other directors or members of Management. All the Independent Directors were present at the meeting. In the meeting, the Independent Directors reviewed performance of Non-Independent Directors, the Board as a whole and Chairperson. They assessed the quality, quantity and timeliness of flow of information between the Company's management and the Board.

Key Managerial Personnel

As on the date of the report, Mr. Karan Neale Desai, Managing Director and Chief Executive Officer, Mr. Narendra Kumar Tater, Chief Financial Officer and Mr. M Vijay Mohan Reddy, AVP – Legal and Company Secretary of the Company are the Key Managerial Personnel ("KMP") of the Company, The KMP were appointed during the year under review.

During the year under review, Mr. Malay Rohitkumar Bhow, Whole-time Director and Mr. Dhairya Kumar Thakkar, Company Secretary, have resigned from the services of the Company with effective August 10, 2018.

Directors' Responsibility Statement

Your Board, to the best of their knowledge and belief, confirm that:

1. in the preparation of the accounts for the year ended March 31, 2019, the applicable accounting standards have been followed and there are no material departures from the same;
2. they have selected such accounting policies and applied them consistently, and made judgments and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2019 and of the profit of the Company for that period;
3. they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. they have prepared annual accounts of the Company on a 'going concern' basis;
5. 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; and
6. they have devised proper systems to ensure compliance with the provision of all applicable laws, and that such systems were adequate and operating effectively.

RBI Guidelines

The Company continues to comply with all the requirements prescribed by the RBI, from time to time.

Corporate Social Responsibility

The provisions of the Act and rules framed there under with regard to Corporate Social Responsibility do not apply to the Company and hence no disclosure have made in that regard.



Extract of Annual Return

Pursuant to Section 134 (3a) and Section 92 (3) of the Act, read with Rule 12 of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as at March 31, 2019 in form MGT-9 has been annexed as Annexure - I to the Directors' Report.

Extract of Annual Return is also available on the website of the Company at <https://www.dfltd.in/general-meeting.php#investor-relations31>

Material Changes and Commitments, if any, affecting the Financial Position of the Company

There are no material changes and commitments affecting the financial position of the Company, which has occurred between the end of the financial year of the Company i.e. March 31, 2019 and the date of the Directors' Report.

Conservation of Energy, Technical Absorption and Foreign Exchange Earnings and Outgo

The provisions of Section 134(3) (m) of the Act relating to conservation of energy and technology absorption do not apply to the Company. The Company has, however, used information technology extensively in its operations.

During the year under review, the Company's earning and outgo in foreign exchange were Nil and Rs.1,63,832/- respectively.

Contracts or Arrangements with Related Parties

In line with the requirements of the Act and Listing Regulations, your Company has formulated a Policy on Related Party Transactions which is also available on <https://www.dfltd.in/pdf/new-pdf/policy-related-party-transactions.pdf>. All Related Party Transactions are placed before the Audit Committee for review and approval of the Committee on a quarterly basis.

All the related party transactions entered into during the financial year were in ordinary course of business and were on an arm's length basis. During the year, your Company has entered into a transaction with Wilson Holdings Private Limited (formerly known as "Truvalue Agro Ventures Private Limited"), Promoter and holding company, details of the said transaction are provided in Form AOC-2, as annexed to this report as Annexure - II.

Risk Management

The Board has adopted the Risk Management Policy based on the recommendation of the Audit Committee in order to assess, monitor and manage risk throughout the Company.

Risk is an integral part of the Company's business, and sound risk management is critical to the success of the organization. Detailed information on risk management is provided in the Management Discussion and Analysis Report.

Whistle Blower Policy/ Vigil Mechanism

The Company has adopted the Whistleblower Policy, and details of the same are explained in the Corporate Governance Report.

Financial summary/highlights

The details are spread over in the Annual Report.

Subsidiaries, joint ventures or associate companies

There were no entity(ies) which became or ceased to be subsidiaries, joint ventures or associate companies of the Company during the financial year ended March 31, 2019.

Details of Significant and Material Orders passed by the Regulators or Courts or Tribunals impacting the going concern status and Company operations in future

There are no significant material orders passed by the Regulators/ Courts which would impact the going concern status of the Company and its future operations.

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

The Company has a policy against sexual harassment and a formal process for dealing with complaints of harassment or discrimination. The Company seeks to ensure that all such complaints are resolved within defined timelines. During FY19, the Company has not received any complaints. The Company has conducted awareness sessions on prevention of sexual harassment for its employees.

Internal Financial Controls

The Company has adequate internal controls and processes in place with respect to its operations, which provide reasonable assurance regarding the reliability of the preparation of financial statements and financial reporting as also functioning of other operations. These controls and processes are driven through various policies and procedures.

Particulars of Employees

The Company has not employed any individual whose remuneration falls within the purview of the limits prescribed under the provisions of Section 197 of the Act, read with Rule 5(2) of The Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.

The Disclosure required as under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is annexed to this report as Annexure-III.

Auditors**(a) Statutory Auditors**

Haribhakti & Co. LLP, Chartered Accountants (Firm Regd. No: 103523W/W100048) were appointed as Statutory Auditors of the Company at the Twenty-third Annual General Meeting held on August 28, 2017 till the conclusion of the Twenty-fifth Annual General Meeting subject to ratification by Members every year. Hence the term for Statutory Auditors of the Company will end at the ensuing Annual General Meeting. Accordingly, on the basis of recommendations of the Audit Committee, the Board of Directors of the Company have approved the appointment of Haribhakti & Co. LLP, Chartered Accountants as the Statutory Auditors of the Company for a period of five years from the five continuous years i.e. from the conclusion of Twenty-fifth Annual General Meeting till the conclusion of Thirtieth Annual General Meeting of the Company.

Further, pursuant to Section 139 of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 Haribhakti & Co. LLP, Chartered Accountants being eligible, offer themselves for re-appointment for a term of five years. The Company has also received written consent from Haribhakti & Co. LLP, Chartered Accountants and a confirmation to the effect that their re-appointment, if made, would be within the limits prescribed under the Section 141 of the Companies Act, 2013 and the rules made there under.

The Board recommends re-appointment of Haribhakti & Co. LLP, Chartered Accountants as Statutory Auditors of the Company from the conclusion of Twenty-fifth Annual General Meeting up to the conclusion of Thirtieth Annual General Meeting of the Company.

Members' attention is drawn to a Resolution proposing the re-appointment of Haribhakti & Co. LLP, Chartered Accountants as the Statutory Auditors of the Company which is included in the Notice convening the Twenty-fifth AGM.

The Report given by the Auditors on the financial statements of the Company for the financial year ended on March 31, 2019 forms part of this Annual Report. There has been no qualification, reservation, adverse remark or disclaimer given by the Auditors in their Report. Also, no offence of fraud was reported by the Auditors of the Company.

(b) Secretarial Auditors and Secretarial Audit Report

Secretarial Audit Report pursuant to the provisions of Section 204 of the Act for the FY19 issued by MMJC & Associates LLP, Company Secretaries is annexed to this report as Annexure – IV. The report contains the following qualification, reservation or adverse remark:

1. The Company was required to submit to the Stock Exchange, the proceedings of Extra Ordinary General Meeting held on May 29, 2018 within 24 hours under Regulation 30 read with Schedule III of LODR, however there was a delay.
2. Haribhakti & Co. LLP, Statutory Auditors of the Company have been appointed at the Annual General Meeting held on August 28, 2017 for a term of two years.
3. The Company, under Section 179 read with Section 117 of the Act, has not filed e-form MGT – 14.

Management's Reply

1. The Secretarial Department has been strengthened by appointment of experienced Company Secretary and new staff. Due care will be taken to avoid such instances in future.
2. The Board re-appointed Haribhakti & Co. LLP, Statutory Auditors of the Company for a further term of five years at its meeting held on May 22, 2019 as per the provision of Companies Act, 2013 and the Rules made thereunder.
3. The Company has filed applications for condonation of delay and for filing e-form MGT-14.

Details of Frauds Reported by the Statutory Auditors

During the year under review, the Statutory Auditors, the Internal Auditors and the Secretarial Auditors of the Company have not reported any fraud as required under Section 143(12) of the Act.

Particulars of Loans or Guarantees or Investments

Pursuant to the clarification dated February 13, 2015 issued by the Ministry of Corporate Affairs and Section 186(11) of the Act, the provision of Section 134 (3)(g) of the Act requiring disclosure of particulars of the loans given, investments made or guarantees given or securities provided is not applicable to the Company.

Management Discussion and Analysis

The Management Discussion and Analysis report for the year under review is given separately in the Annual Report.

Corporate Governance

Your Company is committed to conducting its business in accordance with the applicable laws, rules and regulations. A report on Corporate Governance (forming part of Directors' Report) is provided separately in this Annual Report, together with a certificate from MMJC & Associates LLP, Company Secretaries, on compliance with corporate governance norms under the Listing Regulations for FY19 is annexed to the Corporate Governance Report which is provided separately in the Annual Report.

Employee Stock Option Plan (ESOP)

Your Company has instituted "Dhanvarsha ESOP Plan - 2018" ("ESOP 2018") to motivate, incentivize and reward employees. The Nomination Remuneration Committee administers the ESOP 2018. The ESOP 2018 is in compliance with Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("Employee Benefits Regulations") and there have been no material changes to ESOP 2018 during FY19. Disclosures on ESOP 2018, details of options granted, etc. as required under the Employee Benefits Regulations has been annexed as Annexure - V to the Directors' Report.

Disclosure on compliance with Secretarial Standards

Your Company has complied with the provisions of all applicable Secretarial Standards issued by the Institute of Company Secretaries of India and has systems which are adequate and are operating effectively.

Statutory Disclaimer

Your Company is having a valid Certificate of Registration dated March 11, 1998 issued by RBI under Section 45-IA of the Reserve Bank of India Act, 1934. However, RBI does not accept any responsibility or guarantee about the present position as to the financial soundness of your Company or for the correctness of any of the statements or representations made or opinions expressed by your Company and for discharge of any liability by your Company.

Neither there is any provision in law to keep, nor does your Company keep any part of the deposits with RBI and by issuing a Certificate of Registration to your Company, RBI neither accepts any responsibility nor guarantees the payment of deposits to any depositor or any person who has lent any sum to your Company.

Acknowledgement

Your Directors would like to express their sincere appreciation of the co-operation and assistance received from Reserve Bank of India, Members and other Business constituents during the year under review. Your directors also wish to place on record their deep sense of appreciation for the commitment displayed from all employees resulting in the successful performance of the Company during the year.

For and on behalf of the Board of Directors

| | | |
|-----------------|----------------------------|---------------------------|
| | Sd/- | Sd/- |
| | Nimir Kishore Mehta | Karan Neale Desai |
| Mumbai | Non-Executive Chairperson | Managing Director and CEO |
| August 13, 2019 | (DIN:00699993) | (DIN:05285546) |