

# Board's Report

## Dear Members,

Your Directors have pleasure in presenting the Thirty-second Board's Report of Max Financial Services Limited ("MFSL" or "the Company") along with the audited Financial Statements for the financial year ended March 31, 2020.

## Standalone Results

The highlights of the standalone financial results of your Company along with previous year's figures (prepared as per IND-AS) are as under:

(Rs. in crores)

	Year ended 31.03.2020	Year ended 31.03.2019
<b>Revenue from operations</b>	<b>494.94</b>	316.63
Other income	<b>0.08</b>	1.15
<b>Total income</b>	<b>495.02</b>	317.78
<b>Expenses</b>		
Finance costs	<b>0.20</b>	27.25
Loss on fair value changes on derivative financial instruments	-	102.61
Employee benefits expenses	<b>22.86</b>	76.40
Depreciation and amortization expense	<b>9.89</b>	1.75
Legal and professional expenses	<b>44.39</b>	43.51
Other expenses	<b>21.36</b>	16.87
<b>Total expenses</b>	<b>98.70</b>	268.39
<b>Profit before tax</b>	<b>396.32</b>	49.39
<b>Tax expense</b>	<b>123.78</b>	-
<b>Profit after tax for the year</b>	<b>272.54</b>	49.39
<b>Other comprehensive income for the year</b>	<b>(0.12)</b>	(0.30)
<b>Total comprehensive income (after tax)</b>	<b>272.42</b>	49.09

The Company had filed application with the income tax authorities under the 'The Direct Tax Vivad se Vishwas Act, 2020' ('the Scheme'), enacted vide the Gazette of India on March 17, 2020 regarding settlement of the ongoing tax litigation pertaining to

Telecom stake sale made by its erstwhile subsidiary Max Telecom Ventures Limited (since merged with the Company w.e.f. December 1, 2005). The said litigation was being contested both by the Company and the Income Tax Department for multiple years, pending before various Appellate Authorities.

The settlement proposed by the Company under the Scheme has been accepted by the Tax Department for all the years under dispute viz. Assessment Year 1998-99, Assessment Year 1999-2000 and Assessment Year 2006-07 and the Company has paid the cumulative tax amount of Rs. 123.78 crores, determined under the provisions of the Scheme, towards full and final settlement of the tax arrears.

Your Company is primarily engaged in business of making and holding investments in its subsidiary, Max Life Insurance Company Limited and providing management consultancy services to group companies and accordingly in terms of extant RBI guidelines, your Company is a Core Investment Company ("CIC") with its financial income exceeding 50% of its total income and financial assets (investment in securities etc.) exceeding 50% of the total assets. However, it does not meet the criteria stipulated by RBI for Systemically Important CIC and hence registration under Section 45-IA of RBI Act, 1934 is not required.

Net worth of your Company on a standalone basis grew by around 14% to Rs 2,280 crore as at March 31, 2020 as against Rs. 2,000 Crores as at March 31, 2019.

## Consolidated Results

In accordance with the Companies Act, 2013 ("the Act") and applicable accounting standards, the audited consolidated financial statements are enclosed as part of this Annual Report.

In FY 2019-20, MFSL reported consolidated revenues of Rs. 18,242 crores, 7% lower compared to the previous year, due to volatility in markets in March 2020 caused by COVID-19 pandemic, causing a mark-to-market loss on debt and equity portfolio.

The Net Premiums at Rs. 15,927 crores, grew at 11% compared to the previous year. The Company reported consolidated Profit after Tax of Rs.273 crores, 34% lower compared to the previous year, largely due to shift in product mix towards non-participating products, investments in expansion of proprietary channel, provision for impairment on financial instruments and one-time tax expense on settlement of tax dispute under Vivad se Vishwas Scheme.

Max Life achieved a significant milestone this year with its Assets under Management (AUM) crossing the Rs. 70,000 crores mark for the first time in February 2020. The AUM as at March 31, 2020 stood at Rs. 68,471 crores, growing 9% over the previous year, owing to COVID-19 led market volatility in March 2020. Another benchmark set by Max Life was in the Claims Paid Ratio category. Already being an industry leader with the highest claims paid ratio of 98.74% in FY19, as per the Insurance Regulatory and Development Authority of India (IRDAI) Annual Report, Max Life further improved the ratio by 48 bps to 99.22% during Q4FY20. The Market Consistent Embedded value of Max Life as on March 31, 2020 was Rs.9,977 crores, with an Operating Return on Embedded Value (RoEV) of 20.3% and the value of new business at Rs. 897 crores has grown 5% with the margins at 21.6% in line with the previous year

The highlights of the consolidated financial results of your Company and its subsidiary are as under:

(Rs. in crores)

	Year ended 31.03.2020	Year ended 31.03.2019
<b>Revenue from operations</b>	<b>18,239.98</b>	<b>19,509.65</b>
Other income	1.78	3.61
<b>Total income</b>	<b>18,241.76</b>	<b>19,513.26</b>
<b>Expenses</b>		
Finance costs	0.28	27.30
Impairment on financial instruments	71.43	5.02
Employee benefits expenses	35.95	84.37
Depreciation, amortization and impairment	11.37	1.75

	Year ended 31.03.2020	Year ended 31.03.2019
Legal and professional expenses	44.39	43.51
Policyholders' Expenses of Life Insurance operations	17,596.54	18,838.60
Other expenses	39.32	31.87
<b>Total expenses</b>	<b>17,799.28</b>	<b>19,032.42</b>
<b>Profit before tax</b>	<b>442.48</b>	<b>480.84</b>
<b>Tax expense</b>	<b>169.63</b>	<b>64.38</b>
<b>Profit after tax for the year</b>	<b>272.85</b>	<b>416.46</b>
<b>Other comprehensive income for the year</b>	<b>12.99</b>	<b>1.31</b>
<b>Total comprehensive income</b>	<b>285.84</b>	<b>417.77</b>
<b>Total comprehensive income attributable to</b>		
Owners of the company	154.38	263.41
Non-controlling interests	131.46	154.36

#### Material Changes affecting Financial Position

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, 2020 and the date of the Directors' report i.e. May 26, 2020 except the Postal ballot notice issued to shareholders for MSI Swap transaction and execution of the definitive documents, regulatory filings and Postal ballot notice issued to the Shareholders for the Axis transaction as detailed below:

The Board of Directors of the Company in its meeting held on March 3, 2020, had considered and approved the issuance and allotment of up to 7,54,58,088 equity shares of the Company of the face value of Rs. 2 each, fully paid up, on a preferential basis to Mitsui Sumitomo Insurance Company Limited (MSI) for consideration other than cash, i.e. through swap of 39,47,75,831 equity shares of Rs. 10 each of Max Life Insurance Company Limited ("Max Life") ("MSI Swap"), based on the valuation report obtained by the Company in accordance with applicable laws. In addition, the Company through a call/put option has a right to acquire the remaining shareholding held

by MSI at Rs. 85/- for every Equity Share of Rs. 10/- each held by MSI in Max Life ("MSI Put/Call Option"). In this regard, the Company has executed definitive agreements with the parties. The said transaction was subject to receipt of requisite shareholders approvals and regulatory approvals and hence no adjustments have been made in the financial statements.

The Company had issued Notice dated March 3, 2020 for convening an extra ordinary general meeting (EGM) of the shareholders of the Company on April 2, 2020. The meeting was postponed to April 16, 2020 in view of the pandemic situation of COVID-19. On account of extension of nationwide lockdown till May 3, 2020, the adjourned EGM of the Company was cancelled for want of requisite quorum. On April 24, 2020, Postal Ballot Notice was issued for seeking the approval for MSI Share Swap and MSI Put/Call Option from shareholders of the Company by way of Special Resolution. The results of the Postal Ballot will be announced on May 27, 2020.

On February 20, 2020, the Company and Axis Bank Limited ("Axis Bank") executed Confidentiality and Exclusivity Agreement to explore a long-term strategic partnership. The Board of Directors of the Company had approved in its meeting held on April 27, 2020 to enter into definitive agreements with Axis Bank for the sale of 29% of the equity share capital of Max Life, a material subsidiary of the Company, to Axis Bank which will have the effect of Max Life becoming a 70:30 joint venture between the Company and Axis Bank after series of transactions. On May 15, 2020, Postal Ballot Notice was issued seeking the approval for the proposed transaction from shareholders of the Company by way of Special Resolution. The proposed transaction is subject to receipt of requisite shareholders approvals, regulatory approvals (including RBI, IRDAI and CCI) and satisfaction conditions precedent and hence these will be reflected in the subsequent quarter financial results once the transaction is consummated.

Further, the Company will work towards delivering the following value creation options to Axis Bank as agreed under the definitive agreements. The Company, along with Max Life and promoters of the Company, will take all steps to merge the Company

into Max Life, resulting into a listed insurance company in terms of applicable law ('Merger'). From the Closing Date, Axis Bank will have the right to subscribe to equity shares of the Company in lieu of all or part of the equity shares held by Axis Bank in Max Life ('Swap Transaction') and the Company will undertake all actions to effect the Swap Transaction. Any income tax payable pursuant to the Swap Transaction shall be split equally between the Company and Axis Bank.

If the Merger is not completed within 5 years from the Closing Date, and Axis Bank has exercised its right for the Swap Transaction, but the Company fails to consummate the Swap Transaction, then Axis Bank shall have the right to require the Company to purchase all the shares held by Axis Bank in Max Life at INR 294 per share, subject to the terms of the definitive agreements.

#### **Estimation of uncertainties relating to COVID-19 global health pandemic**

The Company has considered the impact of COVID-19 on its operations as well as its financial statements, including carrying amounts of trade receivables, investments, property, plant and equipment and other assets, as at March 31, 2020. In assessing the carrying value of these assets, the Company has used internal and external sources of information up to the date of approval of these financial statements, and based on current estimates, expects the net carrying amount of these assets will be recovered. The Company will continue to closely monitor any material changes to the business and financial statements due to COVID-19, wherever required.

Further, the Group has assessed the impact of COVID-19 on its operations as well as its financial statements, including valuation of investments, valuation of policy liabilities and solvency, for the year ended March 31, 2020. To the best of the information available, the subsidiary of the Company has provided an additional Rs. 1,000.00 lakhs in policyholders reserve on account of COVID related contingencies over and above the policy level liabilities calculated based on prescribed IRDAI Regulations. The Company will continue to closely monitor any material changes to the business and financial statements due to COVID-19.

### Subsidiaries, Associates & Joint Venture companies

As on March 31, 2020, your Company had only 1 (one) subsidiary i.e. Max Life Insurance Company Limited ("Max Life"). There were no other associate or joint venture companies. The basic details of subsidiary form part of Form MGT-9 attached to this report as **Annexure - 1**.

During the year under review, your Company acquired 1,41,70,817 equity shares of Rs. 10/- each in Max Life. Accordingly, the equity stake of the Company in Max Life increased to 72.52% as at March 31, 2020.

A report on the performance and financial position of Max Life, included in the consolidated financial statements, presented in Form AOC-1 is attached to this report as **Annexure - 2**, as per Rule 8(1) of the Companies (Accounts) Rules, 2014.

Further, a detailed update on the business achievements of Max Life, being the key operating subsidiary, is furnished as part of Management Discussion and Analysis section which forms part of this Annual Report.

As provided in Section 136 of the Companies Act, 2013, the financial statements and other documents of the subsidiary company Max Life Insurance Company Limited are not being attached with the financial statements of the Company. The complete set of financial statements including financial statements of the subsidiary of the Company is available on website of the Company at [www.maxfinancialservices.com](http://www.maxfinancialservices.com). These documents will also be available for inspection during business hours at the registered office of the Company and shall also be made available to the shareholders of the Company in hard copy, on demand.

### Dividend

Your Directors have not recommended any dividend for the financial year 2019-20.

The Board of Directors of your Company has approved a Dividend Distribution Policy in line with Regulation 43A of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations") and the said policy is attached to this report as **Annexure-3**. The said policy is also available on website of

the Company at [www.maxfinancialservices.com/shareholder-information](http://www.maxfinancialservices.com/shareholder-information).

### Transfer to Reserves

The Company has not transferred any amount to reserves during the year under review.

### Share Capital

During the financial year the Authorized share capital of the Company was increased from Rs.60,00,00,000/- (Rupees Sixty Crores only) comprising of 30,00,00,000 equity shares of Rs. 2/- each to Rs. 70,00,00,000 (Rupees Seventy Crores) divided into 35,00,00,000 (Thirty Five Crores) Equity Shares of Rs. 2/- each.

During the year under review, 1,23,708 equity shares of Rs.2/- each were allotted to the option-holders under the 'max employee stock plan 2003' ('2003 plan').

The Paid up capital of the Company as on March 31, 2020 was Rs. 53,90,18,974/- (Rupees Fifty three crores ninety lakhs eighteen thousand nine hundred seventy four) comprising of 26,95,09,487 equity shares of Rs. 2/- each.

Further, after end of the financial year on March 31, 2020 and till the date of this report i.e. May 26, 2020 your Company had allotted 65,017 equity shares of Rs.2/- each to the option-holders under the aforesaid 2003 Plan.

### Employee Stock Option Plan

Your Company has an employee stock option plan viz. 'Max Employee Stock Plan 2003' ('2003 Plan') in place. The 2003 Plan provides for grant of stock options aggregating not more than 5% of number of issued equity shares of the Company to eligible employees and Directors of the Company. The 2003 Plan is administered by the Nomination and Remuneration Committee constituted by the Board of Directors of the Company. Details of options granted up to March 31, 2019 and other disclosures as required under SEBI (Share Based Employee Benefits) Regulations, 2014 are enclosed to this report as **Annexure - 4**.

The statutory auditors of your Company, M/s Deloitte Haskins & Sells LLP, Chartered Accountants have time-to-time certified that the Employee Stock Option Scheme of the Company has been implemented in

accordance with the applicable SEBI Regulations and the resolutions passed by the Members in this regard. A certificate to this effect shall also be placed before the members at the ensuing Annual General Meeting.

During the year under review, the Nomination and Remuneration Committee of Directors of the Company ("NRC") granted 1,15,420 stock options to Mr. Mohit Talwar, Managing Director with effect from April 1, 2019 and 32,010 Stock Options to Mr. Jatin Khanna, Chief Financial Officer of the Company with effect from July 2, 2019 which will vest with them in a graded manner. Further, the NRC granted 33,855 Stock Options to Mr. Jatin Khanna, Chief Financial Officer of the Company with effect from April 3, 2020 which will vest with him in a graded manner.

**DIRECTORS**

As on date of this report, the Board of Directors of your Company comprised of 8 (eight) members with 1 (one) Executive Director and 7 (seven) Non-Executive Directors of which 5 (five) are independent. Mr. Analjit Singh (DIN: 00029641), Chairman of the Company is a Non Executive Promoter Director.

Mr. Ashwani Windlass and Mr. Sanjay Omprakash Nayar non-executive directors of the Company, resigned from the Board of the Company with effect from January 16, 2020 and February 6, 2020 respectively. Your Directors place their deep appreciation for the valuable contributions made by Mr. Ashwani Windlass and Mr. Sanjay Nayar during their association with the Company.

Mrs. Naina Lal Kidwai was appointed as an Independent Director of the Company for a period of five years with effect from January 15, 2016. The five year tenure of Mrs. Naina Lal Kidwai as Independent Director of the Company shall be completed on January 14, 2021.

In accordance with the Section 149(10) of the Companies Act, 2013 and the SEBI Listing Regulations, an Independent Director shall hold office for a term up to 5 (five) consecutive years on the Board of the Company and shall be eligible for re-appointment for another term of up to five consecutive years on passing of a special resolution by the Company.

Your directors recommend the re-appointment of Mrs. Naina Lal Kidwai as an Independent Director on the Board of the Company for another term of five years.

Further, in terms of Section 152 of the Act and the Articles of Association of the Company, Mr. Sahil Vachani is liable to retire by rotation at the ensuing Annual General Meeting. Mr. Sahil Vachani, being eligible have offered himself for re-appointment at the ensuing Annual General Meeting.

Brief profiles of aforesaid directors are annexed to the Notice convening the Annual General Meeting.

The Board met six times during the financial year 2019-20:

S.No.	Date	Board Strength	No. of Directors present
1	May 28, 2019	10	5
2	August 6, 2019	10	7
3	November 6, 2019	10	7
4	February 5, 2020	9	6
5	February 20, 2020	8	7
6	March 3, 2020	8	4

The details regarding number of meetings attended by each Director during the year under review have been furnished in the Corporate Governance Report attached as part of this Annual Report.

**Statement of Declaration by Independent Directors**

In terms of Section 149(6) of the Act and Regulation 25 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the following Non-Executive Directors are categorized as Independent Directors of the Company: Mrs. Naina Lal Kidwai (DIN: 00017806), Mr. Aman Mehta (DIN: 00009364) Mr. Dinesh Kumar Mittal (DIN: 00040000), Mr. Jai Arya (DIN: 0008270093) and Sir Charles Richard Vernon Stagg (DIN: 07176980).

The Company has received declaration of independence from all the above mentioned

Independent Directors as per Section 149(7) of the Act, confirming that they continue to meet the criteria of independence.

### Committees of the Board of Directors

The Company has the following committees which have been established as a part of the best corporate governance practices and are in compliance with the requirements of the relevant provisions of applicable laws and statutes. A detailed note on the same is provided under the Corporate Governance Report forming part of this Annual Report.

1. Audit Committee:

The Audit Committee met four times during the financial year 2019-20, viz. on May 28, 2019, August 6, 2019, November 6, 2019 and February 5, 2020. The Committee, as on March 31, 2020, comprised of Mr. D.K. Mittal (Chairman), Mr. Aman Mehta, Mrs. Naina Lal Kidwai and Mr. Mohit Talwar. All the recommendations by the Audit Committee were accepted by the Board.

2. Nomination and Remuneration Committee:

The Nomination and Remuneration Committee met once during the financial year 2019-20, viz. on May 28, 2019. The Committee, as on March 31, 2020, comprised of Mrs. Naina Lal Kidwai (Chairman), Mr. Aman Mehta, Mr. Analjit Singh and Mr. D.K. Mittal.

3. Investment & Finance Committee:

The Committee met three times during the financial year 2019-20, viz. on May 28, 2019, August 6 2019 and November 6, 2019. As most of the matters mandated to the Investment and Finance Committee were required to be statutorily considered by Audit Committee and the Board, the Board disbanded the Investment and Finance Committee with effect from February 5, 2020.

4. Corporate Social Responsibility Committee:

As on March 31, 2020, this Committee comprised of Mr. Aman Mehta, Mr. D.K. Mittal, Mrs. Naina Lal Kidwai, Mr. Jai Arya and Mr. Mohit Talwar.

Due to the lock down declared by the Central Government due to Covid-19 Pandemic, the meeting of the Committee which was scheduled to be held on March 24, 2020 could not be held for want of quorum. The said meeting of the Committee was held on May 26, 2020 through video conferencing.

5. Stakeholders' Relationship Committee:

The Committee met three times during the financial year 2019-20, viz. on May 28, 2019, August 6, 2019 and November 6, 2019. The Committee, as on March 31, 2020, comprised of Mr. Sahil Vachani (Chairman), Mr. D.K. Mittal and Mr. Mohit Talwar.

6. Risk & Compliance Review Committee:

As on March 31, 2020, this Committee comprised of Mr. Aman Mehta, Mr. D.K. Mittal, Mrs. Naina Lal Kidwai, Mr. Jai Arya and Mr. Mohit Talwar. Due to the lock down declared by the Central Government due to Covid-19 Pandemic, the meeting of the Committee which was scheduled to be held on March 24, 2020 could not be held for want of quorum. The said meeting of the Committee was held on May 26, 2020 through video conferencing.

7. Independent Directors:

The Board of Directors included 5 Independent Directors as on March 31, 2020 viz. Mr. Aman Mehta, Mr. Dinesh Kumar Mittal, Mrs. Naina Lal Kidwai, Mr. Jai Arya and Sir Charles Richard Vernon Stagg. The Independent Directors had a separate meeting through video conferencing on May 26, 2020. The meeting was conducted to:

- (a) Review the performance of non-independent Directors and the Board as a whole;
- (b) Review the performance of the Chairperson of the Company, taking into account the views of executive Directors and non-executive Directors; and
- (c) Assess the quality, quantity and timeliness of flow of information between the Company management and the Board that is necessary

for the Board to effectively and reasonably perform their duties.

**Performance Evaluation of the Board**

As per the requirements of the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, formal Annual Evaluation process has been carried out for evaluating the performance of the Board, the Committees of the Board and the Individual Directors including Chairperson.

The performance evaluation was carried out by obtaining feedback from all Directors through a confidential online survey mechanism through Diligent Boards, a secured electronic medium through which the Company interfaces with its Directors. The outcome of this performance evaluation was placed before the meetings of the Nomination and Remuneration Committee and Independent Directors' and the Board meeting for the consideration of the members.

The review concluded by affirming that the Board as a whole as well as its Chairman, all of its members, individually and the Committees of the Board continued to display commitment to good governance by ensuring a constant improvement of processes and procedures and contributed their best in overall growth of the organization.

**Key Managerial Personnel**

As on the date of this Report, Mr. Mohit Talwar, Managing Director, Mr. Jatin Khanna, Chief Financial Officer and Mr. V. Krishnan, Company Secretary are the Key Managerial Personnel ("KMP") of the Company, pursuant to the provisions of the Companies Act, 2013.

**Human Resources**

We are primarily engaged in growing and nurturing business investment as a holding Company in the business of life insurance and providing management advisory services to group companies. The remuneration of our employees is competitive with the market and rewards high performers across levels. The remuneration to Directors, Key Managerial Personnel and Senior Management are a balance between fixed, incentive pay and long-term equity program based

on the performance objectives appropriate to the working of the Company and its goals and is reviewed periodically and approved by the Nomination and Remuneration Committee of the Board.

Details pursuant to Section 197(12) of the Act, read with the Rule 5(1) and Rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are attached to this report as **Annexure - 5A** and **Annexure - 5B**.

As on March 31, 2020, there were 9 employees on the rolls of the Company.

**Nomination and Remuneration Policy**

In adherence to the provisions of Sections 134(3)(e) and 178(1) & (3) of the Act, the Board of Directors on the recommendation of the Nomination and Remuneration Committee, had approved a policy on Directors' appointment and remuneration. The said policy includes terms of appointment, criteria for determining qualifications, performance evaluation and other matters. Copy of the same is available on the website of the Company at [www.maxfinancialservices.com/shareholder-information](http://www.maxfinancialservices.com/shareholder-information).

**Corporate Social Responsibility ("CSR")**

The Board of Directors of your Company has constituted a Corporate Social Responsibility Committee and adopted a CSR policy, as approved by the CSR Committee, copy of which is available on the website of the Company at [www.maxfinancialservices.com/shareholder-information](http://www.maxfinancialservices.com/shareholder-information). The CSR Policy comprises Vision and Mission Statement, philosophy and objectives. It also explains the governance structure along with clarity on roles and responsibilities.

In terms of Section 135 of the Act read with Companies (Corporate Social Responsibility Policy) Rules, 2014, all Companies meeting the prescribed threshold criteria, i.e., net worth of Rs. 500 crores or more or turnover of Rs. 1,000 crores or more or net profits of Rs. 5 crores or more in any financial year are required to spend at least 2% of the average net profits of the Company for immediately preceding 3 financial years.

As per rule 2(f) of the Companies (Corporate Social Responsibility Policy) Rules, 2014, any dividend

received from other companies in India which are already covered and complying with the provisions of the CSR, shall not be included for the purposes of computation of 'net profits' for a company.

As Max Life from whom the Company has been receiving dividend, from time to time, discharged its CSR responsibilities for the financial year 2019-20, the dividend income received by the Company will be excluded for the purposes of computation of its 'net profits'. After excluding the dividend income received from Max Life, the Company does not have net profits computed as per the CSR rules. Therefore, the Company is not mandatorily required to spend on Corporate Social Responsibility for the financial year 2019-20. However, the Company has voluntarily made certain donations.

### **Business Responsibility Report**

In terms of Clause 34(2)(f) of SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, a Business Responsibility Report, on various initiatives taken by the Company, is enclosed to this report as **Annexure - 6**.

### **Policy for Prevention of Sexual Harassment**

Your Company has requisite policy for Prevention of Sexual Harassment, which is available on the website of the Company at [www.maxfinancialservices.com/shareholder-information](http://www.maxfinancialservices.com/shareholder-information). The comprehensive policy ensures gender equality and the right to work with dignity. Your company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. No case was reported to the Committee during the year under review.

### **Loans, Guarantees or Investments in Securities**

The details of loans given and investments made by the company pursuant to the provisions of Section 186 of the Act are provided in Note nos 6 and 7 respectively, to the standalone financial statements of the Company for the FY 2019-20.

### **Management Discussion & Analysis**

In terms of Regulation 34 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a

review of the performance of the Company, including those of your Company's subsidiary, is provided in the Management Discussion & Analysis section, which forms part of this Annual Report.

### **Report on Corporate Governance**

The Company has complied with all the mandatory requirements of Corporate Governance specified by the Securities and Exchange Board of India through Part C of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. As required by the said Clause, a separate Report on Corporate Governance forms part of the Annual Report of the Company.

A certificate from M/s Chandrasekaran Associates, Practicing Company Secretaries regarding compliance with the conditions of Corporate Governance pursuant to Part E of Schedule V of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 is Annexed to this Report as **Annexure - 7**. Further, a certificate from the Managing Director and Chief Financial Officer on compliance of Part B of Schedule II of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 forms part of the Corporate Governance Report.

Copies of various policies adopted by the Company are available on the website of the Company at [www.maxfinancialservices.com/shareholder-information](http://www.maxfinancialservices.com/shareholder-information).

### **Statutory Auditors and Auditors' Report**

Pursuant to Sections 139 & 142 of the Act, M/s Deloitte Haskins and Sells, LLP, Chartered Accountants (Firm Registration Number: 117366W/W-100018), were appointed as the Statutory Auditors of the Company at 27<sup>th</sup> Annual General Meeting ("AGM") held on September 23, 2015 for a period of five years i.e. till the conclusion of the 32<sup>nd</sup> AGM of the Company to be held in the year 2020.

Your directors recommend the appointment of M/s Deloitte Haskins and Sells, LLP, Chartered Accountants (Firm Registration Number: 117366W/W-100018), for a further term of five years from the conclusion of 32<sup>nd</sup> AGM till the conclusion of 37<sup>th</sup> AGM to be held in the year 2025 in terms of Section 139 and 142 of the Companies Act, 2013. The Company received a written consent from M/s. Deloitte Haskins & Sells, LLP, Chartered Accountants, as required under Section

139 of the Act and a certificate to the effect that their appointment, if may, would be in accordance with the limits prescribed under Section 141 of the Act.

There are no audit qualifications, reservations, disclaimers or adverse remarks or reporting of fraud in the Statutory Auditors Report given by M/s Deloitte Haskins and Sells, LLP, Statutory Auditors of the Company for the financial year 2019-20 annexed in this Annual Report.

### Secretarial Auditors and Secretarial Audit Report

Pursuant to Section 204 of the Act, your Company had appointed M/s Chandrasekaran Associates, Practicing Company Secretaries, New Delhi as its Secretarial Auditors to conduct the secretarial audit of the Company for the FY 2019-20. The Company provided all assistance and facilities to the Secretarial Auditor for conducting their audit. The Report of Secretarial Auditor for the FY 2019-20 is annexed to this report as **Annexure - 8**.

There are no audit qualifications, reservations, disclaimers or adverse remarks in the said Secretarial Audit Report.

Your Company complies with the applicable Secretarial Standards issued by the Institute of Company Secretaries of India and notified by Ministry of Corporate Affairs.

### Internal Auditors

The Company follows a robust Internal Audit process and audits are conducted on a regular basis, throughout the year, as per agreed audit plan. During the year under review, M/s MGC and KNAV, Global Risk Advisory LLP were re-appointed as Internal Auditors for conducting the Internal Audit of key functions and assessment of Internal Financial Controls etc.

### Internal Financial Controls

The Company has in place adequate internal financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed. The Management has reviewed the existence of various risk-based controls in the Company and also tested the key controls towards assurance for compliance for the present fiscal.

In the opinion of the Board, the existing internal control framework is adequate and commensurate with the size and nature of the business of the Company. Further, the testing of adequacy of internal financial controls over financial reporting has been also been carried out independently by the Statutory Auditors as mandated under the provisions of the Act.

During the year under review, there were no instances of fraud reported by the auditors to the Audit Committee or the Board of Directors.

### Risk Management

Your Company considers that risk is an integral part of its business and therefore, it takes proper steps to manage all risks in a proactive and efficient manner. The Board has formed a Risk and Compliance Review Committee to identify the risks impacting the business, formulate strategies/ policies aimed at risk mitigation as part of risk management. Further, a core team comprising of senior management has also been formed to identify and assess key risks, risk appetite, tolerance levels and formulate strategies for mitigation of risks identified in consultation with process owners.

The Company has adopted a Risk Management policy, whereby, risks are broadly categorized into Strategic, Operational, Compliance and Financial & Reporting Risks. The Policy outlines the parameters of identification, assessment, monitoring and mitigation of various risks which are key to the business performance.

There are no risks which, in the opinion of the Board, threaten the very existence of your Company. However, some of the challenges / risks faced by its subsidiary have been dealt in detail in the Management Discussion and Analysis section of said subsidiary, forming part of this Annual Report.

### Vigil Mechanism

The Company has a vigil mechanism pursuant to which a Whistle Blower Policy has been adopted and is in place. The Policy ensures that strict confidentiality is maintained whilst dealing with concerns raised and also that no discrimination will be meted out to any person for a genuinely raised concern in respect of any unethical and improper practices, fraud or violation of Company's Code of Conduct.

The said Policy, covering all employees, Directors and other persons having association with the Company, is hosted on the Company’s website at [www.maxfinancialservices.com/shareholder-information](http://www.maxfinancialservices.com/shareholder-information). A brief note on Vigil Mechanism / Whistle Blower Policy is also provided in the Report on Corporate Governance, which forms part of this Annual Report.

**Cost Records**

Your Company is not required to maintain cost records as specified by the Central Government under Section 148(1) of the Act.

**Public Deposits**

During the year under review, the Company has not accepted or renewed any deposits from the public.

**Contracts or Arrangements with Related Parties**

All transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm’s length basis, except an ongoing transaction with Max Life Insurance Company Limited for allowing usage of trademarks without any consideration and an approval has already been obtained from shareholders of the Company in 2016 for the said transaction.

There is no material contract or arrangement in terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Form AOC-2 furnishing particulars of contracts or arrangements entered into by the Company with related parties referred in Section 188(1) of the Companies Act, 2013, is annexed to this report as **Annexure - 9**.

The details of all the Related Party Transactions form part of Note no. 32 to the standalone financial statements attached to this Annual Report.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company’s website at [www.maxfinancialservices.com/shareholder-information](http://www.maxfinancialservices.com/shareholder-information).

**Particulars of Conservation Of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo**

The information on conservation of energy, technology absorption and foreign exchange earnings & outgo as stipulated under Section 134(3) (m) of the Act read with Companies (Accounts) Rules, 2014 is as follows:

a) **Conservation of Energy**

- (i) the steps taken or impact on conservation of energy: Regular efforts are made to conserve the energy through various means such as use of low energy consuming lightings, etc.
- (ii) the steps taken by the Company for using alternate sources of energy: Since your Company is not an energy intensive unit, utilization of alternate source of energy may not be feasible.
- (iii) capital investment on energy conservation equipment : Nil

b) **Technology Absorption**

Your Company is not engaged in manufacturing activities, therefore there is no specific information to be furnished in this regard.

There was no expenditure incurred on Research and Development during the period under review.

c) **Foreign Exchange Earnings and Outgo**

The foreign exchange earnings and outgo are given below:

Total Foreign Exchange earned	:	Nil
Total Foreign Exchange used	:	Rs. 437.23 Lacs

**Extracts of Annual Return**

Pursuant to Section 134(3)(a) and Section 92(3) of the Act read with Rule 12 of the Companies (Management and Administration) Rules, 2014, the extracts of the Annual Return as at March 31, 2020 forms part of this report as **Annexure - 1**.

**Directors’ Responsibility Statement**

Pursuant to Section 134(5) of the Companies Act, 2013, it is hereby confirmed that:

- (a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- (b) The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period;
- (c) The Directors had 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;
- (d) The Directors had prepared the annual accounts on a going concern basis;
- (e) The Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

**Significant and material orders passed by the regulators or courts or tribunals**

During the year under review, there were no such significant and material orders passed by the regulators or courts or tribunals which could impact the going concern status and company's operations in future.

**Transfer of Unclaimed Dividend and Shares to the Investor Education and Protection Fund**

The Company had paid interim dividend in FY2012-13 and the unpaid dividend was transferred to a separate account in same year within prescribed time. After

completion of 7 years, the unpaid amounts still lying in the said account were transferred to the Investor Education and Protection Fund, along with respective shares on which such dividend remains unpaid.

**Unclaimed Shares**

Regulation 39(4) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 inter alia requires every listed company to comply with certain procedure in respect of shares issued by it in physical form, pursuant to a public issue or any other issue and which remained unclaimed for any reason whatsoever.

The face value of the shares of the Company was split from Rs. 10/- each to Rs. 2/- each in the year 2007. Certain share certificates were returned undelivered and were lying unclaimed. The Company had sent necessary reminders to concerned shareholders, and subsequently such shares were transferred to the Unclaimed Suspense Account.

The voting rights on the equity shares lying in the said Unclaimed Suspense Account shall remain frozen till the rightful owner claims such shares. Further, all corporate benefits in terms of securities accruing on the said unclaimed shares viz. bonus shares, split, etc., if any, shall also be credited to the said Unclaimed Suspense Account.

The concerned shareholder(s) are requested to write to the Registrar and Share Transfer Agent to claim the said equity shares. On receipt of such claim, additional documents may be called for and subject to its receipt and verification, the said shares lying in the said Unclaimed Suspense Account shall be transferred to the depository account provided by the concerned shareholder(s) or the physical share certificate shall be delivered to the registered address of the concerned shareholder(s).

The details of Equity Shares held in the Unclaimed Suspense Account are as follows:

S. No.	Particulars	No. of Shareholders	No. of Equity Shares
1.	Aggregate number of shareholders and the outstanding shares originally lying in the Unclaimed Suspense Account <b>(as at beginning of the financial year i.e. April 1, 2019)</b>	2177	4,66,895
2.	Number of shareholders who approached listed entity for transfer of shares from the Unclaimed Suspense Account during the year	*1681	*3,47,385
3.	Number of shareholders to whom shares were transferred from the Unclaimed Suspense Account, during the year	* 1681	*3,47,385
4.	Aggregate number of shareholders and the outstanding shares in the Suspense Account <b>(as at end of the financial year i.e. March 31, 2020)</b>	496	1,19,510

\*This includes 1,667 shareholders comprising of 3,43,985 equity shares transferred to Investor Education and Protection Fund.

Till date of this report, the Company has approved overall 1707 such claims from shareholders, comprising 3,55,800 shares, for transfer back of their shareholding from the Unclaimed Suspense Account in demat / physical form.

**Cautionary Statement**

Statements in this Report, particularly those which relate to Management Discussion and Analysis describing the Company’s objectives, projections, estimates and expectations may constitute “forward looking statements” within the meaning of applicable laws and regulations. Actual results might differ materially from those either expressed or implied in

the statement depending on the circumstances.

**Acknowledgements**

Your Directors would like to place on record their appreciation of the contribution made by its management and its employees who through their competence and commitment have enabled the Company to achieve impressive growth. Your Directors acknowledge with thanks the co-operation and assistance received from various agencies of the Central and State Governments, Financial Institutions and Banks, Shareholders, Joint Venture partners and all other business associates.

On behalf of the Board of Directors  
**Max Financial Services Limited**

Franschhoek, South Africa  
 May 26, 2020

**Analjit Singh**  
 Chairman  
 DIN: 00029641