

DIRECTORS' REPORT

Dear Members,

The Directors are pleased to present the 72nd Annual Report of the Company along with the audited financial statements for the financial year ended March 31, 2019.

FINANCIAL HIGHLIGHTS

(Rs. in lakhs)

Particulars	2018-19	2017-18
Revenue from operations	66.45	488.29
Total Income	71.73	615.83
Finance costs	1.80	6.76
Total Expenditure	155.34	763.06
Loss before tax	(83.61)	(147.23)
Tax Expenses	-	(24.96)
Other Comprehensive Income under IND AS	-	0.13
Total Comprehensive Income	(83.61)	(172.06)

REVIEW OF PERFORMANCE AND FUTURE OUTLOOK

Revenue from operations reduced during the financial year 2018-19 on account of sale of balance inventory in the Company's Hyderabad project. The Company incurred a loss of Rs 83.61 lakhs during financial year 2018-19 as against a loss of Rs 172.06 lakhs during the previous financial year.

The Company's project at Hyderabad is fully completed. The Company is evaluating various other business opportunities in the real estate space.

DIVIDEND AND RESERVES

The Board does not recommend any dividend for the financial year under review in view of the losses sustained during the year. No amount is proposed to be transferred to any reserves during the year.

CORPORATE MILESTONES

1. The suspension in trading of the Company's securities was revoked by BSE Limited on April 25, 2018 which was effective from May 3, 2018.
2. In order to achieve minimum public shareholding ("MPS") by the Company, Siddhnath Residential Paradise Private Limited, a promoter of the Company ("Promoter") undertook an Offer For Sale ("OFS") of 5,45,540 equity shares of Rs. 10/- each, representing 17.32% of the share capital of the Company. Pursuant to the OFS, your Company is now compliant with the MPS norms and is also in compliance with the requirements of Regulation 38 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"). Post OFS, the public shareholding of your Company has increased from 7.68% to 25% whereas the promoter shareholding has reduced from 92.32% to 75%. SEBI passed an order dated June 12, 2018, thereby vacating the restrictions imposed by the SEBI MPS Orders dated May 4, 2013 and September 29, 2015.
3. **SEBI Settlement order**

At the request of the Company, SEBI issued a notice of settlement dated June 19, 2018 ("Settlement Notice"), under Regulation 14A of Chapter VIA of the Securities and Exchange Board of India (Settlement of Administrative and Civil Proceedings) Regulations, 2014 ("SEBI Settlement Regulations") relating to the delay in compliance with MPS requirements by SEL from June 4, 2013 to May 21, 2018. SEBI, pursuant to the Settlement Notice, directed SEL to file

a settlement application and pay a settlement amount of Rs 5.85 lakhs ("Settlement Amount"). SEBI, on June 28, 2018, passed the final settlement order.

ANNUAL RETURN

As per the requirements of Section 92(3) of the Act and Rules framed thereunder, the extract of the annual return for financial year 2018-19 is given in **Annexure I** in Form MGT-9, which is a part of this report.

CHANGES IN SHARE CAPITAL

There was no change in the authorized and paid-up share capital of the Company during financial year 2018-19.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Ms Sanjyot Rangnekar and Mr Mayank Jain were appointed as Additional Directors with effect from May 15, 2019 and June 11, 2019 respectively, on recommendation of the Nomination & Remuneration Committee and hold office upto the date of the forthcoming Annual General Meeting. Notice under section 160(1) of the act have been received from members signifying their intention to propose their appointment as Directors. Resolutions for their appointment as Directors form part of the accompanying Annual General Meeting notice.

Mr. Sumit Kumar Jain was appointed as Additional Director with effect from August 7, 2018. His appointment was not put up to the shareholders at the Annual General Meeting held on September 24, 2018 and therefore his office stood vacated as on that date.

Mr. Manoj Vaishya was appointed as Additional Director with effect from October 30, 2018 and resigned as Director on June 10, 2019. Ms. Purnima Pavle resigned as Director with effect from May 8, 2019. The Board places on record its appreciation for the services rendered by them during their tenure as Director.

Mr Maninder Chhabra resigned as Manager w.e.f. June 19, 2019. Mr Martin Godard was appointed as Manager w.e.f. August 9, 2019. The relevant resolution for approval of appointment of Mr. Martin Godard forms part of the accompanying Annual General Meeting Notice.

Mr. Vishal Ghadigaonkar resigned as Chief Financial Officer w.e.f. October 30, 2018. Mr. Sumit Kumar Jain was appointed as Chief Financial Officer with effect from the same date.

In terms of Section 203 of the Act, the following are the Key Managerial Personnel of the Company as on the date of this report:

- Mr. Martin Godard, Manager
- Mr. Sumit Kumar Jain, Chief Financial Officer
- Mr. Hitesh Marthak, Company Secretary

The Company has received declarations under section 149 of the Act from all independent directors confirming that they meet the criteria of independence prescribed under the Act and the Listing Regulations.

None of the Non-Executive Directors had any pecuniary relationship or transaction with the Company which could potentially conflict with the interests of the Company at large.

BOARD AND BOARD COMMITTEES

Board Meetings

Four Board meetings were held during the year; on May 18, 2018, August 7, 2018, October 30, 2018 and January 23, 2019. The gap between two meetings did not exceed 120 days.

All Directors attended all meetings which they were eligible to attend during the year

Independent Directors' Meeting

In compliance with Schedule IV to the Act (Code for Independent Directors) and the Listing Regulations, the Independent Directors of the Company met separately during the financial year 2018-19.

Board Committees

The Board has constituted four committees as on March 31, 2019.

Audit Committee

As on March 31, 2019, the Audit Committee comprised Mr. Bhushan Shah, Chairman, Mr. Vinod Shah, both independent directors and Ms Purnima Pavle. All Members of the Committee have relevant experience in financial matters. Senior executives are invited to participate in the meetings of the Committee as and when necessary. The Manager and the Chief Financial Officer are permanent invitees to the meetings and the Company Secretary acts as Secretary to the Committee. The terms of reference of the Audit Committee are in line with the provisions of Section 177 of the Act and SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015.

The Audit Committee met four times during the year; on May 18, 2018, August 7, 2018, October 30, 2018 and January 23, 2019.

All Directors attended all meetings which they were eligible to attend during the year

Nomination & Remuneration Committee

As on March 31, 2019, the Nomination & Remuneration Committee comprised Mr. Bhushan Shah, Chairman, Mr. Vinod Shah and Mr. Manoj Vaishya. The terms of reference of the Committee are in line with the provisions of Section 178 of the Act and SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015.

The Committee met three times during the year; on May 18, 2018, August 7, 2018 and October 30, 2018.

All Directors attended all meetings which they were eligible to attend during the year

Corporate Social Responsibility Committee

As on March 31, 2019, the CSR Committee comprised Ms Purnima Pavle, Chairperson, Mr. Bhushan Shah, Chairman and Mr. Vinod Shah. The Committee met once during the financial year; on May 18, 2018.

All Directors attended all meetings which they were eligible to attend during the year

Details required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 are given in the CSR Report appended at **Annexure II** to this Report. The Board has adopted a CSR Policy which is available on the Company's website at www.sanathnagar.in. Salient features of the Policy are set out in **Annexure III** to this Report.

Stakeholders' Relationship Committee

As on March 31, 2019, the Stakeholders' Relationship Committee comprised Mr. Bhushan Shah, Chairman, Mr. Vinod Shah, and Mr. Manoj Vaishya. The Committee met four times during the year; on May 18, 2018, August 7, 2018, October 30, 2018 and January 23, 2019.

All Directors attended all meetings which they were eligible to attend during the year

BOARD EVALUATION

The Board carried out an annual evaluation of its own performance, board committees, and individual directors pursuant to the provisions of the Act and the SEBI Listing regulations. Performance of the board was evaluated after seeking inputs from all the directors on the basis of criteria such as board composition and structure, effectiveness of board processes, information and functioning, etc. The performance of the committees was evaluated by the Board after seeking inputs from the committee members. The Board and the Nomination and Remuneration Committee reviewed the performance of individual directors on the basis of criteria such as the contribution of the individual director to the board and committee meetings.

In a separate meeting of independent directors, performance of non-independent directors and the board as a whole was evaluated, taking into account the views of executive directors and non-executive directors. Performance evaluation of independent directors was done by the entire board, excluding the independent director being evaluated.

POLICY ON NOMINATION & REMUNERATION OF DIRECTORS, KMPS & OTHER EMPLOYEES

In terms of the provisions of Section 178(3) of the Act and Regulation 19 read with Part D of Schedule II to the Listing Regulations, the NRC is responsible for formulating the criteria for determining qualifications, positive attributes and independence of a Director. The NRC is also responsible for recommending to the Board, a policy relating to remuneration of Directors, Key Managerial Personnel and other employees. In line with this requirement, the Board has adopted a Nomination and Remuneration Policy which is available on the Company's website at www.sanathnagar.in. Salient features of the Policy are reproduced in **Annexure IV** to this Report.

AUDITORS & AUDITOR'S REPORTS

- **Statutory Auditor**

MSKA & Associates (F.K.A. MZSK & Associates), Chartered Accountants (Firm Registration No. 105047W), the statutory auditors of your Company, hold office until the conclusion of the 74th AGM to be held in the year 2021.

- **Secretarial Auditor**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 read with the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, Shravan A. Gupta & Associates, Practising Company Secretary was appointed as Secretarial Auditor to conduct a secretarial audit for the financial year 2018-19.

- **Cost records and cost audit**

D. C. Dave & Co, Cost Accountants were appointed as Cost auditors to audit the cost records of the Company for financial year 2018-19. The requirement for maintaining cost records or appointing a cost auditor is however not applicable for financial year 2018-19 as the prescribed applicability criteria were not met as on March 31, 2019.

Auditor's Reports

- The Statutory Auditor's Report for financial year 2018-19 does not contain any qualifications, reservations or adverse remarks. The Auditor's report is enclosed with the financial statements with this Annual Report.
- The Secretarial Audit Report for financial year 2018-19 does not contain any qualifications, reservations or adverse remarks. The Secretarial Audit Report is provided in **Annexure V** of this Report.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

The Company is in the business of providing "infrastructural facilities" as defined in Schedule VI of the Companies Act 2013 and therefore the provisions of Section 186 are not applicable to any loan made, guarantee given or security provided by the Company in terms of exemption provided u/s 186. Particulars of investments made by the Company are provided in the financial statements which may be read in conjunction with this Report.

RELATED PARTY TRANSACTIONS

The transactions/contracts/arrangements, falling within the purview of provisions of Section 188(1) of the Companies Act, 2013, entered by the Company with related parties as defined under the provisions of Section 2(76) of the Companies Act, 2013, during the financial year under review, were in the ordinary course of business and have been transacted at arm's length basis.

Further there are no transactions/contracts/arrangements entered by the Company with related party(ies) as defined under the provisions of Section 2(76) of the Companies Act, 2013, during the financial year, that are required to be reported in Form AOC-2 and as such; it does not form part of the Report.

HOLDING COMPANY, SUBSIDIARIES, JOINT VENTURE AND ASSOCIATES

The Company is a subsidiary of Siddhnath Residential Paradise Private Limited which is a subsidiary of Macrotech Developers Limited. The ultimate holding company is Sambhavnath Infrabuild and Farms Private Limited. During the year, under review, the Company did not have any subsidiary, joint ventures or associate companies.

MANAGEMENT AND INTERNAL CONTROLS

Risk Management

Your Company has robust process in place to identify key risks and to prioritize relevant action plans to mitigate these risks. Your Company has adopted a Risk Management policy which is based on three pillars: Business Risk Assessment, Operational Controls Assessment and Policy Compliance processes. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis.

Internal Controls and their adequacy

The Company's internal control systems are commensurate with the nature of its business and the size and complexity of operations. These systems are routinely tested and certified by the Statutory as well as the Internal Auditor and cover all offices, sites and key business areas. Significant audit observations and follow up actions thereon are reported to the Board/ Audit Committee. The Board / Audit Committee reviews adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations, including those relating to strengthening of the Company's risk management policies and systems. These systems provide a reasonable assurance in respect of financial and operational information, complying with applicable statutes, safeguarding of assets of the Company, prevention & detection of frauds, accuracy & completeness of accounting records and ensuring compliance with corporate policies.

Vigil Mechanism

Your Company provides a common platform to its employees and directors for complaint handling in the form of whistle-blowing (vigil) mechanism. The Company has established a vigil mechanism process by adopting a Vigil Mechanism / Whistle Blower Policy for directors and employees. This policy outlines the procedures for reporting, handling, investigating and deciding on the course of action to be taken in case inappropriate conduct / behaviour is/are noticed, reported or suspected. The Policy provides for adequate safeguards against victimization of persons who use the mechanism and has a process for providing direct access to the Ombudsman in appropriate or exceptional cases.

The employees of the Company have the right to report their concern or grievance to the Chairman of the Audit Committee. The Company is committed to adhere to the highest standards of ethical, moral and legal conduct of business operations. The Vigil Mechanism / Whistle Blower Policy is posted on the Company's website www.sanathnagar.in.

DISCLOSURE UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 AND OTHER DISCLOSURES AS PER RULE 5 OF COMPANIES (APPOINTMENT & REMUNERATION) RULES, 2014

The information required under Section 197 of the Act read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) 2014 is not relevant to the company as the company has no employee, directors do not draw any remuneration other than sitting fees and key managanal personnel have been deputed by the holding company.

The provisions of Section 197(12) of the Act read with rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended do not apply as there are no employees who draw remuneration in excess of the limits set out in the said Rules.

DETAILS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars as required under the provisions of Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules, 2014 in respect of conservation of energy, technology absorption, foreign exchange earnings and outgo etc. are furnished in **Annexure VI** to this report. There was no foreign exchange earnings or outgo during the financial year 2018-19.

CORPORATE GOVERNANCE REPORT

As the paid up equity share capital and networth of the Company are below the limits specified in Regulation 15 of the Listing Regulations, the Company is not required to furnish a report on corporate governance and therefore the same does not form part of this Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report for the year under review as stipulated under Regulation 34 read with Schedule V of the Listing Regulations is given separately which may be taken as forming a part of this Report.

Your Directors state that for the financial year ended March 31, 2019, no disclosure is required in respect of the following items and accordingly confirm as under:

- a. The Company has neither revised the financial statements nor the Board's report.
- b. As there are no employee, the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013, is not applicable to the Company.
- c. There are no material changes or commitments affecting the financial position of the Company between March 31, 2019 and the date of this report.
- d. The Company has not accepted any deposits during financial year 2018-19.
- e. No instance of fraud has been reported to the Board by the Auditors or any other person.
- f. No significant or material orders which impact the going concern status and Company's operations in future were passed by Regulators/Courts/Tribunals.
- g. There was no change in the nature of the business of the Company during the financial year 2018 -19.
- h. There was no issue of equity shares with differential rights as to dividend, voting or otherwise during the financial year 2018-19.
- i. The Company has not issued any shares (including sweat equity shares) to its employees under any scheme during the financial year 2018-19.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to Section 134(5) of the Act, the Board of Directors, to the best of its knowledge and ability, confirms that:

- a. in the preparation of the annual accounts the applicable accounting standards had been followed and there are no material departures;
- b. 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 loss 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 this 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.

ACKNOWLEDGEMENTS

Your Directors would like to express their grateful appreciation for the assistance and support extended by all stakeholders.

For and on behalf of the Board
Sanathnagar Enterprises Limited

Date : August 9, 2019

Place : Mumbai

Sanjyot Rangnekar

Director

DIN: 07128992

Mayank Jain

Director

DIN: 08478113