



**FORM NO. MR-3
SECRETARIAL AUDIT REPORT**

FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2023

*[Pursuant to section 204(1) of the Companies Act, 2013 and rule
No. 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]*

To,
The Members,
North East Small Finance Bank Limited
1st and 3rd Floor,
Fortune Central, Basistha Road,
Basisthapur Bye Lane No. 3,
Beltola, Guwahati, Assam, PIN: 781028

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **North East Small Finance Bank Limited** (hereinafter called the "Company" or "Bank"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on our verification of the company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the company has, during the audit period covering the financial year ended on **31st March 2023** ('Audit period') complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on **31st March 2023** according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;





(Not Applicable as there were no reportable events)

- v. The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act')

(The provisions were not applicable to the Company being an unlisted Company)

- vi. The following industry specific laws and rules, regulations, directions, guidelines, circulars and instructions framed thereunder:
- (a) Reserve Bank of India, 1934;
 - (b) The Banking Regulations Act, 1949;
 - (c) Master circulars, directions, guidelines issued to a schedule commercial bank by the Reserve Bank of India from time to time;
 - (d) Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002;
 - (e) The Payment and Settlement Systems Act, 2007;
 - (f) The Negotiable Instruments Act, 1881.

Other laws, including Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013.

We have also examined compliance with the applicable clauses of the Secretarial Standards issued by The Institute of Company Secretaries of India with respect to Board & General Meetings.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observation:

- 1) *While going through the index of charge available on the MCA portal, it is noticed that the Bank is yet to file satisfaction of charge for the loan facility availed from Reliance Home Finance Limited ("RHFL") and closed in the year 2017.*
- 2) *The Annual Report of the Company for the FY 2021-22 does not contain the annual CSR Report which has been prescribed under Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014.*





- 3) *The Nomination & Remuneration Committee is yet to carry out any evaluation of the Board & its Committees as required under Section 178(2) of the Companies Act, 2013.*
- 4) *No report was submitted to the Board and the District Officer as required under the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013.*
- 5) *The Bank is yet to comply with the RBI notification on Compensation of Whole Time Directors/ Chief Executive Officers/ Material Risk Takers and Control Function staff DOR.Appt.BC.No.23/29.67.001/2019-20 dated November 4, 2019.*
- 6) *The post of Head Treasury (HT) & front office dealer remained vacant in the Bank during the reporting period and the operations were managed by bank staff without having the necessary qualifications as required under RBI circular DBR.No.BP.BC.4/21.03.009/2016-17 dated August 11, 2016.*
- 7) *The post of Company Secretary remains vacant since 30th July, 2022.*
- 8) *As per the Bank Licensing guidelines, the shareholding by promoter/s and the promoter group of the Company should be brought down to 40 per cent within five years from the date of commencement of business of the bank. The Bank commenced its business operations w.e.f. 17th October, 2017. Hence, the Bank is in violation of the licensing guidelines w.e.f. 18th October, 2022.*
- 9) *As per regulation 12 of the Banking Regulations Act, 1949, the subscribed capital of the company shall not be less than one-half of the authorized capital. However, the paid-up share capital of the Company as on 31.03.2023 is Rs. 346.85 crores which is less than 50% of its authorized share capital viz. Rs. 700 crores.*
- 10) *Form PAS-3 filed on 20th April 2022 for allotment of shares under Private Placement for allotment of shares made on 12th April, 2022. However, the subscription money received in a separate bank account was transferred to the Company's other bank account on 13th April, 2022 i.e. before the filing of the return of allotment which is contrary to the provisions of Section 42(4) of the Act.*

We further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice was given to all Directors of the scheduled Board & Committee Meetings, agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking





Narayan Sharma & Associates

Practicing Company Secretaries

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Narayan Sharma

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and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings as represented by the management were carried out unanimously as recorded in the minutes of the meetings of the Board of Directors or Committee of the Board, as the case may be.

We further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that during the audit period no specific events occurred having a major bearing on the company's affairs in pursuance of the above referred Laws, Rules, Regulations, Guidelines, Standards, etc.

Place: Guwahati

Date: 11th August, 2023

For **Narayan Sharma & Associates**
Practicing Company Secretaries



CS Narayan Sharma
(Proprietor)

FCS No.: 5117 C P No.: 3844

PR: 1563/2021

UDIN: F005117E000789835

This Report is to be read with our letter of even date which is annexed as Annexure A and forms an integral part of this report.



'Annexure A'

To,
The Members,
North East Small Finance Bank Limited
1st and 3rd Floor,
Fortune Central, Basistha Road,
Basisthapur Bye Lane No. 3,
Beltola, Guwahati, Assam, PIN: 781028

Our report of even date is to be read along with this letter.

- 1) Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
- 2) We have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.
- 3) We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company as well as correctness of the values and figures reported in various disclosures and returns as required to be submitted by the Company under the specified laws, though we have relied to a certain extent on the information furnished in such returns.
- 4) Our Audit examination is restricted only to legal compliances of the applicable laws to be done by the Company, we have not checked the practical aspects relating to the same.
- 5) Wherever required, we have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.
- 6) The Compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.
- 7) The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.
- 8) Due to the inherent limitations of an audit including internal, financial, and operating controls, there is an unavoidable risk that some misstatements or material non-compliances





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may not be detected, even though the audit is properly planned and performed in accordance with audit practices.

- 9) The contents of this Report have to be read in conjunction with the Report(s) furnished/to be furnished by any other auditor(s)/agencies/authorities with regard to the Company. Observations, remarks and qualifications mentioned hereinabove are in addition to the observations, remarks, and qualifications given by the auditor(s)/agencies/authorities of the Company in their respective reports.

Place: Guwahati

Date: 11th August, 2023



For **Narayan Sharma & Associates**

Practicing Company Secretaries

CS Narayan Sharma

(Proprietor)

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