

FORM B
(Pursuant to clause 31(a) of the Listing Agreement)

1.	Name of the Company:	Microsec Financial Services Limited
2.	Annual financial statements for the period ended	March 31, 2013
3.	Type of Audit qualification	<p>Type of Audit Qualification - "Except for"</p> <p><u>Qualification in our audit report on standalone financial statement</u></p> <p><i>Attention is drawn to Note No 27 regarding concentration of credit/investment norms as provided in paragraph 18 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (as amended) having exceeded the limits provided therein, in order to become a Systemically Important Core Investment Company (CIC-ND-SI). The Company has already applied to the Reserve Bank of India seeking exemption from complying with the aforesaid norms to become a CIC-ND-SI and pending such exemption, we are unable to comment on the possible effects of the above on the financial statements.</i></p> <p><u>Qualification in our Audit Report on Consolidated Financial Statements</u></p> <p><i>Attention is drawn to Note No 31 regarding concentration of credit/investment norms as provided in paragraph 18 of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (as amended) having exceeded the limits provided therein, in order to become a Systemically Important Core Investment Company (CIC-ND-SI). The Company has already applied to the Reserve Bank of India seeking exemption from complying with the aforesaid norms to become a CIC-ND-SI and pending such exemption, we are unable to comment on the possible effects of the above on the financial statements.</i></p>
4.	Frequency of observation	First Time



5.	Draw attention to relevant notes in the annual financial statements and management response to the qualification in the directors report:	<p><u>Notes to the financial statements</u></p> <p><u>Note No 27 in the standalone financial statements and Note No 31 in the consolidated financial statements</u></p> <p>The Board of Directors at their meeting held on February 8, 2013 has approved the restructuring proposal of the Company by converting it into a Systemically Important Core Investment Company (CIC-ND-SI) by September 30, 2013 and noted that in order to become the CIC-NDSI, the concentration of credit/investment norms as provided in Para 18 of Non-Banking Financial (Non Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 (as amended) during the transition period will not be complied. Further, the same was also approved by the shareholders of the Company through Postal Ballot, the results of which were declared on March 19, 2013.</p> <p>Accordingly, the Company has filed an application to the Reserve Bank of India (RBI) on March 4, 2013 to provide an exemption from complying with exposure norms for concentration of credits/investments as prescribed by the Reserve Bank of India for Non Deposit accepting Systemic Important Non Banking Financial Company during the transition period which is pending for approval by RBI.</p> <p>Pursuant to CIC guidelines issued by the RBI, as on March 31, 2013, the Company holds more than 90% of its Net Assets in the form of investment in equity shares, preference shares and debentures in group companies, of which more than 60% of its net assets is invested in equity shares (including investments in Compulsorily convertible debentures to be converted within a period not exceeding 10 (ten) years from the date of issue)</p>
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Dattaj

		<p><u>Management Response in the Directors' Report:</u></p> <p>In relation to the matter dealt with by the Auditors under para "Basis for qualified opinion" in their Report dated May 24, 2013 we would like to submit that as required by RBI guidelines for Core Investment Company every CIC-ND-SI should have 90% investment within the group, and in terms of current prudential norms for NBFCs-ND-SI, they are permitted only 40% of both lending and investment within any group therefore accordingly, no NBFC as it stands, would be able to become a CIC without breaching the NOF, CRAR or Concentration Norms. The Company also holds more than 90% of its Net Assets in the form of investment in group Companies in order to become a Core Investment Company and accordingly in this matter the Company has already applied to the Reserve Bank of India (RBI) seeking exemption from complying with the capital adequacy/exposure norms as required.</p>
6	Additional comments from the board / audit committee chair	None in respect of the above matter, except for adoption of Directors' Report.
7.	<p>To be signed by-</p> <ul style="list-style-type: none"> • Mr. B.L. Mittal Chairman-cum- Managing Director • Mr. Giridhar Dhelia CFO • Mr. Bhaswar Sarkar Partner Membership no. 55596 For S. R. Batliboi & Co. LLP Chartered Accountants Firm Registration no. 301003E (Statutory Auditors) • Mr. Parimal Kumar Chattaraj Audit Committee Chairman 	<p>Microsec Financial Services Ltd.</p> <p><i>B. Mittal</i></p> <p>Chairman and Managing Director</p> <p>For Microsec Financial Services Limited</p> <p><i>Giridhar Dhelia</i></p> <p>Chief Financial Officer</p> <p><i>Bhaswar Sarkar</i></p> <p><i>Parimal Kumar Chattaraj</i></p>

Date: 19th July, 2013

