

# BOARD'S REPORT

## BOARD'S REPORT

To  
The Members,  
Federal Operations and Services Limited

Your Directors have pleasure in presenting the third Report of the Board of Directors of the Company together with audited Statement of Accounts and the Auditors' Report of your company for the financial year ended **31st March, 2021**.

### FINANCIAL RESULTS

Particulars	(Amount in Rs.) Current Year 31.03.2021	(Amount in Rs.) Previous Year 31.03.2020
(a) Turnover (including Other Income)	26,40,22,180	18,95,27,015
(b) Net Profit (before depreciation and tax)	4,51,27,769	280,82,638
Less : Depreciation	(2,11,88,548)	(110,21,169)
(c) Net Profit/(Loss) before tax	2,39,39,221	170,61,469
Less : Provision for Tax (including for deferred tax)	(61,95,344)	(44,02,756)
(d) Net Profit/(Loss) after tax	1,83,62,740	126,58,713

### FINANCIAL HIGHLIGHTS

- ❖ Federal Operations and Services Limited ("FedServ") is a wholly owned subsidiary company of The Federal Bank Limited devoted to banking operations and technology oriented services. The Company was set up on 26th Oct. 2018. The Company operates from two locations- one in Kochi, Kerala and second in Visakhapatnam, Andhra Pradesh.
- ❖ The Company provides services in respect of operational activities of The Federal Bank Limited. The Company has taken over 87 operational activities up to 31st March 2021. The Company does not deal in loans and advances, neither does it accepts deposits.
- ❖ The total revenue of FedServ for the period ended on 31<sup>st</sup> March 2021 is INR 26.40 Crores. The full revenue pertains to services provided by the Company to Federal Bank only. The Company started its operations on 1<sup>st</sup> December 2018 and this was the third year of operation of the company. The Company had net profit after tax for the period ended 31<sup>st</sup> March 2021 of Rs. 183.62 Lakhs.

- ❖ The Net Worth of FedServ at the beginning of the year was INR 4.71 cr. and closing net worth of FedServ as on 31st March 2021 was INR 10.98 Crores.
- ❖ The Company expects to migrate more number of processes from Federal Bank in the upcoming year and expects to bring higher efficiency and effectiveness in the operational processes of the Bank.

### **BOARD OF DIRECTORS:**

As on 31st March 2021, Company's Board consists of four Directors as follows:

S. No.	Name of Director	Designation	DIN
1.	Mr. Balagopal Chandrasekhar	Chairman	00430938
2.	Ms. Shalini Warriar	Director	08257526
3.	Mr. Kunhi Krishnan AjithKumar	Director	08504660
4.	Mr. Johnson KoonamplakkalJose	Whole Time Director	08267398

### **BOARD MEETINGS DURING THE FINANCIAL YEAR**

During the financial year 2020-21, the Board of Directors of the Company duly met four (4) times on following dates:

- i) Board Meeting no. 01/2020-21 : 15/05/2020
- ii) Board Meeting no. 02/2020-21: 10/07/2020
- iii) Board Meeting no. 03/2020-21: 12/10/2020
- iv) Board Meeting no. 04/2020-21: 08/01/2021

The intervening gap between the two meetings was within the period as prescribed under the Companies Act, 2013.

Further, the status of attendance of Board Meeting by each Director is as follows:

S. No.	Name of Director	No. of Board Meetings Held	No. of Board Meetings Attended
1.	Mr. Balagopal Chandrasekhar	4	4
2.	Ms. Shalini Warriar	4	4

4.	Mr. Kunhi Krishnan AjithKumar	4	4
5.	Mr. Johnson Koonamplakkal Jose	4	4

### **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

The Directors of the company were appointed in accordance with the provisions of Section 152 of Companies Act 2013. During the financial year 2020-21, there was no change in Directors and/or KMP.

The following changes were made in the Board of Directors after the end of the Financial year but before the date of this report-

S. No.	Name of the Director	Change	Date of Change
1.	Mr. Johnson Koonamplakkal Jose	Change in designation from WTD to Non-executive Director	16 <sup>th</sup> April 2021
2.	Mr. Prashant Preman	Appointment as Whole Time Director	16 <sup>th</sup> April 2021
3.	Ms. Shalini Warriar	Cessation as Director	24 <sup>th</sup> May 2021
4.	Mr. Venkateswaran Venkatraman	Appointment as Additional Director	12 <sup>th</sup> July 2021

The following changes in KMPs were happened after the end of the Financial year but before the date of this report-

S. No.	Name of the Director	Change	Date of Change
1.	Mr. Ashish Peety	Cessation as Company Secretary	16 <sup>th</sup> April 2021
2.	Mr. Ashish Peety	Cessation as Chief Financial Officer	12 <sup>th</sup> July 2021
2.	Mr. Paiparambath Anil	Appointment as Company Secretary	16 <sup>th</sup> April 2021

3.	<b>Mr.Rinu Jacob</b>	Appointment as Chief financial Officer	12 <sup>th</sup> July 2021
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### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 134 of the Companies Act, 2013, the Directors, to the best of their knowledge and belief, confirm that:

- (a) In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (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 and 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; and
- (e) Clause (e) of section 134(5) is not applicable as the Company is not a listed Company
- (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.

### **DETAIL OF FRAUD AS PER AUDITORS REPORT**

There is no fraud in the Company during the F.Y. ended 31st March,2021. This is also being supported by the report of the auditors of the Company as no fraud has been reported in their audit report for the F.Y. ended 31st March,2021.

### **BOARD'S COMMENTS ON QUALIFICATION, RESERVATION & ADVERSE REMARKS OR DISCLAIMER MADE BY:**

- **STATUTORY AUDITORS**

M/s Varma and Varma, Chartered Accountants (Firm Registration No.004532S) were appointed as Statutory Auditors of your Company at the First Annual General Meeting of the company held on 10<sup>th</sup> December 2019. The Audit Report submitted by M/s Varma and Varma, Chartered Accountants, for FY 2020-21 does not contain any qualification, reservation or adverse remark.

- **COST AUDITORS**

The Cost audit of the Company has not been conducted for the financial year 2020-21 as provisions of Section 148 of the Companies Act, 2013 are not applicable on the Company. Also, the Company is not required to maintain the cost records as per the applicable provisions of Companies Act, 2013.

- **SECRETARIAL AUDITORS**

The Secretarial audit of the Company has not been conducted for the financial year 2020-21 as provisions of Section 204 of the Companies Act, 2013 are not applicable to the Company.

**PARTICULARS OF INTER-CORPORATE LOANS & INVESTMENT UNDER SECTION 186**

During the Financial Year 2020-21, the Company has not made any investment. Further the Company has not given any guarantee or security to any person or body corporate. Further the Company has not given or availed any loans from any entity.

**PARTICULARS OF RELATED PARTY TRANSACTIONS**

Related party transactions that were entered into during the Financial Year were on arm's length basis and were in the ordinary course of business. There are no materially significant related party transactions made by the Company which may have potential conflict with the interest of the Company. Details of Related Party Transactions are given in **Annexure-A** in Form AOC-2.

**STATE OF COMPANY'S AFFAIRS**

It is imperative that affairs of our Company are managed in a fair and transparent manner. This is vital to gain and retain the trust of our stakeholders. Your company has been providing 87 services as on 31<sup>st</sup> March 2021 to Federal Bank and has gained the trust of the stakeholders.

**AMOUNT WHICH IT PROPOSES TO CARRY TO RESERVES**

The amount of Rs. 1,83,62,740 is proposed to be carried as profit in the Balance Sheet for the Financial Year ended 31<sup>st</sup> March 2021. It is not being proposed to carry this amount in to any specific reserve.

**DIVIDEND**

Based on the Company's performance, the Directors do not recommend any dividend per share for the financial year 2020-21.

**SHARE CAPITAL**

The Authorised capital of the Company is Rs.20 Crores divided into 50 lakh equity shares of Rs.10 each and 150 lakh preference shares of Rs.10/- each. The paid up Equity Share Capital as at 31<sup>st</sup> March, 2021 remained at Rs. 10Crore divided into 50 lakh equity shares of Rs.10/- each and 50 lakh preference shares of Rs.10/- each. During the period under

report, your Company has not issued any Sweat Equity shares, ESOP and/or Convertible Debentures. Total paid up capital of the company as on 31.03.2021 is INR 10 Crore.

### **COMPLIANCE WITH SECRETARIAL STANDARDS**

During the year 2020-21, the Company has complied with the applicable Secretarial Standards in its operations and governance.

### **MATERIAL CHANGES & COMMITMENTS**

There have been no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and date of the Report.

### **IMPACT OF COVID 19 PANDEMIC ON FEDSERV BUSINESS AND OPERATIONS**

- i. COVID-19 pandemic had caused difficulties in carrying out operational activities at FedServ, Even though the operations of FEDSERV was not disrupted due to the lockdown, the company faced various challenges such as overall economic slowdown, concerns related to employees health and issues relating to restrictions imposed by governments. Through the implementation of planned business continuity measures, the company managed to withstand in the difficult environment.
- ii. Estimation of the future impact of COVID-19 on its operations: The Company expects the adverse impact of the pandemic would continue in the coming financial year as well. Efforts to ensure the safety of all staff and employees will form an important part of operational strategy.
- iii. Existing contracts/agreements where non- fulfillment of the obligations by any party: NA

### **PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO**

Pursuant to provisions of Section 134(3)(m) & Rule 8(3)(A) of Companies (Accounts) Rules, 2014 the details of energy conservation, technology absorption and foreign exchange earnings and outgo have been given in **Annexure-B** to this report.

### **DEVELOPMENT AND IMPLEMENTATION OF RISK MANAGEMENT POLICY**

The management of the Company has duly adopted the Broad Principles on Risk Management as per the requirement of the Companies Act, 2013. Further, the Company had taken adequate care in the development and implementation of Risk Management Policy by identifying various elements of risk which may cause serious threat to the existence of the Company by way of identifying the operational risk, financial risk, compliance risk and migration risk in its Strategic Business Plan.

### **DETAILS OF COMPANY'S CORPORATE SOCIAL RESPONSIBILITY**

The provisions of the Corporate Social Responsibility as contained under the Companies Act, 2013 are not applicable on the Company.

### **JOINT VENTURE/ ASSOCIATE OR SUBSIDIARY COMPANIES**

The Company does not have any Joint Venture/Associate or subsidiary company during the the F.Y. ended 31st March,2021. The Board's Report has been prepared based on "STAND ALONE FINANCIAL STATEMENTS OF THE COMPANY"

There are no companies which have become or ceased to be our Subsidiaries, joint ventures or associate companies during the year 2020-21

### **ORDERS PASSED BY REGULATORS/COURTS/TRIBUNALS**

There is no such order passed by the Regulators/Courts/Tribunals in respect to the Company during the financial year. Further, there are no significant and material orders passed by any regulators or courts or tribunals impacting the going concern status and company's operations in future.

### **DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

As per the requirement of The Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013 ('Act') and rules made there under, the 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"

The Board states that there were no cases or complaints filed pursuant to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

### **DEPOSITS**

The Board states that no disclosure or reporting was required in respect of the details as the Company does not accepts any public deposits.

### **INTERNAL FINANCIAL CONTROLS**

The Company has maintained adequate financial control system, commensurate with the size, scale and complexity of its operations and ensures compliance with various policies, practices and statutes in keeping with the organization's pace of growth and increasing complexity of operations. The Company has adequate Internal Financial Control over financial reporting of the company and such Controls were operating effectively throughout the period.

### **PARTICULARS OF EMPLOYEES**

None of the employees who have worked throughout the year or a part of the financial year were getting remuneration in excess of the threshold mentioned under Section 197(12) of the Act read with rule 5(2) of Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014.



**NO CHANGES IN THE BUSINESS**

The Company is engaged in the business of rendering banking operations and technology oriented services. Your Directors would like to inform that the Company is doing its regular business without any deviation to other objects.

**VIGIL MECHANISM**

Your Directors would like to inform that till now, provisions of establishment of Vigil Mechanism do not apply to the Company.

**WEB LINK OF ANNUAL RETURN**

The Company is having the website [www.fedserv.co.in](http://www.fedserv.co.in) and annual return of Company has been published on the website of the Company under “Downloads” Section. The Link for accessing the website is given below:

<https://www.fedserv.co.in>

**APPLICABILITY OF RULE 4 OF COMPANIES (APPOINTMENT AND QUALIFICATION OF DIRECTORS) RULES, 2014**

The Company is a wholly owned subsidiary of the Federal Bank Limited and hence Rule 4 of Companies (Appointment and Qualification of Directors) Rules, 2014 not applicable to the Company.

**ACKNOWLEDGEMENT**

Your Directors wish to place on record their appreciation for the co-operation and support extended by the shareholders, regulatory authorities, banks, customer, dealers and vendors. The Directors also acknowledge with gratitude the dedicated efforts and valuable contribution made by all the employees of the Company.

**For & on behalf of the Board of  
Federal Operations and Services Limited**

Sd/-	Sd/-
Prashant Preman (Whole time Director) DIN: 09134084	Johnson K Jose (Director) DIN: 08267398

Place: Kochi  
Date: 12<sup>th</sup> July 2021

**Annexure-A  
Form No. AOC-2**

*(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)*

**Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto**

1. Details of contracts or arrangements or transactions not at arm's length basis: **Not applicable**

(a) Name(s) of the related party and nature of relationship :

(b) Nature of contracts/arrangements/transactions:

(c) Duration of the contracts / arrangements/transactions:

(d) Salient terms of the contracts or arrangements or transactions including the value, if any

(e) Justification for entering into such contracts or arrangements or transactions:

(f) Date(s) of approval by the Board:

(g) Amount paid as advances, if any:

(h) Date on which the special resolution was passed in general meeting as required under first proviso to section 188 :

1. Details of material contracts or arrangement or transactions at arm's length basis-

S. No.	Name of Related Party	Nature of Relationship	Nature of Contract / Arrangement / Transactions	Amount
1.	The Federal Bank Limited	100% Holding company of Federal Operations and Services Limited	Rendering of Services	26,83,25,042
			Payment of Rental Expense	60,000
			Payment of Deputation Services Charges	5,64,36,205

Duration of Contract / Arrangement	Terms of Contract / Arrangement	Date of Approval by the Board, if any	Amount Paid as Advance
<p>1. Master Service Agreement shall remain valid for 3 years (from 1<sup>st</sup> December 2018 to 30<sup>th</sup> November 2021)</p> <p>2. Rent Agreement shall remain valid for 6 years (from 21<sup>st</sup> November 2018 to 20<sup>th</sup> November 2024)</p>	<p>Following are the material terms and conditions-</p> <p>1. <u>Master Service Agreement-</u> FedServ shall charge company Cost of services plus 10% mark up.</p> <p>2. <u>Rent Agreement-</u> FedServ shall pay Rs. 5000 per month as rent expenses. After the expiry of 5 years of term, rent shall escalate by 15% of existing rent</p>	<p>1. Board Meeting no. 01/2019-20 dated 8th April 2019 vide resolution Number 5/AC approved the Master Service Agreement</p> <p>2. Board Meeting no. 01/2018-19 dated 21<sup>st</sup> November 2018 vide resolution no. 2/AG approved the Rent Agreement</p>	<p>1. Nil in respect of rendering of services</p> <p>2. Rs. 15000 as security Deposit for Rent payment</p> <p>3. Nil in respect of availing deputation services</p>

For & on behalf of the Board of  
Federal Operations and Services Limited

Sd/-	Sd/-
Prashant Preman (Whole time Director) DIN: 09134084	Johnson K Jose (Director) DIN: 08267398

Place: Kochi  
Date: 12<sup>th</sup> July 2021

**ANNEXURE – B**

**INFORMATION RELATING TO ENERGY CONSERVATION, TECHNOLOGY ABSORPTION, AND FOREIGN EXCHANGE EARNINGS AND OUTGO FORMING PART OF DIRECTORS' REPORT IN TERMS OF SECTION 134(3)(m) OF THE COMPANIES ACT, 2013 READ WITH THE COMPANIES (ACCOUNTS) RULES, 2014**

**(a) Conservation of energy**

(i)	the steps taken or impact on conservation of energy	<p>a) All the electrical equipments including Air Conditioners used by the company are energy efficient equipments.</p> <p>b) The Company is not using any fossil fuels in its operations.</p> <p>c) Design of the premises of the Company are in such a way that energy consumption is minimum.</p>
(ii)	the steps taken by the company for utilizing alternate sources of energy	Presently the company is not using any alternate sources of energy. However the company is exploring various options for utilizing alternate sources of energy for its operations.
(iii)	the capital investment on energy conservation equipments	INR 115,53,202/-

**(b) Technology absorption**

(i)	the efforts made towards technology absorption	The Company has not absorbed any technology from any source.
(ii)	the benefits derived like product improvement, cost reduction, product development or import substitution	N.A.
(iii)	in case of imported technology (imported during the last three years reckoned from the beginning of the financial year)-	N.A.
	(a) the details of technology imported	N.A.
	(b) the year of import;	N.A.
	(c) whether the technology been fully absorbed	N.A.
	(d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof	N.A.
(iv)	the expenditure incurred on Research and Development	N.A.

**(c) Foreign exchange earnings and Outgo**

The Foreign Exchange earned in terms of actual inflows during the year: NA  
The Foreign Exchange outgo during the year in terms of actual outflows: NA.

**For & on behalf of the Board of  
Federal Operations and Services Limited**

Sd/-	Sd/-
<b>Prashant Preman</b> (Whole time Director) DIN: 09134084	<b>Johnson K Jose</b> (Director) DIN: 08267398

Place: Kochi  
Date: 12<sup>th</sup> July 2021