

Maharaj N R Suresh And Co.

Chartered Accountants

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INDEPENDENT AUDITORS' REPORT

**To the Members of
TAMILNAD MERCANTILE BANK LIMITED**

Report on the Financial Statements

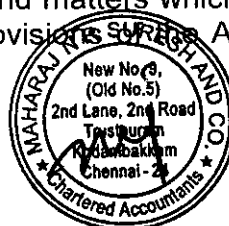
We have audited the accompanying financial statements of the TAMILNAD MERCANTILE BANK LIMITED (the "Bank"), which comprise the Balance Sheet as at March 31, 2017 and the Profit and Loss account and the cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information in which are Incorporated in these financial statements are the returns of 14 branches audited by us and 491 branches audited by branch auditors .

Management's Responsibilities for the Financial Statements

The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014 and provision of sec 29 of the Banking Regulation Act 1949 and circulars and guidelines/Disclosures issued by the Reserve Bank of India(RBI) from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies, making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the provision of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made thereunder.



We conducted our audit of the bank including its branches in accordance with the standards on Auditing('the standards') specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Bank's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the bank's directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

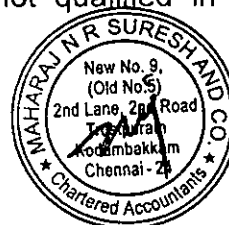
Opinion

In our opinion and to the best of our information and according to the explanation given to us, the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for the banking companies and give a true and fair view in conformity with accounting principles generally accepted in India of the state of affairs of the Bank as at 31st March 2017, and its profits and cash flows for the year then ended.

- i. In the case of the Financial statement, of the state of affairs of the Bank as at March 31, 2017
- ii. In the case of the Profit and Loss Account of the Profit for the year ended on that date, and
- iii. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

- i. We draw attention to Note 6.8 to the financial statements, regarding deferred tax assets of Rs.6.22 Crores on the diminution in the fair value of Standard restructured accounts, as the realisability of the same is considered certain. Our opinion is not qualified in respect of this matter.



Report on Other Legal and Regulatory Matters

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Companies Act 2013, read with Rule 7 of the Companies (Accounts) Rules 2014.
2. As required sub section 3 of Section 30 of the Banking Regulation Act 1949 we report that:
 - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory.
 - b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank
 - c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
3. Further as required by Section 143(3) of the Companies Act, 2013 we further report that:

We have sought and obtained all the information and explanation which to the best of our knowledge and belief were necessary for the purpose of our audit.

- a) In our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from branches not visited by us.
- b) The reports on the accounts of the branches audited by branch auditors of the bank under section 143(8) of the companies act 2013 have been sent to us and have been dealt with in preparing our report.
- c) The Balance Sheet and Profit and Loss Account and cash flow statement dealt with by us in the report are in agreement with the books of account and with the audited returns from the branches.
- d) In our opinion the aforesaid financial statements comply with the accounting standards specified under Section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 to the extent they are not inconsistent with the accounting policies prescribed by RBI



- e) On the basis of the written representation received from the directors as on 31/03/2017 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act.
- f) With Respect to the adequacy of the Internal Financial Controls over financial reporting of the bank and the operating effectiveness of such controls referred to our separate report to our **annexure-1**
- g) With respect to the other matters to be include in the Auditor's report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanation given to us
- i. The bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Note 6.11
 - ii. The Bank has made provision as required under the applicable law or accounting standards for material foreseeable losses, if any, on long term contracts including derivative contracts.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the investor Education and Protection Fund by the Bank.
 - iv. The disclosure requirement as envisaged in Notification G.S.R 308€ dated 30th March 2017 is not applicable to the company.
4. Being a Banking Company, the Company (Auditor's Report) Order, 2015 issued by the Central Government of India in terms of Sub-section (11) of Section 143 of the Act, is not applicable.

For **MAHARAJ N R SURESH AND CO.,**
Chartered Accountants
FRN No. : 01931S



N. R. JAYADEVAN
PARTNER
Membership No.023838
14/06/2017
Tuticorin

