



**Order of Cancellation of Certificate of Registration granted to
Inara Housing Finance Limited u/s 29(6) of the National Housing Bank Act, 1987**

May 2, 2012

Whereas:

The National Housing Bank (NHB) granted Certificate of Registration (CoR No.02.0043.03) to Inara Housing Finance Limited (CIN No. U65910GJ1999PLC036176), having its Registered office at 301, Hassanand Complex, Godha Street, Nanpura SURAT- 395001 (hereinafter referred to as 'the Company') on 31.03.2003 subject to certain terms and conditions including that the Company shall continue to comply with the provisions of the National Housing Bank Act, 1987 and all the Directions, Guidelines and instructions issued thereunder by NHB, from time to time.

2. The Company has failed to comply with the provisions of the said Act, and the Directions, Guidelines and instructions issued thereunder from time to time as is evident from the following, namely:-

a) The Company's outstanding loans portfolio which constituted of ₹ 2.52 crore as on 31.03.2009, decreased to ₹1.93 crore as on 31.03.2010 and was ₹ 2.01 crore as on 31.03.2011 and ₹ 2.14 crore as on 31.01.2012 .

The Company in its letter dated March 9, 2012 attributed the declining trend in business to it being cautious under current scenario and Bank Fixed Deposits interest rates being higher than prevailing housing loan interest rates in current scenario. This indicates that the Company is not serious in housing finance business.

b) The Company was last inspected with respect of its financial position as on March 31, 2010. The inspection findings and the contraventions of the provisions of the NHB Act and the Directions, Guidelines issued thereunder were communicated to the Company vide NHB's letter dated July 13, 2011.

The findings included erroneous computation of net owned funds, failure to produce requisite documents/information to NHB inspection team during the inspections, transferring Diamond Jubilee Co-op Bank's liability in Company's books tantamounting creating public deposits, indirectly, cessation of housing finance business, not disclosing requisite information in Company's Balance sheet, non-compliance with KYC/AML guidelines, non-compliance with Fair Practice Code and Directions of the Hon'ble High Court of Delhi conveyed to the Company vide NHB Policy Circular No.18 dated 23.11.2006, mounting up Non Performing Assets.

Further, during the course of aforesaid inspection it was also observed that the Company was non-compliant with some of the inspection findings related to the period ended 31.03.2009, which were reported by the Company to NHB as complied



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with. Consequently, it can be said that the Company also provided wrong information to NHB.

3. The Company's reply dated August 10, 2011 to the inspection findings were found not satisfactory. Accordingly, the Company was afforded opportunity of personal hearing vide NHB's letter dated September 13, 2011.

Vide its letter dated September 17, 2011, the Company sought meeting after Diwali on account of health problem of its Managing Director which was agreed and a meeting was fixed on November 1, 2011. However, no one turned up on the date fixed. NHB vide its letter dated November 29, 2011 again advised the Company that if its officials fail to put their view point, it will be presumed that the Company is not interested in carrying on the business of housing finance and the Bank will proceed further on merits of the case.

The Company vide its letter dated November 29, 2011 expressed that personal visit in the era of e-communication is not warranted at all and it can be done by written communication, instead of clarifying the issue in person. The personal meeting necessitated as part correspondence of the Company's was misleading as to the requirements of law. The Company, therefore, was advised to meet in person to clarify the inspection findings etc.

4. In view of above a show cause notice was issued to the Company on February 10, 2012 conveying deficiency and contravention with reference to its financial position as on 31.03.2009 & 31.03.2010. In addition, the Company was again advised that, if so desire, it may call on with prior appointment for being heard in person. It was made clear that in case it failed to show cause, NHB will initiate action against the Company, its Directors/ Managers and authorized signatories and other officers for non-compliances/various contraventions and will proceed to cancel its CoR.

5. The Company's reply dated March 9, 2012 to the a foresaid show-cause notice was considered and found not satisfactory

6. The Company also failed to furnish half yearly return as of 31.03.2011 to NHB on time, contravening paragraph 44(1) of the HFCs (NHB) Directions, 2010. For this violation, the Company was issued show cause notice and thereafter financial penalty was also imposed. Returns furnished by IHFL were also either incomplete or in old formats.

7. The On-site inspections and Off-site surveillance in recent past shows that the affairs of the Company are not being conducted satisfactorily.

8. From the foregoing, it follows that :



- (a) the Company's business is stagnating for the last three years, as mentioned supra. Admittedly, the Company is facing liquidity problems. It also does not have any clear road map or future business plan.
- (b) The Company has failed to submit or offer loan files and documents for inspection when so demanded by an Inspecting Authority of NHB as required under Section 34 of NHB Act, 1987.
- (c) The Company has not been primarily transacting of the business of providing finance for housing.
- (d) The Company has failed to comply with the provisions of paragraphs; 25(framing investment policy); 29(disclosure in balance sheet to be made separately for housing and non-housing finance business and individually for each type of assets) and 33 & 34(matter to be included in Auditor's report to the Board of Directors of the Company) of the Housing Finance Companies(NHB) Directions, 2010.
- (e) In terms of NHB's Guidelines on " Know Your Customer (KYC)" Norms and Anti Money Laundering (AML) Measures", the Company has neither formulated a clear customer Acceptance Policy (CAP) nor appointed Principle Officer for monitoring and reporting cash and suspicious transactions to FIU-India. Further, the Company does not have a system to ensure that record of transaction in the account is preserved and maintained as required in terms of Sec. 12 of Prevention of Money Laundering Act, 2002. The Company has also not prepared profile for each customer based on risk categorization.
- (f) The Company is not complying with the directions contained in NHB's Policy Circular No. NHB(ND)DRS/POL-NO-18/2006 dated 23.11.2006 with regard to architect certification.
- (g) The Company is not in position to return security/other documents (taken from the borrowers during disbursement of loan and taken in custody by Diamond Jubilee Co-operative Bank Ltd. along with loan files) after the loan amounts are re-paid by them.
- (h) The recovery policy of the Company is not upto the mark as Gross Non-performing Assets (GNPAs) and Net Non-performing Assets(NNPAs) of the Company increased to 12.00% and 7.32% respectively as on 31st March, 2010 against 10.20% & and 6.67% as on 31.03.2009. As such, GNPAs/NNPAs level of the Company is very high as compared to the industry norms.
9. The above clearly suggests that the Company is not serious in conducting housing finance business. The continuing business by the Company in such circumstances will not serve any public purpose and may be prejudicial to public interest as also prejudicial to the interest of its depositors/creditors/other stakeholders. It has



failed to comply with the provisions of - the National Housing Bank Act, 1987, the HFCs (NHB) Directions, 2010 and NHB's Guidelines/circulars. Its business is not conducted prudently and/or with due seriousness. Under these circumstances, there is no option but to cancel the Certificate of Registration granted to the Company.

Now, therefore, in exercise of the powers conferred under sub-section(6) of Section 29A of the National Housing Bank Act, 1987, the National Housing Bank hereby cancels the CoR granted to Inara Housing Finance Ltd. having its registered office at 301, Hassanand Complex, Godha Street, Nanpura, SURAT- 395001.

The Company, shall surrender the Certificate of registration to NHB and stop the business of housing finance forthwith.

This order, however, shall not prevent the Company from recovering its loans/ installment of loans from the borrower. This order comes into force with immediate effect.

The Company may be advised accordingly.


(R.S. Garg)
Executive Director

