



INDEPENDENT AUDITOR'S REPORT

**To the Members of
Canbank Factors Limited**

Opinion

We have audited the accompanying standalone financial statements of **Canbank Factors Limited** ("the company"), which comprise the Balance Sheet as of **March 31, 2022**, the Statement of Profit and Loss and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by The Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with The Companies (Accounting Standards) Rules, 2015, as amended, ("AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31st 2022, and its loss and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are Independent of the Company in accordance with the Code of Ethics issued by The Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter: Adequacy of classification and provisions in respect of Debts factored.

Advances are classified as performing and non-performing assets in accordance with the prudential norms issued by RBI. The Company has a system of autotclassification of advances as NPA in accordance with the RBI Guidelines. However, the identification of NPA and creation of provision on such advances also involves key judgements relating to performance of borrowers, determination of

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security value, sources of repayment, application of regulatory conditions, etc. Accordingly, our audit was focused on income recognition, asset classification and provisioning pertaining to advances due to involvement of management judgement and considering the materiality of the balances.

Auditor's Response to Key Audit Matter

Principal Audit Procedures: We assessed the Company's system in place to identify the nonperforming assets. Our audit approach consisted testing of the design and operating effectiveness of the internal controls and substantive testing as follows:

- Reviewed the operating effectiveness of the General IT controls over the key IT systems for the purpose of identification of nonperforming assets and provisioning thereon.
- Tested the relevant information technology systems used in identification and making provision for such NPA as per the RBI Guidelines including involvement of manual process and manual controls in relation to income recognition, asset classification and provisioning pertaining to advances.
- Evaluated and tested the management estimates and judgements for the purpose of identification of NPA and adequacy of provision required as per RBI's Prudential Norms.
- Considered branch concurrent audit reports for identification and provisioning for nonperforming assets.
- Ensured exceptions noticed during our audit procedures are duly corrected.

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Director's Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act, This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company 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 standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We are also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our





opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

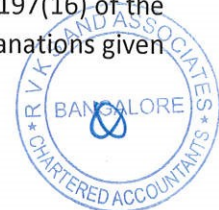
- Evaluate the overall presentation, structure, and content of the standalone financial statements, including the disclosures and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit,

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may 'reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure - A", a statement on the matters specified in the paragraph 3 and 4 of the order.
2. As required by Section 143 (3) of the Act, we report that.
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of The Companies (Accounts) Rules, 2014.
 - e. On the basis of the written representations received from the directors as on 31st March 2022, taken on record by the Board of Directors, none of the Board of Directors is disqualified as on 31st March 2022, 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 Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure - B".
 - g. With respect to the matter to be included in the Auditor's report under section 197(16) of the Act, in our opinion and to the best of our information and according to the explanations given





to us, the managerial remuneration for the year ended 31st March 2022 has been paid or provided by the Company to its directors are in accordance with the provisions of section 197 of the Act.

h. With respect to the other matters to be included 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 knowledge and belief and according to the information and explanations given to us.

a) the Company does not have any pending litigations as of 31st March 2022 which would impact its financial position **OTHER THAN NON-PERFORMING ASSETS CASES** for which provision has been made as per RBI prudential norms.

b) the Company did not have any long-term contracts including derivative contracts as of 31st March 2022 for which there were any material foreseeable losses; and

c) there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the period ended 31st March 2022.

d) Omitted

e) Management has represented that,

i. To the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds has been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities ("intermediaries"), with the understanding, whether recorded in writing or otherwise, that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate beneficiaries") or provide any guarantee, security or the like on behalf of the ultimate beneficiaries;

ii. To the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been received by the company from any person (s) or entity (ies) including foreign entities ("Funding parties"), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the funding party ("Ultimate beneficiaries") or provide any guarantee, security or the like on behalf of the ultimate beneficiaries; and

iii. Based on the audit procedure we have considered reasonable and appropriate in the circumstances, nothing has comes to our notice that has caused us to believe that the representations under sub-clause i and ii contain any material misstatement.

f) The company has not declared or paid any dividend during the year in compliance with section 123 of the companies act 2013



RVKS And Associates

Chartered Accountants



- g) The company has used such accounting software for maintaining its books of accounts which has a feature of recording audit trail (edit log) facility and the same has been operated through the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per statutory requirements for record retention.
3. As required by the directions of The Comptroller & Auditor General of India in accordance with Section 143(5) of The Companies Act, 2013 and on the basis of such verification of the books and records as considered appropriate and available and according to the information and explanations given to us and as per the declarations given by the Company, we enclose in "Annexure - C" a statement on the matters specified in directions issued by The Comptroller & Auditor General of India.

For RVKS and Associates
Chartered Accountants
Firm Registration Number: 008572S


20/04/2022

Venugopal.C

Partner

Membership No. 226247

UDIN: 22226247AIKDFN1129

Place: Bangalore

Date: 20/04/2022





“Annexure - A” to the Independent Auditor’s Report

Referred to in paragraph under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Canbank Factors Limited for the year ended 31st March 2022:

- i.
 - a.
 - A. The Company has maintained proper records showing full particulars, including quantitative details and situation of Property, plant and equipment
 - B. The Company has maintained proper records showing full particulars of intangible assets.
 - b. Property, plant and equipment have been physically verified by the management at reasonable intervals. We are informed that no material discrepancies were noticed on such verification.
 - c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable properties as of 31st March 2022.
- ii. The Company is a service company, primarily rendering factoring services. It does not involve inventory. Consequently, comment on clause (ii) of the order is not applicable.
- iii. The Company has not granted any loans to parties covered in the register maintained under section 189 of The Companies Act, 2013 ('the Act'). Consequently, comment on clause (iii) of the order is not applicable.
- iv. The Company has not made any loans and investments, covered by provisions of Section 185 and 186 of the Act. Consequently, comment on clause (iv) of the order is not applicable.
- v. According to the information and explanation given to us, the Company has not accepted any deposits from the public. Consequently, comment on clause (v) of the order is not applicable.
- vi. As explained to us, maintenance of cost records has not been prescribed for the company by the Central Government under section sub-section (1) of Section 148 of The Companies Act, 2013 for any of the services rendered by the Company. Consequently, comment on clause (vi) of the Order is not applicable.
- vii. a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has generally been regular in depositing material undisputed statutory dues including provident fund, employee state insurance, income-tax, goods and service tax, cess, and other statutory dues, during the year with the appropriate authorities.

b) Details of disputed statutory dues: The Company has filed an Appeal before Commissioner of Appeals in respect of demand raised (vide their order u/ s. 143(3) dated 31.12.2019) by the Income tax department for the AY 2017-18. The Company believes it has a strong case & stay of demand was allowed with 20% of payment of Rs.84.98 Lakhs on 26.02.2020. The appeal process is in progress & the outcome is unknown.





- viii. According to the information and explanations given to us no such income has been identified in assessments held during the year.
- ix. According to the information and explanations given to us, the company has not defaulted in repayment of loan/ borrowings from financial institutions or banks.
- x. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the period. Consequently, comment on clause (ix) of the order is not applicable.
- xi. According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during our audit.
- xii. The company is not a Nidhi Company and accordingly this clause is not applicable to the company. Accordingly, provision of this clause of the order is not applicable.
- xiii. According to the information and explanations given to us, the transactions with the related parties are in compliance with Section 177 and 188 of the Act and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv.
- Based on our verification the company has an internal audit system with the size and nature of its business.
 - The internal audit reports has been considered by us for carrying out audit.
- xv. According to the information and explanations given to us and based on our examination of the records of the company, the company has not entered into any non cash transactions with directors or persons connected with him during financial year under review.
- xvi.
- The Company is required to be registered under section 45-1A of the Reserve Bank of India Act, 1934 and accordingly the registration is obtained as NBFC-Factor with effect from 8th August 2014 vide registration number B02.00004.
 - Based on our verification company has conducted non banking financial activities with valid certification of registration.
 - The company is not core investment company accordingly provision of this clause of the order is not applicable
 - Since the above clause is not applicable comment on this is also not required.
- xvii. According to the information and explanations given to us the company has not incurred any cash loss during the financial year and in the preceding financial year.
- xviii. During the year there is no resignation of the statutory auditor hence comment on this clause is not applicable.
- xix. As per our verification there is no such material uncertainty exists.





xx.

- a. During the period of audit there is no unspent amount which needs to be transferred to fund specified in schedule VII to the companies act hence comment on this clause is not applicable.
- b. During the year No such amount remaining unspent under sub-section (5) of section 135 of the Companies, hence comment on this clause is not applicable.

xxi. There have been no qualifications or adverse remarks by the us in the Companies (Auditor's Report) Order (CARO) reports of the companies included in the consolidated financial statements

For RVKS and Associates
Chartered Accountants
Firm Registration Number: 008572S



Venugopal.C

Partner

Membership No. 226247

UDIN: 22226247A2KDFN1129

Place: Bangalore

Date: 20/04/2022





“Annexure - B” to the Independent Auditor’s Report

(Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Canbank Factors Limited for the year ended 31st March 2022.)

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of The Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Canbank Factors Limited (“the company”) as of March 31, 2022 in conjunction with our audit of the standalone financial statements of the Company for the year ended 31st March 2022.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on "the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by The Institute of Chartered Accountants of India ('ICAI)". These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under The Companies Act, 2013.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of The Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by The Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company’s internal financial controls system over financial reporting.





Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2022, except with respect to vendor master creation and control on vendor payments which needs to be strengthened, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For RVKS and Associates
Chartered Accountants
Firm Registration Number: 008572S


20/04/2022

Venugopal.C

Partner

Membership No. 226247

UDIN: 2 222-6247 AIPKDFN1129

Place: Bangalore

Date: 20/04/2022



“Annexure - C” to the Independent Auditor’s Report

Statement on the matters specified in directions issued by The Comptroller and Auditor General of India in accordance with Section 143(5) of The Companies Act, 2013

(Referred to in paragraph 3 under “Report on Other Legal and Regulatory Requirements” section of our report of even date)

Direction	Reply
i. Whether the company has system in place to process all the accounting transactions through IT system? If yes, implications of processing of accounting transactions outside IT system on the integrity of the accounts along with the financial implications, if any, may be stated.	Yes, the company has adequate systems in place to process all the accounting transaction through their IT system. There are no implications on process of accounting transaction outside IT system on the integrity of the accounts along with the financial implications as the changes has been done by the competent authority to the client master.
ii. Whether there is any restructuring of an existing loan or cases of waiver/ write off of debts/ loans/ interest etc., made by a lender to the company due to the company's inability to repay the loan? If yes, the financial impact may be stated? Whether such cases are properly accounted for?	There are no cases of waiver/write offs of debts/loans/interest etc., made by the lender to the company
iii. Whether funds (grants/subsidy etc.) received / receivable for specific schemes from Central/State Government or its agencies were properly accounted for / utilized as per its term and conditions? List the cases of deviation?	Yes, Grants received from central government were properly accounted for as per the terms and conditions of the scheme.

For RVKS and Associates
Chartered Accountants
Firm Registration Number: 008572S


26/04/2022

Venugopal.C

Partner

Membership No. 226247

UDIN: 22 226 247 AIKDFN1129

Place: Bangalore

Date: 26/04/2022

