



**Can Fin Homes Ltd**  
(Sponsor: **CANARA BANK**)

**AUDITED FINANCIALS**  
**FOR THE YEAR ENDED**  
**31.03.2020**

## INDEPENDENT AUDITORS' REPORT

To,  
The Members,  
Can Fin Homes Limited

### Report on the Audit of Ind AS Financial Statements

#### Opinion

We have audited the accompanying Ind AS financial statements of Can Fin Homes Limited ("the Company"), which comprise the Balance Sheet as at 31<sup>st</sup> March, 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and the Statement of Cash Flows for the year ended on that date including summary of the significant accounting policies and other explanatory information in which are included the Returns for the year ended on that date audited by the branch auditors of the Company's 165 branches located at various locations across India (hereinafter referred to as "the financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31<sup>st</sup> March, 2020, the profit and total comprehensive income, changes in equity and its cash flows for the year ended on that date.

#### Basis for Opinion:

We conducted our audit of the financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the *Auditor's Responsibilities for the Audit of the 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 ethical requirements that are relevant to our audit of the 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 audit opinion on the financial statements.

#### Emphasis of Matter

We draw your attention to Note 45 to the financial statements which describes the impact of the COVID-19 pandemic on the Company's operations and financial position including the Company's estimates of the possible increase in impairment losses and the continuing uncertainties which may require changes in such estimates in the future.

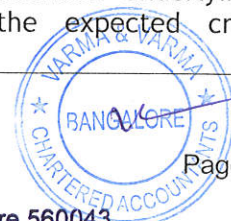
Our opinion is not modified in respect of this matter.



### 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.

Sr. No.	Key Audit Matter	Auditor's response
1.	<p><b>Expected credit loss allowances:</b></p> <p>Ind-AS accounting framework was implemented on April 1st, 2018. Accordingly Ind-AS 109 is a new and complex standard that requires the Company to recognise Expected Credit Loss (ECL) on financial instruments. This is a significant departure from the earlier rule based provisioning. Expected credit loss allowances relating to loans and advances are determined on a portfolio basis, with the use of impairment models. These models are based on historical loss experience and use a number of key assumptions including probability of default, loss given default (including propensity for possession and forced sale discounts for mortgages) and valuation of recoveries. Our work therefore focused on the appropriateness of modelling methodologies adopted and the significant judgements required.</p> <p>Refer to Note 2(i) to the financial statements accounting policy on accounting for the impairment of financial assets and Note 40(i) to the financial statements for credit risk disclosures and for Credit impairment charges and other provisions.</p>	<p>We evaluated management's process and tested key controls around the determination of expected credit loss allowances, including controls relating to:</p> <ul style="list-style-type: none"> <li>➤ The identification of events leading to a significant increase in risk and credit impairment events; and</li> <li>➤ The review, challenge and approval of the expected credit loss allowances, including the impairment model outputs and key management judgements applied.</li> </ul> <p>We found that these key controls were designed, implemented and operated effectively, and therefore determined that we could place reliance on these key controls for the purposes of our audit.</p> <p>We understood and assessed the appropriateness of the impairment models developed and used by the management at the entity level. This included assessing and challenging the appropriateness of key modelling judgements (e.g. the transfer criteria used to determine significant increase in credit risk). We tested the formulae applied within the calculation files, the completeness and accuracy of key data inputs, sourced from underlying systems that are applied in the calculation. We also tested the reconciliation of loans and advances between underlying source systems and the expected credit loss models.</p>



## Chartered Accountants

<p>2.</p>	<p><b>Recognition, Measurement, Presentation and Disclosure of leases under Ind AS 116:</b></p> <p>Ind AS 116 replaces the existing standard Ind AS 17 and specifies how an entity will recognize, measure, present and discloses leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The management of the Company has adopted Ind AS 116 'Leases' with effect from April 1, 2019 and applied to the lease contract existing on April 1, 2019 using the modified retrospective method and has taken the cumulative adjustment to retained earnings as per the guidelines provided in Ind AS 116. The implementation of Ind AS 116 is considered a key audit matter due to first time adoption of the standard and the related judgments needed in establishing the underlying key assumptions.</p> <p>Refer to Note 2(h) to the financial statements for the accounting policy and Note 43 on transition to Ind AS 116.</p>	<p>We have evaluated the application of Ind AS 116 and tested the resulting impact on the Ind AS financial statements.</p> <p>We have verified the lease agreements and assessed various terms and conditions of the lease arrangements including factors such as non-cancellable lease period, discount rate and other measurement principles.</p> <p>Also we have considered the management's judgement of reasonable certainty to exercise the option to extend or terminate the lease arrangement to ensure whether the lease is consistent with the definitions of Ind AS 116.</p> <p>Furthermore, we have assessed the modified retrospective application and verified whether this is consistent with the definition and expedients of Ind AS 116.</p>
<p>3</p>	<p><b>Information Technology ('IT') systems and controls :</b></p> <p>The Company's key financial accounting and reporting processes are highly dependent on information systems including automated controls in information systems, such that there exists a risk that, gaps in the IT control environment could result in the financial accounting and reporting records being misstated.</p> <p>We have identified 'IT systems and controls' as key audit matter because of significant use of IT system and the scale and complexity of the IT architecture.</p>	<p>Our audit procedures included verifying, testing and reviewing the design and operating effectiveness of the IT system by verifying the reports and other financial and non-financial information generated from the system on a test check basis. Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• We have evaluated the design and tested the operating effectiveness of certain automated controls that were considered as key internal controls over financial reporting including the completeness and accuracy of data feeds, and automated calculations.</li> <li>• Ensuring that deficiencies noticed in our verification were informed to the management for corrective action, which is already been done;</li> <li>• Carrying out independent alternative audit procedures like substantive testing in areas where deficiencies were noticed;</li> </ul>

		<ul style="list-style-type: none"><li>We have considered the report given by IT audit specialists appointed by the management on design and operating effectiveness of the General IT Controls and assessed its impact on the key financial accounting and reporting systems;</li></ul> <p>Our audit procedures also included the consideration of the observations noted by the branch statutory auditors on the assessment of IT controls over the monitoring of loans, and reviewing the logic and assumptions used in the operating systems and other related IT system controls.</p>
--	--	---

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

The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report and the Report of Directors including Annexures to Directors Report, Corporate Governance and Information to Shareholders which is expected to be made available to us after that date.

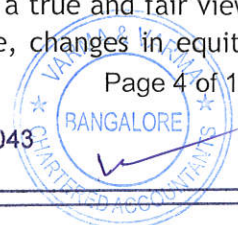
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the reports which we are expected to be made available to us after the date of this auditor's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance. In case of uncorrected material misstatements, we are required to communicate to other stakeholders as appropriate as well as to take action under the applicable laws and regulations, if any.

### Management's Responsibility for the Financial Statements

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 Ind AS financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity



## Chartered Accountants

and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the 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 also responsible for overseeing the Company's financial reporting process.

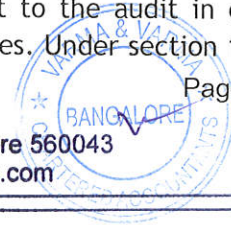
## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 SAs 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 financial statements.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

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

- Identify and assess the risks of material misstatement of the 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)



## Chartered Accountants

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 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 financial statements, including the disclosures, and whether the 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Other Matter

1. We did not audit the financial statements of 165 branches included in the financial statements of the Company whose financial statements reflect total assets of Rs. 14,90,523 lacs as at 31<sup>st</sup> March 2020 and total revenues of Rs. 1,43,595 lacs for the year ended on that date, as considered in the financial statements. The financial statements of these branches have been audited by the branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of these branches, is based solely on the report of such branch auditors.



## Chartered Accountants

2. Statutory auditors of 25 branches whose financial statements reflect total assets of Rs. 2,02,834.40 lacs as at 31<sup>st</sup> March 2020 and total revenues of Rs. 18,288.57 lacs for the year ended on that date, as considered in the financial statements, could not visit the branches to perform the audit due to the restrictions imposed by the COVID 19 outbreak. As informed they have relied on scanned copies of accounting records and documents including loan agreements and valuation reports for carrying out their audit. They also could not perform physical cash verification and fixed assets verification at those branches.

Our opinion is not modified in respect of these matters.

## 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 (Annexure A) a statement on the matters specified in Paragraphs 3 and 4 of the Order, to the extent applicable.
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 appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from branches not visited by us.
  - c) The report on the accounts of 165 branch offices audited under section 143 by a person other than the Company's principal auditor have been forwarded to us as required by sub-section (8) of section 143 and have been properly dealt with in preparing our report in the manner considered necessary by us;
  - d) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the relevant books of account;
  - e) In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
  - f) On the basis of written representations received from the directors as on 31<sup>st</sup> March 2020, and taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March 2020, from being appointed as a director in terms of Section 164(2) of the Act;
  - g) With respect to the adequacy of the internal financial control over financial reporting of the Company and the operating effectiveness of such control, refer to our separate report in "Annexure B";





# Varma & Varma

## Chartered Accountants

- h) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is within the limit laid down under the provisions of section 197 of the Act.

- i) 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 information and according to the explanations given to us:
- i. The Company has disclosed pending litigations as contingent liabilities in Note 36 to the financial statements, the impact if any on the final settlement of the litigations is not ascertainable at this stage.
  - ii. The Company has not entered into any long-term contracts including derivative contracts which require provision for foreseeable losses as per law or applicable accounting standards and
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company. Refer Note 16.2 to the Financial Statements.

For VARMA & VARMA  
Chartered Accountants  
FRN 004532S



R Kesavadas  
Partner  
M.No.23862

UDIN: 20023862AAAABC2998

Place: Bangalore  
Date : 15/6/2020



### "ANNEXURE A" TO THE AUDITORS' REPORT

Annexure referred to in paragraph 1 under the heading "Report on Other Legal and Regulatory Requirements" of our Independent Auditors Report of even date on the Financial Statement of M/s Can Fin Homes Limited for the year ended 31<sup>st</sup> March 2020.

- i. In respect of Fixed Assets:
  - a. The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets. *In our opinion, the records require further improvement with respect to situation of fixed assets.*
  - b. We are informed that the fixed assets of the located at the 184 branches including the Centralised Processing Centre and the Head Office have been physically verified after the year end due to the economic lockdown imposed by government on account of COVID 19 outbreak but before the date of our report by the persons in-charge except in the case of seven branches and no major discrepancies were noticed on such verifications. In our opinion the frequency of verification of fixed assets of the company is adequate.
  - c. The title deeds of the immovable property of the Company are held in its name.
- ii. The nature of the Company's business is such that it is not required to hold any inventories and, hence, reporting under paragraph 3 (ii) of the order is not applicable to the Company.
- iii. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act. Hence, reporting under paragraph 3 (iii) (a), (b) and (c) of the Order is not applicable to the Company.
- iv. According to the information and explanations given to us and based on the audit procedures conducted by us, the Company has not given Loans, guarantees, investments or securities which fall under the purview of Sections 185 & 186 of the Companies Act, 2013.
- v. As per the Ministry of Corporate Affairs notification dated 31<sup>st</sup> March 2014, the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 2014, as amended, with regard to the deposits accepted are not applicable to the Company and, hence, reporting under Clause 3(v) of the Order is not applicable.
- vi. As per the information and explanation given to us, the Central Government has not prescribed the maintenance of cost records under sub-section (1) of section 148 of the Companies Act, 2013 for any of the services rendered by the Company.
- vii. In respect of statutory dues:
  - a. According to the information and explanation given to us and as per our verification of the records of the Company, the Company has been generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and services tax, cess and any other statutory dues with the appropriate authorities and no material statutory dues have been outstanding for more than six months from the due date as at the year end.



## Chartered Accountants

- b. According to the information and explanation given to us and as per our verification of the records of the Company, the following are the disputed amounts of tax/ duty along with the details of amounts that have been deposited with appropriate authorities as at 31<sup>st</sup> March 2020:

Statute	Nature of dues	Amount (In Lacs)	Amount paid (in Lacs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	3.55	3.55*	AY 2003-2004	Commissioner of Income Tax -Appeals
Income Tax Act, 1961	Income Tax	15.61	Nil	AY 2004-2005	Deputy Commissioner Income Tax
Income Tax Act, 1961	Income Tax	568.55	568.55*	AY 2006-2007	High Court of Karnataka
Income Tax Act, 1961	Income Tax	446.27	446.27*	AY 2007-2008	High Court of Karnataka
Income Tax Act, 1961	Dividend Distribution Tax-u/s 115-O	16.44	Nil	AY 2011-2012	Commissioner of Income Tax -Appeals
Income Tax Act, 1961	Income Tax	36.94	7.39*	AY 2017-2018	Commissioner of Income Tax -Appeals

\* Includes amount paid under protest and amounts adjusted against refunds due to the Company.

- viii. According to information and explanation given to us and as per our verification of the records of the Company, the Company has not defaulted in repayment of its dues to bank/financial institution/government/debenture holders during the year.
- ix. The Company has not raised moneys by way of Initial Public offer or further public offer. The term loans raised have been applied for the purposes for which they were raised. The Company has also raised working capital loans with no repayment schedule and being working capital loans the reporting requirements of utilization is not commented upon.
- x. According to the information and explanations given to us and as per our verification of the records of the Company, no fraud either on or by the Company has been noticed or reported by its officers or employees during the year.
- xi. According to the information and explanations given to us, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.
- xii. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with sections 177 and 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.



# Varma & Varma

## Chartered Accountants

- xiv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.
- 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 non-cash transactions with directors or persons connected with him. Accordingly, paragraph 3(xv) of the Order is not applicable.
- xvi. The Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

Place: Bangalore

Date : 15/6/2020

For VARMA & VARMA  
Chartered Accountants  
FRN 0045325



R Kesavadas  
Partner

M. No.23862

UDIN: 20023862 AAAABC 2998



### “ANNEXURE - B” TO THE INDEPENDENT AUDITORS’ REPORT

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 M/s Can Fin Homes Limited (“the Company”) as of 31<sup>st</sup> March 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

#### 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 on Audit of Internal Financial Controls Over Financial Reporting (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 judgment, 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.



## Chartered Accountants

### 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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) 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 (3) 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 31<sup>st</sup> March 2020, 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.

### Other Matters

Our aforesaid report under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to 165 branches is based on the corresponding auditors' reports of the auditors of such branches.

Place: Bangalore  
Date : 15/6/2020



For VARMA & VARMA  
Chartered Accountants  
FRN 0045325

R Kesavadas  
Partner  
M. No.23862

UDIN: 20023862AAAA BC2998



## Unique Document Identification Number(UDIN) for Practicing Chartered Accountants

[Home](#) [Members Registration](#) [Forgot Password](#) [Verify UDIN](#) [Helpdesk](#) [FAQs](#) [PD Portal](#)

[Video/Webcast](#)

### DOCUMENT DETAILS

Verification Date/Time: 19-06-2020 07:06:31

UDIN Generation Date/Time: 15-06-2020 | 16:42:12

Unique Document Identification Number (UDIN): 20023862AAAABC2998

Member Details: KESAVADAS R (023862)

Document Type: Audit & Assurance Functions

Type of Certificate: Statutory Audit - Corporate

Date of signing of Document: 15-06-2020

Figures/Particulars:  
1. Financial Year: 01-04-2019-31-03-2020  
2. Gross Turnover/Gross Receipt: INR 2,03,045.08 Lacs  
3. Shareholder Fund/Owners Fund: INR 2,15,006.85 Lacs  
4. Net Block of Property, Plant & Equipment: INR 3,789.74 Lacs  
5. FRN: 004532S

Document Description: Independent Auditors' Report on Financial Statements for the year ending March 31, 2020

Status: Active

[VERIFY ANOTHER UDIN/ EXIT](#)

### DISCLAIMER

This UDIN System has been developed by ICAI to facilitate its members for verification and certification of the documents and for securing documents and authenticity thereof by Regulators.

(Rupees in lakhs)

Sl. No.	Particulars	Note No.	As at March 2020	As at March 2019
	<b>ASSETS</b>			
I	<b>Financial Assets</b>			
a)	Cash and Cash equivalents	3(a)	37,231.93	40,153.45
b)	Bank Balances other than (a)	3(b)	2,012.06	1,871.94
c)	Derivative Financial Instruments		-	-
d)	Receivables	4		
	(i) Trade Receivables		25.55	13.91
	(ii) Other Receivables		-	-
e)	Loans	5	20,52,569.25	18,23,417.57
f)	Investments	6	2,430.50	1,629.59
g)	Other Financial Assets	7	302.63	266.64
II	<b>Non-Financial Assets</b>			
a)	Current Tax Assets ( Net)	8.1	2,403.93	2,062.39
b)	Deferred Tax Assets ( Net)	8.2	3,389.25	2,400.76
c)	Property, Plant and Equipment	9	3,789.74	985.15
d)	Other non-financial assets	10	203.76	147.84
	<b>TOTAL</b>		<b>21,04,358.61</b>	<b>18,72,949.24</b>
	<b>LIABILITIES AND EQUITY</b>			
	<b>LIABILITIES</b>			
I	<b>Financial Liabilities</b>			
a)	Derivative Financial Instruments		-	-
b)	Payables	11		
	Trade Payables			
	(i) total outstanding dues of micro enterprises and small enterprises		-	-
	(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		400.35	332.19
	Other Payables			
	(i) total outstanding dues of micro enterprises and small enterprises		-	-
	(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		23.60	14.38
c)	Debt Securities	12	3,80,955.13	5,63,468.56
d)	Borrowings ( Other than debt securities)	13	14,53,089.75	10,88,139.04
e)	Deposits	14	30,508.05	26,109.48
f)	Subordinated Liabilities	15	10,291.47	10,291.47
g)	Other Financial Liabilities	16	5,871.82	2,232.06
II	<b>Non-Financial Liabilities</b>			
a)	Current tax liabilities ( Net)		-	-
b)	Provisions	17	6,623.03	2,663.65
c)	Deferred tax liabilities ( Net)		-	-
d)	Other non-financial liabilities	18	1,588.57	1,479.81
III	<b>EQUITY</b>			
a)	Equity Share capital	19	2,663.31	2,663.31
b)	Other Equity	20	2,12,343.54	1,75,555.29
	<b>TOTAL</b>		<b>21,04,358.61</b>	<b>18,72,949.24</b>

**Significant Accounting Policies**

See accompanying notes forming part of the financial statements

1 & 2

As per our report of even date attached

For and on behalf of the Board

For Varma & Varma,  
Chartered Accountants  
FRN:- 004532S

Bharati Rao  
Chairperson  
DIN: 01892516

Girish Kousgi  
Managing Director & CEO  
DIN: 08524205

S M Bhandiwad  
Wholtime Director  
DIN: 08120906

R. Kesavadas  
Partner  
Membership No: 23862

NAGANATHAN  
GANESAN  
Digitally signed by  
NAGANATHAN GANESAN  
Date: 2020.06.15 21:07:31 +05'30'

G Naganathan  
Director  
DIN: 00423686

YELURI  
VIJAYANAND  
Digitally signed by YELURI  
VIJAYANAND Date: 2020.06.15 20:02:07 +05'30'

Dr Y Vijayanand  
Director  
DIN: 00594503

Debashish Mukherjee  
Director  
DIN: 08193978

Place: Bangalore  
Date: 15.06.2020

Shamila Mangalore  
General Manager

Prashanth Joishy  
Chief Financial Officer

Veena G Kamat  
Company Secretary





CAN FIN HOMES LIMITED  
Statement of Profit and Loss for the period ended March 31, 2020

(Rupees in lakhs)

Sl. No.	Particulars	Note No.	Year ending March 2020	Year ending March 2019
	<b>Revenue from Operations</b>			
i)	Interest Income	21	2,01,890.59	1,71,340.68
ii)	Fees and Commission Income	22	1,150.72	1,354.43
I	<b>Total Revenue from Operations</b>		<b>2,03,041.31</b>	<b>1,72,695.11</b>
II	Other Income	23	3.77	439.45
III	<b>Total Income (I+II)</b>		<b>2,03,045.08</b>	<b>1,73,134.56</b>
	<b>Expenses</b>			
i)	Finance Costs	24	1,34,420.98	1,16,927.38
ii)	Fees and Commission Expense	25	1,231.46	1,085.10
iii)	Impairment on financial instruments	26	6,031.57	109.22
iv)	Employee Benefit Expenses	27	5,420.57	4,139.92
v)	Depreciation, Amortisation and Impairment	28	947.13	296.88
vi)	Other expenses	29	3,164.73	3,625.58
IV	<b>Total Expenses</b>		<b>1,51,216.43</b>	<b>1,26,184.08</b>
V	<b>Profit(loss) before exceptional items and tax</b>		<b>51,828.65</b>	<b>46,950.48</b>
VI	Exceptional items		-	-
VII	<b>Profit( loss) before tax</b>		<b>51,828.65</b>	<b>46,950.48</b>
VIII	Tax Expense			
a	Current Tax		14,556.71	17,203.91
b	Tax expense of earlier years		461.81	151.54
c	Deferred Tax		(802.22)	(78.67)
IX	<b>Profit(Loss) for the period from continuing operations</b>		<b>37,612.35</b>	<b>29,673.69</b>
X	Profit( Loss) from discontinued operations		-	-
XI	Tax expense of discontinued operations		-	-
XII	Profit( Loss) from discontinued operations (after tax)		-	-
XIII	<b>Profit( Loss) for the period</b>		<b>37,612.35</b>	<b>29,673.69</b>
XIV	<b>Other Comprehensive income</b>	39		
A.	Items that will not be reclassified to profit or loss			
(i)	Actuarial (Gain )/ loss		228.55	(4.21)
(ii)	Income tax relating to items that will not be reclassified to profit or loss		(57.52)	1.47
B.	Items that will be reclassified to profit or loss			
(i)	Items that will be reclassified to profit or loss		-	-
(ii)	Income tax relating to items that will be reclassified to profit or loss		-	-
	<b>Other Comprehensive income</b>		<b>171.03</b>	<b>(2.74)</b>
XV	<b>Total Comprehensive Income for the period</b>		<b>37,441.32</b>	<b>29,676.43</b>
XVI	<b>Earnings per equity share (for continuing and discontinued operations )</b>	38		
	Basic ( Rs)		28.25	22.29
	Diluted (Rs)		28.25	22.29


Significant Accounting Policies

See accompanying notes forming part of the financial statements

1 & 2

As per our report of even date attached

For Varma & Varma,  
Chartered Accountants  
FRN:- 004532S



R. Kesavadas  
Partner  
Membership No: 23862


Place: Bangalore  
Date: 15.06.2020



Bharati Rao  
Chairperson  
DIN: 01892516

NAGANATHA  
N GANESAN

G Naganathan  
Director  
DIN: 00423686



Shamula Mangalore  
General Manager



Girish Kousgi  
Managing Director & CEO  
DIN: 08524205

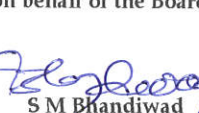
YELURI  
VIJAYANAND

Dr Y Vijayanand  
Director  
DIN:00594503



Prashanth Joishy  
Chief Financial Officer

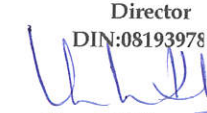
For and on behalf of the Board



S M Bhandiwad  
Wholetime Director  
DIN: 08120906



Debashish Mukherjee  
Director  
DIN:08193978



Veena G Kamath  
Company Secretary



CAN FIN HOMES LIMITED  
Cash Flow Statement for the period ended March 31, 2020

(Rupees in lakhs)

Sl. No	Particulars	Year ending March 2020	Year ending March 2019
A)	<b>Cash Flow from Operating Activities</b>		
	Net Profit Before Tax and Exceptional Items	51,828.65	46,950.48
	<b>Add:</b>		
i)	<b>Adjustment For:</b>		
	Depreciation and Amortization	947.13	296.88
	Loss/(Profit) on Sale of Assets [net]	1.85	(4.58)
	Provision no longer required written back	-	(2.15)
	Interest on lease liability	314.40	-
	Interest expense accrued but not paid	11,451.48	18,564.86
	Interest income accrued but not received	(7.14)	(12.79)
	Impairment of financial instruments	6,031.57	109.22
	Fair Value adjustments on Debentures	107.62	187.63
	Fair Value adjustments on Investments	2.57	(0.25)
	<b>Operating Profit before Working Capital Changes</b>	<b>70,678.13</b>	<b>66,089.29</b>
ii)	<b>Adjustment For Working Capital:</b>		
	(Increase)/Decrease in Trade Receivables	(11.64)	7.13
	Increase/(Decrease) in Trade Payables	77.38	(653.72)
	(Increase)/Decrease in Other Financial Assets	(28.85)	(45.53)
	(Increase)/Decrease in Loans	(2,35,183.25)	(2,64,161.01)
	Increase/(Decrease) in Provisions	3,730.82	(692.82)
	( Increase)/Decrease in Other non-financial assets	(55.93)	(10.57)
	Increase/(Decrease) in Other financial liabilities	(11,388.57)	(21,673.15)
	Increase/(Decrease) in Other non-financial liabilities	390.17	2,630.70
	<b>Cash Generated from Operations</b>	<b>(2,42,469.86)</b>	<b>(2,84,598.97)</b>
	Less: Income Tax Paid	(1,71,791.73)	(2,18,509.67)
	<b>Net Cash Flow from Operating Activities</b>	<b>(1,84,211.54)</b>	<b>(2,33,492.74)</b>
B)	<b>Cash Flow from Investing Activities</b>		
	Purchase of Property, Plant and Equipment	(374.31)	(332.70)
	Sale of Property, Plant and Equipment	3.74	12.25
	Investment in Government Securities	(803.48)	(6.50)
	(Increase)/Decrease in Other Bank balances	(140.12)	(43.75)
	<b>Net Cash Flow from Investing Activities</b>	<b>(1,314.17)</b>	<b>(370.70)</b>
C)	<b>Cash Flow from Financing Activities</b>		
	Short term borrowings (net)	(19,610.19)	50,522.04
	Long Term Borrowings taken	5,03,000.00	5,00,500.00
	Long Term Borrowings repaid	(1,18,439.10)	(1,32,147.55)
	Proceeds from deposits accepted (net)	4,398.57	3,279.50
	Debt Securities ( net)	(1,82,621.04)	(1,45,000.00)
	Payment of lease liability	(913.51)	0.00
	Dividend and dividend distribution tax paid	(3,210.53)	(3,210.48)
	<b>Net Cash Flow from Financing Activities</b>	<b>1,82,604.19</b>	<b>2,73,943.51</b>
	<b>Increase/ (Decrease) in Cash &amp; Cash Equivalents</b>	<b>(2,921.52)</b>	<b>40,080.05</b>
	Cash & Cash Equivalents at the Beginning of the Year	40,153.45	73.42
	<b>Cash &amp; Cash Equivalents at the end of the Year [refer note 3(a)]</b>	<b>37,231.93</b>	<b>40,153.45</b>



CAN FIN HOMES LIMITED  
Cash Flow Statement for the period ended March 31, 2020

		(Rupees in lakhs)	
Sl. No	Particulars	Year ending March 2020	Year ending March 2019
	<b>Other Notes:</b>		
	Cash and Cash equivalents include:		
	Cash on hand	41.32	65.07
	Cheques on hand	-	68.41
	Balance with Banks		
	- Current Accounts	190.61	19.97
	- Fixed Deposits	37,000.00	40,000.00
	<b>Total</b>	<b>37,231.93</b>	<b>40,153.45</b>

Note : During the year company has spent Rs.1,004.02 lakhs (PY 606.24 lakhs) on eligible corporate social responsibility activities (refer Note 46).

See accompanying notes forming part of the financial statements

For and on behalf of the Board


 <b>Bhalati Rao</b> Chairperson DIN: 01892516	 <b>Girish Kousgi</b> Managing Director & CEO DIN: 08524205	 <b>S M Bhandiwad</b> Wholetime Director DIN: 08120906
NAGANATHAN GANESAN <small>Digitally signed by NAGANATHAN GANESAN Date: 2020.08.15 21:16:49 +05'30'</small> <b>G Naganathan</b> Director DIN: 00423686	YELURI VIJAYANAND <small>Digitally signed by YELURI VIJAYANAND Date: 2020.08.15 20:54:19 +05'30'</small> <b>Dr Y Vijayanand</b> Director DIN:00594503	 <b>Debashish Mukherjee</b> Director DIN:08193978
 <b>Shampila Mangalore</b> General Manager	 <b>Prashanth Joishy</b> Chief Financial Officer	 <b>Veena G Kamath</b> Company Secretary



We have examined the above Cash Flow Statement of Can Fin Homes Limited for the period ended March 31, 2020. The statement has been prepared by the Company in accordance with the requirements of the listing agreements with the respective stock exchange and is based on and in agreement with the corresponding Profit and Loss account and Balance sheet of the Company

As per our report of even date attached

For Varma & Varma,  
Chartered Accountants  
FRN:- 004532S

  
**R. Kesavadas**  
Partner  
Membership No: 23862

Place: Bangalore  
Date: 15.06.2020



Statement of Changes in Equity

Particulars	Equity Share Capital	Share application money pending allotment	Other Equity					Other items of OCI	Total
			Reserves and Surplus						
			Statutory Reserves	General Reserve	Securities Premium	Retained Earnings	Special Reserve		
Balance as at 1st April 2019	2,663.31	-	24,535.29	55,483.09	27,297.54	5,890.94	62,301.74	46.69	1,75,555.29
Changes in equity for the year ended March 31, 2020:									
Equity shares issued during the year	-	-	-	-	-	-	-	-	-
Equity Shares forfeited	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	37,612.35	-	-	37,612.35
Changes in accounting policy/prior period errors (Refer note 43)	-	-	-	-	-	(382.80)	-	-	(382.80)
Comprehensive Income for the year	-	-	-	-	-	-	-	(171.03)	(171.03)
Dividends	-	-	-	-	-	-	-	-	-
Transfer to /from retained earnings	-	-	7,488.26	7,488.26	-	(26,659.07)	14,622.81	-	2,940.26
Dividends (including tax thereon)	-	-	-	-	-	(3,210.53)	-	-	(3,210.53)
Others	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2020	2,663.31	-	32,023.55	62,971.35	27,297.54	13,250.89	76,924.55	(124.34)	2,12,343.54

Particulars	Equity Share Capital	Share application money pending allotment	Other Equity					Other items of OCI	Total
			Reserves and Surplus						
			Statutory Reserves	General Reserve	Securities Premium	Retained Earnings	Special Reserve		
Balance as at 1st April 2018	2,663.31	-	18,600.00	49,547.80	27,297.54	37.76	50,508.38	43.95	1,46,035.43
Changes in equity for the year ended March 31, 2019:									
Equity shares issued during the year	-	-	-	-	-	-	-	-	-
Equity Shares forfeited	-	-	-	-	-	-	-	-	-
Profit for the year	-	-	-	-	-	29,673.69	-	-	29,673.69
Comprehensive Income for the year	-	-	-	-	-	-	-	2.74	2.74
Dividends	-	-	-	-	-	-	-	-	-
Transfer to /from retained earnings	-	-	5,935.29	5,935.29	-	(20,610.02)	11,793.37	-	3,053.91
Dividends (including tax thereon)	-	-	-	-	-	(3,210.48)	-	-	(3,210.48)
Others	-	-	-	-	-	-	-	-	-
Balance as at March 31, 2019	2,663.31	-	24,535.29	55,483.09	27,297.54	5,890.94	62,301.74	46.69	1,75,555.29

See accompanying notes forming part of the financial statements

For Varma & Varma,  
Chartered Accountants  
FRN: 0045325

R. Kesavadas  
Partner  
Membership No: 23862

Place: Bangalore  
Date: 15.06.2020

For and on behalf of the Board

Bharati Rao  
Chairperson  
DIN: 01892516

Girish Kousgi  
Managing Director & CEO  
DIN: 08524205

S M Bhardiwar  
Wholetime Director  
DIN: 08120906

NAGANATHAN  
GANESAN  
Digitally signed by NAGANATHAN  
GANESAN  
Date: 2020.06.15 11:30:03+05'30'

YELURI  
VIJAYANAND  
Digitally signed by  
YELURI VIJAYANAND  
Date: 2020.06.15  
20:54:42+05'30'

G Naganathan  
Director  
DIN: 00423686

Dr Y Vijayanand  
Director  
DIN: 00594503

Debashish Mukherjee  
Director  
DIN: 08193978

Shantila Mangalore  
General Manager

Prashanth Joishy  
Chief Financial Officer

Veena G Kamath  
Company Secretary



## CANFIN HOMES LIMITED

Notes forming part of Financial Statements for the year ending March 31, 2020

---

### 1. Company Overview

Can Fin Homes Ltd (The Company), set up under the sponsorship of Canara Bank, was incorporated in the year 1987, The Company is a housing finance institution approved by National Housing Bank (NHB), the apex authority of housing in the country. It is a listed company and its shares are traded in all the major stock exchanges in the country. The company has its head office in Bengaluru, Karnataka.

### 2. Summary of Significant Accounting Policies:

#### a) Statement of compliance:

These financial statements have been prepared in accordance with Indian Accounting Standards ("Ind AS") as notified under the Companies (Indian Accounting Standards) Rules, 2015 and Companies (Indian Accounting Standards) Amendment Rules, 2016 as applicable read with Section 133 of the Companies act, 2013 (the "Act") and guidelines issued by National Housing Bank.

#### b) Basis of measurement

The financial statements have been prepared on a historical cost convention and on an accrual basis, except for the following material items that have been measured at fair value as required by relevant Ind AS:

- i. Certain financial assets and liabilities measured at fair value (refer accounting policy on financial instruments);
- ii. Defined benefit and other long-term employee benefits

#### c) Use of estimates and judgment

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions, that affect the application of accounting policies and the reported amounts of assets, liabilities, and disclosure of Contingent liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed at each balance sheet date. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected.

The application of accounting policies that require critical accounting estimates involving complex and subjective judgments and the use of assumptions in these financial statements are as below:

1. Measurement of Expected Credit Loss
2. Measurement of useful life of Property, Plant & Equipment
3. Estimation of Taxes on Income
4. Estimation of Employee Benefit Expense

#### d) Financial instruments

##### *Initial recognition and measurement :*

All financial instruments are recognised initially at fair value. Transaction costs that are directly attributable to the acquisition of the financial asset are recognised in determining the carrying amount, if it is not classified as at fair value through profit or loss.

Purchase or sale of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trade) are recognised on trade date. Loans, borrowings and payables are recognised net of directly attributable transaction costs. Subsequently, financial instruments are measured according to the category in which they are classified.



*Subsequent measurement:*

For the purpose of subsequent measurement, financial instruments of the Company are classified in the following categories: non- derivative financial assets comprising amortised cost, debt instruments at fair value through other comprehensive income (FVTOCI), equity instruments at FVTOCI or fair value through profit and loss account (FVTPL), non-derivative financial liabilities at amortised cost or FVTPL and derivative financial instruments (under the category of financial assets or financial liabilities) at FVTPL.

The classification of financial instruments depends on the objective of the business model for which it is held. Management determines the classification of its financial instruments at initial recognition.

*a) Non-derivative financial assets*

**(i) Financial assets at amortised cost**

A financial asset shall be measured at amortised cost if both of the following conditions are met:

- (a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

They are presented as current assets, except for those maturing later than 12 months after the reporting date which are presented as non-current assets. Financial assets are measured initially at fair value plus transaction costs and subsequently carried at amortized cost using the effective interest rate method, less any impairment loss.

Financial assets at amortised cost are represented by trade receivables, security deposits, cash and cash equivalents, employee and other advances and eligible current and non-current assets. Cash and cash equivalents are highly liquid instruments that are readily convertible into cash and which are subject to an insignificant risk of changes in value and comprise cash on hand and in banks and demand deposits with banks which can be withdrawn at any time without prior notice or penalty on the

**(ii) Debt instruments at FVTOCI**

A debt instrument shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- (a) the objective of the business model is achieved by both collecting contractual cash flows and selling financial assets and
- (b) the asset's contractual cash flow represents SPPI

Debt instruments included within FVTOCI category are measured initially as well as at each reporting period at fair value plus transaction costs. Fair value movements are recognised in other comprehensive income (OCI). However, the Company recognises interest income, impairment losses & reversals and foreign exchange gain/(loss) in statement of profit and loss. On de-recognition of the asset, cumulative gain or loss previously recognised in OCI is reclassified from equity to profit and loss. Interest earned is recognised under the effective interest rate (EIR) model.

**(iii) Debt Instruments at FVTPL**

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income.



## CANFIN HOMES LIMITED

Notes forming part of Financial Statements for the year ending March 31, 2020

---

### *b) Non-derivative financial liabilities*

#### (i) Financial liabilities at amortised cost

Financial liabilities at amortised cost represented by debt securities, subordinated liabilities, deposits, borrowings, trade and other payables are initially recognized at fair value, and subsequently carried at amortized cost using the effective interest rate method.

#### e) Statement of Cash Flows:

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, in banks and demand deposits with banks, net of outstanding bank overdrafts that are repayable on demand, book overdraft and are considered part of the Company's cash management system.

Cash flows are reported using the indirect method whereby profit or loss is adjusted for the effects of the transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments and items of income or expense associated with investing or financing cash flows.

#### f) Property, plant and equipment

i) **Recognition and measurement:** Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Costs include directly attributable expenditure incurred up to the date the asset is ready for its intended use.

Amounts paid towards the acquisition of property, plant and equipment outstanding as of each reporting date and the cost of property, plant and equipment not ready for intended use before such date are disclosed under capital advances and capital work-in-progress respectively. Depreciation is not recorded on capital work-in-progress until installation is complete and the asset is ready for its intended use.

Subsequent expenditure relating to property, plant and equipment is capitalized only when it is probable that future economic benefits associated with these will flow to the Company and the cost of the item can be measured reliably. Repairs and maintenance costs are recognized in the statement of profit and loss when incurred. The cost and related accumulated depreciation are eliminated from the financial statements upon sale or disposition of the asset and the resultant gains or losses are recognized in the statement of profit and loss.

#### ii) Depreciation:

Depreciation on tangible assets is provided on the Written Down Value method over the estimated useful life of the assets as prescribed in Schedule II of the Companies Act, 2013, except in case of servers, where the useful life is estimated to be 3 years considering its nature, estimated usage, operating conditions, anticipated technological changes, manufacturers warranties and maintenance support.

Depreciation methods, useful life and residual values are reviewed atleast at each year end. Changes in expected useful life are treated as change in accounting estimate.

When parts of an item of property, plant and equipment have different useful life, they are accounted for as separate items (major components) of property, plant and equipment.

#### g) Intangible Assets

Intangible assets are stated at cost less accumulated amortization and impairments. Intangible assets are amortized over their respective individual estimated useful lives on a straight-line basis, from the date that they are available for use. The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition and other economic factors.



## CANFIN HOMES LIMITED

Notes forming part of Financial Statements for the year ending March 31, 2020

The estimated useful lives of intangible assets for the current and comparative period are as follows:

Asset	Estimated useful life
Software	5 Years

### h) Lease

The Company recognises assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Company is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Company measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, the Company recognises depreciation on the right-of-use asset and interest on the lease liability. The depreciation would usually be on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the Company is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

### i) Impairment

#### i) Financial assets

Ind AS 109 establishes a credit risk impairment model based on expected losses. This model will apply to loans and debt instruments measured at amortised cost or at fair value through shareholders' equity (on a separate line), to loan commitments and financial guarantees not recognised at fair value, as well as to lease receivables. The impairment model under Ind AS 109 requires accounting for 12-month expected credit losses (that result from the risk of default in the next 12 months) on the financial instruments issued or acquired, as of the date of initial recognition on the balance sheet. Expected credit losses at maturity (that result from the risk of default over the life of the financial instrument) will be recognised if the credit risk has increased significantly since initial recognition (Stage 2) or have become credit impaired (Stage 3).

Under the standard, there is also a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. Based on past experience, the company has developed the ECL model rebutting this presumption and uses 30 days past due as the trigger for confirming a significant increase in credit risk. The structure of the ECL model developed by the company is :

Stage	Assets
1	Standard Assets/SMA 0* assets : Over due for 30 days
2	SMA 1 and SMA 2 Assets : Over due morethan 30 days to 90 days
3	Sub-standard, Doubtful and Loss Assets ( all NPAs) - Overdue for morethan 90 days

\*SMA- Special Mention Accounts.

The Company assesses periodically and at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment allowances represent management's best estimate of the losses incurred within the loan portfolios at the balance sheet date. They are calculated on a collective basis for portfolios of loans of a similar nature and on an individual basis for significant loans. The calculation of both collective and specific impairment allowances is inherently judgmental. Collective impairment allowances are calculated using models which approximate the impact of current economic and credit conditions on large portfolios of loans. The inputs to these models are based on historical loss experience with judgement applied to determine the assumptions (for example the value of collateral) used to calculate impairment. The amount of provision for loan losses is calculated by multiplying the exposure at default (EAD), Probability of Default (PD) and Loss Given Default (LGD).





EAD is the amount of outstanding in the account and the interest accrued. PD has been arrived at on the basis of the average of defaults over the past four years in the category to which the asset belongs. LGD is the amount of default expected to occur after considering the value of the security offered as collateral.

Being a housing finance company, the company has to follow the guidelines given by the National Housing Bank (NHB) on Prudential Norms on Asset Classification and provisioning requirement. The Prudential norms prescribed by NHB do not consider the value of security for standard and sub-standard assets. The company provides for impairment of financial assets on the basis of the Expected Credit Loss Model or the Prudential norms of NHB whichever is higher.

**ii) Non-financial assets**

The Company assesses at each Balance sheet date whether there is any objective evidence that a non-financial asset or a group of non-financial assets maybe impaired. If any such indication exists, the Company estimates the amount of impairment loss.

An impairment loss is calculated as the difference between an asset's carrying amount and recoverable amount. Losses are recognised in the statement of profit and loss and reflected in an allowance account. When the Company considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the statement of profit and loss.

**j) Employee Benefits**

The Company participates in various employee benefit plans. Post-employment benefits are classified as either defined contribution plans or defined benefit plans. Under a defined contribution plan, the Company's only obligation is to pay a fixed amount with no obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits. The related actuarial and investment risks fall on the employee. The expenditure for defined contribution plans is recognized as expense during the period when the employee provides service. Under a defined benefit plan, it is the Company's obligation to provide agreed benefits to the employees. The related actuarial and investment risks fall on the Company. The present value of the defined benefit obligations is calculated using the projected unit credit method.

**a) Employee State Insurance**

The Company's contribution to state plans namely Employee's State Insurance Scheme is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which the employee renders services.

**b) Employee Pension Scheme**

The Company's contribution to state plans namely Employee's Pension Scheme is a defined contribution plan and contribution paid or payable is recognised as an expense in the period in which the employee renders services.

**c) Employee Provident Fund.**

Liability in respect of contribution to Employee Provident fund is estimated on the basis of valuation in a manner similar to gratuity liability and is recognised in the balance sheet net of the fair value of the plan assets.



A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the

**k) Revenue recognition**

Revenue is measured at fair value of consideration received or receivable. Revenues are recognised when collectability of the resulting receivables is reasonably assured.

**i) Interest**

Interest income and expense are recognised in the statement of profit or loss using the effective interest (EIR) method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses.

Fees that are integral part of EIR are recognised as interest income.

**ii) Fees and Commission**

Fees and commission income include fees other than those that are an integral part of EIR. The company recognises such fee and commission income in accordance with terms of the relevant contracts / agreements with the customers.

**iii) Insurance Commission**

Commission on sale of insurance policies are recognised on an accrual basis in accordance with the agreed rates with the Insurer.

**iv) Income from Investments**

Interest Income on Investments in government securities is recognized as it accrues in the statement of profit and loss, using the effective interest method and interest on other investments is recognised on accrual basis.

**v) Dividend Income**

Dividend income is recognized in the statement of profit and loss on the date that the Company's right to receive payment is established.

**vi) Other income**

Other Income represents income earned from the activities incidental to the business of the Company and is recognised when the right to receive the income is established as per the terms of the contracts.

**l) Finance expense**

Finance expenses consist of interest expense on loans and borrowings. Borrowing costs are recognized in the statement of profit and loss using the effective interest method.



**m) Foreign Currency**

**i) Functional and presentation currency**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (i.e. the "functional currency"). The financial statements are presented in Indian Rupee, the national currency of India, which is the functional currency of the Company.

**ii) Transactions and Translations**

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of transaction. Foreign currency denominated monetary assets and liabilities are re-measured into the functional currency at the exchange rate prevailing on the balance sheet date. Exchange differences arising on settlement of transactions are recognised in the statement of profit and loss.

Foreign currency gains and losses are reported on a net basis. This includes changes in the fair value of foreign exchange derivative instruments, which are accounted at fair value through profit or loss.

**n) Income tax**

Income tax expense comprises current and deferred taxes. Income tax expense is recognized in the statement of profit and loss except to the extent it relates to items directly recognized in equity or in other comprehensive income in which case is also recognised outside the statement of profit and loss.

**a) Current income tax**

Current income tax for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the taxable income for the period. The tax rates and tax laws used to compute the current tax amount are those that are enacted or substantively enacted by the reporting date and applicable for the period. The Company offsets current tax assets and current tax liabilities, where it has a legally enforceable right to set off the recognized amounts and where it intends either to settle on a net basis or to realize the asset and liability simultaneously.

**b) Deferred taxes**

Deferred tax is recognized using the balance sheet approach. Deferred tax assets and liabilities are recognised for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilised business loss and depreciation carry forwards and tax credits.

Deferred tax asset is recognized to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.



**CANFIN HOMES LIMITED**

Notes forming part of Financial Statements for the year ending March 31, 2020

---

**o) Earnings per share (EPS)**

Basic earnings per share is computed by dividing net profit after tax by the weighted average number of equity shares outstanding during the period.

Diluted EPS is computed by dividing the net profit after tax by the weighted average number of equity shares considered for deriving basic EPS and also weighted average number of equity shares that could have been issued upon conversion of all dilutive potential equity shares.

**p) Segment**

The Company is engaged mainly in the business of Housing finance. The Company is also involved in the corporate insurance agency business activity, however it is not a separate reportable segment as per the Ind AS 108 "Operating Segments", specified under Section 133 of the Companies Act, 2013. This in the context of Ind AS 108 - operating segments reporting are considered to constitute one reportable segment.

