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# Independent Auditors' Report

## to the Members of Sundaram Finance Limited

### 1. Report on the Standalone Financial Statements

We have audited the accompanying standalone financial statements of Sundaram Finance Limited ("the Company"), which comprise the Balance Sheet as at 31st March, 2018, the Statement of Profit and Loss, the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### 2. Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("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 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, read with Rule 7 of the Companies (Accounts) Rules, 2014. 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.

### 3. Auditor's Responsibility

Our responsibility is to express an opinion on these standalone financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are

required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

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

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

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

### 4. Opinion

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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2018;

- b) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date
5. Report on Other Legal and Regulatory Requirements
- i) 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 paragraph 3 and 4 of the Order.
- ii) 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, 2018 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March, 2018 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 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 the effect of the pending legal proceedings against it in its financial statements as mentioned in Note 26.06 of the Notes to the Accounts;
- ii. based on the current assessment of the long term contracts, in the ordinary course of business, the company has made adequate provision for losses where required, as explained in Note 26.11 of the Notes to the Accounts. The derivative contracts being in the nature of hedge contracts, the company does not anticipate any material losses from the same.
- iii. during the year, there has been no delay in transferring the amounts required to be transferred to the Investor Education and Protection Fund.

For **Sundaram & Srinivasan**,  
Chartered Accountants  
Firm Registration No. 004207S

**K.Srinivasan**  
Partner

Place: Chennai  
Date : 25th May 2018

Membership No. 005809

## “Annexure A” to the Auditors’ Report Referred to in Paragraph 5 of Our Report of Even Date

- i. a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- b) Fixed assets have been physically verified by the Management during the year, in accordance with an annual plan of verification, which in our opinion is reasonable having regard to the size of the Company and the nature of the fixed assets. The discrepancies noticed on such verification were not material and have been properly dealt with in the books of account.
- c) The title deeds of immovable properties are held in the name of the Company.
- ii. The Company has granted secured loans to two parties and unsecured loan to one party covered in the register maintained under Section 189 of the Act.
- a) The terms and conditions of the grant of such loans are not prejudicial to company’s interest;
- b) The repayment of principal and payment of interest has been stipulated and the repayments and receipts are regular;
- c) The amounts are not overdue.
- iii. In our opinion and according to the information and explanations given to us, the company has not granted any loans, made any investments or provided any guarantee or security as envisaged under Section 185 and Section 186 of the Companies Act, 2013 respectively.
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the directions issued by the Reserve Bank of India and the provisions of Section 73 to 76 of the Act, and any other relevant provisions of the Act and the rules framed thereunder with regard to the deposits accepted from the public.
- v. The Central Government has not prescribed the maintenance of cost records under Section 148(1) of the Act.
- vi. a) In our opinion and according to the information and explanations given to us, undisputed statutory dues, including Provident Fund, Employees State Insurance, Income tax, sales tax, Service tax, value added tax, cess, Goods and Service tax and other material statutory dues have been regularly deposited during the year with the appropriate authorities. According to the information and explanations given to us, there are no arrears of statutory dues which are outstanding as at 31st March 2018 for a period of more than six months from the date they became payable.
- b) According to the records of the Company and the information and explanations given to us, the details of disputed value added tax and service tax not deposited are as follows:

Nature of dues	Amount (₹ Lakhs)	Period to which the amount relates	Forum where the dispute is pending
Value added tax	132.01	1993-94 to 2013-14	Assistant / Deputy / Joint Commissioner
	31.16	1995-96 to 2011-12	Tribunal
	599.48	1998-99 to 2004-05	High Court
Service tax	5.99	2013-14 to 2014-15	Commissioner – Appeals
	9064.47	2005-06 to 2014-15	CESTAT

- vii. The Company has not defaulted in the repayment of dues to financial institutions, banks, government or debenture holders.
- viii. The Company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) and

- the term loans were applied for the purposes for which the loans were obtained.
- ix. To the best of our knowledge and belief and according to the information and explanations given to us, during the year, no fraud by the Company and no material fraud on the Company by its officers or employees were noticed or reported during the course of our audit.
- x. The Company has paid/provided for managerial remuneration within the limits of Section 197 read with Schedule V to the Act.
- xi. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with related parties are in compliance with Section 177 and Section 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.
- xii. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- xiii. In our opinion and 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 them.
- xiv. The Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and has obtained the registration.
- xv. In our opinion and according to the information and explanations given to us, the nature of the Company's business/ activities during the year has been such that clauses (ii) (regarding inventory) and (xii) (regarding Nidhi Company) of paragraph 3 of the Companies (Auditor's Report) Order, 2016 are not applicable to the Company for the year.

For **Sundaram & Srinivasan**,  
Chartered Accountants  
Firm Registration No. 004207S

**K.Srinivasan**  
Partner

Place: Chennai  
Date : 25th May 2018

Membership No. 005809

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## “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 Sundaram Finance Limited, Chennai (“the Company”) as at 31st March, 2018 in conjunction with our audit of the standalone financial statements of the Company for the period ended on that date.

### **Management’s Responsibility for Internal Financial Controls with reference to Financial Statements**

The Company’s Management is responsible for establishing and maintaining internal financial controls with reference to financial statements 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 with reference to financial statements that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective 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.

### **Auditor’s Responsibility**

Our responsibility is to express an opinion on the Company’s internal financial controls over financial reporting with reference to financial statements 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 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 with reference to financial statements were 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 with reference to financial statements over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting with reference to financial statements included obtaining an understanding of internal financial controls over financial reporting with reference to financial statements, 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 with reference to financial statements over financial reporting with reference to financial statements.

### **Meaning of Internal Financial Controls over Financial Reporting**

A company’s internal financial control with reference to financial statements 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 with reference to financial statements over financial reporting includes those policies and procedures that;

- I. pertain to the maintenance of records, that in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- II. 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 authorisations of management and directors of the company; and
- III. provide reasonable assurance regarding prevention or timely detection of unauthorised 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 with reference to Financial Statements**

Because of the inherent limitations of internal financial controls over financial reporting with reference to financial statements, 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 with reference to financial statements 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 with reference to financial statements over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March, 2018, based on the internal control over financial reporting with reference to financial statements 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 **Sundaram & Srinivasan**,  
Chartered Accountants  
Firm Registration No. 004207S

**K.Srinivasan**  
Partner

Place: Chennai  
Date : 25th May 2018

Membership No. 005809