

INDEPENDENT AUDITORS' REPORT

To,
The Members,
Can Fin Homes Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of M/s Can Fin Homes Limited ("The Company") which comprise the Balance Sheet as at March 31, 2018, the Profit and Loss Statement and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information [in which are incorporated the returns of for the year ended on that date audited by the branch auditors of the Company's 132 branches].

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's Board of Directors is responsible for the matters in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation and presentation of these 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 the 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 the frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial control, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We have taken into account the 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 there under.

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 disclosures in the financial statements. 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.

In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by 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 financial statements.

OPINION

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 Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs of the company as at March 31, 2018 and its profit and its cash flow for the year ended on that date.

OTHER MATTER

We did not audit the financial statements of 132 branches included in the financial statements of the Company whose financial statements reflect total assets of Rs.10,176.92 crore as at March 31, 2018 and total revenues of Rs.956.69 crore 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. Our opinion is not modified in respect of this matter.

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 132 branch offices audited under section 143 by a person other than the company's principal auditor has been forwarded to us as required by sub-section (8) of section 143 and have been dealt with in preparing our report in the manner considered necessary by us;
 - d) The Balance Sheet, Profit and Loss Statement, and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - e) In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - f) On the basis of written representations received from the directors as on 31 March 2018, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2018, 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";
 - h) With respect to the other matters to be included in the Auditor's report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i. The Company has pending litigations disclosed as contingent liabilities in Note 26 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 were no amounts which were required to be transferred to the Investor Education and Protection Fund by the company except as disclosed in Note 9.2 to the financial statements.

For **VARMA & VARMA**
Chartered Accountants
FRN 004532S

R Kesavadas
Partner
M.No.23862

Place: Bangalore
Date : 28/04/2018

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 Can Fin Homes Limited for the year ended March 31, 2018

- (i) (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 Company located at the 152 branches including the Centralised Processing Centre and the Head Office have been physically verified by the persons in-charge as at the year-end except in the case of seven branches as reported by branch statutory auditors and no major discrepancies were noticed. 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 Company is a service Company, primarily rendering housing finance services. Accordingly, it does not hold any inventory of goods. Thus, Para 3(ii) of the Order is not applicable.
- (iii) As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 189 of the Companies Act.
- (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) The provisions of sections 73 to 76 of the Companies Act, 2013 are not applicable to a nonbanking financial company. The Company has however complied with the provisions of the Housing Finance Companies (NHB) Directions, 2010 with regard to the deposits accepted from public and other relevant provisions of the Companies Act, 2013 and the rules framed thereunder to the extent applicable. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company except as disclosed in Note 9.2 to the financial statements.
- (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) (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, service tax, duty of customs, duty of excise, value added 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.
- (b) According to the information and explanation given to us and as per our verification of the records of the Company, the following disputed amounts of tax/ duty have not been deposited with appropriate authorities as at March 31, 2018

Statute	Nature of dues	Amount (Rs)	Period to which the amount relates	Forum to which amount is pending
Income Tax Act, 1961	Income Tax	3,55,200	AY 2003-2004	Commissioner Income Tax Appeals
Income Tax Act, 1961	Income Tax	15,61,002	AY 2004-2005	Deputy Commissioner Income Tax
Income Tax Act, 1961	Income Tax	5,68,55,315	AY 2006-2007	High Court of Karnataka
Income Tax Act, 1961	Income Tax	4,46,27,242	AY 2007-2008	High Court of Karnataka
	Dividend Distribution Tax-u/s 115-O	16,43,798	AY 2011-2012	The Company has determined the probable liability of ₹1,97,812/- and made a request for adjustment of the said amount against the refund due. Revised orders awaited from the Department

- (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 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.
- (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 45IA of the Reserve Bank of India Act, 1934.

For **VARMA & VARMA**
Chartered Accountants
FRN 004532S

R Kesavadas
Partner
M. No.23862

Place: Bangalore
Date : 28/04/2018

ANNEXURE B TO THE 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 March 31, 2018 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

MEANING OF INTERNAL FINANCIAL CONTROLS OVER FINANCIAL REPORTING

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (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 March 31, 2018, 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 132 branches is based on the corresponding auditors' reports of the auditors of such branches.

Place: Bangalore
Date : 28/04/2018

For **VARMA & VARMA**
Chartered Accountants
FRN 004532S

R Kesavadas
Partner
M. No.23862

BALANCE SHEET

As at March 31, 2018

₹ in Lakh

Particulars	Note	As at March 31, 2018	As at March 31, 2017
I EQUITY AND LIABILITIES			
(1) Shareholders Funds			
(a) Share Capital	2	2,663.31	2,662.25
(b) Reserves and Surplus	3	131,986.37	104,967.64
		134,649.69	107,629.89
(2) Share Application Money pending Allotment	4	-	47.62
(3) Non-Current Liabilities			
(a) Long Term Borrowings	5	872,125.34	802,824.86
(b) Deferred Tax Liabilities (Net)	13	14,124.16	11,364.63
(c) Long Term Provisions	6	11,910.42	10,949.80
		898,159.92	825,139.29
(4) Current Liabilities			
(a) Short Term Borrowings	7	324,535.17	308,115.01
(b) Trade payables	8		
Total outstanding dues of micro and small enterprises		-	-
Total outstanding dues of creditors other than micro and small enterprises		869.61	232.67
(c) Other Current Liabilities	9	220,968.66	94,781.92
(d) Short Term Provisions	10	1,514.26	1,905.65
		547,887.69	405,035.26
Total		1,580,697.29	1,337,852.06
II ASSETS			
(1) Non - Current Assets			
(a) Fixed Assets			
(i) Tangible Assets	11	957.00	1,016.97
(b) Non-Current Investments	12	1,593.50	1,593.50
(c) Deferred Tax Assets (Net)	13	-	-
(d) Long Term Loans and Advances	14	1,509,509.06	1,292,241.03
(e) Other Non-current Assets	15	920.01	748.23
		1,512,979.57	1,295,599.73
(2) Current Assets			
(a) Cash and Cash Equivalents	16	981.49	1,247.06
(b) Trade Receivables	17	21.05	-
(c) Short Term Loans and Advances	18	71.94	111.96
(d) Other Current Assets	19	66,643.25	40,893.30
		67,717.72	42,252.33
Total		1,580,697.29	1,337,852.06
Significant Accounting Policies	01		

See accompanying notes forming part of the financial statements.

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

K.N. Prithviraj
Chairman

S. K. Hota
Managing Director

G. Naganathan
Director

R. Kesavadas
Partner
Membership No: 23862

Bharati Rao
Director

T.V. Rao
Director

P.V. Bharathi
Director

Place: Bangalore
Date: April 28, 2018

Atanu Bagchi
Chief Financial Officer

Veena G. Kamath
Company Secretary

STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2018

₹ in Lakh

Particulars	Note	Year ended March 31, 2018	Year ended March 31, 2017
INCOME			
Revenue from Operations	20	154,389.72	135,306.31
Other Income	21	316.48	5.91
Total Revenue		154,706.20	135,312.22
EXPENSES			
Employee benefit Expenses	22	4,416.24	3,935.95
Finance Costs	23	98,077.88	88,402.74
Depreciation and Amortization Expenses	24	308.66	373.22
Other Expenses	25	3,887.85	3,762.25
Total Expenses		106,690.63	96,474.17
Profit Before Tax, Provision and Exceptional Items		48,015.56	38,838.06
Provisions			
Provision for Standard Assets	14.5	210.00	1,065.00
Provision for Doubtful Debts	14.4	2,000.00	815.38
Profit Before Tax and Exceptional Items		45,805.56	36,957.68
Exceptional Items			
Prior Period Adjustments	11	-	(58.85)
Profit Before Tax		45,805.56	37,016.53
Tax expenses:			
(a) Current Tax		13,203.00	11,513.00
(b) Excess Tax provisions of earlier years written back		(334.38)	-
(c) Deferred Tax		2,759.52	1,977.65
Profit for the period		30,177.43	23,525.88
Earnings per Equity Share (face value ₹2/-)			
(1) Basic (in ₹)		22.67	17.68
(2) Diluted (in ₹)		22.67	17.68

See accompanying notes forming part of the financial statements.

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

K.N. Prithviraj
Chairman

S. K. Hota
Managing Director

G. Naganathan
Director

R. Kesavadas
Partner
Membership No: 23862

Bharati Rao
Director

T.V. Rao
Director

P.V. Bharathi
Director

Place: Bangalore
Date: April 28, 2018

Atanu Bagchi
Chief Financial Officer

Veena G. Kamath
Company Secretary

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31 2018

₹ in Lakh

Particulars	Year Ended March 31, 2018	Year Ended March 31, 2017
A CASH FLOW FROM OPERATING ACTIVITIES		
NET PROFIT BEFORE TAX AND EXCEPTIONAL ITEMS	48,015.56	38,838.06
ADJUSTMENTS FOR :		
Depreciation	308.66	373.22
(Profit)/Loss on sale of Assets	(11.77)	3.37
Dividend Income on Mutual Funds	(31.27)	(5.91)
Bad debts written off	-	85.31
Provision no longer required written back	(273.44)	-
OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	48,007.75	39,294.05
ADJUSTMENTS FOR :		
(Increase)/Decrease Trade Receivables	(21.05)	-
Increase/(Decrease) Trade Payables	28.47	-
Increase/(Decrease) Other Current Liabilities	6,627.75	8,053.92
(Increase)/Decrease Long Term and Short Term Loans and Advances	(217,225.00)	(263,523.25)
Increase/(Decrease) Long Term and Short Term Provisions	(292.58)	2,292.47
(Increase)/Decrease Other Non-current and current assets	(25,921.72)	(10,090.11)
	(236,804.13)	(263,266.97)
CASH GENERATED FROM OPERATIONS	(188,796.38)	(223,972.92)
Direct taxes paid	(13,337.90)	(11,615.98)
CASH FLOW BEFORE EXTRAORDINARY ITEMS	(202,134.28)	(235,588.90)
NET CASH FROM OPERATING ACTIVITIES 'A'	(202,134.28)	(235,588.90)
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(257.03)	(450.04)
Sale of Fixed Assets	20.11	3.99
Purchase of Mutual Fund Units	(43,031.27)	(14,000.00)
Redemption of Mutual Fund Units	43,031.27	14,000.00
Dividend Income from Mutual Funds	31.27	5.91
Fixed Deposits received/(paid) [Net]	145.67	(249.00)
NET CASH USED IN INVESTING ACTIVITIES 'B'	(59.98)	(689.14)

CASH FLOW STATEMENT

FOR THE YEAR ENDED MARCH 31 2018

₹ in Lakh

Particulars	Year Ended March 31, 2018	Year Ended March 31, 2017
C CASH FLOW FROM FINANCING ACTIVITIES		
Short term borrowings from banks and Commercial Papers (Net)	(152,893.77)	208,394.53
Deposits taken (Net)	165.10	568.00
Long term borrowings taken	683,812.77	317,792.15
Long term borrowings repaid	(325,804.47)	(287,260.34)
Dividend and Distribution tax paid	(3,205.26)	(3,205.23)
NET CASH USED IN FINANCING ACTIVITIES 'C'	202,074.36	236,289.11
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS `A+B+C'	(119.90)	11.07
OPENING BALANCE OF CASH AND CASH EQUIVALENTS `D'	341.29	330.22
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS `E'	221.39	341.29
OTHER NOTES:		
CASH AND CASH EQUIVALENTS INCLUDE:		
Cash on hand	27.25	43.70
Cheques on hand	43.92	116.00
Balance with Banks:		
- Current Accounts	2.25	57.42
- Dividend Accounts*	147.97	124.18
*Pertains to unclaimed dividend which is earmarked	221.39	341.29

K.N. Prithviraj
Chairman

S. K. Hota
Managing Director

G. Naganathan
Director

Bharati Rao
Director

T.V. Rao
Director

P.V. Bharathi
Director

Atanu Bagchi
Chief Financial Officer

Veena G. Kamath
Company Secretary

We have examined the above Cash Flow Statement of CAN FIN HOMES LTD., BENGALURU for the period ended March 31st, 2018. The Statement has been prepared by the Company in accordance with the requirement of the listing agreements with the respective stock exchanges and is based on and in agreement with the corresponding Profit and Loss account and Balance Sheet of the Company.

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

R. Kesavadas
Partner
Membership No: 23862

Place: Bangalore
Date: April 28, 2018