

REPORT OF DIRECTORS

1. FINANCIAL RESULTS

The financial performance for the FY17-18 is summarised here below:

Particulars	₹ in lakhs	
	Year ended March 31, 2018	Year ended March 31, 2017
Profit before Tax & Provisions	48,015.56	38,838.06
Less: Provision for Standard Assets	210.00	1,065.00
Provision for Doubtful Debts (Written Back)	2,000.00	815.38
Prior Period adjustments	0.00	(58.85)
Profit before Tax	45,805.56	37,016.53
Less: Tax expenses:		
(a) Provision for Tax - Current Year	13,203.00	11,513.00
- Previous Year	(334.38)	0.00
(b) Deferred Taxation	2,759.52	1,977.65
Profit after Tax	30,177.43	23,525.88
Balance brought forward from previous year	35.20	114.58
	30,212.63	23,640.46
Appropriations:		
Transfer to Special Reserve u/s.36(1)(viii) of the Income Tax Act, 1961	8,300.00	6,400.00
Transfer to General Reserve	12,000.00	9,200.00
Additional Reserve (u/s.29C of the NHB Act)	6,100.00	4,800.00
Proposed Dividend [#]	-	-
Tax on Distributed Profits	-	-
Balance carried forward to balance sheet	3,812.63	3,240.46
	30,212.63	23,640.46

[#]The proposed dividend of ₹2/- per equity share and tax thereon are not recognised as liability in the annual accounts as at March 31, 2018 (in compliance of para 8.5 of AS 4 - contingencies and events occurring after the Balance sheet date). The same will be considered as liability on approval of shareholders at the 31st Annual General Meeting.

2. SHAREHOLDERS' WEALTH

Particulars	₹ in lakhs	
	Year ended March 31, 2018	Year ended March 31, 2017
Earning Per Share (EPS) (₹)	22.67	17.68
Dividend Rate	100%	100%
Market Price of shares (₹)*	484.50	424.29
Market Capitalisation (₹ in crore)	6451.13	5643.03

*The face value of shares have been sub-divided into shares of ₹2/- each w.e.f. October 13, 2017. As at March 31, 2017 the market price of eq. shares of ₹10/- each was ₹2121.45 (NSE).

3. BUSINESS PERFORMANCE HIGHLIGHTS

a. Sanctions

During the year, the Company has sanctioned loans amounting to ₹ 5760 Crore as compared to ₹5451 Crore in the previous year, recording a growth of 6%. In spite of continued sluggishness in the real estate market post demonetization, teething troubles of RERA and GST implementation, your Company managed to show a slender margin of positive growth, in approvals, during 2017-18.

During the year, as in the previous year, thrust was given to retail (housing and non-housing) loan segment. 89.50% of fresh loan approvals during the year were for housing and 10.50% were for non-housing loans. The cumulative loan sanctions since inception of your Company stood at ₹32122 Crore at the end of the FY18. Average ticket size of incremental housing loans and non-housing loans are ₹18.08 Lakh and ₹8.73 Lakh, respectively.

b. Disbursements

During the year, the Company has disbursed loans amounting to ₹5207 Crore as compared to ₹4792 Crore in the previous year, recording a growth of 9%. The cumulative loan disbursements from inception to the end of the FY18 was ₹28290 Crore.

c. Loans outstanding (Loan Book)

Your Directors are pleased to report that the total loan outstanding as at March 31, 2018 was ₹15743 Crore, recording a growth of 18% over last year (previous year ₹13313 Crore).

During the year, non-housing loan portfolio has increased from ₹1546 Crore to ₹1654 Crore indicating a growth rate of 7%, which constitutes 10.50% of total portfolio.

d. Non-Performing Asset (NPA)

The Gross NPA of your Company as on March 31, 2018 was contained at ₹67.49 Crore (previous year ₹27.91 Cr.). The net NPA as on date was ₹31.62 Crore, with the NPA provision Coverage Ratio at 63% during the year. The gross NPA percentage as on March 31, 2018 stood at 0.43% compared to 0.21% as on March 31, 2017.

During the year under review, your Company could make a cash recovery of ₹9.10 Crore (previous year ₹4.08 Cr.) in respect of accounts which were Non Performing Assets.

e. Profits

Your Directors are happy to inform that during the year under review, your Company recorded an Operating Profit of ₹480.16 Crore (previous year ₹388.38 Crore), Profit Before Tax (PBT) of ₹458.06 Crore (previous year ₹370.17 Crore) and Profit After Tax (PAT) of ₹301.77 Crore (previous year ₹235.26 Crore) registering a Year-on-Year increase of 24%, 24% and 28%, respectively. During the year Company has made provisions for standard assets amounting to ₹2.10 Crore (previous year ₹10.65 Crore), provisions for Non-performing assets amounting to ₹20.00 Crore (previous year ₹8.15 Crore), provisions for Taxation and Deferred Tax Liability amounting to ₹156.28 Crore (previous year ₹134.91 Crore).

f. Dividend

Your Company has been paying dividends continuously. Your directors, after giving due consideration to Capital Adequacy requirements, projected business plan for the year, deferred tax liability and the dividend policy, are happy to recommend a dividend of ₹2/- per equity share (100%) for the third successive year, for the financial year ended March 31, 2018. The amount of dividend recommended for payment for the year under review is ₹26.63 Crore. The tax on dividends u/s.115-O of the Income Tax Act, 1961, at about 20.36% (₹5.42 Crore) is being paid to the Government by your Company. The Dividend Distribution Policy as required under regulation 43A has been provided as Annexure-4 to this report.

4. EXPANSION OF BRANCH NETWORK

Your Company has been continuously expanding its network of branches. Though our presence in Southern states is predominant, new branches and satellite offices have been opened in various parts of the country after examining the potential on the basis of surveys conducted.

During FY18, 9 new branches and 4 satellite offices were opened and 10 Satellite offices were upgraded to Affordable Housing Loan Centres (AHLs), which exclusively provide smaller ticket size Loans under Credit Linked Subsidy Scheme (CLSS)(Pradhan Mantri Awas Yojana), Loans under Urban Housing (LUH) and Loans under Rural Housing (LRH) schemes. Under this initiative, the second tranche of 10 AHLs were opened during FY18 by upgrading existing satellite offices. As at the end of FY18, your Company has an expanded network of 173 outlets spread

across 19 states comprising 133 branches, 20 AHLCS and 20 Satellite Offices.

During the FY19, your Company has plans to open 20 more branches / AHLCS, taking the total number of outlets to about 190. The Branches of your Company as well as the Registered Office are operating in spacious premises situated in good and accessible localities with the objective of providing pleasant environment and convenient amenities to our customers.

5. TECHNOLOGY INITIATIVES

All the branches and the Registered Office are linked through a core-banking platform (Integrated Business Suite) under the Application Service Provider (ASP) Model. The Company is in advanced phase for implementation of MPLS links through BSNL for a higher bandwidth and dedicated uptime.

In order to improve operational efficiency, your Company embarked on technology initiatives like implementation of C-KYC (Central KYC) solution. The CKYC will act as centralized repository of KYC records of customers in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector. Your Company is in process to revamp the existing website to make it interactive and more user friendly.

Your Company has introduced online Application Module in its website and a customer portal to access account statements/certificates and online money transfer. Your Company also provides SMS alerts and missed call facility to provide information on loan balances.

The Company has set up a in-house team of IT professionals drawn from reputed institutions / firms to enhance IT capabilities.

6. CUSTOMER-FRIENDLY INITIATIVES

The Company continues to follow transparent, fair and impartial practices which engulf all the customers across branches. Information related to our Company, products, schemes and charges are made available in the website of the Company. As per NHB directions, the Fair Practices Code (FPC) and Most Important Terms and Conditions (MITC) are regularly updated and uploaded in the Company's website for disseminating the information to our customers, clients and general public.

All their respective accounts related information can also be accessed by the borrowers on the Customer Portal.

As a customer friendly initiative, under CSR activities, our branches are providing tree saplings along with tree pots and guards.

7. FINANCIAL RESOURCES

a. Refinance from National Housing Bank (NHB) and borrowings from Banks

During the year, your Company had availed fresh refinance amounting to ₹90.00 Crore (previous year ₹441.21 Crore) under the NHB refinance scheme. The cumulative NHB borrowings as on March 31, 2018 were ₹2,083.10 Crore (previous year ₹3,375.03 Crore), with the overall cost of borrowing (including the loans under Rural Housing and Urban Housing Schemes) of 7.57% p.a. as on March 31, 2018.

Borrowings from Banks

During the year, borrowings were diversified through a combination of short-term and long-term loans considering the asset liability management position to derive the maximum benefit of competitive interest rates. The lenders included State Bank of India, Lakshmi Vilas Bank, Federal Bank and HDFC Bank apart from Canara Bank, the principal bankers to the Company. The aggregate bank borrowings (term loans plus overdraft) at the end of the financial year stood at ₹4,635.74 Crore (previous year ₹2,247.65 Crore); the overall borrowings are within regulatory ceiling of 16 times of net owned funds.

The overall cost of borrowings from banks was 8.03% p.a. as on March 31, 2018. During the year, the long-term 'rating' of the Company for term loans was '[ICRA] AAA' (pronounced ICRA triple A) with a negative outlook signifying the highest degree of safety with regard to the timely servicing of financial obligations.

b. Debentures

(i) Secured Non-Convertible Debentures

In its continuing efforts to reduce funds cost, your Company issued Secured Redeemable Non-Convertible Non-Cumulative Taxable Debentures (SRNCD)

aggregating ₹1,400 Crore (previous year ₹1,862 Crore) in different tranches through private placement with a coupon rate range of 7.32% to 7.89%. The debentures were secured by way of a floating charge on the assets i.e., loan receivables specifically earmarked for the purpose in favour of the Debenture Trustees. Most investors in these debentures comprised major insurance companies, public sector banks, corporates and investors of repute, indicating their safety perception in your Company's fundamentals and prospects.

The tenure of debentures is range bound for two to five years. The interest on these debentures was serviced regularly. The aggregate borrowings by way of Secured NCDs as on March 31, 2018 was ₹4,802 Crore (previous year ₹3,602 Crore) while the overall cost was 8.14% p.a.

The debentures were rated 'IND AAA' (Outlook Negative) by India Ratings and Research Pvt. Ltd (FITCH), CARE AAA' (Under credit watch with developing implications) by CARE Limited and 'ICRA] AAA' (Outlook Negative) by ICRA Limited. These debentures were listed on the Wholesale Debt Market (WDM) segment of the National Stock Exchange of India Limited.

Your Company plans to raise Non- Convertible Debentures up to a maximum ₹6,000 Crore subject to cost benefit and asset liability management requirements and with the approval of members at ensuing Annual General Meeting.

(ii) Unsecured Non-Convertible Debentures

During FY14-15, your Company had issued 8.94% Unsecured Non-Convertible Debentures in the nature of Tier II Bonds aggregating ₹100 Crore for a tenure of 10 years. These debentures are subordinated to present and future senior indebtedness of the Company and qualify as Tier II Capital under the National Housing Bank (NHB) guidelines for assessing Capital Adequacy Requirements. These Tier II Bonds were rated 'IND AAA' (Outlook Negative) long-term rating by India Rating & Research Pvt Limited (FITCH), CARE AAA' (Under credit watch with developing implications) by CARE Limited and 'ICRA] AAA' (Outlook Negative) by ICRA Ltd. Your Company has serviced the interest on the above debentures on the due date.

c. Commercial Paper

Your Company mobilises funds through commercial paper (CP). The outstanding at the end of the March 2018 was ₹2,075.62 Crore (previous year ₹2,320.62 Crore). The effective cost of funds was 6.59% p.a. The CP issue by your Company was rated at the maximum [ICRA] A1+ rating by ICRA Ltd., and CARE A1+' (Under credit watch with developing implications) by CARE Limited indicating, 'Instruments with this rating are considered to have very strong degree of safety regarding timely payment of financial obligations'.

d. Deposits

During the year your Company accepted deposits of ₹122.71 Crore (Previous year ₹149.93 Crore). The outstanding balance of deposits (including interest accrued, but not due) as of March 31, 2018 was ₹228.30 Crore (previous year ₹226.65 Crore). The rate of interest on public deposits ranged from 7.00% to 7.75%, while the overall cost (average) of deposits was 8.46% p.a. as on March 31, 2018.

As on March 31, 2018, a sum of ₹8.81 Crore relating to 762 accounts of public deposits (₹20.09 Crore as on March 31, 2017 relating to 1,020 accounts) remained unclaimed/overdue. Of this amount, a sum of ₹1.86 Crore relating to 67 accounts (previous year ₹ 2.29 Crore relating to 140 accounts) were claimed and renewed/settled upto May 15, 2018. Your Company has not defaulted in repayment of deposits or interest during the year. The Company has complied with the requirements under Chapter V of the Companies Act, 2013 to the extent applicable.

During the year, the deposit schemes of your Company have been rated 'MAAAA' (pronounced as M Triple A) with a negative outlook, by ICRA Ltd., indicating 'highest credit-quality' and that the rated deposit programme carried the lowest credit risk. Your Company, being a housing finance Company registered with National Housing Bank (NHB), has complied with the Directions/Guidelines issued by the NHB with regard to deposit acceptance and renewal. Your Company is exempted from the applicability of the Companies (Acceptance of Deposits) Rules 2014.

e. Mortgage-backed securities

Your Company did not opt for any securitisation during the year under review or during the previous year. There were no securitised assets outstanding as on March 31, 2018.

8. REGULATORY COMPLIANCES

(a) Compliance with Directions/ Guidelines of National Housing Bank (NHB) and other statutes

Your Company adhered to the prudential guidelines for non-performing assets (NPAs) as per the National Housing Bank (NHB) Directions 2010, as amended from time to time. Your Company complied with the guidelines and directions issued by NHB on withdrawal of pre-closure charges for all loans. The Guidelines/ norms for asset classification of credit/ investments, credit rating, acceptance of deposits, Fair Practices Code (FPC), Most Important Terms and Conditions (MITC), Customer Complaints Redressal Mechanism, Know Your Customer (KYC), Anti-Money Laundering (AML) Guidelines, Asset Liability Management, Capital Adequacy Ratio (CAR) norms, Customer Redressal Mechanism and other related instructions, issued by the National Housing Bank (NHB) were implemented in letter and spirit with an explicit notification on the website of your Company.

As per the National Housing Bank Circulars NHB.HFC.DIR.4/ CMD/2012 dated January 19, 2012, NHB.HFC.DIR.9/CMD/2013 dated September 06, 2013 and NHB.HFC.DIR.18/MD & CEO/2017 dated August 02, 2017, your Company has made a general provision @:

- (i) 1% of Standard Assets in respect of Commercial Real Estates other than Residential Housing,
- (ii) 0.75% of Standard Assets in respect of Commercial Real Estate – Residential Housing, and
- (iii) 0.25% of the total outstanding amount of loans, which are Standard Assets other than (i) and (ii) above.

Loans to individuals for third dwelling unit onwards are treated as Commercial Real Estate (CRE) exposure. A provision of ₹2.10 Crore was made in the books as on March 31, 2018 and the cumulative provision in that regard stood at ₹64.75 Crore as on the above date. The recognition of income and provision for all assets was made in the books as per the Guidelines on Prudential Norms applicable as of March 31, 2018.

During the year the NHB has issued new directions for Housing Finance Companies viz,

i) Implementation of Indian Accounting Standards (Ind AS)

National Housing Bank (NHB) has clarified in terms of paragraph 24 of the Housing Finance Companies (NHB) Directions, 2010 ("Directions") on Indian Accounting Standards, that the Accounting Standards and Guidance

Notes issued by the Institute of Chartered Accountants of India shall be followed in so far as they are not inconsistent with any of the Directions. Accordingly, HFCs are directed to follow the extant directions on Prudential Norms, including on asset classification, provisioning etc. issued by the NHB. With regards to the implementation of Ind AS, HFCs are advised to be guided by the extant provisions of Ind AS, including the date of implementation.

- ii) Acceptance of public deposits - Amendments to Para 6 and 12 of the Housing Finance Companies (NHB) Directions, 2010 (principal Directions) w.e.f. December 08, 2017.

The National Housing Bank (NHB), vide its Notification No. NHB.HFC. DIR.20/ MD&CEO/ 2017 dated December 08, 2017, has amended the following:

1. Para 6 of the principal Directions, which has come into effect from December 08, 2017, for public deposits of individuals for auto renewal of deposits by taking depositor's consent in the deposit application itself.
2. Para 12 of the principal Directions, which has come into effect from December 08, 2017, for premature payment to the survivor, nominee, legal heirs at their request at the contracted rate for the period run after submission of proof of death.

Your Company has taken steps to comply with the requirements of all the applicable provisions of the above Directions for FY18 including implementation of Ind AS.

In terms of the Directions, the Company has given the Related Party Transactions Policy as Annexure 5 to this Report.

Your Company has complied with requirements as per Para 29 of the Housing Finance Companies (NHB) Directions 2010 except for one instance detailed below:

National Housing Bank (NHB) in its regulatory Audit conducted during the FY 16-17, for FY 14-15 & FY 15-16 has raised an issue on procedure followed by the Company since inception on the valuation of Government securities under HTM category invested for SLR purpose. NHB vide its letter NHB (ND)/DRS/ SUP/9349/2017 dated 19/09/2017 has imposed aggregate penalty of ₹28,62,708.00 under the provisions of Section 29B of the National Housing Bank Act, 1987 for the period 01/04/2014 to 27/07/2016 and the same is paid.

The NHB had conducted Audit of 2015-16 and 2016-17 during the previous year and your Company has complied with the observations and has submitted the final replies to NHB.

Your Company has complied with the Accounting Standards issued by the ICAI, New Delhi, and other related statutory Guidelines/Directions as applicable to the Company from time to time. Compliance of all Regulatory guidelines of NHB/other statutes are periodically reviewed at Audit Committee/Board.

(b) IRDA Compliance

During the year, the Company has registered itself with IRDAI for carrying on the Insurance Agency Business and has complied with the applicable compliances under Insurance Regulatory and Development Act, 1999 and IRDAI (Registration of Corporate Agent) Regulations 2015, as amended from time to time

(c) Other Compliances

- (i) The Company has obtained the Legal Entity Identifier No.335800EJ9Y3XDP5ZDH81 as required under the RBI Circular -No.RBI/2017-18/82 - DBR. No.BP.92/21.04.048/2017-18 dated November 02, 2017 and as advised by NHB.
- (ii) As required under Section 215 of the Insolvency and Bankruptcy Code, 2016, the Company has registered itself with National e-governance Services Limited (NeSL)

9. COMPLIANCE UNDER THE COMPANIES ACT, 2013

Your Company has complied with the requirements of the applicable provisions of the Companies Act, 2013 and related Rules during the FY 17-18. In accordance with Sec 134 (3) (a) of the said Act, amended provision, the provisional Annual Return in the prescribed format has been made available on the website of the Company at [www.canfinhomes.com /Investors/31st Annual General Meeting\(path\)](http://www.canfinhomes.com/Investors/31stAnnualGeneralMeeting(path)). During FY 17-18 the Company had allotted 52915 Nos. of equity shares to Mr.Koshy George and three others as per the judgement of the Hon'ble High Court of Kerala in the Writ Petition. Further during October 2017, the equity shares of the Company of face value of ₹10/- were sub-divided into equity shares of ₹2/- each. For more details regarding Compliance, please refer the Secretarial Audit Report (Annexure 3).

10. CAPITAL ADEQUACY

The Capital Adequacy Ratio (CAR) of your Company as at March 31, 2018 was 19.08% (previous year 18.50%), well above the Regulatory benchmark of 12% prescribed by the National Housing Bank (NHB).

11. DEPRECIATION

Depreciation was calculated on the Written Down Value Method based on useful life, in the manner prescribed in Schedule II to the Companies Act, 2013.

12. DEFERRED TAX LIABILITY (DTL)

During the year, Deferred Tax Liability (net) of ₹27.60 Crore (previous year ₹19.78 Crore) was charged to the Statement of Profit & Loss, on account of various components of asset & liabilities including Special Reserve. The DTL outstanding at the end of the March 2018 was ₹141.24 Crore (previous year ₹113.65 Crore).

13. RECOVERY ACTION UNDER SECURITISATION & RECONSTRUCTION OF FINANCIAL ASSETS AND ENFORCEMENT OF SECURITY INTEREST ACT, 2002 (SARFAESI ACT)

During the year, your Company initiated action against 373 defaulting borrowers under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest ("SARFAESI") Act, 2002 and recovered ₹15.50 Crore (previous year ₹8.94 Crore) from borrowers of Non-Performing accounts. Of this ₹6.69 Crore (previous year ₹3.80 Crore) was recovered by way of sale of assets under SARFAESI. This apart ₹1.30 Crore was recovered in Written off accounts (Previous year ₹0.37 Crore).

14. LISTING OF SECURITIES

The equity shares of the Company are continued to be listed on the BSE Limited (BSE), Mumbai, and the National Stock Exchange of India Ltd. (NSE), Mumbai. The listing fee payable to these Stock Exchanges were paid before the due dates.

15. HUMAN RESOURCES DEVELOPMENT

The total number of employees of the Company was 648 (594 regular and 54 on contract) as on March 31, 2018 as against 626 (471 regular and 155 on contract) as at the end of the previous year. Attrition rate stood at about 3.50% for regular employees, which is far below the industry level.

To upgrade knowledge/skill of the employees, select employees were deputed for training programmes/ seminars organised by the National Housing Bank and other reputed institutions. During the year, training in credit, information technology,

human relations, finance, taxation, marketing, fraud prevention and other topics of importance were imparted to employees and executives. Your Company has put in place a series of HR measures including promotions, appropriate employee recognition and reward schemes. Industrial relations in your Company continued to be cordial during the year.

Particulars of Employees:

During FY17-18, your Company had not employed anyone with a remuneration of ₹102 Lakh or more per annum nor had employed for a part of the year with a remuneration of ₹8.5 Lakh or more. The ratio of remuneration of each Director to the median of employees remuneration and such other details as required under Sec 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, and 2016 are furnished below:

- i. The ratio of the remuneration of Managing Director to the median remuneration of the employees (regular employees) of the Company for the FY17-18 was 2.72: 1 (Non-executive directors and Independent Directors are eligible for sitting fee only)
- ii. The percentage increase in remuneration in the financial year under the head Managing Director was 7.27%, (the remuneration of Managing Director is as per the Service Regulations of Canara Bank in terms of the resolution passed by the members at the General Meeting for appointment in the Company).

The Chief Financial Officer and the Company Secretary are employees of the Company and the percentage increase in their remuneration was 10.77% and 21.28 % respectively.
- iii. The percentage increase in the median remuneration of employees in the financial year is 9.32%.
- iv. Apart from 594 permanent employees on the rolls of the Company, there were 54 employees on contract as on March 31, 2018.
- v. Average% increase in remuneration of the employees other than managerial personnel as against that of Managerial remuneration was around 10% during the period under review.

The Company affirms that the remuneration is as per the remuneration policy of the Company.

The Company has a Policy on 'Prevention of Sexual Harassment of Women at Workplace' and matters connected therewith or incidental thereto covering all the aspects as contained under the Sexual Harassment of Women at Workplace (Prohibition, Prevention and Redressal) Act, 2013. During FY17-18 no cases of sexual harassment were reported.

The Company has laid down a Code of Conduct for Prevention of Insider Trading, in accordance with the requirements under the Securities and Exchange Board of India (Prevention of Insider Trading) Regulations, 2015 and Companies Act, 2013, with a view to regulate trading in Securities of the Company by its directors, designated persons and employees. The same is made available on the website of the Company. For related link, please refer Annexure 9.

16. TRANSFER OF UNCLAIMED AND UNPAID DIVIDEND/ DEPOSIT AMOUNTS TO THE INVESTOR EDUCATION AND PROTECTION FUND (IEPF)

In terms of section 124 and 125 of the Companies Act, 2013, the amounts (dividend, deposits etc., with interest) that remained unclaimed and unpaid for more than 7 years from the date they first became due for payment, should be transferred to IEPF.

As an investor-friendly measure, your Company has been intimating the respective shareholders / depositors / investors to encash their dividend warrant/renew matured deposits or lodge their claim for payment of due, if any, from time to time and claims made are settled. As per the statutory requirements, unclaimed deposits/ other dues for the previous seven years as of the date of the Annual General Meeting are made available on the website of MCA-IEPF as well as on the Company's website.

In order to receive prompt payment of dividend, the members/ investors are requested to demat the shares held in physical mode, register bank account particulars, opt for ECS facility, register nomination and intimate change of address, if any, to the Company/ Depository Participants promptly.

a. Unclaimed dividends

As at March 31, 2018, dividends aggregating to ₹152.72 Lakh (previous year ₹124.18 Lakh) relating to dividends declared for the years FY10-11 to FY16-17 (of which ₹35.51 Lakh related to dividend for the year 2017), had not been claimed by shareholders. As an investor friendly measure, your Company has intimated shareholders to lodge their claims

and related particulars were provided in the annual reports each year as well as on the website of your Company.

The dividend pertaining to 2009-10, which remained unclaimed/unpaid amounting to ₹6.37 Lakh (in respect of 1,917 shareholders), was transferred to IEPF on September 09, 2017, after the settlement of claims by members received in response to the individual reminder letters sent by your Company to the respective members.

The dividend pertaining to 2010-11 remaining unclaimed and unpaid, amounting to ₹8.65 Lakh (in respect of 2,103 shareholders) as on March 31, 2018, would be transferred to IEPF during August 2018 after settlement of the claims received up to the date of completion of seven years i.e. on August 24, 2018.

b. Unclaimed deposits

As required under Section 125 of the Companies Act, 2013 (corresponding Section 205C of the Companies Act, 1956), the unclaimed and unpaid deposits together with interest for the year 2009-10 amounting to ₹10.41 Lakh (previous year ₹0.72 Lakh) that remained unclaimed and unpaid for a period of 7 years were transferred to IEPF during the year under review.

c. Transfer of shares to IEPF Demat account

Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and refund) Amendment Rules, 2017 was notified by the Ministry of Corporate Affairs (MCA) on October 13, 2017. As per Rule 6 of the said Rules, the shares, in respect of which dividend amounts have not been paid or claimed for 7 consecutive years, are required to be transferred to 'IEPF demat Account' of IEPF Authority.

On verification of records of unclaimed dividend amounts from 2004 to 2010, which have already been transferred to IEPF on lapse of 7 years (during 2011 to 2017 respectively), 364 shareholders had not claimed dividend for consecutive 7 years and their shares 248050 Nos. have been transferred to IEPF demat account within the prescribed period and the details are provided on the website of the Company. For more details please refer 'General Information to shareholders' in this report.

In terms of the above Rules, three reminder letters were sent by the Company to all the shareholders who had not claimed their dividends for a consecutive period of 7 years, informing that their shares will be transferred to IEPF

suspense account on the due date, October 31, 2017, if they do not place their claim for unclaimed dividend amounts before the Company.

Your Company has provided the related details on its website (Investors page).

17. PARTICULARS REGARDING CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND EXPENDITURE

Since your Company is a housing finance Company and does not own any manufacturing facility, the requirement relating to providing the particulars relating to conservation of energy and technology absorption as per Sec 134 (3) (m) of the Companies Act, 2013 read with Rule 8 of the Companies (Accounts) Rules 2014, are not applicable.

Your Directors are pleased to inform that Solar Power systems and power saving lamps have been installed in 16 branches so far as a measure for conservation of energy. Your Company has installed Solar-UPS in some of its branches.

As a part of Save Green efforts and leverage of technology, a lot of paper work at branches and the Registered Office has been reduced (also refer para 5).

During the year, your Company did not earn any income or incur any expenditure in foreign currency/exchange other than payment of Dividend to NRIs on repatriation basis to an extent of ₹30.82 Lakh through authorised dealers.

18. DIRECTORS & KEY MANAGERIAL PERSONNEL APPOINTMENTS / RE-APPOINTMENTS:

The Board of Directors made the following appointments/re-appointments based on the recommendations of the Nomination and Remuneration Committee:

- (1) Smt Bharati Rao, Former DMD of State Bank of India, was appointed as an additional director and Independent Director with effect from September 05, 2017.
- (2) Shri Shreekant M Bhandiwad, DGM of Canara Bank has been appointed as an additional Director and Whole-time Director (designated as Dy. Managing Director) by the Board w.e.f April 28, 2018.

The directors had filed their consent(s) and declarations that they are not disqualified to become directors in terms of

the provisions of Companies Act, 2013 and related Rules. The directors have intimated to the Company that they are not holding any shares or taken any loan(s) from the Company. The proposals relating to the appointment and re-appointment of directors will be placed for approval by members at the ensuing Annual General Meeting.

The particulars of directors including their profile are provided in the Report of Directors on Corporate Governance forming part of this Annual Report. Further, the agenda relating to appointments / re-appointments of Directors are provided in the Notice of the 31st Annual General Meeting of the Company seeking approval from the members. The particulars relating to the Directors and all other relevant information are provided in the explanatory statement forming part of the said Notice for the information of members.

Smt. Shamila M, Dy. General Manager, reporting to the Managing Director has been appointed as an additional Key Managerial personnel w.e.f. April 28, 2018, in terms of the Companies (Amendment) Act, 2017.

Retirement by rotation:

In terms of Section 152 and all other applicable provisions of the Companies Act, 2013, and the Articles of Association of the Company, Shri S A Kadur, Director, retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. The particulars relating to Shri S A Kadur, Director are provided in the Report of Directors on Corporate Governance. Your Directors recommend the re- appointment of Shri S A Kadur as a Director.

The agenda relating to re-appointment of Shri S A Kadur, Director, forms part of the notice convening the ensuing Annual General Meeting and all other relevant information as per SEBI Regulations are also provided in the explanatory statement.

19. MEETINGS OF THE BOARD

During the year, ten meetings of the Board of Directors were held and the related details, including that of various committees constituted by the Board, are made available in the Report of Directors on Corporate Governance forming part of the annual report placed before the members.

Your Company has complied with all the requirements as applicable under Companies Act, 2013 and related rules, SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and also HFCs Corporate Governance (NHB) Directions, 2016, in relation to the Board of Directors and the Committees of the Board.

Committees of the Board

Currently the Board has six Committees viz. the Audit Committee, the Nomination, Remuneration & HR Committee, the Corporate Social Responsibility Committee, the Stakeholders Relationship Committee, the Risk Management Committee and the Management Committee. A detailed note on the composition of the Board and its Committees and other related particulars are provided in the Report of Directors on Corporate Governance forming part of this Annual Report.

20. DIRECTORS' RESPONSIBILITY STATEMENT

In accordance with the provisions of Section 134(3)(c) read with Section 134(5) of the Companies Act, 2013, and based on the information provided by the Management, the Board of Directors report that:

- a) in the preparation of annual accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any;
- b) the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Directors have prepared the annual accounts on a going concern basis;

- e) the Directors, in the case of a listed Company, have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively and
- f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

The Independent Directors have given declarations to the Company in terms of Section 149(7) of the Companies Act, 2013, that they meet the criteria of independence as provided in Section 149(6).

Code of Conduct

In terms of Regulation 26(3) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, all the members of the Board and Senior Management Personnel have affirmed compliance with the Code of Conduct of Board of Directors and Senior Management for the FY17-18. As required under Schedule V (D) of the said Regulations, a declaration signed by the Managing Director & Chief Executive Officer of the Company stating that the members of the Board and the Senior Management Personnel have affirmed compliance of their respective Codes of Conduct, is enclosed to this Report as Annexure 2.

21. NOMINATION REMUNERATION AND HR COMMITTEE (NRC) POLICY

Your Company has constituted a Nomination Remuneration and HR Committee (NRC) of the Board in terms of Section 134(3) (e) of the Act, Regulation 19 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and Para 3(II) of NHB Corporate Governance (National Housing Bank) Directions, 2016. This Committee identifies persons who are qualified to become Directors of the Company. The appointment, renewal, reappointment, re-categorisation and/ or removal of the Directors so identified, including extension or continuation of the term of appointment, will be recommended by the NRC to the Board. This Committee has also laid down the criteria

to identify persons who may be appointed to the senior management of the Company. The NRC has formulated the criteria for determining qualifications, positive attributes and independence of a Director, carrying out evaluation of every Director's performance, performance of the Board and that of the Committees. The NRC Policy of the Company covering all the above aspects is made available on the official website of the Company at [http://www.canfinhomes.com/Investors/CorporateGovernancedocuments\(path\)](http://www.canfinhomes.com/Investors/CorporateGovernancedocuments(path)) in terms of Section 134(3) (p) of Companies Act, 2013. For web link please refer Annexure 9.

The Board ensures the annual evaluation of its own performance and that of its Committees and individual directors through the meeting of independent directors, the NRC and evaluation by each of the directors independently.

22. CORPORATE SOCIAL RESPONSIBILITY (CSR) POLICY

Your Company constituted a Corporate Social Responsibility (CSR) Committee of the Board as prescribed under Section 135 of the Companies Act 2013 and has put the CSR policy in place. The Company has focussed in promoting education including special education and employment in enhancing vocation skills especially among children. The other areas of focus are women empowerment by promoting gender equality, setting up homes and hostels for women and orphans; setting up old age homes, day care centres, livelihood enhancement projects for the elderly & the differently abled and healthcare sector. During the year the company also worked in the environmental sustainability by planting trees/saplings.

As a well thought out strategy, all CSR projects of the Company are executed through our own branches with a view to inculcate a sense of social responsibility amongst the staff. The total amount/ budget under CSR for the FY 2017-18 was ₹668 lakh, (previous year ₹401 lakh), out of which total amount spent under the CSR activities is ₹338 Lakh (previous year ₹436 Lakh). The unspent amount of ₹330 Lakh is carried forward as per provisions of Companies Act with the aim to go in for granular

details/ appropriate projects before spending in FY 18-19. A summary of CSR details as on 31/03/18 is given below:

Sl No.	Activities undertaken	No. of Beneficiaries	Amount in Rupees
1	Construction/ repair & renovation of Schools/ Hostels	7	71,57,395.00
2	Desks & benches/ Tables/ Almirah/ Green Board/ Chairs etc.	57	143,08,670.00
3	Drinking water facility/ supply of other articles of necessity etc.	12	17,61,873.00
4	Nalli kalli round tables/ chairs/ desk & benches/ drinking water facility etc.	25	67,56,114.00
5	Electrical & Electronic Items to schools	3	2,71,482.00
6	Toilet Facility in schools	1	3,36,105.00
7	Scholarship	1	35,000.00
8	Equipment for hospitals	1	7,49,724.00
9	Equipments to old age home	1	1,68,650.00
10	Schools bags/stationery items etc.	3	4,55,917.00
11	Solar lighting system	1	34,000.00
12	Tree planting under environmental protection/ sustainability/ saplings with tree guards/ pots to the customers.	3	7,51,770.00
13	Career Digest books to the govt. schools	1	9,98,000.00
	Total	116	337,84,700.00

The Annual Report on CSR activities including brief contents are provided as an Annexure 6 to this report.

23. RISK MANAGEMENT POLICY

Your Company has constituted a Risk Management Committee with four directors and a senior executive of the Company. In terms of Section 134(3)(n) of the Act, your directors wish to state that your Company has adhered to the Risk Management Policy. The above policy was reviewed during the year. For weblink Please refer Annexure 9.

The National Housing Bank conducts inspection of your Company on an annual basis. During the year, the NHB conducted regular inspection of your Company in July 2017 for the position as at March 2016 and March 2017. The compliance on the observations were submitted within the prescribed time to the NHB, which were reviewed by the Audit Committee and the Board.

24. AUDIT AND INTERNAL CONTROL

Your Company strengthened existing internal control systems for loan reviews at periodical intervals and introduced measures for minimising operational risks commensurate with the nature of its business and size of operations. Further, your Company has reviewed delegation of authorities and streamlined standard operating procedures for all areas of its business/ operations/ functions, strengthened the Offsite Transaction Monitoring System (OTMS) to track transactions/early-warning signals across all branches by introducing innovative monitoring tools.

Your Company has also put in place a well- defined policy on Risk Based Internal Audit (RBIA) and as per the said policy, all the 152 branches that became due for audit, were audited in the FY17-18.

Apart from the RBIA, considering the volume of business, branches are also subjected to quarterly/ half yearly internal audit by empanelled audit firms. The Audit Committee reviewed the audit reports/remarks/ observations and replies/ compliances including the compliance of KYC norms.

25. SECRETARIAL AUDIT

The Secretarial Audit for FY17-18 was conducted as required U/s.204 of the Companies Act 2013, by S. Viswanathan, ACS, Practising Company Secretary. In terms of Section 204(3) of the Act, your Directors are pleased to inform that there was no qualification or observation or other remarks made by the said Company Secretaries in their Secretarial Audit Report. The Secretarial Audit Report issued by the Practising Company Secretaries is enclosed to the report of Directors (Annexure 3) in terms of Section 134(3) (f) read with Section 204(1) of the Act.

Loans, Guarantees or Investments:

There are no particulars of loans, guarantees or investments made during the year in terms of Section 186(1) and 186(2) of the Act requiring disclosure to be made in the report of Directors as required under Section 134(3)(g) of the Act. In terms of Section 186(11)(a) the requirement relating to the disclosure is not applicable to a loan made, guarantee given or security provided by a housing finance Company.

Related Party Transactions:

The particulars of contracts or arrangements with the 'Related Parties' referred to in sub-section (1) of Section 188 of the Act are furnished in Note No.32 of the Notes forming part of the financial statements for FY17-18, forming a part of the Annual Report. The particulars of Related Party Transactions as required u/s sec 134(3)(h) in the prescribed format is attached to this Report as Annexure 8.

26. AUDITORS

Pursuant to the provisions of Section 139, 142 and all other applicable provisions of the Companies Act, 2013 and rules made thereunder, M/s. Varma & Varma, Chartered Accountants (Firm Reg.No.004532S) were appointed by the members as the Statutory Auditors of the Company to hold office from the conclusion of this 30th Annual General Meeting until the conclusion of the 35th Annual General Meeting, subject to ratification by members every year, as applicable, at such remuneration and out-of-pocket expenses, as may be decided by the Board of Directors of the Company.

Pursuant to the provisions of Section 143(8) of the Companies Act, 2013 and rules made thereunder, the Members had authorised the Board of Directors to appoint any person(s) qualified for appointment as auditor(s) of the Company under Section 141 and all other applicable provisions of the Companies

Act, 2013 as Branch Auditors for audit of any of the Branch of the Company, present and future, from the conclusion of this Annual General Meeting until the conclusion of the 35th Annual General Meeting, subject to ratification by members every year, as applicable, on such terms and conditions, including remuneration and out-of pocket expenses, as may be decided by the Board of Directors of the Company.

The requirement of placing the matter relating to such appointment for ratification by members at every annual general meeting has been dispensed with due to omission of the first proviso to Section 139(1) by the Companies (Amendment) Act, 2017 effective from May 07, 2018 as per the Notification issued by Ministry of Corporate Affairs, Govt. of India [File No:1/1/2018-CL.I dated May 07, 2018].

In view of the above, M/s Varma & Varma, Chartered Accountants (Firm Reg.No.004532S) appointed by the members at the 30th Annual General Meeting for a tenure upto the conclusion of the 35th Annual General Meeting will continue as the Statutory Auditors of the Company, at such remuneration and out-of-pocket expenses, as may be decided by the Board of Directors of the Company. Further as authorized by the members at the 30th Annual General Meeting, the Branch Auditors appointed by the Board of Directors of the Company will continue until conclusion of the 35th Annual General Meeting on such terms and conditions, including remuneration and out-of pocket expenses, as may be decided by the Board of Directors of the Company.

27. MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In terms of Regulation 34(2) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015, the Management Discussion and Analysis Report forms part of this Annual Report.

28. CORPORATE GOVERNANCE

As required under the Companies Act, 2013, Regulation 34 read with Schedule V of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 and Housing Finance Companies – Corporate Governance (National Housing Bank) Directions, 2016, the 'Report of Directors on Corporate Governance' for the year FY17-18 is placed in this Annual Report.

The said Report covers in detail the Corporate Governance Philosophy of the Company, Board Diversity, Directors appointment and remuneration, declaration by Independent Directors, Board evaluation, familiarisation programme, vigil mechanism etc. The Auditors Certificate on Corporate Governance is provided with this report as Annexure 1.

Business Responsibility Report:

The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, mandates inclusion of Business Responsibility Report (BRR) in the prescribed format, as a part of the Annual Report for top 500 listed entities based on the market capitalisation. In compliance with the said Regulations, the BRR is provided as a part of this Report as Annexure 7.

In terms of Regulation 17(10) of the SEBI (Listing Obligations & Disclosure Requirement) Regulations, 2015 read with the SEBI Circular No. SEBI/HO/CFD/ CMD/CIR/P/2017/004 dated January 5, 2017, your Company has put in place the 'Board and Director's Evaluation Policy' laying down a framework for evaluation of the Board, its Committees and of the individual directors with defined attributes for evaluation. The results of the evaluation exercise will be shared with the Board in subsequent Board Meeting(s), including listing of the identified strengths, areas of improvement and actions to be taken, if any.

29. SAVE GREEN EFFORTS

In recognition and support to the green initiative taken by the Ministry of Corporate Affairs (MCA), Government of India, your Company is sending AGM notices, annual reports, correspondence with the stakeholders etc. to the respective e-mail IDs of stakeholders. To facilitate paperless banking, initiatives taken by your Company include ECS / NACH facility for repayment of loans, streamlining the systems and procedures for reporting by the branches and at the Registered Office through Integrated Business Suite (IBS), networking of branches with the Registered Office, harnessing solar energy for lighting and computer operations in its 16 branches and the like. The usage of paper is minimised.

As in the previous years, we continue to publish only the statutory disclosures in the print version of the Annual Report. Electronic copies of the Annual Report, Annual General Meeting Notices, and such other notices are being sent to all members whose e-mail address are registered with the Company/ Depository participants. For members who have not registered their e-mail address and to those who specifically request for physical copies, the same is sent in the permitted mode.

In the FY 2017-18, your Company conducted a tree plantation drive (November 12, 2017) in commemoration of their 30th anniversary in Bengaluru. Under the auspices of the residents of Akshay Nagar in Bengaluru, about 300 saplings were planted by the staff around the Akshay Nagar lake and Viveka Gudda area. The day has been etched in the annals of the Company as a green Sunday and the beginning of an initiative to plant 30000 trees by involving all the branches of the Company. CFHL also espouses the cause of environment as a CSR initiative and during the year the Company has come out with a novel initiative of gifting a tree sapling/potted plant to each borrower across branches. The aim is to encourage every home buyer to join hands with the Company to ensure a greener environment.

30. OUTLOOK FOR 2018-19

Government's initiative of 'Housing for all by 2022' and the consequent incentives to the sector, i.e., extended coverage of MIG under Pradhan Mantri Awas Yojana (PMAY) Credit Linked Subsidy Scheme, increase in carpet area norm for eligibility under CLSS, infrastructure status and rationalization of GST rates in favour of affordable housing etc., are going to be the key drivers of growth in the year 18-19.

We remain buoyant with regard to our market expansion to potential geographies beyond our home turf and have plans to open about 20 new branches during the current fiscal. We also acquired license from the IRDA and began insurance agency business from January 2018. The insurance business adds to our business competitiveness and widens our service portfolio and will generate revenue for the year too.

Your Company is targeting a loan book size of Rs 19,500 Crore by March' 19. Lending to the salaried class will continue to be our mainstay. However, with the rising cost of funds, expectations of borrowers for loans at lesser rates, intense competition in the market, etc., margins are expected to remain under pressure.

The prime focus of your Company would be growth with quality. The onus of maintaining high standards is a formidable challenge, however your Company is confident of meeting the same.

31. ACKNOWLEDGEMENTS

Your Directors would like to thank Canara Bank, the promoter, for their continuous support.

Your Directors would like to acknowledge the role of all its stakeholders viz., shareholders, debenture holders, CP holders, depositors, bankers, lenders, borrowers, merchant bankers, debenture trustees and all others for their continuous support to your Company and the confidence and faith that they have always reposed in your Company.

Your Directors acknowledge and appreciate the guidance and support extended by all the Regulatory authorities including National Housing Bank (NHB), Insurance Regulatory and Development Authority of India (IRDAI), Securities Exchange Board of India (SEBI), Ministry of Corporate Affairs (MCA), Registrar of Companies, Karnataka, the Stock Exchanges and the NSDL and CDSL.

Your Directors thank the Rating Agencies ICRA, CARE, India Ratings & Research Ltd., (FITCH), the Registrars & Share Transfer Agents, Debenture Trustees and Trustees of public deposits of your Company, Government(s), local/ statutory authorities, and all others for their whole-hearted support during the year and look forward to their continued support in the years ahead.

Your Directors value the professionalism of all the employees who have proved themselves in a challenging environment and whose efforts have stood the Company in good stead and taken it to present level.

For and on behalf of the Board of Directors

Place: Bengaluru
Date : June 02, 2018

K N Prithviraj
Chairman