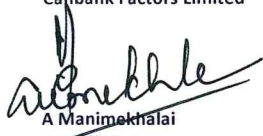


Balance Sheet as at 31st March, 2020

Particulars	Note	As at 31st March 2020 Lakhs	As at 31st March 2019 Lakhs
<b>I. EQUITY AND LIABILITIES</b>			
<b>(1) Shareholder's Funds</b>			
(a) Share Capital	2.1	2,000.00	2,000.00
(b) Surplus	2.2	10,577.79	10,134.18
		12,577.79	12,134.18
<b>(2) Non Current Liabilities</b>			
(a) Long-term Provisions	2.3	32.52	44.07
(b) Other Non Current Liabilities	2.5	-	-
		32.52	44.07
<b>(3) Current Liabilities</b>			
(a) Short-term Borrowings	2.4	21,871.04	33,788.32
(b) Other Current Liabilities	2.5	277.46	613.65
(c) Short-term Provisions	2.3	17,364.83	19,035.94
		39,513.33	53,437.91
<b>Total</b>		<b>52,123.64</b>	<b>65,616.16</b>
<b>II. ASSETS</b>			
<b>(1) Non-current assets</b>			41,325.08
(a) Property, Plant and Equipment			
(i) Tangible assets	2.6	17.68	21.34
(ii) Intangible assets	2.6	-	2.03
(b) Investments	2.7	-	-
(c) Deferred tax Assets (net)	2.8	4,819.44	4,934.70
(d) Long term Loans & Advances	2.12	23.70	23.70
(e) Other Non Current Assets	2.9	101.97	163.89
		4,962.79	5,145.66
<b>(2) Current assets</b>			
(a) Trade Receivables	2.10	46,599.97	59,967.43
(b) Cash and Bank Balances	2.11	0.30	0.20
(c) Short term Loans & Advances	2.12	483.75	426.04
(d) Other Current Assets	2.9	76.83	76.83
		47,160.85	60,470.50
<b>Total</b>		<b>52,123.64</b>	<b>65,616.16</b>
Significant Accounting Policies and Notes on Accounts	1 & 2		


\* Accompanying notes forms part of financial statements

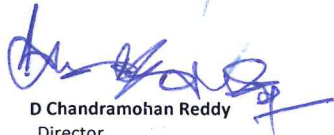
For and on behalf of the Board of Directors  
Canbank Factors Limited

  
A Manimekhalai  
Vice Chairman  
DIN : 08411575

  
Biswajit Ray  
Managing Director  
DIN : 07697500


  
Lalitha Rameswaran  
Director  
DIN-02326309

  
A S Vishnubharath  
Director  
DIN-0912185

  
D Chandramohan Reddy  
Director  
DIN : 08551220

  
KH Patnaik  
Director  
DIN : 08503374

  
S K Sinha  
Senior Executive  
Vice President

  
S. Balasubramanian  
Vice President (Finance)  
& Company Secretary

In terms of our report of even date  
For Vasana and Sampath LLP  
Chartered Accountants  
Firm Reg No: 0045425/S200070

  
Arun Kumar Srinivasan  
Partner  
Membership Number:205552

Place: BANGALORE  
Date : 06.06.2020

Place: BANGALORE  
Date :06.06.2020



Statement of Profit and Loss for the year ended 31st March, 2020

Particulars	Note	For the year ended 31st March 2020 ` Lakhs	For the year ended 31st March 2019 ` Lakhs
I. Revenue from Operations	2.13	3,558.31	4,202.32
II. Other Income (Includes write back off NPA provision of INR 1971.69 Lakhs, as these assets were written off)	2.14	2,099.89	76.66
III. Total Revenue (I + II)		5,658.20	4,278.98
IV. Expenses:			
Employee Benefit Expenses	2.15	441.22	402.56
Depreciation and Amortization expenses	2.6	7.44	9.02
Other Expenses	2.16	652.95	1,485.32
Bad Debts written off	2.16	1,971.69	-
Finance costs	2.17	2,026.02	2,270.09
IV. Total Expenses		5,099.32	4,166.99
V. Profit/(Loss) Before Exceptional and Extraordinary Items and Tax (III - IV)		558.88	111.99
VI. Exceptional Items and Extraordinary Items		-	-
VII. Profit/(Loss) Before Tax (V - VI)		558.88	111.99
VIII. Tax Expense:			
(1) Current tax		-	2.00
(2) Deferred tax		115.26	(148.11)
(3) Prior period Tax		-	(14.24)
Total Tax Expense		115.26	(160.35)
IX. Profit/(Loss) after tax		443.61	272.34
X. Earnings Per Equity Share	2.28		
(1) Basic		2.22	1.36
(2) Diluted		2.22	1.36
Significant Accounting Policies and Notes on Accounts	1 & 2		


\* Accompanying notes forms part of financial statements


For and on behalf of the Board of Directors  
Canbank Factors Limited

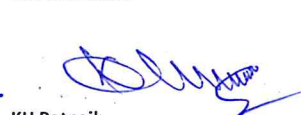
  
A. Manimekhalai  
Vice Chairman  
DIN : 08411575

  
Biswajit Ray  
Managing Director  
DIN : 07697500

  
Lalitha Rameswaran  
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S K Sinha  
Senior Executive  
Vice President

Place: BANGALORE  
Date : 06.06.2020

  
S. Balasubramanian  
Vice President (Finance)  
& Company Secretary

In terms of our report of even date  
For Vasan and Sampath LLP  
Chartered Accountants  
Firm Reg No: 0045425/5200070

  
Arun Kumar Srinivasan  
Partner  
Membership Number: 205552

Place: BANGALORE  
Date : 06.06.2020



# Canbank Factors Ltd

CIN : U85110KA1991PLC011960

## Statement of Cash Flows for the year ended 31st March 2020

(Amount in 'Lakhs)

Particulars	For the year ended 31st March 2020	For the year ended 31st March 2019
<b>Cash flow from Operating Activities</b>		
Net profit before taxation and extraordinary items	558.91	111.99
Add/(less): Non Cash/ Non Operating Expenses , Incomes	7.44	9.02
(a) Depreciation	2,026.02	2,270.09
(b) Finance Costs		
(c) Profit on sale of investments	(52.20)	(71.15)
(d) Interest Income	(0.05)	(0.16)
(e) Profit on sale of Fixed assets	1,971.69	
(f) Non-cash Expense - Bad Debts	(1,971.69)	-
(g) Excess provision reversed	0.12	0.60
(h) Loss on sale of assets		
<b>Operating Profit before Working Capital Changes</b>	<b>2,540.24</b>	<b>2,320.39</b>
<b>Working Capital Changes</b>		
(d) (Increase)/Decrease in Short-term loans and advances	(53.17)	-
(c) (Increase)/Decrease in Trade receivables	13,367.46	(9,388)
(e) (Increase)/Decrease in Other current assets	-	98.77
(f) Increase/(Decrease) in Long-term provisions	(11.59)	1,007.13
(i) Increase/(Decrease) in Short term provisions	(1,671.11)	
(g) Increase/(Decrease) in Trade Payables		400.55
(h) Increase/(Decrease) in Other current liabilities	(340.73)	(148.11)
(i) (Increase)/Decrease in Deferred tax	115.26	
(e) (Increase)/Decrease in Other non current assets	61.92	
	11,468.04	(8,030.05)
<b>Cash generated from Operations</b>	<b>14,008</b>	<b>(5,710)</b>
Less: Income Tax Paid	115.27	160.35
<b>Net Cash flow from Operating activities</b>	<b>13,893.02</b>	<b>(5,549.31)</b>
<b>Cash flow from Investing Activities</b>		
Purchase of Fixed Assets	(2.09)	(1.84)
Additions/Deletions to Capital WIP	0.27	0.54
Sale of assets		
Purchase/Sale of Investments		
Profit on sale of investments		(96.54)
Changes in Long term loans and advances		(97.84)
<b>Net Cash Utilized in Investing Activities</b>	<b>(1.82)</b>	<b>(97.84)</b>



**Cash Flow from Financing Activities**

Increase/(Decrease) in short term borrowings  
Finance costs  
Share capital money received  
Interest Income  
Net Cash utilized in Financing Activities

(11,917.28)	7,845.88
(2,026.02)	(2,270.09)
-	-
52.20	71.15
(13,891.10)	5,646.94


Increase/ Decrease in Cash & Cash Equivalents  
Opening Balance of Cash & Cash Equivalents  
Balance of Cash & Cash Equivalents

0.10	(0.21)
0.20	0.41
0.30	0.20

\*Accompanying notes forms part of financial statements


\* Accompanying notes forms part of financial statements


For and on behalf of the Board of Directors  
Canbank Factors Limited

  
A Manimekhalai  
Vice Chairman  
DIN : 08411575


  
Biswajit Ray  
Managing Director  
DIN : 07697500

  
Lalitha Rameswaran  
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Vice President (Finance)  
& Company Secretary

In terms of our report of even date  
For Vasan and Sampath LLP  
Chartered Accountants  
Firm Reg No: 0045425/320070



  
Arun Kumar Srinivasan  
Partner  
Membership Number: 205552

Place: BANGALORE  
Date : 06.06.2020

Place: BANGALORE  
Date : 06.06.2020





## 1. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### COMPANY OVERVIEW

Canbank Factors Limited, a subsidiary of Canara Bank is registered with Reserve Bank of India as a non-banking, non-deposit taking and systemically important Company. The Company is carrying on the business of factoring with a network of 11 branches across India. The Company has got registration from RBI with effect from 8<sup>th</sup> August, 2014.

### 1 SIGNIFICANT ACCOUNTING POLICIES

#### 1.1 ACCOUNTING CONVENTION

The accounts have been prepared under the historical cost convention.

#### 1.2 USE OF ESTIMATES

The preparation of financial statements in conformity with Indian GAAP requires management to make judgments estimates and assumptions that affect the reported balances, revenues, expenses, assets, liabilities and disclosures relating to contingent liabilities at the end of the reporting period. However, these estimates are based on management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets and liabilities in future periods.

#### 1.3 REVENUE RECOGNITION

Income is accounted on accrual basis in terms of the guidelines issued by the Reserve Bank of India for Non-Banking Financial Companies. In respect of Non-Performing Assets (NPA's), no income is recognized/ accrued after it is classified as NPA and any income recognized before the asset became NPA and remaining unrealized is reversed. However, amount received in excess of book value of NPA's is treated as other receipts under revenue from Operations.

##### **Discount charges:**

Income is considered to accrue on time basis on the balances in the Prepayment Accounts at the rate of discount applicable.

##### **Factoring charges:**

Income is considered to accrue on the amount of debts factored at the applicable rate.

##### **Processing charges:**

Income is considered in full at the time of sanction of the factoring limits by the Company.

##### **Interest on Investments:**

Income is considered to accrue on time basis.



1. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

1.4 INVESTMENTS

All Investments are valued on individual basis. Long-term investments are valued at cost. Premium, if any, paid in excess of the fair value is amortized over the remaining period.

1.5 FIXED ASSETS

Fixed Assets are valued at cost (inclusive of installation and other direct incidental expenses) less accumulated depreciation. Assets purchased but given on Lease are capitalized on installation at cost, net of cenvat.

1.6 DEPRECIATION

**Assets other than given on Lease:**

Depreciation is provided on Written down Value Method on pro-rata basis in accordance with the useful life of assets as prescribed under Schedule II Part- "C" of the Companies Act 2013 in such a way that the residual value of an asset shall not be more than 5% of the original cost of the asset.

In case of small value of asset with the original cost price of individual asset is upto Rs.5000/- then the entire amount to be depreciated fully in the financial year of purchase.

The intangible assets like Computer software (Both custom made & market purchases), the useful life shall be for a maximum period of three years and be depreciated accordingly.

1.7 ASSET CLASSIFICATION

In terms of the guidelines of Reserve Bank of India, Debts Factored and other debts are classified into Standard or Performing asset and Non-performing asset based on the record of recovery of principal/discount charges; Non-performing Assets are further categorized as Sub-Standard, Doubtful and Loss Assets.

1.8 PROVISIONING

a) Provision in respect of Non-performing asset is determined as under:

**I) For Sub-standard Assets:** - A general provision of 10% of total outstanding shall be made.

**II) For Doubtful Assets:** - (a). 100% provision to the extent to which the debt is not covered by the realizable value of the security to which the company has a valid recourse is made. The realizable value is estimated on a realistic basis.

(b). In addition to item (a) above, depending upon the period for which the asset has remained doubtful, provision to the extent of 20% to 50% of the secured portion (i.e. estimated realizable value of the outstanding) is made on the following basis: -





## CANBANK FACTORS LIMITED

### 1. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Period for which the asset has been considered as doubtful	% Provision
Up to one year	20
One to three years	30
More than three years	50

**III) For Loss Assets:** - The entire asset is written off. If the assets are permitted to remain in the books for any reason, 100% of the outstanding is provided for.

- b) In respect of Standard Assets, a general provision of 0.40% on the outstanding is made.

#### 1.9 FACTORED & OTHER DEBTS & FUNDS-IN-USE

Debts factored and other debts are included under Current Assets as Trade Receivables. The unpaid balance of debts factored and due to clients after collection is deducted from Gross Debts Factored and the Funds-in-use is arrived at.

#### 1.10 RETIREMENT BENEFITS

The Provident Fund contribution for the directly recruited employees is a defined contribution scheme and is being remitted to the Regional Provident Fund Commissioner and accounted for on accrual basis and the Company has no further liability beyond its monthly contributions.

Gratuity is a defined benefit obligation for directly recruited employees. The company has taken a group gratuity policy from LIC of India. The liability for future gratuity benefits is accounted based on actuarial valuation as at the end of each year as disclosed by LIC of India. Further, a separate valuation from an approved Actuarial valuer has been taken by the company as per the requirement of AS-15 Standard.

The Company modified the terminal benefit provision to include the leave salary for the Directly Recruited Employees of the company (The leave salary was not a part of terminal benefits till 31.03.2019). The Company has taken an Actuarial Valuation of the Leave salary Liability from an Approved Actuarial valuer as at 31st March, 2020 and the provision has been made accordingly in the Books of accounts complying with the requirement of AS-15. As regards the payment of liability, it shall be accounted and be paid as and when the claim arises by debiting against the provision made in the books.

#### 1.11 BORROWING COST

Borrowing Cost that is attributable to construction of fixed assets is capitalized as part of such assets for the period up to the date of installation. All other borrowing costs are charged to revenue on accrual basis. However, other expenses incidental to borrowings like stamp duty, I.P. Commission etc are charged off at the time of incidence.



## 1. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### 1.12 FOREIGN EXCHANGE TRANSACTION

- a) Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction.
- b) Current assets and current liabilities are translated at the year-end rate.
- c) The differences between the rate prevailing on the date of the transaction and on the settlement and also on translation of current assets and current liabilities at the end of the year are recognized as income or expenditure as the case may be and are adjusted in the statement of Profit & Loss accordingly.
- d) Liability on account of Exchange difference in respect of foreign currency loans utilized for the purpose of acquiring fixed assets and outstanding on the balance sheet date is added to the cost of the fixed assets. Exchange difference on such loan installments paid during the year is accounted for as revenue expense.
- e) In respect of Foreign Exchange Contracts, the difference between the forward rate and the exchange rate at the date of the transaction is recognized as income or expense over the life of the contract, except in respect of liabilities incurred for acquiring fixed assets in which case, such difference should be adjusted in the carrying amount of the respective fixed assets.
- f) Any profit or loss arising on cancellation or renewal of a forward exchange contract is recognized as income or as expense for the period, except in case of a forward exchange contract relating to liabilities incurred for acquiring fixed assets, in which case, such profit or loss should be adjusted in the carrying amount of the respective fixed assets.

### 1.13 TAXATION

- a) Provision for Current tax is made on the basis of taxable income estimated in accordance with the provisions of Income Tax Act, 1961.
- b) Deferred tax resulting from timing differences between taxable and accounting income is accounted for using the tax rates and laws that are enacted or substantively enacted as on the balance sheet date.
- c) Deferred tax assets arising from timing differences are recognized to the extent there is virtual certainty that these would be realized in future. Deferred tax Assets are carried forward to the extent it is reasonably/ virtually certain that future taxable profit will be available against which such deferred tax assets can be realized. Deferred tax assets are reviewed at each balance sheet date and written down/ written up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

### 1.14 PRIOR PERIOD TRANSACTIONS

Prior period items of revenue & capital shall be recognized and shown separately in accounts whenever such transactions exceed 1% or Rs.100000/- whichever higher, of the total Revenue, Expenditure, and Assets & Liabilities as the case may be as per item No.5 of general instructions in preparation of P & L account, of the Companies Act, 2013.





**1. SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

**1.15 PROVISION, CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the financial statements.

**1.16 EARNINGS PER SHARE**

Basic earnings per share are computed by dividing the net profit after tax by the weighted average number of equity shares outstanding during the period. Diluted earnings per share is computed by dividing the profit after tax by the weighted average number of equity shares considered for deriving basic earnings per share and also the weighted average number of equity shares that could have been issued upon conversion of dilutive potential equity shares.



## 2.1 SHARE CAPITAL

Particulars	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs
<b>AUTHORIZED SHARES</b> 10,00,00,000 Equity Shares of `10/- each	10,000.00	10,000.00
<b>ISSUED, SUBSCRIBED AND FULLY PAID UP SHARES</b> 2,00,00,000 Equity Shares of `10/- each	2,000.00	2,000.00

### a. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period:

Particulars	31st March 2020		31st March 2019	
	Nos. in Lakhs	` Lakhs	Nos. in Lakhs	` Lakhs
<b>Equity Shares</b>				
At the beginning of the period	200	2,000	200	2,000
Issued during the period	-	-	-	-
Outstanding at the end of the period	200	2,000	200	2,000

### b. Shares held by holding/ultimate holding company and/or their subsidiaries/associates:

Out of equity shares issued by the company, shares held by its holding company, ultimate holding company and their subsidiaries/ associates are as below:

Particulars	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs
Canara Bank , the Holding Company 1,40,00,000 equity shares of ` 10 each fully paid	1,400.00	1,400.00
SIDBI, Co promoters 40,00,000 equity shares of ` 10 each fully paid	400.00	400.00
Andhra Bank, Co promoters(w.e.f 01.04.2020 merged with Union Bank of India) 20,00,000 equity shares of ` 10 each fully paid	200.00	200.00

### c. Details of shareholders holding more than 5% shares in the company:

Particulars	31st March 2020		31st March 2019	
	Nos. in Lakhs	% holding in the class	Nos. in Lakhs	% holding in the class
<b>Equity shares of ` 10 each fully paid</b>				
Canara Bank, the Holding Company	140	70%	140	70%
SIDBI, Co promoters	40	20%	40	20%
Andhra Bank, Co promoters(w.e.f 01.04.2020 merged with Union Bank of India)	20	10%	20	10%

### d. Terms / rights attached to equity shares:

The Company has only one class of shares referred to as equity shares having a par value of ` 10/- each. Each holder of equity shares is entitled to one vote per share.

In the event of liquidation of the Company, the holders of the equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the equity share holders.

### e. Stock Option Plans:

The Company has no stock option Plans.



f. Aggregate number of bonus shares issued, share issued for consideration other than cash and shares bought back during the period of five years immediately preceding the reporting date:

The Company has not issued any bonus shares or shares for consideration other than cash or bought back any shares during the period of five years immediately preceding the reporting date.

As per Companies (Amendment ) Act, 2019, the shares/securities shall be held or transferred only in Dematerialised form. Accordingly, all the shares of the Company are dematerialised through NSDL (Depository participant) and the ISIN allotted to our equity Shares is INE986D01016. The Registrar & transfer agent(RTA) is M/s Canbank computer services Limited

## 2.2 SURPLUS

Particulars	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs
<b>STATUTORY RESERVE FUND</b>		
As Per Last Balance Sheet	5,066.00	5,006.00
Add: Transferred from Profit & Loss account	90.00	60.00
<b>TOTAL</b>	<b>5,156.00</b>	<b>5,066.00</b>
As Per Last Balance Sheet	3,360.00	3,360.00
Add: Transferred from Profit & Loss account*	-	-
<b>TOTAL</b>	<b>3,360.00</b>	<b>3,360.00</b>
<b>GENERAL RESERVE</b>		
Balance as per last financial statement	10,712.57	10,512.57
Add: Transferred from Profit & Loss account	334.00	200.00
<b>TOTAL</b>	<b>11,046.57</b>	<b>10,712.57</b>
<b>PROFIT AND LOSS ACCOUNT</b>		
Balance as per last financial statement	(9,004.39)	(9,016.73)
Add: Net Profit after tax transferred from Statement of Profit & Loss	443.61	272.34
<b>Appropriations:</b>		
Transfer to Statutory Reserve Fund	90.00	60.00
Proposed Dividend	-	-
Dividend Tax, Surcharge & Cess	-	-
Transfer to Reserve for Contingencies*	-	-
Transfer to General Reserve	334.00	200.00
Closing Balance of Profit & Loss Account	(8,984.78)	(9,004.39)
<b>GRAND TOTAL - RESERVES &amp; SURPLUS</b>	<b>10,577.79</b>	<b>10,134.18</b>

\* In the opinion of the management, the balance in Contingencies reserve is adequate and hence no transfer is considered necessary for the current financial year.

## 2.3 PROVISIONS

Particulars	Long Term		Short Term	
	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs
Provision for Standard Assets	-	-	103.35	152.87
Provision for Doubtful Receivables	-	-	17,261.48	18,883.07
Provision for reimbursement of expenses - Deputed employees	12.00	44.07	-	-
Provision for Employee Benefits *	20.52	-	-	-
<b>TOTAL</b>	<b>32.52</b>	<b>44.07</b>	<b>17,364.83</b>	<b>19,035.94</b>

In terms of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 as amended dated 27th March, 2015 a general provision of 0.40% of the outstanding standard assets is made. Accordingly, the provision is not netted from gross advances (Factored & Other Debts) but disclosed separately under "Provisions" in the balance sheet and considered for Tier II capital.

\*Provision for employee benefits - The Company modified the terminal benefit provision to include the leave salary for the Directly Recruited Employees of the company (The leave salary was not a part of terminal benefits till 31.03.2019).The Company has taken an Actuarial Valuation of the Leave salary Liability from an Approved Actuarial valuer as at 31st March,2020 and the provision has been made accordingly in the Books of accounts complying with the requirement of AS-15.





(a) The particulars of provision for bad and doubtful debts are given as under: -

Particulars	2019-20 (` Lakhs)	2018-19 (` Lakhs)
Balance as at beginning of the year	18,883.07	17,922.38
Add: Provision made during the year	350.11	1,138.71
Total	19,233.18	19,061.09
Less: Written off /excess written back	1,971.70	178.02
Balance as at the end of the year	17,261.48	18,883.07

In terms of Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions, 2007 as amended dated 1st July, 2013 provision for doubtful assets have been made. As per that circular, the provision is not netted from gross advances (Factored Debts) but shown separately under "Provisions" in the Balance Sheet.

#### 2.4 SHORT - TERM BORROWINGS

Particulars	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs
Overdraft from Canara Bank	21,871.04	3,788.32
Working Capital Demand Loan (WC DL)- Canara Bank	-	30,000.00
Deposits		
TOTAL	21,871.04	33,788.32

The borrowing from Canara Bank is secured by a charge on Debts factored and repayable on demand and carries interest @ Marginal cost of funds based lending rate(MCLR).

#### 2.5 OTHER CURRENT LIABILITIES

Particulars	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs
Sundry Creditors for Expenses and others	139.88	177.09
Outstanding GST payable	5.98	5.92
Interest accrued but not Due(Canara Bank - WC DL)	-	151.52
Discount Charges received in Advance	126.79	253.97
Credit Balances in Client's A/Cs.	1.33	3.12
Retention Margin	3.48	22.00
Gratuity Contribution - LIC	-	0.03
TOTAL	277.46	613.65

Details of dues to micro and small scale enterprises as defined under the MSMED Act, 2006:

Particulars	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs
	MSME	NON MSME
The principle amount and the interest due there on remaining unpaid to any supplier as at the end of each		
- Principle amount due to micro small enterprises	NIL*	NIL*
- Interest due on above	NIL*	NIL*

\*Details of dues to micro and small scale enterprises as defined under MSMED, 2006:

The Company has not received any intimation from the suppliers regarding their status under Micro, Small & Medium Enterprises Development Act, 2006. Hence no

a) Amount due and outstanding to suppliers as at the end of the accounting year.

b) Interest paid during the year.

c) Interest due and payable at the end of the accounting year.

d) Interest accrued and unpaid at the end of the accounting year.





## 2.7 INVESTMENTS

Particulars	Non-Current		Current	
	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs
	-	-	-	-
<b>TOTAL</b>	-	-	-	-

## 2.8 DEFERRED TAXES (NET)

Particulars	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs
<b>Deferred Tax Assets</b>		
Fixed Assets : Impact of difference between tax depreciation and depreciation	14.14	13.65
Provision for Doubtful Receivables	4,487.98	4,909.60
Carry forward Income tax Loss for the F.Y.2019-20	308.87	-
Provision for Employee Benefits	8.45	11.46
	4,819.44	4,934.71
<b>Deferred Tax Liabilities</b>		
On account of Gratuity Contribution to LIC in respect of Direct Recruited Employees	-	0.01
<b>Deferred Taxes (Net)</b>	<b>4,819.44</b>	<b>4,934.70</b>

Deferred Tax for the year has been computed at the current tax rate applicable to the Company of 25%(No surcharge as there is carry forward loss)

## 2.9 OTHER ASSETS

Particulars	NON- CURRENT		CURRENT	
	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs
Loan Against Property & Machinery(LAP)	101.97	163.89	76.83	76.83
<b>TOTAL</b>	<b>101.97</b>	<b>163.89</b>	<b>76.83</b>	<b>76.83</b>

## 2.10 TRADE RECEIVABLES

Particulars	CURRENT	
	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs
<b>Sundry Debtors (Unsecured)</b>		
Debts Factored & Other Debts		
a) Outstanding for a period exceeding 6 months from the date they are due for payment		
Unsecured Considered Good	1,139.32	607.99
Unsecured Considered Doubtful	30,868.77	30,922.51
b) Others (Unsecured & Considered Good)	28,104.82	41,653.68
<b>TOTAL</b>	60,112.91	73,184.18
Less: Due upon Collection of Factored Debts	13,512.94	13,216.75
<b>FUNDS-IN-USE</b>	<b>46,599.97</b>	<b>59,967.43</b>

The Prime Security for Debts Factored and outstanding are the Trade Invoices and hence treated as unsecured.



## 2.6. FIXED ASSETS

## 2. NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2020

GROSS BLOCK											DEPRECIATION				NET BLOCK	
PARTICULARS	AS AT 01-04-2019	ADDITIONS DURING THE YEAR	ADJUSTMEN T DURING THE YEAR	TOTAL AS AT 31-3-2020	DEPRECIATIO N UP TO 01-04-2019	DEPRECIATION FOR THE YEAR	ADJUSTMENT DURING THE YEAR	TOTAL AS AT 31-03-2020	W D V AS AT 31-03-2020	W D V AS AT 31-3-2019						
TANGIBLE ASSETS:																
COMPUTERS & SOFTWARE	158.96	-	0.46	158.50	156.93	0.46	0.46	156.93	1.57	2.03						
FURNITURES & FIXTURES	77.76	0.50	0.09	78.17	70.54	1.74	0.08	72.20	5.97	7.22						
ELECTRICAL INSTALLATIONS	60.15	1.53	3.19	58.49	50.47	2.64	2.89	50.22	8.27	9.68						
VEHICLES	11.16	-	-	11.16	10.25	0.28	-	10.53	0.63	0.91						
OFFICE EQUIPMENTS	29.71	0.05	0.52	29.24	28.21	0.28	0.49	28.00	1.24	1.50						
Total Tangible Assets- I	337.74	2.08	4.26	335.56	316.40	5.40	3.92	317.88	17.68	21.34						
INTANGIBLE ASSETS:																
SOFTWARE	106.73	-	-	106.73	104.69	2.04	-	106.73	-	2.03						
Total Intangible Assets- II	106.73	-	-	106.73	104.69	2.04	-	106.73	-	2.03						
GRAND TOTAL (I+II)	444.47	2.08	4.26	442.29	421.09	7.44	3.92	424.61	17.68	23.37						
PREVIOUS YEAR TOTAL	559.03	1.84	17.26	543.6(*)	527.49	9.02	16.28	520.23(*)	23.37	31.53						

(Note:- The Assets given on lease which was fully written off in the earlier years OF Rs.99.13 Lakhs, has been removed from both Gross block & Accumulated depreciation

Note:- The Assets given on lease which was fully written off in the earlier years OF Rs.95.13 Lakhs, has been removed from both Gross block & Accumulated depreciation



## 2.10 TRADE RECEIVABLES (Continued)

In terms of Factoring Regulation Act, 2011 and considering the definition of "Factoring" provided thereunder, the debts factored / Other debts and the Funds-In-Use are classified as under:-

Particulars	Debts Factored & Other Debts	Percentage (%)	Funds-In-Use & LAP	Percentage (%)
Sale Bill Factoring	48,066.91	79.96	34,924.97	74.66
Trade Receivables discounting system	9,449.00	15.72	9,449.00	20.20
Purchase Bill Discounting	2,366.00	3.94	2,190.00	4.68
Invoice Discounting (Backed by LC)	231.00	0.37	36.00	0.08
Loan Against Property & Machinery(LAP)	-	-	178.80	0.38
<b>TOTAL</b>	<b>60,112.91</b>	<b>100.00</b>	<b>46,778.77</b>	<b>100.00</b>

Debt considered doubtful includes the amounts payable to the clients upon realization of the invoice. This amount has been deducted out of the Debts Factored as 'Due on Collection of Factored Debts'. Therefore, the net amount due from the Client is only the "Funds-in-use." Accordingly, the provision for Non-performing assets has been made only on funds-in-use in tune with the prudential norms of Reserve Bank of India. This treatment does not affect the computation of the Net Profit and Net Current Assets of the Company.

The Debts factored & Other Debts and Funds-In-Use as disclosed above in respect of some Clients are subject to confirmation.

In terms of Accounting Policies No.1.7 based on RBI guidelines, the Debts Factored & Other Debts and Funds-in-use (FIU) of the Company have been classified as under:-

Particulars	(Amount ` Lakhs)		(Amount ` Lakhs)	
	As at 31st March 2020		As at 31st March 2019	
	Debts Factored & Other Debts	Funds-in-use & LAP	Debts Factored & Other Debts	Funds-in-use & LAP
Standard Asset	29,243.91	25,839.67	42,392.51	38,216.93
Sub-standard Asset	2,629.00	2,206.03	1,127.99	809.39
Doubtful Asset	10,835.00	5,711.79	10,835.27	6,691.22
Loss Asset	17,405.00	13,021.28	18,828.41	14,490.61
<b>TOTAL</b>	<b>60,112.91</b>	<b>46,778.77</b>	<b>73,184.18</b>	<b>60,208.15</b>

Movement of NPA's :-

Particulars	(` In Lakhs)	(` In Lakhs)
	31/03/2020	31/03/2019
Opening Balance	21,991.22	23,005.78
Add: Additions during the year	2,131.30	1,097.70
<b>Total</b>	<b>24,122.52</b>	<b>24,103.48</b>
Less:- (1) Realization/Reduction during the year	1,211.72	1,231.88
(2) Closed During the Year	-	698.40
(3) OTS During the year (in progress)	-	-
(4) Write off During the year	1,971.70	178.02
(5) Adjustment During the year	-	3.96
<b>Closing Balance</b>	<b>20,939.10</b>	<b>21,991.22</b>
<b>Provision for NPA's</b>	<b>17,261.48</b>	<b>18,883.07</b>
<b>NET NPA</b>	<b>3,677.62</b>	<b>3,108.15</b>

## 2.11 CASH AND BANK BALANCES

Particulars	Non-current		Current	
	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs
Cash and Cash equivalents				
Balances with Banks				
- In Current Account		-		-
b) In Deposit Account			NIL	NIL
Cash on Hand		-	0.30	0.20
Cheques in Transit			NIL	NIL
<b>TOTAL</b>	<b>-</b>	<b>-</b>	<b>0.30</b>	<b>0.20</b>



## 2.12 LOANS & ADVANCES

Particulars	Long Term		Short Term	
	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs
Advance Tax, Tax deducted at source & MAT Credit Entitlement (*)	-	-	449.12	413.15
Unsecured and considered good:				
Security and other Deposits	23.70	23.70	-	-
Gratuity Contribution- Advance	-	-	4.54	-
GST Input credit - Receivable from GSTN	-	-	8.67	3.22
Advances- Others	-	-	12.65	2.32
Pre Paid Expenses	-	-	8.77	7.35
<b>TOTAL</b>	<b>23.70</b>	<b>23.70</b>	<b>483.75</b>	<b>426.04</b>

The Security & Other Deposits and advances are subject to confirmation.

(\*) Provision for taxation (current and deferred) has been made in the accounts on the basis of Company's own assessment as per the applicable statutory provisions. The advance income tax and TDS have been disclosed on net basis by adjusting the provision for tax, MAT credit Entitlement against it. The breakup is given below:

Particulars	Long Term	
	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs
Advance Tax	192.98	435.16
MAT Credit entitlement	278.00	278.00
Provision for Income Tax	(21.86)	300.01
<b>TOTAL</b>	<b>449.12</b>	<b>413.15</b>

Advance Tax includes an amount of Rs.84.98 Lakhs which is equivalent to 20% of the demand raised for AY 2017-18 vide their order u/s. 143(3) dated 31.12.2019

## 2.13 REVENUE FROM OPERATIONS

Particulars	For the year ended 31st March 2020 ` Lakhs	For the year ended 31st March 2019 ` Lakhs
Discount charges (1)	3,193.99	3,597.71
Factoring charges	179.16	235.46
Processing Charges	146.80	155.54
Other Receipts NPA in excess of book value & LAP	38.36	213.61
<b>Total</b>	<b>3,558.31</b>	<b>4,202.32</b>

(1.) As per RBI & FIMMDA guidelines, a uniform recognition of 365 days for a year is reckoned for revenue recognition

## 2.14 OTHER INCOME

Particulars	For the year ended 31st March 2020 ` Lakhs	For the year ended 31st March 2019 ` Lakhs
Interest on Income tax refund (AY 2017-18)	52.20	71.15
Other non-operating Income		
- Profit on sale of fixed assets	0.21	0.16
- Excess Provision no longer required written back(Tax charged)	1,971.69	-
- Excess Provision no longer required w.r.t Standard assets	49.52	-
- Excess Provision no longer required w.r.t reimbursements to deputed staff	18.00	-
- Miscellaneous Income	8.26	5.35
<b>Total</b>	<b>2,099.88</b>	<b>76.66</b>





## 2.15 EMPLOYEE BENEFIT EXPENSES

Particulars	For the year ended 31st March 2020 ` Lakhs	For the year ended 31st March 2019 ` Lakhs
Salary and other Allowances (Includes Rs.61.42 Lakhs reimbursement of expenses for deputed/seconded staff of Canara Bank previous year Rs. 62.77)	374.73	358.75
Medical Benefits	3.23	2.93
Contribution to staff provident fund	29.95	27.45
Gratuity & Leave salary	33.32	13.43
<b>TOTAL</b>	<b>441.22</b>	<b>402.56</b>

a. Employee Benefit Expenses includes Salary, Contribution to PF, Gratuity, Leave salary of employees/execution on deputation from Canara Bank which is calculated in accordance with the service rules of the Bank and has been reimbursed to the bank and charged to the accounts on the basis of the advice / Invoice received from the Bank. As regards to their entitlements / expenses reimbursements (as per the service rules in the Bank), it has been paid to them & charged to the P&L account of the Company. Canara Bank being the employer for the deputed staff, the Tax deducted at source has been considered and complied by them at the time of remitting their salaries directly to their bank accounts.. The above procedure of reimbursement to the bank / accounting of the expenses has been followed consistently from the inception of the company. The Company has been remitting Provident Fund in respect of directly recruited Staff to the Regional Provident Fund Commissioner regularly.

b. The Company modified the terminal benefit provision to include the leave salary for the Directly Recruited Employees of the company (The leave salary was not a part of terminal benefits till 31.03.2019). The Company has taken an Actuarial Valuation of the Leave salary Liability from an Approved Actuarial valuer as at 31st March, 2020 and the provision has been made accordingly in the Books of accounts complying with the requirement of AS-15.

## 2.16 OTHER EXPENSES

Particulars	For the year ended 31st March 2020 ` Lakhs	For the year ended 31st March 2019 ` Lakhs
Auditors' Remuneration	3.55	4.34
Rent, Rates & Taxes (1)	119.92	109.35
Printing and Stationery	7.53	5.85
Postage, Telephone, Telex & Fax	8.94	18.93
Travelling and Conveyance	21.92	21.26
Business Development Expenses	7.81	4.07
Advertisement and Publicity	0.98	0.76
Director's Sitting Fees	3.70	2.90
Repairs and Maintenance -- Vehicles	2.68	3.47
Repairs and Maintenance -- Others	11.19	13.08
Insurance	0.25	0.32
Electricity Charges	13.30	12.22
Legal & Professional Charges (2)	60.32	76.70
Membership Fees & Subscription to Periodicals	1.29	1.04
House keeping charges & office maintainance	38.67	29.99
Miscellaneous Expenses	0.79	1.11
CSR	-	-
Provision for Standard Assets	-	41.22
Provision for Doubtful Debts	350.11	1,138.71
Bad Debts Written Off (3)	1,971.69	-
<b>TOTAL</b>	<b>2,624.64</b>	<b>1,485.32</b>

(1) The Company is eligible to claim 50% of ITC in view of a specific provisions in GST laws. Therefore, 50% of ITC is always expensed off in the books. Rent, rates & Taxes includes 50% of ITC of Rs.25.97 Lakhs as at 31.03.2020 (Previous year is Rs. 18.13 Lakhs)

(2) This includes expenditure incurred for filing of Mortgage/ Recovery Suits in respect of NPA accounts in the ordinary course of business

(3) Details of Bad Debts written off during the year

Client Name	Month of NPA	Branch	FIU as on 31.07.2019
VKS Projects Ltd	Mar-14	MUM	798.5
Concast Steel & Power Ltd	Apr-17	DEL	1,173.2
<b>TOTAL</b>			<b>1,971.69</b>

Break-up for Auditors' Remuneration :

Particulars	For the year ended 31st March 2020 ` Lakhs	For the year ended 31st March 2019 ` Lakhs
Audit Fees	3.00	3.00
For Certification etc.,	0.48	0.57
Travel and Audit related expenses	0.07	0.77
<b>TOTAL</b>	<b>3.55</b>	<b>4.34</b>



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## 2.17 FINANCE COSTS

Particulars	For the year ended 31st March 2020 ` Lakhs	For the year ended 31st March 2019 ` Lakhs
On Bank Overdraft (Canara Bank)	590.97	301.45
on WCDL from Canara Bank	1,425.19	1,963.12
Bank Charges	9.86	5.52
<b>TOTAL</b>	<b>2,026.02</b>	<b>2,270.09</b>

## 2.18 CONTINGENT LIABILITIES AND COMMITMENTS (TO THE EXTENT NOT PROVIDED FOR)

Particulars	For the year ended 31st March 2020 ` Lakhs	For the year ended 31st March 2019 ` Lakhs
1. Contingent Liabilities:		
a) Claims against Company not acknowledged as Debts :(*)	424.92	Nil
b) Guarantee issued in favour of Hon. High court of karnataka(**)	405.00	405.00
c) Other Money for which company is contingently liable :	Nil	Nil
2. Commitments:		
a) Estimated amount of contracts remaining to be executed on capital	Nil	Nil

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

(\*\*) As at 31.03.2016, we have debited other current liabilities to the extent of Rs.405 Lakhs and crediting trade receivables (NPA) to the extent of Rs 190 Lakhs and other income by Rs 215 Lakhs as per the advise of the C&AG vide their letter dated 29.03.2016 and shown the Bank Gaurantee given to Hon. High court of Karnataka as a contingent liability. Tha said Guarntee is being renewed thereafter and valid till 20.01.2021. The appeal of Karnataka Bank in the Hon. High court is yet to come up on Board.

## 2.19 SEGMENT REPORTING

The company is carrying on the business of "Factoring" as a single product and hence there are no identifiable segments (The risk and rewards are uniform and equal in all geographical locations/ centres) within that to comply with the requirements of the Accounting Standards 17.

## 2.20 RELATED PARTY DISCLOSURES

### i) Name of the parties & Key Managerial personnel(KMP):-

a.) Names	% of Shareholding as at 31st March 2020	% of Shareholding as at 31st March 2019
a) Canara Bank	70.00	70.00
b) Small Industries Development Bank of India (SIDBI)	20.00	20.00
c) Andhra Bank (w.e.f 01.04.2020 merged with Union Bank of India)	10.00	10.00
d) Canbank Computer Services Limited(CCSL)	-	-
e) Canbank Factors employees Gratuity Fund trust - Contridution from the Company	-	-

b) Key managerial personnel & Remuneration	(` Lakhs)	
	31/03/2020	31/03/2019
1. Mr. Biswajit Ray Managing Director	24.85	21.07
2. Mr. S Balasubramanian Vice president (Finance) & Company Secretary	11.37	11.19



## 2.25 Disclosure In Respect Of Gratuity Liability Of Direct Recruited Employees

### Reconciliation of net defined benefit liability/ asset

The following table shows a reconciliation from the opening balances to the closing balances for the net defined benefit liability/ asset and its components:

Particulars	31/03/2019	31/03/2020
Change in defined benefit obligation		
Reconciliation of present value of defined benefit obligation		
Obligation at the beginning of the year	7,605,089	9,157,166
Past service cost (Vested employees)	-	-
Current service cost	908,031	1,022,807
Interest cost	585,592	700,103
Benefits settled	-	129,842
Actuarial (Gain) / Loss on the Obligation	58,454	666,377
Obligation at the end of the year	9,157,166	11,676,295
Reconciliation of present value of plan assets		
Plan assets at the beginning of the year, at fair value	6,974,150	9,559,436
Additions through business combination	1,971,209	1,617,279
Interest income on plan assets	-	-
Remeasurement- actuarial gain/(loss)	97,990	116,814
Return on plan assets recognized in other comprehensive income	516,087	707,398
Contributions	-	-
Benefits settled	-	(129,842)
Plan assets as at the end of the year	9,559,436	11,871,085
Net defined benefit liability	18,716,602	23,547,380

### Expense recognized in profit or loss

Particulars	31/03/2019	31/03/2020
Current service cost	908,031	1,022,807
Interest cost	585,592	700,103
Expected return on plan assets	516,087	707,398
Net Actuarial (Gain) / Loss recognized in the period	(39,536)	549,563
Net gratuity cost	938,000	1,565,075

### Defined benefit obligation - Actuarial Assumptions

Particulars	31/03/2019	31/03/2020
Discount rate	7.70%	6.60%
Expected Return on Assets	7.40%	7.40%
Salary Escalation	7.00%	6.00%
Withdrawal rate	1.00%	1.00%

### Amounts to be recognized in the balance sheet

Particulars	31/03/2019	31/03/2020
Present value of Defined Benefit Obligation	9,157,166	11,416,110
Fair value of plan assets	9,559,436	11,871,085
Funded status (Surplus/(Deficit))	402,270	454,475
Net asset/(liability) recognised in balance sheet	402,270	454,475

### Movement in the liability recognized in the Balance Sheet

Particulars	31/03/2019	31/03/2020
Net asset/(liability) recognised in balance sheet at beginning of period	(630,939)	402,270
Less Employer expense	938,000	1,565,074
Add Employer contributions	1,971,209	1,617,279
Net asset/(liability) recognised in balance sheet at end of the period	402,270	454,475





#### Change in Present value of Defined Benefit Obligations

Particulars	31/03/2019	31/03/2020
Present Value of DBO at beginning of period	-	1,934,693
Current Service cost	325,890	417,455
Interest cost	-	148,971
Past Service Cost (non Vested Benefits)	-	-
Past Service Cost (Vested Benefits)	-	-
Benefits paid by the employer	-216,283	-230,796
Actuarial (gains)/ losses	1,825,086	-218,036
Present Value of DBO at the end of period	1,934,693	2,052,287

Change in Fair Value of Plan Assets			
Particulars		31/03/2019	31/03/2020
Fair value of Plan assets at beginning of period		-	-
Expected return on plan assets		-	-
Actual Company contributions		216,283	230,796
Benefits paid		-216,283	-230,796
Actuarial gain/(loss) on plan assets		-	-
Fair value of Plan assets at the end of period		-	-

Amounts to be recognized in the balance sheet			
Particulars		31/03/2019	31/03/2020
Present value of Defined Benefit Obligation		1,934,693	2,052,287
Fair value of plan assets		-	-
Funded status [Surplus/(Deficit)]		-1,934,693	-2,052,287
Unrecognised Past Service Costs		-	-
<b>Net asset/(liability) recognised in balance sheet</b>		<b>-1,934,693</b>	<b>-2,052,287</b>

Expense to be recognized in the Profit & Loss Statement			
Particulars		31/03/2019	31/03/2020
Current Service cost		325,890	417,455
Interest cost		-	148,971
Expected return on plan assets		-	-
Past Service Cost		-	-
Actuarial (Losses)/Gains		-1,825,086	218,036
Total expense recognised in the Statement of Profit & Loss Statement		2,150,976	348,399

Movement in the liability recognized in the Balance Sheet		
Particulars	31/03/2019	31/03/2020
Net asset/(liability) recognised in balance sheet at beginning of period	0	-1,934,693
Less Employer expense	2,150,976	348,390
Add Employer contributions	216,283	230,796
Net asset/(liability) recognised in balance sheet at end of the period	-1,934,693	-2,052,287





II.) Transactions with related Parties:

a.) Canara Bank - Type of Transaction	For the year ended 31st March 2020 ` Lakhs	For the year ended 31st March 2019 ` Lakhs
Overdraft Facility ( Limit against Book Debts)	36,000	36,000
Outstanding Balance at the year end	21,871	33,788
Interest and Bank charges Paid (@MCLR of the Bank)	2,026	2,270
Number of Employees deputed from the Bank	4 Nos	5 Nos
Salary and other employee benefit amount provided to deputed staff from the Bank (Including Managing Director's Salary and related benefits of ` 24.85 lakhs (PY: `21.07 lakhs)	69.98	82.73
Rent paid (Canara Bank premises)	36.39	36.29

There are no transactions carried out with SIDBI and Andhra Bank .

b.) Canbank Computer Service Limited - Type of Transaction	For the year ended 31st March 2020 ` Lakhs	For the year ended 31st March 2019 ` Lakhs
Charges for resource provided for E-Factoring software	0.28	1.10
R&T Charges - Maintenance of Folios in electronic mode	0.15	NIL

c.) Canbank Factors Employees Gratuity Fund Trust-Type of Transaction	For the year ended 31st March 2020 ` Lakhs	For the year ended 31st March 2019 ` Lakhs
Contribution from the Company	17.38	20.57

2.21 LEASES

Obligations on long term non-cancellable Operating Leases

There are no long term non cancellable operating Leases.

Particulars	For the year ended 31st March 2020 ` Lakhs	For the year ended 31st March 2019 ` Lakhs
Lease rentals recognized during the period	-	-

Lease Obligations Payable	As at 31st March 2020 ` Lakhs	As at 31st March 2019 ` Lakhs
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-

2.22 IMPAIRMENT OF ASSETS

During the year, the Company has adopted the useful life for various categories of the Fixed Assets as provided in Schedule-II of the Companies Act, 2013 and accordingly reviewed all the Assets. On review, the impairment, if any, had already been taken note of and adjusted as Depreciation and charged to P & L Account. In respect of other Assets, the WDV has been carried in such a way that 95% of the original cost of the Asset will be depreciated over the useful life of the Asset and the residual/ resale value in no case shall be more than 5% of the Original Cost. Therefore, there are no indications of potential impairment loss in respect of assets for recognition under this Standard.

2.23 ACTIVITY IN FOREIGN CURRENCY

Particulars	For the year ended 31st March 2020 ` Lakhs	For the year ended 31st March 2019 ` Lakhs
Earnings in Foreign Currency	Nil	Nil
Expenditure in Foreign Currency	Nil	Nil

2.24 PROPOSED DIVIDEND

The Board of Directors has not proposed any dividend in order shore up Long term resources & Owned funds.



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## 2.27 CORPORATE SOCIAL RESPONSIBILITY(CSR)

The Company has constituted a CSR Committee in terms of Sec 135 of the Companies Act,2013 and the rules framed thereunder.The Average Net Profit of the Company in Negative. The disclosure on the above is also made in the Directors Report as provided in the Companies Act 2013.

## 2.28 EARNINGS PER SHARE

Particulars	For the year ended 31st March 2020 ` Lakhs	For the year ended 31st March 2019 ` Lakhs
Profit/(loss) after tax as per statement of Profit & Loss	426.10	272.34
Amount used as numerator for calculation of Basic and Diluted EPS	426.10	272.34
	<b>Nos. in Lakhs</b>	<b>Nos. in Lakhs</b>
Weighted average number of equity shares used as denominator in calculating Basic and Diluted EPS	200.00	200.00

Nominal value of each Equity Share	` 10/-	` 10/-
Earnings per Equity Share (*)	<b>2.13</b>	<b>1.36</b>

## 2.29 PRESENTATION OF AMOUNTS IN THE FINANCIAL STATEMENTS AND REGROUPING OF FIGURES

The financial Statements are presented in ` lakhs. Previous year's figures have been regrouped and recast wherever appropriate and necessary.

For and on behalf of the Board of Directors  
Canbank Factors Limited

  
A. Manimekhalai  
Vice Chairman  
DIN : 08411575


  
Biswajit Ray  
Managing Direct  
DIN : 07697500

  
Lalitha Rameswaran  
Director  
DIN : 02326309

  
A S Vishnubharath  
Director  
DIN : 0912185

  
D Chandramohan Reddy  
Director  
DIN : 08551220

  
KH Patnaik  
Director  
DIN : 0912185

  
S K Sinha  
Senior Executive  
Vice President

  
S Balasubramanian  
Vice President (Finance)  
& Company Secretary&CFO

In terms of our report of even date  
For Vasan and Sampath LLP  
Chartered Accountants  
Firm Reg No: 004542/13200070

Place: BANGALORE  
Date : 06.06.2020

  
Arun Kumar Srinivasan  
Partner  
Membership Number:205552

Place: BANGALORE  
Date : 06.06.2020



SCHEDULE TO THE BALANCE SHEET OF NON BANKING FINANCIAL COMPANIES		
Schedule in terms of paragraph 13 of Prudential Norms as per Notification No. DNBS.193 DG(VL) -2007 dated 22.02.2007 issued by RBI		
PARTICULARS	(Rs. in lakhs)	
LIABILITIES SIDE:		
Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:	Amount outstanding	Amount overdue
(a) Debentures : Secured	nil	nil
:Unsecured	0.00	nil
(other than falling within the meaning of public deposits)		
(b) Deferred Credits	nil	nil
(c) Term Loans	nil	nil
(d) Inter-corporate loans and borrowing	nil	nil
(e) Commercial Paper	0.00	nil
(f) Public Deposits *	0.00	nil
(g) Other Loans (Specify nature) #	21871.04	nil
*Please see note 1 below		

# Other loans include:

Secured Loan from bank	21871.04
SIDBI line of credit	0.00
Exempted deposits	0.00
Foreign currency line of credit(domestic)	0.00
Foreign currency line of credit(exports)	0.00
Short term unsecured loan/NGD's	0.00

2) Break up of (1) (f) above (outstanding public deposits inclusive of interest accrued there on but not paid ):	Amount outstanding	Amount overdue
(a) In the form of Unsecured debentures	nil	nil
(b) In the form of partly secured debentures i.e debentures where there is a shortfall in the value of security	nil	nil
(c)Other public deposits	0.00	nil
*Please see note 1 below		

<b>ASSETS SIDE:</b>	
3) Break up of Loans and Advances including bills receivables (other than those included in (4) below)	Amount outstanding
(a) Secured (Loan Against Property(LAP))	178.80
(b) Unsecured (Bills factored : Funds in Use)	46599.97
<b>Total</b>	<b>46778.77</b>
4) Break up of Leased Assets and stock on hire and hypothecation loans counting towards EL/HP activities	Amount outstanding
(i) Lease assets including lease rentals under sundry debtors:	
(a) financial lease	nil
(b) Operating lease	nil
(ii) Stock on hire including hire charges under sundry debtors	
(a) Assets on hire.	nil
(b) Repossessed Assets	nil
(iii) Hypothecation loans counting towards EL/HP activities	nil
(a) Loans where assets have been repossessed	nil
(b) Loans other than (a) above	nil





5) Break up of Investments:	Amount outstanding
Current Investments :	
1. Quoted:	
(i) Shares: (a) Equity	nil
(b) Preference	nil
(ii) Debentures and bonds	nil
(iii) Units of mutual funds	nil
(iv) Government Securities	nil
(v) Others (Specify)	nil
2. Unquoted	
(i) Shares: (a) Equity	nil
(b) Preference	nil
(ii) Debentures and bonds	nil
(iii) Units of mutual funds	nil
(iv) Government Securities	nil
(v) Others (Specify)	nil
Long term Investments:	
1. Quoted:	
(i) Shares: (a) Equity	nil
(b) Preference	nil
(ii) Debentures and bonds	nil
(iii) Units of mutual funds	nil
(iv) Government Securities	nil
(v) Others (Specify)	nil
2. Unquoted:	
(i) Shares: (a) Equity	nil
(b) Preference	nil
(ii) Debentures and bonds	nil
(iii) Units of mutual funds	nil
(iv) Government Securities	0.00
(v) Others (Specify) ( Indira Vikas Patra )	NIL

6) Borrower group wise classification of all leased assets, stock on hire and loans and advances (Please see note 2 below)	Amount net of provisions		
Category	Secured	Unsecured	Total
1. Related Parties **			
(a) Subsidiaries	nil	nil	nil
(b) Companies in the same group	nil	nil	nil
(c) Other unrelated parties #	0	29517.29	29517.29
<b>TOTAL</b>		29517.29	29517.29
# Prepayments made on bills factored ( FIU) less provision for doubtful debts and LAP(46599.97-17261.48+178.80)			

7) Investor group wise classification of all investments (current and long term) in shares		
Category	Market value / Break up or fair value or NAV	Book Value (Net of Provisions)
1. Related Parties**		
(a) Subsidiaries	nil	nil
(b) Companies in the same group	nil	nil
(c) Other related parties	nil	nil
2. Other unrelated Parties (YTM)	0.00	0.00
<b>TOTAL</b>	0.00	0.00
**As per Accounting Standard of ICAI (Note 3)		

8) Other information	Amount
Particulars	
(i) Gross Non Performing Assets	
(a) Related Parties	nil
(b) Other than related Parties	20939.10
(ii) Net non performing Assets	
(a) Related Parties	nil
(b) Other than related Parties#	3677.62
(iii) Assets acquired in satisfaction of debt	nil



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9) Disclosure in accordance with RBI circular No. DNBR (PD) CC NO.002/03.10.001/2014-15 dated 10th November 2014 and Notification issued by RBI on 27th March, 2015 and 10th April 2015 relating to Non Banking Financial Coppanies - Corporate Governanace Direction 2015		
1. Capital To risk Asset Ratio (CRAR):		
Items	Current Year (31/03/2020)	Previous Year (31/03/2019)
(i). CRAR (%)	25.84	17.76
(ii). CRAR - Tier I Capital (%)	25.50	17.40
(iii). CRAR - Tier II Capital (%)	0.34	0.36
2. Exposure to Real estate Sector and Capital Markets	Nil	Nil
3.Derivatives - Forward Contract	Nil	Nil
4. Disclosure on risk exposure in derivatives and relating to securitisation	Nil	Nil
5. Details of financing of parent Company products	Not Applicable	
6.Details of Single Borrower Limit(SBL)/ Group Borrower Limt(GBL) exceed by the NBFC		Current Year (31/03/20)
a. Single Borrower Limit(SBL) (excluding NPA)		
1. IMP POWERS LTD		1712.49
b. Group Borrower Limit(GBL)		NIL
7. Disclosure of penalties imposed by RBI and other regulators		NIL
8. Rating Assingned by credit rating Agencies		Current Year (31/03/20)
a. Short term debt programme - CRISIL Ratings		A1+
b. Long term Bank Loan rating - CRISIL Ratings		AA -
9. Concentration of Exposures		
a.Total Exposure to twenty largest borrowers		20744.19
b. Percentage of exposures to twenty largest borrowers		44.34
10. Concentration of Non performing Assets (NPAs)		
Total Exposure to top four NPA accounts		6017.95
Movement of NPAs		
	(Rs In Lakhs) 31/03/2020	(Rs In Lakhs) 31/03/2019
Opening Balance	21991.22	23005.78
Add: Additions during the year	2131.30	1097.70
Total	24122.52	24103.48
Less:- (1) Realization/Reduction during the year	1211.72	1231.88
(2) Closed During the Year	0.00	698.40
(3) OTS During the year (in progress)	0.00	0.00
(4) Write off During the year	1971.70	178.02
(5) Adjustment During the year	0.00	3.96
Closing Balance	20939.10	21991.22
Provision for NPA's	17261.48	18883.07
NET NPA	3677.62	3108.15
11. Overseas Assets (for those with joint ventures and subsidiaries abroad) -		Not Applicable
12. Off Balance sheet SPVs sponsored -		Not
Applicable		
13. Disclosure on client / customer Compliants		
No of Compliants pending at the beginning of the year		1
No of Compliants received during the year		0
No of compliants redressed during the year		0
No of compliants pending at the end of the year		1
14. In terms of RBI Circular no. DNBS.PD.CC.NO.256/03.10.042/2011-12 dated March 02, 2012 the compaby has to report Nos and amount of Fraud identified during the year		NIL
As per FMR- 2 outstanding amount of 2790.19 Lakhs- 3 accounts of which 2 accounts were prudentially written off during the years 2015 & 2017 with the book liability of Rs.722.47Lakhs & Rs.761.44 Lakhs respectively (total Rs. 1483.91 Lakhs)		
15.Relief provided vide RBI COVID-19 – Regulatory Package interms of DOR.No.BP.BC.47/21.04.048/2019-20 March 27, 2020 (Extention of credit period and deferment of discount charges)		20 accounts - Rs.47.21 Lakhs



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10 Asset Liability Management as at 31st March, 2020  
Maturity pattern of certain items of Assets and Liabilities

Particulars	(Rs. In Lakhs)								
	1 day to 30/31 day (1 month)	Over 1 month to 2 month	Over 2 month to 3 month	Over 3 month to 6 month	Over 6 month to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total
<b>Liabilities:</b>									
Borrowings from Banks	0.00	0.00	0.00	0.00	21871.04	0.00	0.00	0.00	21871.04
Market Borrowings	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Assets:</b>									
Advances (Debts O/s = Standard Asset)	9721.00	8077.00	8810.00	2313.00	0.00	0.00	0.00	0.00	28921.00
Investments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

As per our attached report of even date

For VASAN & SAMPATH LLP

Chartered Accountants

Firm Regn No. 0045725



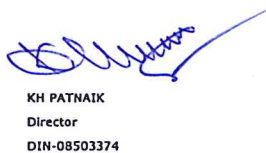
ARUN KUMAR SRINIVASAN

Partner

M. No. 205552

  
A. MANIMEKHALAI  
Vice Chairman  
DIN-08411575

  
BISWAJIT RAY  
Managing Director  
DIN-07697500

  
KH PATNAIK  
Director  
DIN-08503374

  
LALITHA RAMESWARAN  
Director  
DIN-02326309

  
A S VISHNUBHARATH  
Director  
DIN-0912185

  
D Chandramohan Reddy  
Director  
DIN- 08551220

  
S K SINHA  
Senior Executive  
Vice President

  
S BALASUBRAMANIAN  
Vice President (Finance)  
& Company Secretary

Bangalore  
Date :06.06.2020





## Independent Auditors' Report

To,  
The Members of  
Canbank Factors Limited

### Opinion

We have audited the accompanying standalone financial statements of **Canbank Factors Limited** ("the company"), which comprise the Balance Sheet as at **March 31, 2020**, the Statement of Profit and Loss and the Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Accounting Standards prescribed under section 133 of the Act read with the Companies (Accounting Standards) Rules, 2015, as amended, ("AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31<sup>st</sup> 2020, and its profit and its cash flows for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

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

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

Advances are classified as performing and non-performing assets in accordance with the prudential norms issued by RBI. The Company has a system of autoclassification of advances as NPA in accordance with the RBI Guidelines. However, the identification of NPA and creation of provision on such advances also involves key judgments relating to performance of borrowers, determination of security value, sources of repayment, application of regulatory conditions, etc. Accordingly, our audit was focused on income recognition, asset classification and provisioning pertaining to advances due to involvement of management judgment and considering the materiality of the balances.



Vasan & Sampath LLP (LLPIN: AAJ-7762)

## Auditor's Response to Key Audit Matter

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

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

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

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

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

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

## Management's Responsibility

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, total comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using





the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibility**

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

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

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

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

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





## Report on Other Legal and Regulatory Requirements

1) As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure A", a statement on the matters specified in the paragraph 3 and 4 of the order.

2) As required by Section 143 (3) of the Act, we report that.

- a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;
- c. The Balance Sheet, the Statement of Profit and Loss and the Cash Flow Statement dealt with by this Report are in agreement with the books of account;
- d. In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph above;
- e. On the basis of the written representations received from the directors as on 31<sup>st</sup> March 2020, taken on record by the Board of Directors, none of the directors is disqualified as on 31<sup>st</sup> March 2020, from being appointed as a director in terms of Section 164 (2) of the Act;
- f. With respect to adequacy of Internal Financial Controls of the company and operating effectiveness of such controls, we are **unable to express our opinion on the same**, as the company is yet to establish "Risk Control Matrices" so as to comply to the requirements of Section 143(3)(i) of the Companies Act 2013 (detailed in Annexure B);
- g. As required by directions of CAG of India under section 143(5) of Act, we report that:

- a) Whether the co. has system in place of process all the accounting transaction through IT system? If yes, implications of process of accounting transaction outside IT system on the integrity of the accounts along with the financial implications, if any may be stated.

**Reply: Yes, the company has adequate systems in place of process all the accounting transaction through their IT system. There are no implications on process of accounting transaction outside IT system on the integrity of the accounts along with the financial implications as the changes has been done by the competent authority to the client master.**

- b) Whether there is any restructuring of an existing loan or cases of waiver/write offs of debts/loans/interest etc., made by the lender to the company due to the co.'s inability to repay the loan? If yes, the financial impact may be restated?

**Reply: There are no cases of waiver/write offs of debts/loans/interest etc., made by the lender to the company.**

- c) Whether funds received /receivable for specific schemes from central/state agencies were properly accounted for utilized as per its term & conditions? List the cases of deviation?

**Reply: There are no funds received during the year from central/state agencies.**

- h. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our knowledge and belief and according to the information and explanations given to us:



- i. the Company does not have any pending litigations as at 31<sup>st</sup> March 2020 which would impact its financial position **OTHER THAN NPA CASES** for which provision has been made as per RBI prudential norms.
- ii. the Company did not have any long-term contracts including derivative contracts as at 31<sup>st</sup> March 2020 for which there were any material foreseeable losses; and
- iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the period ended 31<sup>st</sup> March 2020.

for **VASAN & SAMPATH LLP**

Chartered Accountants

Firm Registration Number: 004542S/S200070



**Arun Kumar Srinivasan**

Partner

Membership No. 205552

UDIN : **20205552AAAAAE9312**

Place: Bangalore

Date: 06 June 2020

## Annexure - A to the Auditors' Report

Referred to in paragraph under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Canbank Factors Limited for the year ended 31<sup>st</sup> March 2020:

- i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets;
- b. Fixed assets have been physically verified by the management at reasonable intervals. We are informed that no material discrepancies were noticed on such verification;
- c. According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable properties as at 31<sup>st</sup> March 20.
- ii. The Company's is a service company, primarily rendering factoring services. It does not involve inventory. Consequently, comment on clause (ii) of the order is not applicable;
- iii. The Company has not granted any loans to parties covered in the register maintained under section 189 of the Companies Act, 2013 ('the Act'). Consequently, comment on clause (iii) of the order is not applicable;
- iv. The Company has not made any loans and investments, covered by provisions of Section 185 and 186 of the Act. Consequently, comment on clause (iv) of the order is not applicable;
- v. According to the information and explanation given to us, the Company has not accepted any deposits from the public. Consequently, comment on clause (v) of the order is not applicable;
- vi. As explained to us, maintenance of cost records has not been prescribed for the company by the Central Government under section sub-section (1) of Section 148 of the Companies Act, 2013 for any of the services rendered by the Company. Consequently, comment on clause (vi) of the order is not applicable;
- vii. a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has generally been regular in depositing material undisputed statutory dues including provident fund, employee state insurance, income-tax, goods and service tax, cess and other statutory dues, during the year with the appropriate authorities.  
  
b) Details of disputed statutory dues : The Company has filed an Appeal before Commissioner of Appeals in respect of a demand raised ( vide their order u/s. 143(3) dated 31.12.2019) by the Income tax department for the AY 2017-18. The Company believes it has a very strong case & stay of demand was allowed with 20% of payment of Rs.84.98 Lakhs on 26.02.2020. The appeal process is in progress & the outcome is unknown.  
  
According to the information and explanations given to us, the company has not defaulted in repayment of loan/borrowings from financial institutions or banks;
- viii. The Company did not raise any money by way of initial public offer or further public offer (including debt instruments) and term loans during the period. Consequently, comment on clause (viii) of the order is not applicable.
- ix. According to the information and explanations given to us, no fraud by the Company or on the Company by its officers or employees has been noticed or reported during our audit;
- x. According to the information and explanations give to us and based on our examination of the records of the Company, the Company has provided for managerial remuneration during the year





and accordingly the clause regarding the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.

- xi. In our opinion and according to the information and explanations given to us, the Company is not a Nidhi company. Consequently, comment on clause (xi) of the order is not applicable;
- xii. According to the information and explanations given to us, the transactions with the related parties are in compliance with Section 188 of the Act and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards;
- xiii. 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;
- 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 entered into non-cash transactions with directors or persons connected with him. Consequently, comment on clause (xiv) of the order is not applicable;
- xv. The Company is required to be registered under section 45-IA of the Reserve Bank of India Act 1934 and accordingly the registration is obtained as NBFC-Factor with effect from 8<sup>th</sup> August 2014 vide registration number B02.00004.

**for Vasan & Sampath LLP**

Chartered Accountants

Firm Registration Number: 004542S/S200070



**Arun Kumar Srinivasan**

Partner

Membership number: 205552

UDIN : **20205552 AAAAAE9312**

Place: Bangalore

Date: 06 June 2020

## DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>st</sup> March, 2020

**TO  
THE MEMBERS,  
CANBANK FACTORS LTD.  
BANGALORE.**

1. The Board of Directors have pleasure in presenting the Twenty Ninth Annual Report of your Company along with the Audited Statement of Accounts for the year ended 31.03.2020.

The Annual Accounts of your Company have been drawn in accordance with the provisions of Companies Act, 2013 and the guidelines of the Reserve Bank of India (RBI) relating to Non-Banking Financial Companies (NBFC) with reference to Prudential Norms, Accounting Standards, Income Recognition, Provisioning, etc.

### **2. FINANCIAL RESULTS**

The highlights of the year's working are as under: - **(Rs. in Crores)**

			2019-20	2018-19
Profit / (Loss) before Depreciation			5.66	1.21
<b>Less:</b> Depreciation			0.07	0.09
Profit / (Loss) before Tax and Extraordinary Income			<b>5.59</b>	<b>1.12</b>
<b>Less:</b> Provision for Taxation	Current Tax			
	(Net of MAT Credit)		-	(1.70)
	Prior period Tax			
	Deferred Tax	1.15	1.15	
Profit / (Loss) After Tax and Before Extraordinary Income			<b>4.44</b>	<b>2.72</b>
Extraordinary Income			NIL	NIL
Net Profit/ ( Loss) after Extraordinary Income			4.44	2.72
<b>APPROPRIATION: -</b>				
Transfer to Statutory Reserve Funds			0.90	0.60
Proposed Final Dividend			-	-
<u>Dividend Tax, Surcharge &amp; Cess</u>			-	-
Reserve for Contingencies			-	-
Transfer to General Reserve			3.34	2.00
Balance available after appropriation			0.20	0.12
Carry forward loss from previous year			(90.04)	(90.17)
Balance carried to P & L a/c in the Balance Sheet			(89.84)	(90.04)





### **3. REVIEW OF PERFORMANCE:**

#### **A) FACTORING VOLUME & FUNDS-IN-USE:**

During the year under review, the Factoring Volume stood at Rs. 1308.13 Crore as against Rs. 1701.98 Crore of the previous year. The Funds-in-Use (FIU) stood at Rs. 467.79 Crore as against the previous year figure of Rs. 602.08 Crore. The Average deployment of funds (i.e., Average Funds-in-use) stood at Rs. 498.75 Crore as against the previous year figure of Rs. 532.12 Crore.

The Board of Directors while reviewing the performance of the Company during initial quarters of the Current financial year 2019-20, has advised to expand the business conservatively against proper risk mitigation measures considering the general Economic/credit scenario in the Country. Further, Board advised to be pragmatic & preservation of Capital should be the focus area of the Company. In addition to the above, due to outbreak of Covid-19 during the last few weeks of the financial year end the bulk Business by Government & large Corporates could not be completed which had also impacted the top line growth of the Company.

#### **B) PROFITABILITY :**

The Profit before Tax stood at Rs. 5.59 Crore as against Rs. 1.12 Crore of the previous year registering 4 fold increases over the previous year. The post-tax profit of the Company has also gone up & stood at Rs. 4.44 Crore registering an increase of 63.23% as against the previous year figure of Rs. 2.72 Crore.

The PBT of the company has moderately increased from Rs. 1.12 Crore to Rs. 5.59 Crore

#### **C) REGISTRATION AS FACTOR WITH RBI AND CREDIT RATING:**

Your Company got the registration from Reserve Bank of India (RBI) as NBFC-Factor with effect from 8<sup>th</sup> August, 2014 with the registration No. B-02.00004 being continued. The Company is non-public deposit taking company. Therefore, the provisions of Chapter V of Companies Act, 2013 are not applicable

The Capital Adequacy Ratio of the company stood at 26.19 % (Tier-I 25.85% + Tier II 0.34%) as against 15% stipulated by RBI.

The **Rating** of your company for Short Term Debt Programme continues at "A1+" by CRISIL and "AA-" for Long Term Bank loan rating.

#### **D) RISK MANAGEMENT AND INTERNAL CONTROL:**

Your Company has a well-developed MIS system, which gives detailed analysis of the Client's operations and provides the incipient sickness in any accounts and gives out exceptional reports. This would enable the management to take corrective action without delay. Your Company also has Industry-wise exposure ceiling and overall exposure cap for various products and business. The Company also has an integrated in-house developed risk evaluation system for Client pricing. Your company has a well-designed Risk Management Policy and periodical Risk Management Committee meetings are conducted to analyze the risk perception and suggest measures for mitigation of the same.

Your Company has sound Internal Control procedures and practices. All the Branches and the Registered Office are covered by a monthly Concurrent Audit System carried out by outside Chartered Accountants who go through the transactions for each month and provide to the management a detailed / exhaustive





report. Besides, Inspection of the Branches is being undertaken once in a period of 12 to 18 months by the internal Audit Department staff at Registered Office to cover the areas which are not handled by the Concurrent Auditors and also to oversee the areas of work done by Concurrent Auditors. The Audit Committee is fully apprised of the above Inspection / Audit periodically. All the functional areas of the Company are also being overseen by Canara Bank once in 2 years apart from RBI/C&AG Audit at periodical intervals.

In terms of Sec. 134 (5) of the Companies Act, 2013 & Rule 8 (5) (VIII) of the Companies (Accounts) Rules, 2014, your company has a detailed "Manual of Instructions" covering all the functional areas of factoring from the concepts of Factoring, sanctions, post-sanction, Documentation, accounting systems, monitoring, follow up, MIS Reports, Mid-Term Review, Concurrent Audit, Inspection & prudential norms guidelines of RBI. In the light of the above, your company has adequate financial controls with reference to the financial statements.

During the year under review we have also advised all our Concurrent Auditors to meticulously check and provide a report on the correctness and identification of material weakness if any in all important functional areas.

#### **4. NPA MANAGEMENT:**

The Gross NPA of the Company is Rs.209.39 Crore as against the previous year of Rs. 219.91 Crore. The net NPA stood at Rs 36.78 Crore as against previous year of Rs 31.08 Crore. The Gross and Net NPA as a percentage of Funds in use stood at 44.76% & 7.87% respectively.

During the year there was an addition of 3 accounts to NPA of Rs.12.75 Cr in TReDS business. However, the total delinquency originally was 10 accounts with the value of Rs. 22.46 Cr. Due to close & continuous follow up with the parties, we were able to recover 7 accounts of Rs.9.71 Cr.

Due to outbreak of Covid-19 during the last few weeks of the financial year, the targeted substantial recoveries before 31st March, 2020 could not be achieved & we have to give time and postpone the timelines. The SARFAESI sales & deposit of EMD's in connection with sale of properties could not be completed on account of the above which has also affected our recovery targets.

The Company has made a provision of Rs. 3.50 Crore out of profits towards Non-Performing Assets scrupulously following the prudential norm guidelines of Reserve Bank of India. The total provision available in the books is Rs. 172.61 Crore. Standard Assets provision stood at Rs. 1.03Crore (Previous Year Rs. 1.53 Crore) with reduction of provision of Rs.0.50 Crore during the year and the same has been shown under long term "provisions", eligible to be treated as "Tier 2" capital as per RBI guidelines.

The Company is following up all the NPA accounts individually for recovery through various legal processes.

#### **5. DIVIDEND:-**

The Board of Directors has not proposed any dividend in order shore up Long term resources & Owned funds.





## **6. DIRECTORS:-**

Sri K H Patnaik, General Manager of Canara Bank, has been appointed as a Director on our Board with effect from 20.07.2019.

Sri D Chandra Mohan Reddy, Circle General Manager of Union Bank of India (Formerly with Andhra Bank), Bangalore has been appointed as Nominee Director of Union Bank of India (Formerly Andhra Bank) with effect from 30.12.2019.

Sri Biswajit Ray, Managing Director of the Company has been reappointed with effect from 11.01.2020 for a period of one year.

Sri K S Srikanth, Former Deputy General Manager of Small Industries Development Bank of India (SIDBI), Bangalore has resigned from the Board with effect from 06.11.2019. The Directors place on record their deep appreciation for the valuable services rendered by Sri K S Srikanth during his tenure as Nominee Director of the Company.

Sri R A Sankara Narayanan, Former MD&CEO of Canara Bank resigned as Chairman of the Board consequent to his superannuation from the Bank with effect from 01.02.2020. The Board places on record their deep appreciation for the valuable services rendered by Sri R A Sankara Narayanan during his tenure as a Chairman of our Board.

As required by Section 152(6) (c)&(d) of The Companies Act, 2013, Sri K H Patnaik Director from Canara Bank, retire by rotation and is eligible for re-election.

## **7. CORPORATE GOVERNANCE:**

The Company has been following the principles of good corporate governance practices. The Company has been conducting periodical meetings of the Board of Directors, Committee of Directors, Audit committee, Risk Management Committee, Nomination & remuneration Committee and Asset Liability Management Committee as per the requirement of the Internal Policy guidelines. The Quorum and other Governance requirements for conducting such meetings are scrupulously adhered to. The Company has 2 Independent Directors on the Board out of 6 Directors and the Chairman of the Board is a Non-Executive Director. There were 4 Audit Committee meetings, 3 Committee of Directors meetings, 3 Risk Management meetings and 5 Board meetings conducted during the financial year. The Company is regular in conducting the Annual General Meeting of the Shareholders as per the stipulation of Companies Act. In terms of Sec 134 (3) (b) Companies Act, 2013, we have conducted 5 (five) Board meetings during the Financial Year 2019-20 on 10.04.2019, 03.06.2019, 05.09.2019, 30.12.2019 & 18.03.2020.

The Extract of the Annual Return pursuant to Sec 92(3) of the Companies Act, 2013, in Form MGT-9 is attached as Annexure-I.

Further, the Form of Declaration of Independence by the Independent Directors under Sec 149(7) of the Companies Act, 2013, is attached as Annexure -II.

The Compliance Management of your Company is good and at every meeting of the Board, a Due Compliance report is being submitted. At Quarterly intervals, the said Compliance Management Report is supported by a Certificate from a practicing Company Secretary / Chartered Accountant. In general, the Compliance standards / Management are satisfactory.





The Company has well laid out customer grievance / compliant policy and periodical reports of any grievances / complaints placed to the Committee of directors on quarterly basis and to the Board half yearly. There is 1 Complaint pending to be resolved as at 31.03.2020.

The Company has a policy on Sexual Harassment of women at workplace (Prevention, Prohibition and Redressal Act 2013). There are no cases filed in the financial year 2019-20.

The Company has been filing with RBI the fraud monitoring reports regularly in FMR-1, 2 & 3. The details are provided in Notes to Accounts.

The Company did not receive any orders passed by the regulators or court or tribunals impacting the going concern status and Company's operations in future.

#### **A) AUDIT COMMITTEE:**

The Audit Committee of the Board has been constituted with 2 Independent Directors and an Director of Canara Bank (General Manager, CAM Wing). The meetings are generally chaired by an Independent Director, who is Chartered Accountant. The Audit Committee of the Board has been meeting at regular intervals monitoring the operations of the internal audit systems, reviewing the quarterly performance reports, the internal inspection and RBI inspection report and the general systems and procedures followed by the Company.

#### **B) NOMINATION AND REMUNERATION COMMITTEE(NRC):**

The Company has constituted a Nomination and Remuneration Committee in terms of Sec 178 of Companies Act, 2013 and also the Establishment of Vigil Mechanism as per the rules framed there-under. The Committee has been formed with 4 Non-Executive Directors as members of which 2 are Independent Directors. The quorum for the meeting shall be 3 members. The Companies which are required to constitute an audit committee (and such existing Audit Committee), shall oversee the vigil mechanism through that Committee. The vigil mechanism shall provide for adequate safeguards against victimization of employees and directors and also provide for direct access to the Chairperson of the Audit Committee.

#### **Roles & Responsibilities of the NRC:**

The Nomination and Remuneration Committee shall identify persons, who are qualified to become Directors and who may be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal and shall carry out evaluation of every Director's performance.

The Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a Director and recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other employees.





### **C) Corporate Social Responsibility(CSR) Committee:**

The Company has constituted a CSR Committee in terms of Sec135 of Companies Act, 2013 and the rules framed there under. The Committee has been formed with 3 Directors as members and of which one is an Independent Director.

The Company is committed to give back to the community it operates in, including caring for the environment. The Company aims to minimise the impact of its business on the environment, have a positive effect on society and seek to further these objectives through trusts, societies and companies who embrace these objectives. The Company aims to use natural resources responsibly, work with community projects and encourage and educate its employees in these goals. The activities include Eradicating extreme hunger and poverty, Promotion of education, promoting gender equality and empowering women , reducing child mortality and improving maternal health, combating human immunodeficiency virus, acquired immune deficiency syndrome, malaria and other diseases, ensuring environmental sustainability employment ,enhancing vocational skill, social business projects, Contributions to the Prime Minister's National Relief Fund or any other fund set up by the Central Government or the State Government for socio-economic development and relief and funds for the welfare of the Scheduled Castes, the Scheduled Tribes, other backward classes, minorities and women.

The disclosure on CSR is provided in Annexure III.

### **8. AUDITORS:**

M/s Vasan & sampanth LLP, Chartered Accountants, Bangalore were appointed as Statutory Auditors of the Company by the Comptroller and Auditor General of India, New Delhi for the financial year 2019-20.

The Board of Directors at their 144<sup>th</sup> meeting held on 05.09.2019 have approved the Statutory Audit fees payable to auditors for the financial year 2019-20 at Rs.3,20,000/- excluding out of pocket expenses & applicable taxes. (Including certification fee).

In the Audit report for the year ended 31<sup>st</sup> March, 2020, the Auditors have given a Disclaimer opinion with regard to Internal Financial Control (IFC) as the "Risk Control Matrices" has not been established in line with guidance Note on IFC. The Company has taken effective steps to install the Risk Control Matrices during the current year FY 2020-21.

### **9. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE:**

The rules referring to Conservation Of Energy, Technology Absorption and Foreign Exchange are not applicable to the Company.



## **10. DIRECTORS' RESPONSIBILITY STATEMENT:**

The Board of Directors is happy to inform the members that:-

- i. Your Company has followed all applicable and relevant "Accounting Standards" as prescribed and the accounts are prepared accordingly.
- ii. The Accounting Policies were selected and applied consistently; the Judgments and estimates that were made were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year ended 31<sup>st</sup> March 2020 and the Profit and Loss Account of the Company for that period.
- iii. Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. The Annual Accounts have been prepared on a "Going concern basis."
- v. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## **11. ACKNOWLEDGEMENT:**

The Directors acknowledge with thanks the valuable guidance and support given from time to time by Canara Bank, Reserve Bank of India, Small Industries Development Bank of India and Andhra Bank, their top Executives and Officers, and above all, the valued clients and their customers for their continued patronage and co-operation.

Your Directors also wish to acknowledge the whole-hearted support and co-operation extended by the staff members of the Company and appreciates with a sense of pride their contribution towards the growth of the Company.

**PLAC: BANGALORE**

**ON BEHALF OF THE BOARD OF DIRECTORS**

**DATE: 06.06.2020**

  
**CHAIRMAN OF THE MEETING**

Enclosures:-

1. Annexure I- MGT-9
2. Annexure-II-Declaration of Independence by Independent Directors
3. Annexure-III- CSR-Reporting





## **ANNEXURE B - to the Independent Auditors' Report**

Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of Canbank Factors Limited for the year ended 31<sup>st</sup> March 2020.

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

We were engaged to audit the internal financial controls over financial reporting of Canbank Factors Limited as of March 31, 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended 31<sup>st</sup> March 2020.

#### **Management's Responsibility for Internal Financial Controls**

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

#### **Auditors' Responsibility**

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

Because of the matter described in Disclaimer of Opinion paragraph below, we were not able to obtain sufficient and appropriate audit evidence to provide a reasonable basis for an audit opinion on internal financial controls system over financial reporting of the Company.

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

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





## Disclaimer of Opinion

According to the information and explanation given to us, the Company has not established its internal financial control over financial reporting on criteria prescribed in 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. As a consequence, we are unable to obtain sufficient and appropriate audit evidence to provide a basis for our opinion whether the Company had adequate internal financial controls over financial reporting and whether such internal financial controls were operating effectively as at March 31, 2020. We have considered the disclaimer reported above in determining the nature, timing, and extent of audit tests applied in our audit of the standalone financial statements of the Company, and the disclaimer does not affect our opinion on the standalone financial statements of the Company.

*for Vasam & Sampath LLP*

Chartered Accountants

Firm Registration Number: 004542S/S200070



**Arun Kumar Srinivasan**

Partner

Membership number: 205552

UDIN : 20206552 AAAAE9312

Place: Bangalore

Date: 06 June 2020