

# **M. P. Chitale & Co.**

## **Chartered Accountants**

Hamam House, Ambalal Doshi Marg, Fort, Mumbai - 400 001 • Tel : 22651186/ 22653023 / 24 • Fax : 2265 5334 • E-mail : office@mpchitale.com

### **Independent Auditors' Report**

**To,**  
**The Members of SBM Bank (India) Limited**

#### **Report on the Audit of the Standalone Financial Statements**

##### **Opinion**

We have audited the accompanying standalone financial statements of SBM Bank (India) Limited ("the Bank"), which comprise the Balance Sheet as at 31 March 2020, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

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 section 29 of the Banking Regulation Act, 1949, as well as the Companies Act, 2013 ('Act') and circulars and guidelines issued by the Reserve Bank of India, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, read with rules made thereunder of the state of affairs of the Bank as at 31 March 2020, and its profit and its cash flows for the year ended on that date.

##### **Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Emphasis of Matter**

We draw attention to Note 37 of Scheduled 17B which describes the business uncertainties due to the outbreak of SARS-CoV-2 virus (COVID-19). In view of these uncertainties, the impact on the Bank's results for subsequent period is significantly dependent on future developments.

Our opinion is not modified in respect of this matter



**Information Other Than Financial Statements and Auditors' Report Thereon**

The Bank's Board of Directors is responsible for the preparation of Other Information, which comprises the Directors' Report and its Annexures but does not include the Standalone Financial Statements and our auditor's report thereon and the Pillar III Disclosures under the New Capital Adequacy Framework (Basel III disclosures).

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 Standalone 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.

**Responsibilities of Management and Those Charged with Governance for the Financial Statements**

The Bank's Management and Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cashflows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

The Bank's Management is also responsible for overseeing the Bank's financial reporting process.



### **Auditors' Responsibilities for the audit of the Standalone Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the bank 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 Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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

#### **Other Matters**

The financial statement of the Bank for the year ended March 31, 2019 were audited by the predecessor audit firm, who has expressed an unmodified opinion dated September 20, 2019 on such financial statements.

#### **Report on Other Legal and Regulatory Requirements**

1. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provision of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Act and Rules made thereunder.
2. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit and have found them to be satisfactory.
  - b. The transactions of the Bank, which have come to our notice, have been within the powers of the Bank.
  - c. The financial system of the bank are centralised and therefore, accounting returns for the purpose of preparing financial statements are not required to be submitted by branches.
3. In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of Section 197 and Schedule V of the Companies Act, 2013 read with Section 35B (2A) of the Banking Regulation Act, 1949;
4. Further, 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 purpose of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Bank so far as appears from our examination of those books and proper returns adequate for the purpose of our audit have been received from the branches not visited by us;
  - c) the Balance Sheet, and the Statement of Profit and Loss, dealt with by this report are in agreement with the books of account;



- d) in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act and Rules made thereunder, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- e) on the basis of written representation received from the directors as on March 31, 2020 and taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2020 from being appointed as director in terms of Section 164 (2) of the Companies Act 2013;
- f) with respect to the adequacy of the internal financial controls with reference to financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";
- g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;
  - i) The Bank has disclosed the impact of pending litigations on its financial position in its financial statements to the extent determinable/ascertainable. – Refer Schedule 12.1 and Note 23 of Schedule 17.B to the standalone financial statements.
  - ii) The Bank has made provision, as required, under the applicable law or accounting standards, for material foreseeable losses, if any, on long term contracts including derivative contracts. Refer Note 25 of Schedule 17.B to the standalone financial statements.
  - iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank.

**For M P Chitale & Co.**  
**Chartered Accountants**  
**ICAI FRN 101851W**



**Ashutosh Pednekar**  
**Partner**

**ICAI M. No. 041037**  
**UDIN: 20041037AAAABP7539**

**Place: Mumbai**

**Date: June 29, 2020**





**Annexure A to the Independent Auditor's Report of even date on the financial statements of SBM Bank (India) Limited**

**Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

We have audited the internal financial controls with reference to financial statements of SBM Bank (India) Limited ('the Bank') as at March 31, 2020 in conjunction with our audit of the financial statements of the Bank for the year ended on that date.

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

The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the 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 Bank'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 ('the Act').

**Auditor's Responsibility**

Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the Standards on Auditing ('the Standards'), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls over financial reporting, both issued by the ICAI. 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 with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial



statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

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

**Meaning of Internal Financial Controls with reference to Financial Statements**

A Bank's internal financial control with reference to financial statements 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. Bank's internal financial control with reference to financial statements includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorizations of management and directors of the bank; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls with reference to Financial Statements**

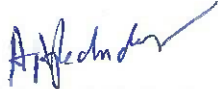
Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.



**Opinion**

In our opinion the bank has maintained, in all respects, an adequate internal financial control system with reference to financial statements and such internal financial controls with reference to the financial statements were operating effectively as at March 31, 2020, based on internal control over financial reporting criteria established by the bank considering the essential components of internal control stated in Guidance Note of Internal Control Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For M P Chitale & Co.**  
**Chartered Accountants**  
**ICAI FRN 101851W**



**Ashutosh Pednekar**  
**Partner**



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**UDIN: 20041037AAAABP7539**  
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**Date : June 29, 2020**