

By Speed Post/e-mail

NHB (ND)/HFC/DoS/Sup/ OUT02755/2021

June 11, 2021

The Managing Director
Can Fin Homes Limited
29/1, I Floor, Sir MN Krishna Rao Road
Basavangudi, Bangalore – 560004.

Sir,

Inspection of Can Fin Homes Limited, as per provisions of the National Housing Bank Act, 1987- with reference to its position as on 31-03-2020- Levy of Penalty

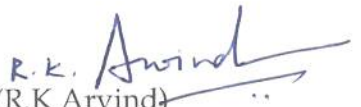
Please refer to the show-cause notice issued to the company vide letter no. NHB (ND)/DoS/SUP/E-mail/2021 dated 13-05-2021 on the captioned subject and the reply submitted by the company vide its letter dated 19-05-2021.

2. Based on the examination of the issue including the submission made by the company in the matter, the National Housing Bank has decided to levy a penalty of **₹29,13,234 /- (Rupees Twenty Nine Lakhs Thirteen Thousand Two Hundred Thirty Four Only)** plus applicable GST @ 18% on account of acceptance or renewal of public deposit for a period of less than 12 months (5 cases) which is in contravention of the provisions of Para 4 of the HFCs (NHB) Directions, 2010. Accordingly, company is directed to credit the penalty amount of **₹29,13,234 /- plus applicable GST @ 18%**, as per the Bank details enclosed at Annexure-I, within 14 days from the date of receipt of this letter.

3. The company should separately disclose the penalty in the 'Notes to Accounts' to the Balance Sheet in the Annual Report of the company. The Company is also advised to report the matter to its Board of Directors and send a copy of the minutes of the same to the Bank for information.

4. The company is required to prominently display on its website penalty levied on the company by NHB. Further, the company is also required to make disclosure on the penalty to the stock exchange(s) within two working days of the receipt of NHB's letter levying penalty on the company.

Yours faithfully,


(R.K Arvind)
Assistant General Manager
Department of Supervision

Annexure-I

S.No	Type	Particulars
1	Beneficiary Name	National Housing Bank
2	Beneficiary Address	Core 5A, 4th Floor, India Habitat Centre, Lodhi Road, New Delhi 110 003
3	Beneficiary Bank Name	State Bank of India
4	Beneficiary Bank Branch Address	Pragati Vihar Delhi Branch, Ground Floor, Core-6, Scope Complex, Lodhi Road, New Delhi - 110 003
5	Type of Bank Account	Current Account
6	Beneficiary Bank A/C No	52142903844
7	IFCS code of Bank branch	SBIN0020511
8	MICR No	110002658



Can Fin Homes Ltd.

Registered Office
No. 29/1, 1st Floor, M N Krishna Rao Road
Near Lalbagh West Gate, Basavanagudi
BENGALURU - 560 004
Tel No.: 080 26568687
e-mail: mdsec@canfinhomes.com
Web: www.canfinhomes.com
CIN: L85110KA1987PLC008699

CFHRO/CS/NHB/CORR/1/2021
19/05/2021

The General Manager
Department of Supervision
National Housing Bank
Core - 5A, 3rd floor, India Habitat Centre,
Lodhi Road, New Delhi - 110003

Dear Sir,

Sub: Show cause Notice: Inspection of Can Fin Homes Ltd. as per the provisions of the NHB Act, 1987 - with reference to its position as on 31/03/2020

Ref: (i) Your letter No. NHB (ND)/DoS/SUP/E-mail/2021 dated 13/05/2021 and
(ii) Our replies for the Inspection observations sent on various dates.

With reference to the above, we wish to inform your good offices that our Company has been in existence for the last 33 years and has been accepting public deposits since inception. As you are kindly aware, the Company has been a totally compliant company and has so far not deviated from any of the rules, regulations, directions, circulars etc. issued by the statutory and regulatory authorities. We wish to bring to your kind notice that the Company has maintained a good compliance track record with the NHB and other regulators like SEBI, MCA and IRDAI. The Company endeavours to maintain the compliance levels at its best in future also and has put in place systems, procedures, checks and controls in this regard.

The Company has been accepting about 4000 public deposits every year. The terms and conditions of acceptance of deposits clearly indicates minimum tenure of 12 months. Field level functionaries are aware of these terms and conditions. All repayments have been made in time. There are no grievances regarding deposits. The Company has maintained liquidity for the deposits as per statutory norms.

The observation that our company had accepted 5 deposits amounting to Rs 14.56 lakhs during the FY 2018-19 came as a surprise to us as we had checks in place for not accepting public deposits for less than 12 months. These are one-off incidents that happened in 3 branches, inadvertently, which appears to be human error and some technical issue. Now we have strengthened our controls and entry of exempted category deposits has been restricted for branches i.e., processed centrally at the Registered Office. After disabling the exempted category deposits for branches, we do not envisage any incidents of acceptance of deposits for a tenure of less than 12 months.

Deposits listed in the Annexure to the Notice: Explanation

We have analysed these five (5) specific cases wherein deviations are noted, as listed in the annexure to Show Cause Notice.



Two (2) deposits pertain to the same person, Shri G Siva Prasad, a Senior Citizen, who is a depositor with our Hyderabad Branch since 2011. This particular deposit is with the Company since 2011 and he has been renewing his deposits from time to time for more than 12 months, though by mistake they have renewed the deposit for 6 months in the intervening period, and then renewed the same for 12 months. All his prior and subsequent applications are for a tenure of not less than 12 months. His deposits are there with the Company for more than 120 months.

Another deposit pertains to Smt Chandrika S, a Senior Citizen, who is a borrower since 2015 and a depositor of our Virudhunagar Branch since February 2018. She had placed deposits with the Company for more than 12 months. This deposit was placed on 04/02/2018 for 13 months and it was matured on 04/03/2019. As requested by her the deposit was closed and the amount was refunded to her in June 2019. This deposit was with the Company for a total period of 16 months.

The details of the above 3 deposits and its renewals are given here below:

Branch	Name	Deposit No.	Date of deposit	Amount (Rs.)	Tenure	Date of maturity
Hyderabad	G Siva Prasad	104104000212	28-06-2016	257208	24 months	28-06-2018
		104104000245	28-06-2018	303715	6 months	28-12-2018
		104104000259	28-12-2018	315211	12 months	28-12-2019
		104104000365	28-12-2019	341195	12 months	28-12-2020
		104104000373	28-12-2020	369320	12 months	28-12-2021
					66 months +	
Hyderabad	G Siva Prasad	104104000213	28-06-2016	95614	24 months	28-06-2018
		104104000246	28-06-2018	112902	6 months	28-12-2018
		104104000260	28-12-2018	117176	12 months	28-12-2019
		104104000364	28-12-2019	126815	12 months	28-12-2020
		104104000372	28-12-2020	137290	12 months	28-12-2021
					66 months +	
Virudhunagar	Chandrika S	198104000012	04-02-2018	40000	13 months	04-03-2019
		198104000013	04-03-2019	40000	3 months	04-06-2019
					16 months	

The copies of application forms of these deposits are provided in the Annexure-1.

Other two deposits were accepted by our Gurgaon Branch during September 2018, inadvertently without understanding the consequences, which were closed after 3 months.

Further, the acceptance of deposits for tenure less than 12 months as explained above was unintentional.

In view of the above and the details provided in the Annexures, we sincerely request your good offices not to consider acceptance of these deposits as contravention of NHB Directions.

Further, we wish to inform that these 5 deposit contracts were one-off incidents and the branch has not renewed any of these deposits thereafter for a short period. All the deposits have been accepted/renewed with fresh applications for a tenure of more than twelve months. As such there were no continuing defaults.



We request for viewing this inadvertent error leniently. The show cause notice pointing this error itself will definitely act as deterrent and we will be more cautious in future. As our regulator, we continuously look forward to your guidance for our error free functioning. We look forward for your lenient view by condoning the inadvertent error without imposing any monetary penalty on us.

Considering all the above facts and explanations, details provided in the Annexure, high compliance track record maintained by the Company with NHB and all other statutory and regulatory authorities like MCA, IRDAI, SEBI etc., the steps taken by the Company in strengthening the checks and controls to ensure that such incidents do not recur, we once again request your good offices to accept our reply, and not levy any penalty as mentioned in the show cause notice dated 13/05/2021.

Thanking you & with regards,

Yours sincerely,
For Can Fin Homes Ltd.

KOUSGI
SREENIVASA
MURTHY GIRISH

Digitally signed by
KOUSGI SREENIVASA
MURTHY GIRISH
Date: 2021.05.19
11:17:51 +05'30'

Girish Kousgi
Managing Director & CEO



Encl: Annexure-1 together with related documents as mentioned above.



Annexure-1

Sl. No.	Deposit and Depositor Details	Explanation
1	Deposit 104104000245 G Siva Prasad	Shri G Siva Prasad, a senior citizen, who is an old depositor of our Company at our Hyderabad Nampalli Branch since 2011. His then existing deposit was renewed as deposit No.104104000212 amounting to Rs.2,57,208/- for a period of 24 months (upto 28/06/2018) and the maturity proceeds of the said deposit, net of TDS, amounting to Rs.3,03,715/- was renewed for a further period of 6 months inadvertently vide Deposit No.104104000245 upto 28/12/2018, which was further renewed as Deposit No.104104000259 for 12 months upto 28/12/2019. The deposit was again renewed as Deposit No.104104000365 for 12 months upto 28/12/2020 and further renewed as Deposit No.104104000373 for 12 months, which will mature on 28/12/2021. The related application form for deposit No.104104000212 was provided as Annexure-1(i) with our letter dated 07/04/2021. We have enclosed the same for your ready reference. We have also furnished the application forms submitted by Shri Siva Prasad for renewal of the deposits as mentioned above upto date. Deposit No.104104000245 - Annexure-1(a) Deposit No.104104000259 - Annexure-1(b) Deposit No.104104000365 - Annexure-1(c) Deposit No.104104000373 - Annexure-1(d)
2	Deposit 104104000246 G Siva Prasad	This deposit also pertains to the same Shri G Siva Prasad (Sl. No.1). His earlier deposit No.104104000213 amounting to Rs.95,614/- was renewed on 28/06/2016 for a further period of 24 months i.e., upto 28/06/2018 and the maturity proceeds of the said deposit, net of TDS, amounting to Rs.1,12,902/- was renewed for a further period of 6 months inadvertently as Deposit No.104104000246 upto 28/12/2018, which was further renewed as Deposit No.104104000260 for 12 months upto 28/12/2019. The deposit was again renewed as Deposit No.104104000364 for 12 months upto 28/12/2020 and further renewed as Deposit No.104104000372 for 12 months, which will mature on 28/12/2021. The related application form for deposit No.104104000213 was provided as Annexure-1(j) with our letter dated 07/04/2021. We have enclosed the same for your ready reference. We have also furnished the application forms submitted by Shri Siva Prasad for renewal of the deposits as mentioned above upto date. Deposit No.104104000246 - Annexure-1(e) Deposit No.104104000260 - Annexure-1(f) Deposit No.104104000364 - Annexure-1(g) Deposit No.104104000372 - Annexure-1(h)



3	Deposit 198104000013 Chandrika S	Smt Chandrika S, a senior citizen was a borrower since 2015 with our Virudhunagar Branch and a depositor since February 2018. She had placed a cumulative deposit of Rs.40,000/- on 04/02/2018 (CD No.198104000012) for a period of 13 months. Copies of the Deposit application and Deposit certificate are enclosed for perusal as <u>Annexure 1(k)</u> and <u>Annexure 1(l)</u>. The deposit was matured on 04/03/2019 and as per her instructions the interest portion amounting to Rs.3347/- was credited to her Housing Loan account No.198224000032 and the balance amount was renewed for a further tenure of 3 months inadvertently. The deposit was with the Company for a total period of 16 months. Subsequent to closure of her housing loan, she requested vide her letter dated 04/06/2019 for closure of the deposit. The maturity proceeds were repaid to her as requested. The letter of the depositor is enclosed as <u>Annexure 1(m)</u>. The housing loan extract is enclosed as <u>Annexure 1(n)</u>.
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Speed Post/ By Email

NHB (ND)/DoS/SUP/E-mail/2021

May 13, 2021

The Managing Director
Can Fin Homes Limited
29/1, I Floor, Sir MN Krishna Rao Road
Basavangudi, Bangalore – 560004.

Dear Sir,

Show Cause Notice: Inspection of Can Fin Homes Limited, as per provisions of the National Housing Bank Act, 1987- with reference to its position as on 31-03-2020

Please refer to your replies vide letter dated 13-01-2021 & 17-03-2021 and subsequent information submitted vide letter dated 07-04-2021 with reference to our e-mail dated 05-04-2021 on the captioned subject.

2. In this regard, it is observed that Company had opened 5 individual deposit accounts of small depositors (*details at Annexure-I*) for a period of less than 12 months totaling to ₹14,56,617/- which is in contravention with provisions of Para 4 of the HFCs (NHB) Directions, 2010. The company is advised to show cause in writing as to why penalty of ₹1,90,63,234/- (Rupees One Crore Ninety Lakhs Sixty-Three Thousand Two Hundred Thirty Four Only) plus GST @18% should not be levied on the Company.

3. The Company is therefore advised to provide its response in writing within 10 days from the date of this letter.

4. The Company's submissions, if any, should reach us within the stipulated time, failing which it would be construed that the Company has no comments to offer and the National Housing Bank will proceed further in the matter under the provisions of the National Housing Bank Act, 1987.

Yours faithfully,

Sd/-

(R.K. Arvind)
Assistant General Manager
Department of Supervision

Details of Public Deposits Accepted by the Company less than 12 Months

Annexure-I

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