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**Independent Auditor's Report on Annual Financial Results of the Company Pursuant to the Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended)**

**To the Board of Directors of Arohan Financial Services Limited**

**Opinion**

1. We have audited the accompanying annual financial results ('the Statement') of **Arohan Financial Services Limited** ('the Company') for the year ended 31 March 2020, attached herewith, being submitted by the Company pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) ('the Listing Regulations'), including relevant circulars issued by SEBI from time to time.
2. In our opinion and to the best of our information and according to the explanations given to us, the Statement:
  - i. presents financial results in accordance with the requirements of Regulation 52 of the Listing Regulations, and
  - ii. gives a true and fair view in conformity with the applicable Indian Accounting Standards ('Ind AS') prescribed under Section 133 of the Companies Act, 2013 ('the Act'), read with relevant rules issued thereunder, and other accounting principles generally accepted in India, of the net profit after tax and other comprehensive income and other financial information of the Company for the year ended 31 March 2020.

**Basis for Opinion**

3. We conducted our audit in accordance with the Standards on Auditing (SAs') specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statement 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 ('the ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act 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 obtained by us, is sufficient and appropriate to provide a basis for our opinion.

**Emphasis of Matter**

4. We draw attention to Note 4 to the accompanying Statement, which describes the uncertainty relating to the effects of Covid-19 pandemic on the Company's operations and the impact on the impairment provisions recognized towards the loan assets outstanding as at 31 March 2020. Our opinion is not modified in respect of this matter.

## **Responsibilities of Management and Those Charged with Governance for the Statement**

5. This Statement has been prepared on the basis of the annual audited financial statements and has been approved by the Company's Board of Directors. The Company's Board of Directors are responsible for the preparation and presentation of the Statement that gives a true and fair view of the net profit/loss and other comprehensive income and other financial information of the Company in accordance with the accounting principles generally accepted in India, including Ind AS prescribed under Section 133 of the Act, read with relevant rules issued thereunder and in compliance with Regulation 52 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of 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 Statement that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
6. In preparing the Statement, the Board of Directors are 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
7. The Board of Directors are also responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Statement**

8. Our objectives are to obtain reasonable assurance about whether the Statement as a whole is 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, specified under section 143(10) of the Act, 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 this Statement.
9. As part of an audit in accordance with the Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the Statement, 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 Act, we are also responsible for expressing our opinion on whether the Company has in place an adequate internal financial controls with reference to financial statements 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 the management.
  - Conclude on the appropriateness of the 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 Statement 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 Statement, including the disclosures, and whether the Statement represents the underlying transactions and events in a manner that achieves fair presentation.

# Walker Chandiook & Co LLP

## Arohan Financial Services Limited

### Independent Auditor's Report on Annual Financial Results of the Company Pursuant to the Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended)

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10. 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.
11. 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

12. The Statement includes the financial results for the half year ended 31 March 2020, being the balancing figures between the audited figures in respect of the full financial year and the published unaudited figures for the half year ended 30 September 2019, which were subject to limited review by us.
13. The Company had prepared separate financial results for the year ended 31 March 2019 prepared in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and other accounting principles generally accepted in India, on which we had issued auditor's report dated 15 May 2019 wherein we had expressed an unmodified opinion. These financial results have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have also been audited by us.

Our opinion is not modified in respect of these matters.

For **Walker Chandiook & Co LLP**

Chartered Accountants

Firm Registration No:001076N/N500013

**Manish Gujral**

Partner

Membership No:105117

**UDIN No:20105117AAAACQ3497**

Place: Mumbai

Date: 26 June 2020

**Arohan Financial Services Limited**

(Formerly Arohan Financial Services Private Limited)

**Statement of audited financial results for the half year ended 31 March 2020**

Particulars	(₹ in lakhs)			
	Half year ended		Year ended	
	31 March 2020 (Refer Note 3)	31 March 2019 (Refer Note 3)	31 March 2020 (Audited)	31 March 2019 (Audited)
<b>1 Revenue</b>				
(a) Interest income	44,598.10	32,549.18	86,146.25	58,483.80
(b) Fees and commission income	1,407.86	1,191.91	2,525.21	1,984.41
(c) Net gain on derecognition of financial instruments	487.77	3,438.86	3,324.81	4,269.57
(d) Others	377.17	264.89	569.89	513.26
<b>Total revenue from operations</b>	<b>46,870.90</b>	<b>37,444.84</b>	<b>92,566.16</b>	<b>65,251.04</b>
(e) Other Income	814.07	168.54	1,270.61	273.12
<b>Total revenue</b>	<b>47,684.97</b>	<b>37,613.38</b>	<b>93,836.77</b>	<b>65,524.16</b>
<b>2 Expenses</b>				
(a) Finance costs	20,010.85	14,564.14	38,220.08	25,478.45
(b) Impairment on financial instruments	13,398.15	1,737.91	15,974.07	4,049.18
(c) Employee benefits expenses	8,335.94	6,310.76	15,700.83	11,725.82
(d) Depreciation and amortization expenses	345.75	274.48	669.61	527.25
(e) Other expenses	3,208.45	2,944.09	6,513.64	6,029.79
<b>Total expenses</b>	<b>45,299.14</b>	<b>25,831.38</b>	<b>77,078.23</b>	<b>47,810.49</b>
<b>3 Profit before tax (1-2)</b>	<b>2,385.83</b>	<b>11,782.00</b>	<b>16,758.54</b>	<b>17,713.67</b>
<b>4 Tax expense</b>				
(a) Current tax	3,775.14	2,763.44	7,520.77	4,479.75
(b) Deferred Tax charge/ (credit)	(3,291.98)	404.80	(3,442.28)	469.89
<b>5 Net Profit after tax (3-4)</b>	<b>1,902.67</b>	<b>8,613.76</b>	<b>12,680.05</b>	<b>12,764.03</b>
<b>6 Other Comprehensive Income</b>				
(a) <b>Items that will not be reclassified to profit or loss</b>				
(i) Remeasurement of post employment benefit obligations	(464.72)	(84.62)	(576.11)	(116.08)
(ii) Remeasurement of equity instruments through other comprehensive income	(3.32)	-	(3.32)	-
(iii) Income tax relating to items that will not be reclassified to profit or loss	117.79	29.57	145.83	40.56
(b) <b>Items that will be reclassified to profit or loss</b>				
(i) Fair valuation of financial assets	1,147.61	(299.42)	1,689.28	(299.42)
(ii) Income tax relating to items that will be reclassified to profit or loss	(259.57)	104.63	(425.16)	104.63
<b>Total Other Comprehensive Income (A+B)</b>	<b>537.79</b>	<b>(249.84)</b>	<b>830.52</b>	<b>(270.31)</b>
<b>Total Comprehensive Income for the period (5+6)</b>	<b>2,440.46</b>	<b>8,363.92</b>	<b>13,510.57</b>	<b>12,493.72</b>
<b>7 Paid-up equity share capital (Face value of ₹ 10 each)</b>	<b>11,032.10</b>	<b>10,267.39</b>	<b>11,032.10</b>	<b>10,267.39</b>
<b>8 Earning per share</b>				
(a) Basic (In ₹)	1.81	9.48	12.07	14.05
(b) Diluted (In ₹)	1.81	9.46	12.05	14.02



**Arohan Financial Services Limited**  
(Formerly Arohan Financial Services Private Limited)

**Balance Sheet**

(₹ in lakhs)

Particulars	As at 31 March 2020 (Audited)	As at 31 March 2019 (Audited)
<b>A ASSETS</b>		
<b>1 Financial assets</b>		
(a) Cash and cash equivalents	68,858.31	17,400.57
(b) Bank balance other than cash & cash equivalents	15,165.59	8,818.76
(c) Trade receivables	532.01	566.33
(d) Loans	4,34,719.10	3,51,521.64
(e) Investments	-	3.32
(f) Other financial assets	-	-
<b>Total financial assets</b>	<b>5,21,397.63</b>	<b>3,81,923.79</b>
<b>2 Non-financial assets</b>		
(a) Current tax assets (net)	366.41	323.91
(b) Deferred tax assets (net)	3,527.65	364.70
(c) Property, plant and equipment	649.07	601.03
(d) Intangible assets under development	4.82	5.29
(e) Other Intangible assets	538.80	570.37
(f) Right to use asset	740.29	645.70
(g) Other non-financial assets	813.05	874.82
<b>Total non-financial assets</b>	<b>6,640.09</b>	<b>3,385.82</b>
<b>TOTAL ASSETS</b>	<b>5,28,037.72</b>	<b>3,85,309.61</b>
<b>B LIABILITIES AND EQUITY</b>		
<b>Liabilities</b>		
<b>1 Financial liabilities</b>		
(a) Payables		
(I) Trade payables		
(i) total outstanding dues of micro enterprises and small enterprises	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	-	-
(II) Other payables		
(i) total outstanding dues of micro enterprises and small enterprises	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	-	-
(b) Debt securities	-	-
(c) Borrowings (other than debt securities)	-	6,245.89
(d) Subordinated liabilities	3,98,340.94	2,77,587.83
(e) Others financial liabilities	20,970.29	18,515.22
<b>Total financial liabilities</b>	<b>4,28,303.69</b>	<b>3,12,775.46</b>
<b>2 Non-financial liabilities</b>		
(a) Provisions	1,422.95	523.69
(b) Other non-financial liabilities	2,048.04	2,294.86
<b>Total non-financial liabilities</b>	<b>3,470.99</b>	<b>2,818.55</b>
<b>Equity</b>		
(a) Equity share capital	11,032.10	10,267.39
(b) Other equity	85,230.94	59,448.21
<b>Total equity</b>	<b>96,263.04</b>	<b>69,715.60</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,28,037.72</b>	<b>3,85,309.61</b>



**Arohan Financial Services Limited**  
(Formerly Arohan Financial Services Private Limited)

**Notes:-**

- 1 The above audited financial results have been reviewed by the Audit Committee and approved by the Board of Directors of Arohan Financial Services Limited ('the Company') at their respective meetings held on 25 June 2020 and 26 June 2020 respectively.
- 2 The audited financial results of the Company have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under Section 133 of the Companies Act 2013 ("the Act") read with the Companies (Indian Accounting Standard) Rules, 2015 as amended by the Companies (Indian Accounting Standards) Amendment Rules, 2016. The Company has adopted Ind AS from 01 April 2019 and the effective date of such transition is 01 April 2018. Accordingly, the impact of transition has been recorded in the opening reserves as at 01 April 2018 and the corresponding adjustments pertaining to comparative previous year/quarter as presented in these financial results have been restated/reclassified in order to confirm to current year/period presentation.
- 3 The above financial results have been audited by the statutory auditors of the Company as required under Regulation 52 of the SEBI Listing Obligations and Disclosure Requirements Regulations 2015 and ('Listing Regulations') and have issued an unqualified opinion. The figures for the half-year ended 31 March 2020 and 31 March 2019 are the balancing figures between the audited figures in respect of full financial year ended 31 March 2020 and 31 March 2019 respectively and the published half-year ended 30 September 2019 and 30 September 2018 respectively, which were subject to limited review by the statutory auditors.
- 4 "COVID-19, a global pandemic has affected the world economy including India, leading to significant decline and volatility in financial markets and decline in economic activities. The Company's business is expected to be impacted by lower lending opportunities and decline in collection efficiencies. The impact of COVID-19 on Company's result remain uncertain and dependent on extent of spread of COVID-19, steps taken by the Government and central bank to mitigate the economic impact, steps taken by the Company and the time it takes for economic activities to resume at normal levels as a result of which, actual results may differ. The Company's capital and liquidity position remains strong and would continue to be the focus area for the Company.  
In accordance with the Reserve Bank of India ("the RBI") guidelines relating to COVID-19 Regulatory Package dated 27 March, 2020 and 17 April, 2020, the Company has granted moratorium upto six months on payment of all installments and/ or interest, as applicable, falling due between 1 March, 2020 and 31 August, 2020 to all the eligible borrowers as per the Company's policy. For all such loans where moratorium is granted, the Company has kept ageing of such loans and their asset classification standstill during the moratorium period.  
The Company has recognized provisions as on 31 March 2020 towards its loan assets, based on the information available at this point of time, in accordance with the expected credit loss method. The Company believes that it has considered all the possible impact of the known events arising out of COVID-19 pandemic in the preparation of financial results. However, the impact assessment of COVID-19 is a continuing process given its nature and duration. The Company will continue to monitor any material changes to future economic conditions.
- 5 The Company has prepared a reconciliation of the net profit as required by para 32 of IndAS 101 of the corresponding period under the previous GAAP with the respective figures as reported in the financial results under IndAS. The net profit reconciliation for the half year ended and the year ended 31 March 2019 is presented below:

(₹ in lakhs)

Nature of adjustment	Profit reconciliation	
	Half year ended	Year ended
	31 March 2019	31 March 2019
	(Refer Note 3)	(Audited)
1 Net profit as per previous GAAP		
2 Adjustment resulting in increase/ (decrease) in profit after tax as reported under previous GAAP	7,253.71	11,207.52
(a) application of effective interest rate method	-	
(b) Net gain on derecognition of loans sold under assignment transaction	135.82	327.22
(c) Fair valuation of financial assets and liabilities	1,941.18	2,074.31
(d) Others	(60.35)	(103.73)
(e) Deferred tax impact on IndAS adjustments	74.09	94.97
3 <b>Net profit as per IndAS (1+2)</b>	(730.69)	(836.26)
4 Other comprehensive income, net of taxes	<b>8,613.76</b>	<b>12,764.03</b>
5 <b>Total comprehensive income (3+4)</b>	(249.84)	(270.31)
	<b>8,363.92</b>	<b>12,493.72</b>



**Arohan Financial Services Limited**

(Formerly Arohan Financial Services Private Limited)

6 As required by para 32 of IndAS 101, the equity reconciliation between the figures reported under previous GAAP and IndAS for the year ended 31 March 2019 is presented below:

Particulars	(₹ in lakhs)	
	Equity reconciliation	
	Year ended 31 March 2019 (Audited)	
1 Equity as per previous GAAP	68,121.92	
2 Adjustment resulting in increase/ (decrease) in equity reported in previous GAAP		
(a) Impact on recognition of financial asset and financial liabilities at amortised cost by application of	628.90	
(b) Net gain on derecognition of loans sold under assignment transaction	2,074.31	
(c) Fair valuation of financial assets and liabilities	(431.20)	
(d) Others	108.47	
(e) Deferred tax impact on IndAS adjustments	(786.80)	
<b>Equity as per IndAS (1+2)</b>	<b>69,715.60</b>	

7 The Company has elected to exercise the option permitted under section 115BBA of the Income Tax Act, 1961 as introduced by Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the company has recognised provision for income tax for the period ended 31 March 2020 with the revised effective tax rate calculated basis the new tax rate of 25.17% applicable to the Company including re-measurement of deferred tax asset.

8 The Company is primarily engaged in the business of micro-finance and as such no separate information is required to be furnished in terms of IndAS 108 "Operating Segment" specified under section 133 of the Act.

By order of the Board  
For **Arohan Financial Services Limited**

**Manoj Kumar Nambiar**  
Managing Director  
DIN: 03172919

Place: Kolkata  
Date: 26 June 2020

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