



## **NOTICE**

**for the 29<sup>th</sup> Annual General Meeting of Arohan  
Financial Services Limited to be held at Kolkata  
through Video Conferencing on Monday, 3<sup>rd</sup> August,  
2020 at 11:30 AM**

**NOTICE****for the 29<sup>th</sup> Annual General Meeting of Arohan Financial Services Limited to be held at Kolkata through Video Conferencing on Monday, 3<sup>rd</sup> August, 2020 at 11:30 AM**

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## NOTICE

Notice is hereby given that the Twenty Ninth Annual General Meeting of the members of Arohan Financial Services Limited (“Arohan” or “the Company”) will be held on **Monday, 3<sup>rd</sup> August, 2020** at **11:30 a.m.** through **Video Conferencing (‘VC’)/Other Audio-Visual Means (‘OAVM’)** facility to transact the following business:

### **ORDINARY BUSINESS:**

1. To consider and adopt the Audited Financial Statements of the Company for the financial year ended 31<sup>st</sup> March, 2020, together with the Reports of the Auditors and Board of Directors thereon;

**“RESOLVED THAT** the Audited Financial Statements comprising Statement of Profit & Loss of the Company for the financial year ended 31<sup>st</sup> March, 2020, the Balance Sheet as at that date and Cash Flow Statement for the financial year ended 31<sup>st</sup> March, 2020 together with the Notes as annexed thereto and the Auditors’ Report and the Directors’ Report, as circulated to the Shareholders of the Company and submitted to this meeting, be and the same are hereby received and adopted.”

2. To re-appoint Mr. PIYUSH GOENKA (DIN 02117859) as director, who retires by rotation in terms of section 152(6) of the Companies Act, 2013 and being eligible, offers himself for re-appointment.

**“RESOLVED THAT** pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, the approval of the members of the Company be and is hereby accorded to the reappointment of **Mr. PIYUSH GOENKA (DIN 02117859)** as a director, to the extent that he is require to retire by rotation.”

3. To re-appoint Mr. WILHELMUS MARTHINUS MARIA VAN DER BEEK (DIN 02142559) as director, who retires by rotation in terms of section 152(6) of the Companies Act, 2013 and being eligible, offers himself for re-appointment.

**“RESOLVED THAT** pursuant to the provisions of Section 152 and other applicable provisions of the Companies Act, 2013, the approval of the members of the Company be and is hereby accorded to the reappointment of **Mr. WILHELMUS MARTHINUS MARIA VAN DER BEEK (DIN 02142559)** as a director, to the extent that he is require to retire by rotation.”

**SPECIAL BUSINESS:**

**4. Increase Borrowing Power of the Company**

To consider, and if thought fit, to pass, with or without modifications, the following resolutions as Special Resolutions:

**“RESOLVED THAT** in supersession of the earlier resolution passed by the Members in their meeting held on August 5, 2019 the consent of the Company be and is hereby accorded to the Board of Directors and/or any Committee of Directors thereof, under Section 180(1)(c) of the Companies Act, 2013 to borrow any sum or sums of moneys from time to time notwithstanding that the money or moneys to be borrowed, together with the moneys already borrowed by the Company, may exceed aggregate of its paid-up capital and free reserves, apart from temporary loans obtained from the company’s bankers in the ordinary course of business, provided however, the total amount so borrowed shall not exceed INR 7,500 crores (Rupee Seven Thousand Five Hundred Crores only).

**“RESOLVED FURTHER THAT** the Managing Director, Chief Financial Officer and Company Secretary be and are hereby severally authorized to file necessary forms with the Registrar of Companies, Kolkata and to do or cause to do such other acts, deeds things and execute all such documents, undertaking as may be considered necessary in connection with or incidental to the above.”

## **5. Creation of Charge and Providing Security**

To consider, and if thought fit, to pass, with or without modifications, the following resolutions as Special Resolutions:

**“RESOLVED THAT** in supersession of the earlier resolution passed by the Members in their meeting held on August 5, 2019 the consent of the Company be and is hereby accorded in terms of Section 180(1)(a) and other applicable provisions, if any, of the Companies Act, 2013 to pledge, mortgage and/or charge by the Board of Directors and/or Committee of Directors of the Company, by way of charge on all the immovable and movable properties of the Company in favour of the Banks, Financial Institutions, any other lenders or debenture trustees to secure the amount borrowed by the Company or any third party from time to time for the due payment of the Principal together with interest, charges, costs, expenses and all other monies payable by the Company or any third party in respect of such borrowings provided that the maximum extent of the indebtedness secured by the tangible or intangible assets of the Company does not exceed INR 7,500 crores (Rupee Seven Thousand Five Hundred Crores only) at any time.

**“RESOLVED FURTHER THAT** the Managing Director, Chief Financial Officer and Company Secretary be and are hereby severally authorized to finalize with Banks/Financial Institutions the documents for creating aforesaid mortgage and/or the charge and to

do all such acts and things as may be necessary for giving effect to the above resolution.”

## **6. To Issue Non-Convertible Debentures**

To consider, and if thought fit, to pass, with or without modifications, the following resolutions as Special Resolutions:

**“RESOLVED THAT** pursuant to the provisions of Section 42 and other applicable provisions, if any, of the Companies Act, 2013 read with the Rules framed there under, as may be amended from time to time, and subject to other applicable regulations/guidelines, consent of the members of the company, be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the Board which term shall include any committee thereof) for making offer(s) or Invitation (s) to subscribe to Non Convertible Debentures, including bonds, on private placement basis, in one or more tranches from time to time, during a period of one year from date of passing of this resolution within the overall borrowing limits of the company not exceeding INR. 5,000 crores, as approved by the members, from time to time.”

**“RESOLVED FURTHER THAT** the Board be and is hereby authorized and empowered to arrange or settle the terms and conditions on which all such monies are to be borrowed for time to time as to interest, repayment, security or otherwise howsoever as it may think fit and to do all such acts deeds and things, to execute all such documents, instruments and writings as may be required to give effect to this resolution.”

## **7. Payment of Commission to Directors**

To consider, and if thought fit, to pass, with or without modifications, the following resolutions as Special Resolutions:

**“RESOLVED THAT** pursuant to the recommendation of the Nomination and Remuneration Committee of the Company, the Board pursuant to the provisions of Section 197 & 198 and other applicable provisions, if any, of the Companies Act, 2013 (including any statutory modifications, enactment or re-enactment thereof for the time being in force) be and is hereby recommends the payment of commission to the Independent Directors of the Company within the overall limit as per the Companies Act, 2013, approval of the members, be and is hereby accorded for payment to commission to Independent Directors as decided by the Nomination and Remuneration Committee and Board of Directors of the Company.”

**“RESOLVED FURTHER THAT** Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution.”

**8. Approval of “Arohan Employee Stock Option Plan 2018 (Grant 2020)”**

To consider, and if thought fit, to pass, with or without modifications, the following resolutions as Special Resolutions:

**“RESOLVED THAT** pursuant to Section 62 (1) (b) and all other applicable provisions, if any, of the Companies Act 2013, read with Rule 12 of the Companies (Share Capital and Debenture) Rules, 2014, the Memorandum of Association and Articles of Association of the Company, approval of the Shareholders be and is hereby accorded to the draft ‘Arohan Employee Stock Option Plan 2018’ (“Grant 2020”), a copy whereof along with special resolution and explanatory statement

is tabled and initialled by the Chairman for the purpose of identification.”

**“RESOLVED FURTHER THAT** pursuant to Section 62(1)(b) and all other applicable provisions of the Companies Act, 2013, Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014, the Memorandum of Association and Articles of Association of the Company, the approval of the shareholders of the Company be and is hereby accorded to create, offer and grant up to 8,50,000 (Eight Lakhs Fifty Thousand only) Employee Stock Options to the eligible employees of the Company, as determined in terms of ESOP 2018, in one or more tranches, from time to time, exercisable in aggregate into not more than 8,50,000 (Eight Lakhs Fifty Thousand only) equity shares of face value of Rs.10/- each fully paid up, to be transferred to the option grantees by the Arohan ESOP Trust (“Trust”) on payment of the requisite exercise price, and on such terms and conditions as may be determined in accordance with the provisions of the applicable laws and the provisions of ESOP Plan 2018.”

**“RESOLVED FURTHER THAT** for the purpose of giving effect to the above resolution, any Director, CFO and Company Secretary are, severally, on behalf of the Board, be and are hereby authorized to do all such acts, deeds, matters and things as they may, in their absolute discretion, deem necessary, proper or desirable for such purpose, and to make any filings, furnish any returns or submit any other documents to any regulatory or governmental authorities as may be required, and to settle any question, difficulty or doubt and further to do or cause to be done all such acts, deeds, matters and things and to negotiate, finalize and execute all documents, papers, instruments and writings as they may deem necessary, proper, desirable or expedient and to give such directions and/or instructions as they may from time to time decide and to accept and



give effect to such modifications, changes, variations, alterations, deletions and/or additions as regards the terms and conditions as may be required; and any documents so executed and delivered or acts and things done or caused to be done shall be conclusive evidence of the authority of the Board in so doing and any document so executed and delivered or acts and things done or caused to be done prior to the date hereof are hereby ratified, confirmed and approved as the act and deed of the Board, as the case may be.”

**By order of the Board of Directors**

**Date: June 26, 2020**

**For Arohan Financial Services Limited**

**Place: Kolkata**

Sd/-

ANIRUDH SINGH G THAKUR

**Head- Compliance, Legal & Company  
Secretary**

**Membership No-A13210**

**NOTES**

1. In view of the continuing COVID-19 pandemic, the Ministry of Corporate Affairs ('MCA') vide its circular dated 5 May 2020 read with circulars dated 8 April 2020 and 13 April 2020 (collectively referred to as 'MCA Circulars') and SEBI circular dated 12 May 2020 permitted holding of the AGM through VC/OAVM facility, without the physical presence of the members at a common venue. In compliance with the provisions of the Companies Act, 2013 ('the Act'), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred to as 'SEBI Listing Regulations, 2015') and MCA Circulars, the AGM of the Company is being conducted through VC/OAVM (hereinafter called as 'e-AGM').
2. The deemed venue for Twenty Ninth e-AGM shall be the registered office of the Company.
3. Pursuant to the provisions of the Act, a member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. Since this e-AGM is being held pursuant to the MCA Circulars through VC/OAVM facility, physical attendance of members has been dispensed with. Accordingly, the facility for appointment of proxies by the members will not be available for the e-AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
4. Institutional/Corporate Members (i.e. other than individuals/HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of its board or governing body resolution/authorisation, etc., authorising their representative to attend the e-AGM on its behalf and to vote in the e-AGM.

5. The Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, as amended, in respect of the special business is annexed herewith and forms part of the notice.
6. The facility of joining the e-AGM through VC /OAVM will be opened 15 minutes before and will be open up to 15 minutes after the scheduled start time of the e-AGM, i.e. from 11.15 a.m. to 11.45 a.m.
7. In terms of section 101 and 136 of the Act, read together with the Rules made thereunder, the listed companies may send the notice of e-AGM and the annual report, including Financial statements, Board Report, etc. by electronic mode. Pursuant to the said provisions of the Act read with MCA Circulars, SEBI circular dated 12 May 2020, Notice of 29th e-AGM along with the Annual Report for FY2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/Depositories. Members may note that the said Notice and Annual Report will also be available on the Company's website [www.arohan.in](http://www.arohan.in)
8. To receive communications through electronic means, including Annual Reports and Notices, members are requested to kindly register/update their email address with their respective depository participant, where shares are held in electronic form. Where shares are held in physical form, members are advised to register their e-mail address with [compliance@arohan.in](mailto:compliance@arohan.in)
9. SEBI vide its notification dated 8 June 2018 as amended on 30 November 2018, has stipulated that with effect from 1 April 2019, the transfer of securities (except transmission or transposition of shares) shall not be processed, unless the securities are held in the dematerialised form. The Company has complied with the necessary requirements as applicable, including sending of letters to members holding shares in physical form and requesting them to dematerialise their physical holdings.

10. To comply with the above mandate, members who still hold share certificates in physical form are advised to dematerialise their shareholding to also avail of numerous benefits of dematerialisation, which include easy liquidity, ease of trading and transfer, savings in stamp duty and elimination of any possibility of loss of documents and bad deliveries.
11. The Company has been maintaining, *inter alia*, the following statutory registers at its registered office at PTI Building, 4<sup>th</sup> Floor, DP-9, Sector-5, Salt Lake, Kolkata-700091
  - i) Register of contracts or arrangements in which directors are interested under section 189 of the Act.
  - ii) Register of directors and key managerial personnel and their shareholding under section 170 of the Act.

In accordance with the MCA circulars, the said registers will be made accessible for inspection through electronic mode.

12. For ease of conduct, members who would like to ask questions/express their views on the items of the businesses to be transacted at the meeting can send in their questions/comments in advance to [compliance@arohan.in](mailto:compliance@arohan.in) during the period starting from 30<sup>th</sup> July 2020 (9:00 a.m) to 1<sup>st</sup> August 2020 (6:00 p.m). The queries may be raised precisely and in brief to enable the Company to answer the same suitably at the meeting.
13. Since the meeting will be conducted through VC/OAVM facility, the Route Map is not annexed to this Notice.
14. Instructions for joining the e-AGM are as follows :
  - Members will be able to attend the e-AGM through VC/OAVM provided by the Company.

- Members are encouraged to join the meeting through Laptops with Google Chrome for better experience.
- Further, members will be required to allow camera, if any, and hence use internet with a good speed to avoid any disturbance during the meeting.
- While all efforts would be made to make the VC/OAVM meeting smooth, participants connecting through mobile devices, tablets, laptops, etc. may, at times, experience audio/video loss due to fluctuation in their respective networks. Use of a stable Wi-Fi or LAN connection can mitigate some of the technical glitches.
- Members who need technical assistance before or during the Twenty Ninth e-AGM can contact the Company Secretary/Secretarial Department at +91 9883733233, +91 9674270996 and +91 9833188190

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013 TO THE NOTICE DATED June 26, 2020 (THE “NOTICE”)**

**Item no. 4 & 5 Increase Borrowing Power of the Company and Creation of Charge and Providing Security.**

Keeping in view the Company’s existing and future financial requirements to support its business operations, the Company needs additional funds. For this purpose, the Company is desirous of raising finance from various Banks and/or Financial Institutions and/or any other lending institutions and/or Bodies Corporate and/or such other persons/ individuals as may be considered fit, which, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) may exceed the aggregate of the paid-up capital and the free reserves of the Company. Hence it is proposed to increase the maximum borrowing limits upto INR 7,500 crores (Rupees Seven Thousand Five Hundred Crore only). Pursuant to Section 180(1)(c) of the Companies Act, 2013, the Board of Directors cannot borrow more than the aggregate amount of the paid-up capital of the Company and its free reserves at any one time except with the consent of the members of the Company in a general meeting. In order to facilitate securing the borrowing made by the Company, it would be necessary to create charge on the assets or whole of the undertaking of the Company. Section 180(1)(a) of the Companies Act, 2013 provides for the power to sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company subject to the approval of members in the general meeting.

The Board recommends the resolutions set out in item no. 4 & 5 of the Notice for your approval.

[None of the directors or managers or key managerial personnel of the Company or the relatives thereof are interested in these resolutions.]

### **Item no. 6 to Issue Non- Convertible Debentures**

The Board may, at an appropriate time, consider offering or inviting subscriptions for secured/ unsecured redeemable non-convertible debentures, in one or more series / tranches, on private placement, issuable / redeemable at par, in order to augment long-term resources for financing inter alia the ongoing capital expenditure and for general corporate purposes. Section 71 of the Act which deals with the issuance of debentures read with Section 42 of the Act which deals with the offer or invitation for subscription of securities of a company on private placement and Rule 14 of the Companies (Prospectus and Allotment of Securities) Rules, 2014 provide that a company which intends to make a private placement of its non-convertible debentures, shall, before making an offer or invitation for subscription, obtain approval of its shareholders by means of a special resolution. It shall be sufficient if the company passes a special resolution only once in a year for all the offers or invitations for such non-convertible debentures during the year.

Keeping in view the above, consent of the members is sought for passing the Special Resolution as set out at Item No. 6 of the Notice. This enabling resolution authorises the Board of Directors of the Company to offer or invite subscription for redeemable non-convertible debentures, as may be required by the Company, from time to time and as set out herein, for a period of one year from the date of passing this resolution.

The Board recommends the resolutions set out in item no. 6 of the Notice for your approval.

[None of the directors or managers or key managerial personnel of the Company or the relatives thereof are interested in these resolutions.]

**Item no. 7 Payment of Commission to Directors**

As per the recommendation of the NRC in their meeting dated June 26, 2020, the Board proposed to pay commission only to the Independent Directors in terms of the applicable provisions of the Companies Act, 2013 and its applicable rules and the Articles of Association of the Company.

The actual sum of the proposed commission to the individual directors will be as approved by the NRC and the Board of Directors of the Company within the overall limit as specified in the Companies Act, 2013.

The Board recommends the resolution set out in item no. 7 of the Notice for your approval.

[Except the Independent Directors of the Company, none of the directors or managers of KMP of the Company or the relatives thereof are interested in this resolution.]

**Item no. 8 Approval of “Arohan Employee Stock Option Plan 2018 (Grant 2020)”**

The Board of Directors in its meeting dated February 12, 2020 approved the dilution of 8,50,000 shares to be transferred to the option grantees by Arohan ESOP Trust on payment of the last round price on or before March 31, 2020 as exercise price and on such terms and conditions as may be determined in accordance with the provisions of the applicable laws and the provisions of applicable ESOP Plan. It is also intended to use this plan to attract, retain and motivate key talents working with the Company, by way of rewarding their performance and motivate them to contribute to the



overall corporate growth and profitability; and thereby increasing the shareholders' value. This matter was approved by the Board in their meeting dated 26th June, 2020.

The Nomination and Remuneration Committee ('the Committee') at its meeting inter-alia formulated the detailed terms and conditions of the said ESOP issue which was duly approved by the board of directors of the Company ('the Board') at its meeting held on June 26, 2020 subject to the approval of the members. The Company seeks approval of the members for launch of "**Arohan Employee Stock Option Plan 2018 (Grant 2020)**" and for grant of stock options to the employees of the Company as may be decided by Board and / or the Committee from time to time in accordance with the provisions of the Companies, Act, 2013 (including rules framed thereunder), and other applicable laws and regulations.

**Disclosure as per Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014:**

| <b>Sl. No.</b> | <b>Particulars</b>  | <b>Remarks</b>   |
|----------------|---|--|
| a.             | the total number of stock options to be granted   | 8,50,000 stock options   |
| b.             | identification of classes of employees entitled to participate in the Employees Stock Option Scheme     | All permanent employees till the level of AGM and Key Managerial Personnel of the Company shall be eligible subject to determination and selection by the NRC and Board. |
| c.             | The appraisal process for determining the eligibility of employees to the Employees Stock Option Scheme | The options shall be granted to the employees as per the performance appraisal system of the Company.  |

|    |   |  |
|----|---|--|
| d. | the requirements of vesting and period of vesting                         | The options granted shall vest so long as the employee continues to be in the employment of the Company. The vesting of options granted under the Plan shall not vest earlier than minimum period of 1 year. |
| e. | the maximum period within which the options shall be vested               | The options granted shall vest subject to maximum vesting period of 3 years.   |
| f. | the exercise price or the formula for arriving at the same                | The exercise price shall be the last issue price i.e., INR 170 per share.  |
| g. | the exercise period and process of exercise                               | Exercise period: 1 year from the date of vesting or IPO plus 3 months, whichever is later.<br>Exercise period for KMPs: 1 year from the date of vesting or IPO plus 4 months, whichever is later.            |
| h. | the Lock-in period, if any  | The options shall not be subject to any lock in period.  |
| i. | the maximum number of options to be granted per employee and in aggregate | Number of options granted shall not exceed 8,50,000 in aggregate.  |
| j. | the method which the company shall use to value its options;              | The Company shall adopt fair value method for valuation of options.  |
| k. | the conditions under which option vested in employees may lapse           | In case of termination and in case vested options are not exercised within the prescribed exercise period.   |
| l. | the specified time period within  | In case of proposed termination/   |

|    |  |   |
|----|--|---|
|    | which the employee shall exercise the vested options in the event of a proposed termination of employment or resignation of employee | resignation of an employee (except due to misconduct) all vested options as on the date of submission of resignation shall be exercisable by the Option Grantee within 30 days from last working day. |
| m. | a statement to the effect that the company shall comply with the applicable accounting standards                                     | The Company shall comply with the disclosure and the accounting policies prescribed as per prevailing Accounting guidelines.  |

As the ESOP 2018 Grant 2020 provides for issue of shares to be offered to eligible employees, consent of the members is being sought pursuant to Section 62(1) (b) of the Companies Act, 2013 read with Rule 12 of the Companies (Share Capital and Debentures) Rules, 2014 by way of a special resolution.

The Board recommends the resolutions set out in item no. 8 of the Notice for your approval.

[Except the Managing Director/KMPs, none of the Directors of the Company and their relatives are concerned or interested, financially or otherwise, in the resolution except to the extent of the securities that may be offered to them under the ESOP 2018 Grant 2020 set out at Item No. 8.]

**Date: June 26, 2020**

**Place: Kolkata**

**By order of the Board of Directors  
For Arohan Financial Services Limited  
Sd/-**

ANIRUDH SINGH G THAKUR

**Head- Compliance, Legal & Company  
Secretary**

**Membership No-A13210**

## DIRECTOR'S REPORT

Dear Members,

Your Board of Directors (the "Board") takes pleasure in presenting the Annual Report of AROHAN FINANCIAL SERVICES LIMITED (the "Company") together with the audited financial statements for the year ended March 31, 2020.

### FINANCIAL AND OPERATIONAL HIGHLIGHTS

The financial performance of the Company is summarized below:

|                                 | (INR in Cr) |         |            |
|---------------------------------|-------------|---------|------------|
|                                 | FY 2020     | FY 2019 | Change (%) |
| <b>Total Revenue</b>            | 938.37      | 655.24  | 43.21%     |
| <b>Less: Total expenditure</b>  | 770.78      | 478.10  | 61.22%     |
| <b>Profit Before Tax</b>        | 167.58      | 177.14  | -5.39%     |
| <b>Profit After Tax</b>         | 135.11      | 124.94  | 8.14%      |
| <b>Earnings Per Share (EPS)</b> |             |         |            |
| <b>-Basic (in INR)</b>          | 12.07       | 14.05   | -14.09%    |
| <b>-Diluted (in INR)</b>        | 12.05       | 14.02   | -14.05%    |

The operational highlights of the Company are summarized below:

| Year ended March 31,                    | FY 2020 | FY 2019 | Change (%) |
|---|---------|---------|------------|
| <b>Number of branches</b>               | 711     | 593     | 19.90%     |
| <b>Number of customer (in million)</b>  | 2.3     | 1.9     | 23.65%     |
| <b>Number of employees</b>              | 6,272   | 4,765   | 31.62%     |
| <b>Gross loan portfolio (in crores)</b> | 4,854   | 4,045   | 20.00%     |

The major performance ratios such as Opex, Margin, ROA, and CRAR were under control and optimum. The overall branch grading decreased marginally from 68 to 67 under old branch grading methodology. The overall organizational risk grade was at beta and the company's score has decreased marginally to 62 from 64 last year. The ALM and Liquidity risk

were under control. Arohan has strong liquidity position with INR 685 cr as usable funds including sanctions in hand, cash and cash reserves to support net loan disbursement and debt repayment. The Capital Adequacy Ratio was well within the limit as specified by the RBI and marginally increased to 24.09% from 23.10% last year. The branches under operation were 711 branches, including 10 MSME lending branches with 25 regional offices. Arohan introduced a separate Internal Control and Quality Vertical, as an additional line of defense which played a significant role in sourcing better quality loans. The overall AUM, as on March 31, 2020, is reported at INR 4854 Cr with a Net NPA at 0%. The company's Internal Audit department was awarded the ISO 9001-2015 certification testifying Arohan's commitment to excellence in quality management functions. The focus of the company would be safeguarding the employees as well as customers through awareness, while ensuring smooth business operations. The cross-sell segment has done well as compared to the last year, and the performance was slightly over the budget. In the MSME segment, the PAR 90 number was at 6.02% in March, 2020. The revenue has grown by 43% y-o-y to INR 938 Cr. The interest income grew by 51% and fee income by 32%. Higher opening on-book portfolio has resulted in higher interest income, up-fronting of income due to higher assignment deal has resulted in higher other income. Total Comprehensive Income (equivalent to profit after tax) in IND-AS has increased by 8% and the Net Worth has increased due to infusion of INR 130 Cr and higher retained earnings and lower applicable tax rates.

As a major achievement, Arohan has been certified as a Great Places to Work by the Great Place To Work® Institute and has ranked 86th among the 100 Best Companies to Work for in India 2020 and is has been identified in the list of top 25 best work places in the BFSI sector. Other awards and recognition received by Arohan are the Most Digitally Advanced NBFC, 2019, by India NBFC Forum and Institute for Competitiveness Strategy Awards by Times Network, 2019.

## **CHANGE IN THE NATURE OF BUSINESS**

The Company during the year decided to give off its MSME business undertaking as a going concern basis to Jain Sons Finlease Limited (IntelleGrow) on a slump sale basis for a lump sum purchase consideration without assigning value to each asset and liability of the Business, as contemplated under the provisions of Section 50B read with Section 2(42C) of the Income Tax Act 1961, on the terms and conditions set out hereunder. Since the transaction value with IntelleGrow, a related party of the Company, exceeded ten percent of the net worth of the Company, the same was approved by the Shareholders of the Company at their meeting dated March 19, 2020 as per Rule 15 of the Companies (Meeting of Board and its Powers) Rules, 2014. Though the deal did not materialised due the ongoing pandemic and MSME segment will continue to be part the Company's business for this next Financial Year 2020-21.

## **CAPITAL INFUSION**

During the year, the Company has preferentially allotted 41,17,647 Equity Shares to Intellectual Capital Advisory Services Private Limited and 35,29,411 Equity Shares to Aavishkaar Venture Management Services Private Limited on a private placement basis, both being the promoter entity of the Company.

Post allotment of Equity Shares as aforesaid, the issued, subscribed and paid-up share capital of the Company stands at INR 1,10,32,09,740 (Rupees One Hundred and Ten Crores Thirty Two Lakhs Nine Thousand Seven Hundred And Forty Only) comprising of 11,03,20,974 (Eleven Crores Three Lakh Twenty Thousand Nine Hundred And Seventy Four Only) Equity Shares of INR 10 each as on March 31, 2020. The net worth of the Company as on March 31, 2020 was INR 962.63 Cr. During the year, the Company has not raised capital in any other manner.

During the year, the Company has issued 25,00,000 Unsecured, Subordinated, Rated, Listed, Redeemable, Non-convertible Debentures at a coupon rate of 12.85% p.a. of face value of INR 10 each, aggregating to INR 25 Cr on a private placement basis.

Further, during the year, the Company has redeemed the following Debentures:

- 14.30% Secured, Rated, Listed, Redeemable, Non-Convertible Debentures of face value of INR 10,00,000 each aggregating up to INR 26,00,00,000 (260 Debentures) on April 26, 2019;
- 11.49% Unsecured, Senior, Rated, Listed, Redeemable, Non-Convertible Debentures of face value of INR 10,00,000 each aggregating up to INR 35,00,00,000 (350 Debentures) on December 27, 2019;

## **DIVIDEND**

The Board of Directors of your Company, after considering holistically the relevant circumstances has decided that it would be prudent, not to recommend any Dividend for the year under review.

## **DIRECTORS AND KEY MANAGERIAL PERSONNEL**

Mr. Piyush Goenka (DIN 02117859) and Mr. Wilhelmus Martinus Maria Van Der Beek (DIN 02142559) both being Nominee Directors retire by rotation in terms of Section 152 of the Companies Act, 2013 and Article of Association of the Company and being eligible offered for re-appointment as Director of the Company. Declaration from both the directors under section 164 (2) of the Companies Act, 2013 had been received stating they were not disqualified from being appointed as the Director.

Mr. David Arturo Paradiso (DIN 08181832) was appointed as an Alternate Director to Mr. Kasper Svarrer (DIN 07252475), Nominee Director of Maj

Invest Financial Inclusion Fund II K/S on January 24, 2019. After Mr. Svarrer's return back to India, Mr. David Arturo Paradiso automatically vacated the office of Alternate Director as per the provision of Section 161 of the Companies Act, 2013.

Pursuant to Section 47 of the SIDBI Amendment Act, 2000 and Section 161 (3) of the Companies Act, 2013 read with Rule 8, 9 and 14 of the Companies (Appointment and Qualification of Directors) Rules 2014 and other applicable provisions of the Companies Act, 2013 and Articles of Association of the Company, Mr. Shree Ram Meena, holding DIN: 08452187 representative of SIDBI was appointed as a Nominee Director on the Board of the Company replacing Mr. Prakash Kumar, Chief General Manager, SIDBI.

Based on the recommendations of the Nomination and Remuneration Committee (NRC) and pursuant to the performance evaluation of Mr. Rajat Mohan Nag (DIN 07083831) as a member of the Board, the Board proposed and the members approved to re-appoint Mr. Nag as an Independent Director of the Company, not liable to retire by rotation, to hold the office for a second consecutive term effective from January 31, 2020 for a period of five years.

The Board collectively was of the opinion that Mr. Nag brings forth a high level of integrity, expertise and experience with himself to the panel of the Independent Directors of the Company. Mr. Nag's proficiency of being an Independent Director has also been ascertained from the online proficiency self-assessment test conducted by the India Institute of Corporate Affairs.

During the year, Mr. Manoj Kumar Nambiar, Managing Director, Mr. Milind Ramchandra Nare, Chief Financial Officer, Mr. Ranjan Das, Chief Risk Officer and Mr. Anirudh Singh Thakur, Company Secretary are the Key Managerial ("KMP") of the Company.



Mr. Ranjan Das was appointed as the Chief Risk Officer (CRO) of the Company with effect from March 1, 2020 as approved by the Board on the recommendation of the NRC.

### **DECLARATION OF INDEPENDENCE**

The Company has received declarations from all Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations”).

### **DETAILS OF SUBSIDIARY, ASSOCIATE AND JOINT VENTURE OF THE COMPANY**

The Company doesn't have any subsidiary, associate and joint venture.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3) (c) of the Companies Act, 2013:

- a) In the preparation of the annual accounts for the year ended March 31, 2020, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;
- b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state

of affairs of the Company as at March 31, 2020 and of the Profit and loss of the Company for the year ended on that date;

- c) The Directors have taken proper and sufficient care towards the 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 fraud and other irregularities;
- d) The Directors have prepared the annual accounts on a 'going concern' basis;
- e) The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

#### **COMPANY'S POLICY RELATING TO DIRECTORS APPOINTMENT, PAYMENT OF REMUNERATION AND DISCHARGE OF THEIR DUTIES**

The current policy is to have an appropriate mix of executive and independent directors to maintain the independence of the Board, and separate its functions of governance and management. As on March 31, 2020, the Board consists of 12 members, which includes one Executive Director, two non-Executive Directors, four Independent Directors, and five Nominee Directors. The Chairman of the Company is an Independent Director, in terms of the relevant provisions of the Companies Act 2013. The Board periodically evaluates the need for change in its composition and size.

The Nomination and Remuneration Committee has formulated the criteria for determining qualifications, positive attributes and independence of a

director and recommends to the Board, a policy relating to the remuneration for the directors, key managerial personnel and other employees. The recommendation of the committee is forwarded to the Board for its approval.

The Nomination and Remuneration Committee decided the remuneration of executive Directors and key managerial personnel on the basis of following criteria;

- (a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the Company successfully;
- (b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (c) Remuneration to executive directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals.

## **NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS**

The details of the meetings of the Board of Directors of the Company held during the year are mentioned in the Corporate Governance Report which is provided separately in this Annual Report.

## **AUDITORS**

- (i) Statutory Auditors – M/s Walker Chandiook & Co LLP, (Firm Registration Number –001076N/N500013), Chartered Accountants were re-appointed as statutory auditors of the Company in the Annual General Meeting held on May 15, 2018 for a term up to five years, i.e. till the FY 2022-23. They have confirmed their eligibility

under section 141 of the Companies Act, 2013 to carry out the audit for the FY 19-20.

- (ii) Secretarial Auditors – M/s. Jayshri Tulsyan & Associates, Practicing Company Secretary (Certificate of Practice No. 8096) were appointed as Secretarial Auditor of the Company to conduct Secretarial Audit for the Company for the Financial Year 2019-20 as required under Section 204 of the Companies Act, 2013 and the rule made thereunder. The Secretarial Audit Report for FY 19-20 is appended as **Annexure I** to the Directors' Report.
  
- (iii) Cost Auditors – The Company is not required to maintain cost records as specified by the Central Government under Section 148(1) of the Companies Act, 2013 and accordingly such records are not made and maintained.

There are no qualifications, reservation or adverse remark made by the Statutory Auditor and Secretarial Auditor in their reports, save and except disclaimer made by them in discharge of their professional obligation.

#### **DETAILS OF FRAUDS REPORTED BY THE AUDITORS**

During the year under review, the Auditors of the Company have not reported any fraud as required under Section 143(12) of the Companies Act 2013.

#### **COMPLIANCE WITH SECRETARIAL STANDARDS**

The Company has in place proper systems to ensure compliance with the provisions of the applicable secretarial standards issued by The Institute of Company Secretaries of India and such systems are adequate and operating effectively.

## **CORPORATE INSOLVENCY RESOLUTION PROCESS INITIATED UNDER THE INSOLVENCY AND BANKRUPTCY CODE, 2016 (IBC)**

During the year, no applications were filed against the Company by any financial or operational creditors. The Company however by itself has filed three applications before the Kolkata bench of Hon'ble NCLT being a financial creditor. Amongst the three applications, one has been disposed off by signing the Terms of Settlement and the remaining two were also disposed off by the order of Hon'ble NCLT and are currently placed before the Committee of Creditors (CoC) for an adequate resolution plan.

The Company has also participated as a financial creditor by filing Form C-Proof of Claim against its three financial debtors. Amongst the three, one has been settled by payment, one is placed before the CoC for final approval of resolution plan and another one is placed at the stage of Admission of Claim by Insolvency Resolution Professional (IRP).

## **PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS**

Details of Loans and Investments covered under the provisions of the Section 186 of the Companies Act, 2013 are provided in Note to the Financial Statements, and further the Company has not provided any guarantee under Section 186.

## **RELATED PARTY TRANSACTIONS**

All transactions entered into with Related Parties as defined under the Companies Act 2013 and during the year under review were in the ordinary course of business and at an arm's length pricing basis and do not attract the provisions of Section 188 of the Companies Act 2013. The details of the transactions with related parties, if any, are placed before the Audit

Committee from time to time. Details of the related party transactions, which are exempted according to a proviso to Section 188 of the Companies Act 2013, during FY 19-20 are disclosed in note of the financial statements.

The policy on Related Party Transaction, as approved by the Board, is displayed on the website of the Company <https://www.arohan.in/resources/2019-08-23-14-30-20-Related%20Party%20Transaction%20Policy.pdf>.

### **AMOUNT TRANSFERRED TO STATUTORY RESERVES**

During the year the Company has transferred an amount of INR 22.41 crores to Statutory Reserve as required (20% of Profit after tax) under Section 45-IC of RBI Act, 1934.

### **MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY**

There are no material changes and commitments affecting the financial position of the Company, which has occurred between the end of the financial year of the Company i.e. March 31, 2020 and the date of the Directors' Report.

### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO UNDER SECTION 134(3)(M) OF THE COMPANIES ACT, 2013**

The provisions of Section 134(3) (m) of the Companies Act 2013 relating to conservation of energy and technology absorption do not apply to the Company. The Company has, however, used information technology extensively in its operations.

During the year under review, the Company's earning in foreign exchange was INR 0.05 crores. The details of foreign earnings have also been captured in note of the Financial Statements.

## **ANNUAL EVALUATION OF THE BOARD**

The Board pursuant to the provisions of Section 178 of the Companies Act 2013, the Nomination and Remuneration Committee (NRC) has carried out evaluation of individual Director's performance. In this regard the NRC had met on June 26, 2020 to carry out the above mentioned evaluation. The director's evaluation was carried out electronically through Diligent Software in a secured environment. The directors were allowed to carry out the evaluation in diligent software with their respective secured log in. A detail report on the director's performance evaluation as generated from diligent software, was placed before the Board and Committee in their meeting dated June 26, 2020.

The Members of the NRC reviewed the performance of all the individual Directors of the Company in accordance with the relevant sections of the Companies Act 2013. The Committee agreed that the effectiveness of participation of the Directors in various meetings of the Board and its Committees were satisfactory. All the Directors made significant contributions in ensuring ethical standards and the statutory, as well as, regulatory compliances. The Members of the NRC also agreed that the financial performance of the Company over the years is satisfactory and the Board as whole played great role in the development of the Company.

## **RISK MANAGEMENT POLICY**

The Board of the Company has adopted the Risk Management Policy based on the recommendation of the Risk Management Committee in order to assess, monitor and manage risk throughout the Company. Risk is an integral part of the Company's business, and sound risk management is critical to the success of the organisation. Detailed information on risk management is provided separately in this Annual Report.

## **CORPORATE SOCIAL RESPONSIBILITY (CSR)**

In compliance with Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy) Rules 2014, the Company has established the Corporate Social Responsibility Committee (CSR Committee) and the composition and the function thereof is mentioned in the Corporate Governance Report.

The Board adopted the CSR Policy, formulated and recommended by the CSR Committee, and the same is available on the Company's website.

During the year, as per the budget the Company spent on various programs and activities such as Skill Development & Education, Eco- Sustainability, Women Welfare & Awareness and Natural Disaster Relief. The details of the CSR activities undertaken during the year are given in the report on Corporate Social Responsibility activities which is annexed as **Annexure II** to the Directors' Report.

### **DETAILS OF SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY OPERATIONS IN FUTURE**

There are no significant material orders passed by the Regulators, Courts or Tribunals which would impact the going concern status of the Company and its future operations.

### **DEPOSITS**

The Company is a non-deposit taking NBFC-MFI and has not accepted any deposit as defined by the Companies Act, 2013.

### **INFORMATION REQUIRED UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013**



Internal Complaints Committee has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. The Company has also complied with the provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

During the financial year 3 cases were reported and all were effectively closed.

### **INTERNAL FINANCIAL CONTROLS**

The Company has in place adequate internal financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

### **VIGIL MECHANISM**

The Company has a Whistle-blower Policy which is periodically reviewed, and details of the same are explained in the Corporate Governance Report. The Policy is also available on the Company's website.

### **PARTICIPATION IN CREDIT BUREAU**

In order to address the issue of multiple lending or over indebtedness and also to know the credit history of the customer, the Company became the member in all the credit bureaus namely Experian Credit Information Company of India Private Ltd, High Mark Credit Information Services Pvt. Ltd., Equifax Credit Information Services Pvt. Ltd., and Transunion CIBIL Limited and shares all the customer's data to them on regular basis.

### **RESOURCES AND LIQUIDITY**

Your Company being a Systemically Important Non-Deposit Accepting NBFC is subject to the capital adequacy requirements prescribed by the Reserve Bank of India. The Company was required to maintain a minimum Capital

to Risk Asset Ratio (CRAR) of 15% as prescribed under the Non-Banking Financial Company-Micro Finance Institutions (Reserve Bank) Directions, 2016 (as amended from time to time) based on total capital to risk weighted assets. Your Company maintained a CRAR ratio higher than the RBI prescribed ratio, which is 24.09% as on March 31, 2020.

The Company has an outstanding on secured and unsecured borrowings of INR 4,193.11 crores at the end of Financial Year 2019-20.

### **RBI GUIDELINES & SRO**

Your Company is registered with Reserve Bank of India (RBI), as a non-deposit accepting NBFC (“NBFC-ND-SI”) under Section 45-IA of the RBI Act, 1934. As per Non-Banking Finance Companies RBI Directions, 1998, the Directors hereby report that the Company did not accept any public deposits during the year and did not have any public deposits outstanding at the end of the year. The Company being the member of MFIN a, follows the Code of Conduct as prescribed by the SRO. The Company also complies with the standards and rules as prescribed by the above SRO from time to time.

### **PARTICULARS OF EMPLOYEES**

The ratio of the remuneration of each director to the median employee’s remuneration and other details in terms of Section 197(12) of the Companies Act 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, have been annexed herewith as **Annexure III** to the Directors’ Report.

The statement containing particulars of employees as required under Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is provided in a separate annexure forming part of the Directors’ Report. In terms of Section 136 of the Companies Act, 2013, the Directors’ Report and the Accounts are being sent

to the Members excluding the aforesaid annexure and the same is open for inspection at the Registered Office of the Company. A copy of the statement may be obtained by the Members, by writing to the Company Secretary of the Company.

**CORPORATE GOVERNANCE**

The Company strives to adopt and adhere to the highest standards of Corporate Governance principles and best practices. With this objective the Company has put in place various policies, systems and processes to achieve transparency, high levels of business ethics and compliance with applicable laws. The Board & other Sub Committee Board ensures the high standards of transparency and accountability in all its activities. The best management practices and a high level of integrity in decision making are followed to ensure long term creation of value for all the stakeholders.

A complete Corporate Governance Report is attached with the Directors’ Report and annexed as **Annexure IV**.

**EMPLOYEE STOCK OPTION PLAN (ESOP)**

Stock Options are granted to eligible employees and Director of the Company, other than Independent Directors under the Arohan ESOP 2018-Grant 2019 as may be decided by the Nomination & Remuneration Committee.

The details of the Employee Stock Option Scheme as per Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 are as follows:

|   | Particulars       | Arohan ESOP 2018 ( Grant 2019) | Arohan ESOP 2018 (Grant 2018) | Arohan ESOP 2017 |
|---|-------------------|--------------------------------|-------------------------------|------------------|
| a | Options granted   | 7,69,528                       | 5,97,264                      | 2,29,280         |
| b | Options vested    | 7,69,528                       | 5,97,264                      | 2,29,280         |
| c | Options exercised | Nil                            | Nil                           | 30,000           |

| d                     | The total number of shares arising as a result of exercise of options   | Nil  | Nil              | Nil             |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
|-----------------------|---|--|------------------|-----------------|-----------------------|--------|----------------------|--------|------------|--------|--------------------|--------|--------------|--------|----------------|--------|---|------------------|-----------------|----------------|--------|----------------------|--------|----------------------|--------|--------------------|--------|------------|--------|----------------|--------|--|------------------|-----------------|----------------------|--------|-----------------|--------|--------------------|--------|--------------------|--------|--------------|--------|----------------|--------|
| e                     | Options lapsed  | 35,250   | 54,000           | 24,000          |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| f                     | The exercise price  | INR 162.80   | INR 130/-        | INR 84.70/-     |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| g                     | Variation of terms of options   | No   | No               | No              |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| h                     | Money realized by exercise of options   | Nil  | Nil              | 25,41,000       |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| i                     | Total number of options in force  | 7,34,278   | 5,43,264         | 1,75,280        |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| j.                    | Employee wise details of options granted to:  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
|                       | a) Key Managerial Personnel   | 2,87,808   | 2,43,324         | 50,000          |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
|                       | b) any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year; and        | <table border="1"> <thead> <tr> <th>Name of Employee</th> <th>Options granted</th> </tr> </thead> <tbody> <tr> <td>Shirish Chandra Panda</td> <td>46,530</td> </tr> <tr> <td>Harshvardhan Patnaik</td> <td>33,840</td> </tr> <tr> <td>Ranjan Das</td> <td>36,000</td> </tr> <tr> <td>Abin Mukhopadhyaya</td> <td>36,000</td> </tr> <tr> <td>Prashant Rai</td> <td>29,700</td> </tr> <tr> <td>Shailesh Kumar</td> <td>36,000</td> </tr> </tbody> </table> | Name of Employee | Options granted | Shirish Chandra Panda | 46,530 | Harshvardhan Patnaik | 33,840 | Ranjan Das | 36,000 | Abin Mukhopadhyaya | 36,000 | Prashant Rai | 29,700 | Shailesh Kumar | 36,000 | <table border="1"> <thead> <tr> <th>Name of Employee</th> <th>Options granted</th> </tr> </thead> <tbody> <tr> <td>Shailesh Kumar</td> <td>44,800</td> </tr> <tr> <td>Shrish Chandra Panda</td> <td>49,800</td> </tr> <tr> <td>Harshvardhan Patnaik</td> <td>34,560</td> </tr> <tr> <td>Abin Mukhopadhyaya</td> <td>32,400</td> </tr> <tr> <td>Joji Jacob</td> <td>36,000</td> </tr> <tr> <td>Joyanta Bakali</td> <td>30,000</td> </tr> </tbody> </table> | Name of Employee | Options granted | Shailesh Kumar | 44,800 | Shrish Chandra Panda | 49,800 | Harshvardhan Patnaik | 34,560 | Abin Mukhopadhyaya | 32,400 | Joji Jacob | 36,000 | Joyanta Bakali | 30,000 | <table border="1"> <thead> <tr> <th>Name of Employee</th> <th>Options granted</th> </tr> </thead> <tbody> <tr> <td>Harshvardhan Patnaik</td> <td>17,280</td> </tr> <tr> <td>Shraddha Srimal</td> <td>30,000</td> </tr> <tr> <td>Anant Jayant Natu*</td> <td>24,000</td> </tr> <tr> <td>Abin Mukhopadhyaya</td> <td>24,000</td> </tr> <tr> <td>Prashant Rai</td> <td>30,000</td> </tr> <tr> <td>Joyanta Bakali</td> <td>30,000</td> </tr> </tbody> </table> | Name of Employee | Options granted | Harshvardhan Patnaik | 17,280 | Shraddha Srimal | 30,000 | Anant Jayant Natu* | 24,000 | Abin Mukhopadhyaya | 24,000 | Prashant Rai | 30,000 | Joyanta Bakali | 30,000 |
| Name of Employee      | Options granted   |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Shirish Chandra Panda | 46,530  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Harshvardhan Patnaik  | 33,840  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Ranjan Das            | 36,000  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Abin Mukhopadhyaya    | 36,000  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Prashant Rai          | 29,700  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Shailesh Kumar        | 36,000  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Name of Employee      | Options granted   |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Shailesh Kumar        | 44,800  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Shrish Chandra Panda  | 49,800  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Harshvardhan Patnaik  | 34,560  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Abin Mukhopadhyaya    | 32,400  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Joji Jacob            | 36,000  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Joyanta Bakali        | 30,000  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Name of Employee      | Options granted   |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Harshvardhan Patnaik  | 17,280  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Shraddha Srimal       | 30,000  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Anant Jayant Natu*    | 24,000  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Abin Mukhopadhyaya    | 24,000  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Prashant Rai          | 30,000  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
| Joyanta Bakali        | 30,000  |  |                  |                 |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |
|                       | c) identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and | Nil  | Nil              | Nil             |                       |        |                      |        |            |        |                    |        |              |        |                |        |   |                  |                 |                |        |                      |        |                      |        |                    |        |            |        |                |        |  |                  |                 |                      |        |                 |        |                    |        |                    |        |              |        |                |        |

|  |   |  |  |  |
|--|---|--|--|--|
|  | conversions) of the company at the time of grant; |  |  |  |
|--|---|--|--|--|

\*Note: Options lapsed

**EXTRACT OF ANNUAL RETURN**

Pursuant to Section 134(3)(a) and Section 92 (3) of the Companies Act 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as on March 31, 2020 in form MGT 9 has been annexed as **Annexure V** to the Directors' Report.

**ACKNOWLEDGEMENT:**

Your Directors express their sincere appreciation of the co-operation and assistance received from customers, Reserve Bank of India, MFIN, Sa-Dhan, Shareholders, Bankers, Stock Exchange, IRDAI and other stakeholders during the year under review. Your directors also wish to place on record their deep sense of appreciation for the commitment displayed from all managers, executives and customer service representatives resulting in the successful performance of the Company during the year.

Finally, your Directors take this opportunity to express their appreciation and extend their gratitude for the continued support co-operation and guidance received from all the Banks and Financial Institutions.

**For and on behalf of the Board of Directors**

ANURAG AGRAWAL

MANOJ KUMAR

NARAYAN NAMBIAR

Sd/-

Sd/-

DIN 02385780

DIN 03172919

Dated: June 26, 2020

**SECRETARIAL AUDIT REPORT  
FOR THE FINANCIAL YEAR ENDED 31<sup>ST</sup> MARCH, 2020**

*[Pursuant to Section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To,

The Members,

**AROHAN FINANCIAL SERVICES LIMITED**

PTI Building, 4<sup>th</sup> Floor,

DP-9, Sector-5, Salt Lake

Kolkata – 700091, West Bengal

CIN: U74140WB1991PLC053189

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Arohan Financial Services Limited** (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's Books and Papers, Minutes books, Forms and Returns filed and other records maintained by the Company **Arohan Financial Services Limited**, and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of Secretarial Audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31<sup>st</sup> March, 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the Books and Papers, Minute Books, Forms and Returns filed and other records maintained by **Arohan Financial Services Limited** for the financial year ended on 31<sup>st</sup> March, 2020 to the extent applicable:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 (SCRA) and the rules made there under - **Not Applicable during the year under review.**
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under.

- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (SEBI Act):-
  - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011: - **Not Applicable during the year under review.**
  - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 1992: - **Not Applicable during the year under review.**
  - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009:
  - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 to the extent applicable.
  - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008.
  - (f) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; - **Not Applicable during the year under review.**
  - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009: - **Not Applicable during the year under review.**
  - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998: - **Not Applicable during the year under review.**

**We further report that** after considering the Compliance system prevailing in the Company and after verification of relevant records and documents maintained by the Company and as confirmed by the management vide its management representation letter, it has complied with following laws that are applicable specifically to the Company:

1. The Reserve Bank of India Act, 1934.
2. Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards with regards to Meeting of Board of Directors **(SS-1)** and General Meeting **(SS-2)** issued by The Institute of Company Secretaries of India (ICSI).

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**We further report that:**

1. The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
2. Adequate notice is given to all Directors to schedule the Board Meetings, Agenda and detailed notes on agenda were sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.
3. Majority decision of the Board and Committee Meetings are carried through, while the dissenting members' views, if any are captured and recorded as part of the minutes.

On the basis of information provided to us, we further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

On the basis of information provided to us, we further report the Company has during the audit period ending on 31<sup>st</sup> March, 2020:-

- Issued & allotted **76,47,058** nos. (Seventy Six Lacs Forty Seven Thousand and Fifty Eight) of equity shares of the Company through Private Placement at Rs. 10/- at a premium of Rs. 160/- each on 27.09.2019



- Issued & allotted **2,50,00,000** nos. (Two Crores Fifty Lacs) of Non Convertible Debenture through Private Placement at Rs. 10/- on 25.10.2019
- Redemption of **350** nos. of NCD bearing ISIN No. INE808K08038 on 02.01.2020 on maturity.
- Re-appointed Mr. Rajat Mohan Nag as Independent Director of the Company for 5 years with effect from 31<sup>st</sup> January 2020.
- There was change in composition of Board of directors of the Company in compliance with the requirement of RBI and other statute.
- Fraud cases which have been reported to us were also noted in the Minutes of the Board Meeting for which necessary actions are taken by the company and as reported to us that these type of cases are inevitable depending on the nature and volume of the business and further it was made us understand that necessary actions are taken by the Management of the Company as and when required.

**For Jayshri Tulsyan & Associates**  
Company Secretaries

**Jayshri Tulsyan**  
(Proprietor)  
M. No. - 7725  
C.O.P. No. – 8096  
UDIN:

Date:

Place: Kolkata

**Annexure II****A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs:**

Arohan Financial Services Limited (hereinafter referred to as Arohan) believes that a business entity's performance must be measured by its economic, social and environmental impact and efforts to embed sustainability. Social enterprises are more than any other business enterprise, capable of addressing these concerns and Arohan aspires to transcend business interests and work toward the all-round human development of the communities we operate in through initiating and supporting programmes that enhance social sustainability. Arohan already serves people from economically and socially marginalised communities where illiteracy, unemployment and under-employment are rampant. It is in this social context that our CSR initiatives are developed to best cater to our customers and their communities. Arohan would build on this connect with the marginalised sections of the society for furthering their welfare. These programmes are independent of the normal conduct of business and are not viewed as business propositions by Arohan. In alignment to Arohan's mission to empower the underserved, we see Corporate Social Responsibility (hereinafter referred to as CSR) as an opportunity to further extend help to the underserved in the larger community through the provision of non- profit based assistance.

The CSR Policy is disclosed on our website in the link below:  
<https://arohan.in/resources/2017-06-05-18-42-06-CSR%20Policy.pdf>

The disclosure of the contents of the CSR Policy pursuant to Section 134(3)(o) of the Companies Act 2013 and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014, are as follows:

| <b>Sl. No.</b> | <b>Particulars</b>                   | <b>Remarks</b>  |
|----------------|--------------------------------------|---|
| 1              | The composition of the CSR Committee | <ol style="list-style-type: none"><li>1. Mr. Sumantra Banerjee-Independent Director (Chairman)</li><li>2. Mr. Wilhemus Marthinus Maria Van Der Beek – Director</li><li>3. Mr. Anurag Agrawal-</li></ol> |

**Annexure II**

|   |   |  |
|---|---|--|
|   |   | Director<br>4. Mr. Manoj Kumar Narayan Nambiar- Managing Director<br>5. Mr. Prashant Rai- Management Coordinator |
| 2 | Average net profit of the company for last three financial years (16-17, 17-18, 18-19)  | INR 79,88,03,346   |
| 3 | Prescribed CSR Expenditure (two percent of the amount as in item 3 above)   | INR 1,59,76,067  |
| 4 | Details of CSR spent during the financial year  |  |
|   | (a) Total amount to be spent for the financial year   | INR 1,59,76,067  |
|   | (b) Amount unspent, if any  | Nil  |
|   | (c) Manner in which the amount spent during the financial year is detailed below  | Table below  |
| 5 | In case the company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report. | Not Applicable   |

| <i>Sl No</i> | <i>Activity and beneficiaries</i>   | <i>Sector</i>      | <i>Area</i>                      | <i>Amount Outlay (in INR)</i> | <i>Amount spent on the Projects or Programme Sub Heads: (1) Direct Expenditure (2) Overheads (in INR)</i> | <i>Cumulative expenditure up to the reporting period (in INR)</i> | <i>Amount Spent Direct or through Implementing Agency</i>                                      |
|--------------|---|--------------------|----------------------------------|-------------------------------|---|---|--|
| 1            | Initiated 4 Water and Sanitation projects with Piramal Sarvajal in co-partnership with Oxfam in 3 of the projects | Eco-Sustainability | 2 in UP, 1 in Odisha and 1 in MP | 54,68,644                     | 54,68,644   | 54,68,644   | Piramal Sarvajal and Oxfam India   |
| 2            | Provided ration kits and blankets to Arohan's customers post disaster   | Disaster Relief    | Odisha, Assam, Bihar and WB      | 73,77,850                     | 73,77,850   | 73,77,850   | Directly in Assam and WB, Gram Uthan in Odisha and Bihar Voluntary Health Association in Bihar |

**Annexure II**

|   |  |   |                          |                    |                    |                    |  |
|---|--|---|--------------------------|--------------------|--------------------|--------------------|--|
| 3   | Conducted 20 Health camps at Arohan's branches   | Women Health and Empowerment  | Odisha, Assam, WB and MP | 9,41,635           | 9,41,635           | 9,41,635           | Odisha Voluntary Health Association in Odisha, Satarupa Samjick Samiti in Assam, Bondhu Ek Asha in WB and MFIN in MP |
| 4   | Provided school aids to students in Government schools, Scholarship to girl students of Arohan's customers and initiated Mini Science Center | Education   | Assam, Bihar and Odisha  | 11,11,804          | 11,11,804          | 11,11,804          | Directly in Assam and Bihar and Sambhavana NGO in Odisha   |
| 5   | Distribution of dry ration kits to marginalized families   | Covid-19  | West Bengal              | 2,48,687           | 2,48,687           | 2,48,687           | Calcutta Rescue and Notun Jibon  |
| 6   | Employee Volunteering Initiatives  | Participation of employees during CSR activities, NGO visits, activities at HO and across regions, and contribution made by employees |                          | 29,129             | 29,129             | 29,129             | Directly   |
| <b>Subtotal (1)</b>                       |  |   |                          | <b>1,51,77,749</b> | <b>1,51,77,749</b> | <b>1,51,77,749</b> |  |
| Overheads for various CSR initiatives (2) |  |   |                          |                    | <b>7,98,318</b>    | <b>7,98,318</b>    |  |
| <b>Total CSR Spend (1+2)</b>              |  |   |                          |                    | <b>1,59,76,067</b> | <b>1,59,76,067</b> |  |

The implementing and monitoring of the CSR Policy is in compliance with the CSR objective and policy of the Company.

Sd/-

**Manoj Kumar Narayan Nambiar**  
 Managing Director  
 DIN- 03172919

Sd/-

**Sumantra Banerjee**  
 Chairman, CSR Committee  
 DIN- 00075243

## Annexure III

**Remuneration details of Directors, KMPs, Employees**

| <b>Sl. No</b> | <b>Particulars</b>  | <b>Disclosures</b>  |            |                                   |    |        |     |        |    |        |     |             |
|---------------|---|---|------------|-----------------------------------|----|--------|-----|--------|----|--------|-----|-------------|
| 1.            | The ratio of the remuneration of each Whole-Time director to the median remuneration of the employees of the Company for the financial year.  | 74.63 : 1   |            |                                   |    |        |     |        |    |        |     |             |
| 2.            | The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary or Manager, if any, in the financial year   | <table border="1"> <thead> <tr> <th><b>KMP</b></th> <th><b>% increase in remuneration</b></th> </tr> </thead> <tbody> <tr> <td>MD</td> <td>26.08%</td> </tr> <tr> <td>CFO</td> <td>26.48%</td> </tr> <tr> <td>CS</td> <td>26.57%</td> </tr> <tr> <td>CRO</td> <td>100.00% (*)</td> </tr> </tbody> </table> <p>(*) 100% percentage increase in Chief Risk Officer is due to his appointment w.e.f. 1<sup>st</sup> March 2020</p> | <b>KMP</b> | <b>% increase in remuneration</b> | MD | 26.08% | CFO | 26.48% | CS | 26.57% | CRO | 100.00% (*) |
| <b>KMP</b>    | <b>% increase in remuneration</b>   |   |            |                                   |    |        |     |        |    |        |     |             |
| MD            | 26.08%  |   |            |                                   |    |        |     |        |    |        |     |             |
| CFO           | 26.48%  |   |            |                                   |    |        |     |        |    |        |     |             |
| CS            | 26.57%  |   |            |                                   |    |        |     |        |    |        |     |             |
| CRO           | 100.00% (*)   |   |            |                                   |    |        |     |        |    |        |     |             |
| 3.            | The percentage increase in the median remuneration of employees in the financial year   | 10.75%  |            |                                   |    |        |     |        |    |        |     |             |
| 4.            | The number of permanent employees on the rolls of the Company   | 6,272 employees as on March 31, 2020  |            |                                   |    |        |     |        |    |        |     |             |
| 5.            | The explanation on the relationship between average increase in remuneration and company performance  | The Company made a growth of 8.14% in its Net Profit and increased the remuneration of its employees by an average of 12.89% based on the recommendation of the NRC Committee of the Board.   |            |                                   |    |        |     |        |    |        |     |             |
| 6.            | Comparison of the remuneration of the Key Managerial Personnel against the performance of the company   | <p>The Company's revenue and Net Profit has grown by 43.21% and 8.14% respectively in FY 2019-20 in comparison to FY 2018-19.</p> <p>The average increase in remuneration of KMP in the FY 2019-20 was 44.78%.</p>  |            |                                   |    |        |     |        |    |        |     |             |
| 7.            | Variations in the market capitalization of the company, price earnings ratio as at the closing date of the current financial year and previous financial year and percentage increase over decrease in the market quotations of the shares of the company in comparison to the rate at which the company came out with the last | <p>As on March 31, 2020, the Company's equity shares were not listed.</p> <p>The Company's net worth has increased from INR 697.16 Cr as on March 31, 2019 to INR 962.63 Cr as on March 31, 2020 – an increase by 38.08%.</p>   |            |                                   |    |        |     |        |    |        |     |             |

**Annexure III**

|     |  |   |
|-----|--|---|
|     | public offer in case of listed companies, and in case of unlisted companies, the variations in the net worth of the company as at the close of the current financial year and previous financial year  |   |
| 8.  | Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration | The average increase in the salaries of employees was 12.89% and the average increase in the managerial remuneration was -44.78%  |
| 9.  | Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Company   | The Company's revenue and Net Profit has grown by 41.86% and 8.14% respectively in FY 2019-20 in comparison to FY 2018-19.<br><br>The average increase in remuneration of KMP in the FY 2019-20 was 44.78%. |
| 10. | The key parameters for any variable component of remuneration availed by the Directors   | Yearly incentive as per employment terms based on the company's performance and profits   |
| 11. | The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year  | No employee received remuneration in excess of the highest paid director.   |
| 12. | Affirmation that the remuneration is as per the remuneration policy of the company   | Yes.  |

A statement showing the name of every employee of the Company, who –

- a) If employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore two lakh rupees;

Mr. Manoj Kumar Nambiar – Managing Director

Mr. Milind Ramchandra Nare- Chief Financial Officer

| Sl. No | Particulars  | Details   | Details   |
|--------|--|---|---|
| 1      | Designation  | Managing Director   | Chief Financial Officer   |
| 2      | Remuneration received                                  | INR 176.32 Lakhs  | 103.78 Lakhs  |
| 3      | Nature of employment, whether contractual or otherwise | Permanent   | Permanent   |
| 4      | Qualification and Experience                           | <p>Manoj completed his mechanical engineering from VJTI in 1986, and his MBA in Marketing from JBIMS in 1988, both from Mumbai University and has tertiary qualifications in insurance from Insurance Institute of India. He has also completed the “Strategic Leadership in Microfinance” course from the Harvard Business School, Boston, US in April ‘13.</p> <p>He started his working career with Modi Xerox in 1988 and then moved into consumer financial services with GE Countrywide in 1995, retail banking with ANZ Grindlays in 1997 and retail assets &amp; business development with ABN Amro Bank NV India in 2000. He moved as Head Retail Banking of National Bank of Oman in 2002 looking after Oman, UAE &amp;</p> | <p>Milind holds a masters &amp; diploma in Financial Management and also in Computer Applications.</p> <p>He is a finance professional with over two decades of experience spanning the entire gamut of finance.</p> <p>His previous work experience includes years at Global Trade Finance (P) Limited, The Bombay Dyeing &amp; Manufacturing Company Ltd, Associated Capsules, L &amp; T Capital Ltd &amp; Savant &amp; Co. He brings expertise in Strategic planning, Treasury Management, Resource mobilization, FOREX management, Audit &amp; taxation, Regulatory Compliance, Information system control &amp; MIS.</p> |

**Annexure III**

|   |                                    |  |   |
|---|------------------------------------|--|---|
|   |                                    | <p>Egypt. Post that he worked as the Chief Operating Officer of the Alhamrani - Nissan Finance company, KSA in 2004 and returned to Oman as the Dy CEO of Ahli Bank SAOG in 2008. Growing the retail business for NBO, raising of US\$ 100Mn in the first Islamic Musharaka offshore deal for Alhamrani Finance Company &amp; transformation of the mortgage company into a full fledged commercial bank with retail, premium and private banking are some of the key achievements.</p> <p>He returned to India in Jun'10 as MD &amp; CEO of Intellectash Microfinance Network Company (P) Limited (an Intellectap Group company) in the business of incubating &amp; capacity building of MFIs. In this job, he set up the lending businesses in both the retail &amp; wholesale (this is today a separate company called IntelleGrow) space and also grew the capacity building business both in India &amp; overseas. In Sep'12, backed by Aavishkaar Goodwell, IntelleCash acquired a 56% stake in Arohan with additional investments from India Financial inclusion Fund and Michael Susan Dell Foundation using the parent Intellectap's structuring skills.</p> |   |
| 5 | Date of commencement of employment | September 28, 2012   | May 9, 2016   |
| 6 | Age                                | 54   | 48  |
| 7 | The last employment held           | MD & CEO of Intellectash Microfinance Network Company (P) Limited  | CFO of India Factoring & Financial Services (P) Limited |



## Annexure III

|   |                         |     |      |
|---|-------------------------|-----|------|
| 8 | % of equity shares held | NIL | 0.01 |
|---|-------------------------|-----|------|

- b) if employed for a part of the financial year, was in receipt of remuneration for any part of that year, at a rate which, in the aggregate, was not less than eight lakh fifty thousand rupees per month;

Nil

- c) if employed throughout the financial year or part thereof, was in receipt of remuneration in that year which, in the aggregate, or as the case may be, at a rate which, in the aggregate, is in excess of that drawn by the managing director or whole-time director or manager and holds by himself or along with his spouse and dependent children, not less than two percent of the equity shares of the company.

Nil

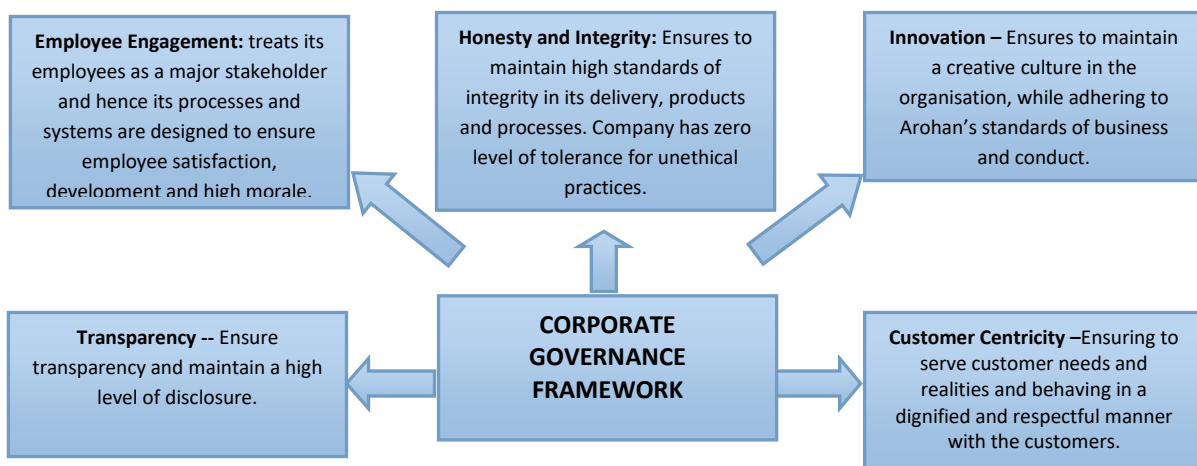
## CORPORATE GOVERNANCE REPORT

Arohan Financial Services Limited recognizes its role as a corporate citizen and endeavor to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices. In pursuing its Mission of “empowering the underserved households and small businesses by offering a range of financial services, in a manner sustainable for all stakeholders”, Arohan has been balancing its dual objectives of “social” and “financial” goals, since its inception.

In India, Corporate Governance standards for listed companies are also mandated under the Companies Act, 2013 (“CA 2013”) and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations”). In addition to the above, corporate governance standards for Non-Banking Finance Companies are also prescribed by Reserve Bank of India. The Company endeavors to ensure that highest standards of ethical and responsible conduct are met throughout the organization.

### Corporate Governance Framework:

The driving principle of our corporate governance framework are encapsulated in the following diagram





**Transparency** -- Ensure transparency and maintain a high level of disclosure.

## Governance Structure

Arohan's Corporate Governance structure, systems and processes are based on two core principles, viz., (a) management must have the executive freedom to drive the enterprise forward without undue restraints, and (b) this freedom of management should be exercised within a framework of effective accountability.

Apart from the shareholders of the Company, the following governance level is followed in Arohan:

| <b>Governance Level</b> | <b>Broad Responsibility</b> | <b>Responsible</b>             |
|-------------------------|-----------------------------|--------------------------------|
| Level 1                 | Strategic Supervision       | Board of Directors             |
| Level 2                 | Strategic Management        | Executive Management Committee |
| Level 3                 | Executive Management        | Heads of Departments           |

At the apex level, the general body of Shareholders of the Company shall elect the Board of Directors at the Annual General Meeting and the Board appoints the

Managing Director and Chief Executive Officer of the Company, who in turn appoints the various other management executives of the company.

## **BOARD OF DIRECTORS**

### **Composition and category of the Board**

The Company has a broad-based Board of Directors, constituted in compliance with the Section 45-IA of the RBI Act, 1934 and Companies Act, 2013, and in accordance with good corporate governance practices. The Company recognizes and embraces the importance of a diverse Board and strongly believes that a diverse Board will leverage differences in thought, perspective, knowledge, skill, industry experience and age, which will help us retain and maximize our competitive advantage. The Board functions either as a full Board or through various committees constituted to over- see specific operational areas. As on March 31, 2020, the Company’s Board comprised of twelve (12) Directors including, four (4) Independent Directors (out of which includes one (1) Women Independent Director).

During the year under review, the Board met seven (7) times on May 15, 2019, August 14, 2019, September 12, 2019, November 14, 2019, February 12, 2020, March 13, 2020 and March 30, 2020. The interval between the two meetings was well within the maximum period mentioned under Section 173 of the Companies Act, 2013.

The names of the members of the Board, their status, their attendance at the Board Meetings and the last Annual General Meeting (“AGM”), number of other Directorships and Committee membership(s)/ chairmanship(s) of each Director are as under:

| Sl. No. | Name of the Director | Category of | No. of meeti | No. of meeting | Whethe r | No. of other | No. of other | No. of Chairm |
|---------|----------------------|-------------|--------------|----------------|----------|--------------|--------------|---------------|
|---------|----------------------|-------------|--------------|----------------|----------|--------------|--------------|---------------|

|    |                                    | Directors                   | ngs<br>held<br>in FY<br>19-20 | s<br>attende<br>d<br>(includi<br>ng<br>through<br>electron<br>ic mode<br>in FY<br>19-20) | attende<br>d last<br>AGM | Directors<br>-ship<br>held in<br>other<br>public<br>companie<br>s | Board<br>Committ<br>ee<br>Member<br>-ships | an- ship<br>of other<br>Board<br>Commit<br>tee's |
|----|------------------------------------|-----------------------------|-------------------------------|--|--------------------------|---|--|--|
| 1. | Mr. Manoj<br>Kumar<br>Nambiar      | Managin<br>g Director       | 7                             | 7  | Yes                      | 0   | 4  | 3  |
| 2. | Mr. Anurag<br>Agrawal              | Director                    | 7                             | 6  | No                       | 1   | 5  | 0  |
| 3. | Mr. Vineet<br>Chandra<br>Rai       | Director                    | 7                             | 6  | No                       | 1   | 3  | 0  |
| 4. | Mr. Dinesh<br>Kumar<br>Mittal      | Independ<br>ent<br>Director | 7                             | 7  | No                       | 9   | 0  | 0  |
| 5. | Mr.<br>Sumantra<br>Banerjee        | Independ<br>ent<br>Director | 7                             | 6  | Yes                      | 3   | 3  | 2  |
| 6. | Mr. Rajat<br>Mohan Nag             | Independ<br>ent<br>Director | 7                             | 6  | Yes                      | 0   | 1  | 2  |
| 7. | Ms.<br>Matangi<br>Gowrishan<br>kar | Independ<br>ent<br>Director | 7                             | 7  | No                       | 3   | 2  | 2  |

|     |   |                  |   |   |    |   |   |   |
|-----|---|------------------|---|---|----|---|---|---|
| 8.  | Mr. Piyush Goenka                         | Nominee Director | 7 | 7 | No | 3 | 6 | 0 |
| 9.  | Mr. Kasper Svarrer                        | Nominee Director | 7 | 2 | No | 0 | 0 | 0 |
| 10. | Mr. Wilhelmus Martinus Maria Van Der Beek | Nominee Director | 7 | 5 | No | 0 | 2 | 0 |
| 11. | Mr. Paul Gratien Robine                   | Nominee Director | 7 | 2 | No | 0 | 0 | 0 |
| 12. | Shri Ram Meena                            | Nominee Director | 7 | 6 | No | 2 | 0 | 0 |

1. None of the Directors held directorships in more than ten (10) public limited companies;
2. None of the Directors is related to any Director or is a member of an extended family;
3. None of the employees of the Company is related to any of the Directors in terms the Companies Act, 2013;
4. None of the Directors has received any loans or advances from the Company during the year.

### **Board Member Evaluation**

One of the key functions of the Board is to monitor and review the Board evaluation framework. The Board works with the Nomination and Remuneration Committee to lay down the evaluation criteria for the performance of the Board, including the Executives, Non-executives, Independent Directors and Nominee Directors through

a peer evaluation, excluding the director being evaluated. Some of the performance indicators based on which the directors were evaluated include:

- Participation in the meeting
- Value addition
- Time devoted to analyse and examine governance and compliance issues
- Compliance with Law and relevant standards
- Effectiveness of Governance
- Risk Evaluation
- Independence of management from Board

### **Committee of the Board- Composition as on March 31, 2020.**

#### **1. Audit Committee**

The Audit Committee assists the Board in dissemination of financial information and in overseeing the financial and accounting processes in the Company. The terms of the reference of the Audit Committee covers all matters specified in Section 177 of the Companies Act, 2013. The terms of the reference broadly include review of internal audit reports and action taken reports, assessment of the efficacy of the internal control systems/financial reporting systems and reviewing of the adequacy of the financial policies and practices followed by the Company. The Audit Committee also looks after the compliance with the legal and statutory requirements, the quarterly and annual financial statements and related party transactions and report its finding to the Board. The Committee also recommends

the appointment of statutory auditor to the Board. The Committee also looks into those matters specifically referred to it by the Board.

**Composition:**

- ❖ Mr. Rajat Mohan Nag, Chairperson
- ❖ Mr. Sumantra Banerjee, Member
- ❖ Ms. Matangi Gowrishankar, Member
- ❖ Mr. Piyush Goenka, Member
- ❖ Mr. Anurag Agrawal, Member

As on March 31, 2020 the Committee comprised of three (3) Independent Directors, one (1) Nominee Director and one (1) Promoter Director, all of whom are financially literate and have relevant finance exposure. The Managing Director, the Chief Financial Officer, the VP & Head- Internal Audit, the EVP- Business, the SVP & Head- Risk & Credit, the SVP- Central Operations, the VP- MSME Lending Head of HR, ADMIN & CSR and the AVP- Heads of Accounts are the permanent invitees to the meetings of the Committee. The other directors are invited to attend the Audit Committee meetings as when required. The Company Secretary acts as the secretary to the Committee. The Audit Committee met five (5) times during the year on May 15, 2019, August 13, 2019, November 13, 2019, February 11, 2020 and March 13, 2020. The time gap between any two meetings was less than four (4) months.

**Attendance of Directors:**

| Name of the Member    | Position             | No. of Meetings Held | No. of Meetings Attended |
|-----------------------|----------------------|----------------------|--------------------------|
| Mr. Rajat Mohan Nag   | Independent Director | 5                    | 5                        |
| Mr. Sumantra Banerjee | Independent Director | 5                    | 4                        |



|                             |                      |   |   |
|-----------------------------|----------------------|---|---|
| Ms. Matangi<br>Gowrishankar | Independent Director | 5 | 4 |
| Mr. Piyush Goenka           | Nominee Director     | 5 | 5 |
| Mr. Anurag Agrawal          | Director             | 5 | 5 |

The Chief Financial Officer, who is responsible for the finance function, the Head of Internal Audit and the representative of the Statutory Auditors, are regularly invited to attend meetings of the Audit Committee. The Company Secretary acts as the Secretary to the Audit Committee.

## 2. Risk Management Committee

Periodic assessment to identify the risk areas are carried out and management is briefed on the risks in advance to enable the Company to control risk through a properly defined plan. The risks are taken into account while preparing the annual business plan for the Company. The Board is periodically informed of the business risk and actions taken to manage them. The company has in place a risk management policy which provides an overview of the principles of the risk management of the company.

### Composition:

- ❖ Mr. Rajat Mohan Nag, Chairperson
- ❖ Mr. Sumantra Banerjee, Member
- ❖ Ms. Matangi Gowrishankar, Member
- ❖ Mr. Piyush Goenka, Member
- ❖ Mr. Wilhelmus Marthinus Maria Van Der Beek, Member

As on March 31, 2020 the Committee comprised of three (3) Independent Directors and two (2) Nominee Directors. The Managing Director, the Chief Financial Officer and the Head of Risk & Credit are the permanent invitees to the meetings of the

Committee. The other directors are invited to attend the Risk Committee meetings as when required. The Company Secretary acts as the secretary to the Committee. The Risk Committee met four (4) times during the year on May 15, 2019, August 14, 2019, November 14, 2019 and February 12, 2020.

**Attendance of Directors:**

| Name of the Member                         | Position             | No. of Meetings Held | No. of Meetings Attended |
|--|----------------------|----------------------|--------------------------|
| Mr. Rajat Mohan Nag                        | Independent Director | 4                    | 4                        |
| Mr. Sumantra Banerjee                      | Independent Director | 4                    | 3                        |
| Ms. Matangi Gowrishankar                   | Independent Director | 4                    | 4                        |
| Mr. Piyush Goenka                          | Nominee Director     | 4                    | 4                        |
| Mr. Wilhelmus Marthinus Maria Van Der Beek | Nominee Director     | 4                    | 1                        |

**3. Corporate Social Responsibility Committee**

Corporate Social Responsibility Committee monitors the overall CSR Activities of the Company. It provides guidance on various areas where CSR activities can be carried out. The Committee is headed by an Independent Director.

**Composition:**

- ❖ Mr. Sumantra Banerjee, Chairperson
- ❖ Mr. Anurag Agrawal, Member
- ❖ Mr. Wilhelmus Marthinus Maria Van Der Beek, Member

❖ Mr. Manoj Kumar Narayan Nambiar, Member

As on March 31, 2020 the Committee comprised of one (1) Independent Director, one (1) Promoter Director, one (1) Nominee Director and the Managing Director. The Chief Financial Officer and the Head of HR, Admin, Training & CSR is the permanent invitee to the meetings of the Committee. The other directors are invited to attend the Corporate Social Responsibility Committee meetings as when required. The Company Secretary acts as the secretary to the Committee. The Committee met twice (2) during the year on May 14, 2019 and November 13, 2019.

**Attendance of Director:**

| Name of the Member                        | Position             | No. of Meetings Held | No. of Meetings Attended |
|---|----------------------|----------------------|--------------------------|
| Mr. Sumantra Banerjee                     | Independent Director | 2                    | 1                        |
| Mr. Anurag Agrawal                        | Director             | 2                    | 1                        |
| Mr. Manoj Kumar Narayan Nambiar           | Managing Director    | 2                    | 2                        |
| Mr. Wilhelmus Marthinus Maria Van Der Bek | Nominee Director     | 2                    | 0                        |

**4. Nomination and Remuneration Committee**

The Nomination and Remuneration Committee of the Board is responsible for ensuring that the directors appointed would have appropriate skills to support the functioning of the company. The Committee reviews the candidature of the

Directors and ensures that they are fit and proper as per the guidelines of RBI and Companies Act, 2013.

**Remuneration Policy:**

Nomination and Remuneration Committee of the Company also determines the sitting fees to be paid to the independent non-executive directors of the company. In case the Company determines the use of services of the Directors for specific assignments then the Company would compensate the directors additionally for their professional services and such compensation would be determined by the Board after being recommended by the Committee. The compensation payable to the Independent Directors is as decided by the Board, the sum of which does not exceed 1% of the net profits for the year, calculated as per the provisions of the Companies Act, 2013.

**Composition:**

- ❖ Ms. Matangi Gowrishankar, Chairperson
- ❖ Mr. Rajat Mohan Nag, Member
- ❖ Mr. Sumantra Banerjee, Member
- ❖ Mr. Piyush Goenka, Member
- ❖ Mr. Vineet Chandra Rai, Member

As on March 31, 2020 the Committee comprised of three (3) Independent Directors, one (1) Nominee Director and one (1) Promoter Director. The Chief Financial Officer and the Head of HR, Admin, Training & CSR is the permanent invitee to the meetings of the Committee. The other directors are invited to attend the Corporate Social Responsibility Committee meetings as when required. The Company Secretary acts as the secretary to the Committee. The Committee met four (4) times during the year on May 15, 2019, August 14, 2019, November 14, 2019 and February 12, 2020.

**Attendance of Director:**

| Name of the Member       | Position             | No. of Meetings Held | No. of Meetings Attended |
|--------------------------|----------------------|----------------------|--------------------------|
| Ms. Matangi Gowrishankar | Independent Director | 4                    | 4                        |
| Mr. Sumantra Banerjee    | Independent Director | 4                    | 3                        |
| Mr. Rajat Mohan Nag      | Independent Director | 4                    | 4                        |
| Mr. Piyush Goenka        | Nominee Director     | 4                    | 4                        |
| Mr. Vineet Chandra Rai   | Director             | 4                    | 3                        |

**5. Share Transfer and Securities Allotment Committee**

The Share Transfer and Securities Allotment Committee of the Board is responsible for ensuring that the shares allotment and transfer of the company should be fit and proper as per the guidelines of Companies Act, 2013.

**Composition:**

- ❖ Mr. Manoj Kumar Narayan Nambiar, Chairperson
- ❖ Mr. Anurag Agrawal, Member
- ❖ Mr. Vineet Chandra Rai, Member
- ❖ Mr. Piyush Goenka, Member

As on March 31, 2020 the Committee comprised of Managing Director, one (1) Nominee Director and two (2) Promoter Directors. The Chief Financial Officer is the permanent invitee to the meetings of the Committee. The other directors are invited to attend the Share Transfer and Securities Allotment Committee meetings as when required. The Company Secretary acts as the secretary to the Committee. The

Committee meet two (2) times during the year on September 27, 2019 and October 25, 2019.

**Attendance of Director:**

| Name of the Member              | Position          | No. of Meetings Held | No. of Meetings Attended |
|---------------------------------|-------------------|----------------------|--------------------------|
| Mr. Manoj Kumar Narayan Nambiar | Managing Director | 2                    | 2                        |
| Mr. Anurag Agrawal              | Director          | 2                    | 1                        |
| Mr. Vineet Chandra Rai          | Director          | 2                    | 0                        |
| Mr. Piyush Goenka               | Nominee Director  | 2                    | 2                        |

**6. IT Strategy Committee**

NBFCs are required to form an IT Strategy Committee. The chairman of the committee shall be an Independent Director and CFO should be a part of the committee. The IT Strategy Committee should meet at an appropriate frequency but not more than six months should elapse between two meetings. The Committee shall work in partnership with other Board committees and Senior Management to provide input to them. It will also carry out review and amend the IT strategies in line with the corporate strategies, Board Policy reviews, cyber security arrangements and any other matter related to IT Governance.

**Composition:**

- ❖ Mr. Sumantra Banerjee, Chairman
- ❖ Mr. Piyush Goenka, Member
- ❖ Mr. Manoj Kumar Narayan Nambiar, Member

❖ Mr. Arvind Murarka, Member

The Committee comprised of one (1) Independent director, one (1) Nominee Director, Managing Director and the Head of IT. The Chief Financial Officer is the permanent invitee to the meetings of the Committee. The other directors are invited to attend the IT Strategy Committee meetings as when required. The Company Secretary acts as the secretary to the Committee. The Committee met Four (4) times during the year on May 14, 2019, August 5, 2019, November 13, 2019 and February 11, 2020.

**Attendance of Director & Head of IT:**

| Name of the Member      | Position             | No. of Meetings Held | No. of Meetings Attended |
|-------------------------|----------------------|----------------------|--------------------------|
| Mr. Manoj Kumar Nambiar | Managing Director    | 4                    | 4                        |
| Mr. Sumantra Banerjee   | Independent Director | 4                    | 3                        |
| Mr. Arvind Murarka      | Head- IT             | 4                    | 4                        |
| Mr. Piyush Goenka       | Nominee Director     | 4                    | 1                        |

**General Body Meetings**

**Details of location and time, where last three Annual General Meetings held are given below:**

| Financial Year | Category | Location          | Date           | Time     |
|----------------|----------|-------------------|----------------|----------|
| 2018-2019      | AGM      | Registered Office | August 5, 2019 | 11:45 PM |
| 2017-2018      | AGM      | Registered Office | May 15,        | 2:50 PM  |

|                  |            |   |                            |                |
|------------------|------------|---|----------------------------|----------------|
|                  |            |   | <b>2018</b>                |                |
| <b>2016-2017</b> | <b>AGM</b> | <b>Novotel, CF 11 Action Area 1C<br/>Newtown, Rajarhat, Kolkata-<br/>700156</b> | <b>August 29,<br/>2017</b> | <b>5:00 PM</b> |

**Three (3) Extra Ordinary General Meeting of the Company was held on September 25, 2019, February 12, 2020 and March 19, 2020.**

**The following business items were approved by Special Resolution in the last three AGMs:**

**FY 2016-17: 1. Issue of Non-Convertible Debentures**

**2. Approval of Arohan ESOP Plan- 2017**

**3. Increase in the Borrowing Power and Creation of Charge.**

**FY 2017-18:**

**1. Approval for the change in the status of the company to a Public Company**

**2. Adoption of new / revised set of Articles of Association of the Company for compliance of conversion into Public company and Compliance with the listing requirements of the Stock Exchanges.**

**3. Approval of the Initial Public Offer and the Issuance of Equity Shares in the Initial Public Offer.**

**4. Increase the Investment Limits for Foreign Portfolio Investors (FPIs)**

**5. Approval of the amendment in the “Arohan Employee Stock Option Plan 2010 as amended in 2017” (“ESOP 2010”/ “Plan”)**

**6. Approval of ‘Arohan Employee Stock Option Plan 2018’**

**7. Increase borrowing power of the Company.**

**8. Creation of charge and providing security.**

**9. Issue of Non- Convertible Debentures.**



## **10. Payment to Independent Directors.**

**FY 2018-19: 1. Increase the borrowing power of the company**

**2. Creation of charge and providing security**

**3. Issue of Non-Convertible Debentures**

**4. Payment of Commission to Directors**

### **Disclosures under the Whistle Blower Mechanism of the Company**

The Company has an established mechanism for Directors, Employees, Clients, partners, investors or the public at large to report concerns about unethical behavior, actual or suspected fraud, and violation of the code of conduct or ethics policy. It also provides for adequate safeguards against victimization of Directors, Employees, Clients, partners, investors who avail of the mechanism. The company affirms that no personnel has been denied access to the audit committee. The company has formulated a policy of the vigil mechanism that any personnel may raise reportable matters at an early date after becoming aware of the same. To ensure the highest level of good governance, Arohan's overall whistleblower policy is based on the adoption and implementation of the Arohan's core values and industry best practices.

### **Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013**

The Company has in place a POSH Policy (Prevention of Sexual Harassment) in line with the requirement of The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. The policy is also uploaded on the website of the Company.

## **General Shareholders Information**

### **Company Registration details**

The Company is based in Kolkata and operates in sixteen geographies at present, Assam, Bihar, Chattisgarh, Jharkhand, West Bengal, Odisha, Meghalaya, Manipur, Uttar Pradesh, Madhya Pradesh, Tripura, Haryana, Rajasthan, Maharashtra, Karnataka and Telengana.

CIN: U74140WB1991PLC053189.

RBI registration no.: B.05.02932

IRDA registration no.: CA0402

### **Annual General Meeting Date, Time and Venue:**

**Date:** August 3, 2020

**Time:** 11:00 AM

**Venue:** Registered Office of the Company

**Financial Year:** April 1, 2019 to March 31, 2020

**Book closure date:** August 1, 2020 to August 2, 2020 (both days inclusive)

**Listing on Stock Exchange:** The Company's NCD's are listed on the Wholesale Debt Market (WDM) segment of Bombay Stock Exchange.

### **Debenture Trustees:**

#### **IDBI Trusteeship Services Limited**

Asian Building, Ground Floor,  
17, R. Kamani Marg, Ballard Estate,  
Mumbai – 400 001.

#### **Catalyst Trusteeship Limited**

Office No-83-87, 8<sup>th</sup> Floor,  
Mittal Tower, 'B' Wing, Nariman Point  
Mumbai-400 021

**Registrar and Share Transfer Agents:** Members are requested to correspond with the Company's Registrar and Share Transfer Agents- Link Intime India Pvt. Ltd. quoting their folio no. / DP ID and Client ID at the following address:

#### **Link Intime India Private Limited**

Unit: Arohan Financial Services Limited  
59C, Chowringhee Road, 3rd Floor,  
Kolkata- 700020 Ph: 033 2289 0539,

Mail: [kolkata@linkintime.co.in](mailto:kolkata@linkintime.co.in)

**Share Transfer System:** Shares in physical forms are processed by the Registrar and Share Transfer Agent within 15 days from the date of receipt, if the documents are complete in all respects. The Managing Director, Chief Financial Officer and Company Secretary have been severally empowered to approve transfers. With effect from October 2, 2018, request for transfer of equity shares in physical form are not accepted as per notification issued by Ministry of Corporate affairs dated September 10, 2018.

**Distribution of Shareholdings:**

| Range of Holdings | Number of Shares | Amount (INR)  | % to Capital | No. of Shareholders | % of Shareholders |
|-------------------|------------------|---------------|--------------|---------------------|-------------------|
| 1 to 5,000        | 6693             | 66,930        | 0.01         | 6                   | 15.78             |
| 5,000 to 10,000   | 43,825           | 4,38,250      | 0.04         | 5                   | 13.16             |
| Above 10,000      | 110,270,456      | 11,02,704,560 | 99.95        | 27                  | 71.06             |

**Dematerialization of shares and liquidity:**

Percentage of shares held in physical form: 0.38

Electronic form with NSDL: 96.85

Electronic form with CDSL: 2.77

### **Address for correspondence**

Shareholders/Investors may write to the Company Secretary at the following address:

The Company Secretary  
PTI Building, 4<sup>th</sup> Floor, DP Block, DP-9,  
Sector-5, Salt Lake, Kolkata-700091  
Email: [compliance@arohan.in](mailto:compliance@arohan.in)  
Ph: 033 4015 4000

### **Means of Communication with other stakeholders**

All important information relating to the Company and its performance, including financial results, are posted on the website of the Company: ***www.arohan.in***.

The half yearly financial results of the company are published in the leading newspapers viz. The Financial Express.

|  |
|--|
| <b>FORM NO. MGT 9</b>  |
| <b>EXTRACT OF ANNUAL RETURN</b>  |
| <b>as on financial year ended on 31.03.2020</b>  |
| <b>Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management &amp; Administration ) Rules, 2014.</b> |

**I REGISTRATION & OTHER DETAILS:**

|     |  |  |
|-----|--|--|
| i   | CIN  | U74140WB1991PLC053189  |
| ii  | Registration Date  | 27-09-1991   |
| iii | Name of the Company  | Arohan Financial Services Limited  |
| iv  | Category/Sub-category of the Company                                       | NBFC- MFI  |
| v   | Address of the Registered office & contact details                         | PTI Building, 4th Floor, DP-9, Sector-5, Salt Lake, Kolkata-700091<br>Ph no- 03340156000                               |
| vi  | Whether listed company   | Unlisted (Debentures are listed in WDM segment of BSE)   |
| vii | Name, Address & contact details of the Registrar & Transfer Agent, if any. | Link Intime India Private Limited, Vaishno Chambers, 5th Floor, Flat Nos. 502 & 503, 6 Brabourne Road, Kolkata- 700001 |

**II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY**

All the business activities contributing 10% or more of the total turnover of the

| Sl No | Name & Description of main products/ services | NIC Code of the Product /service | % to total turnover of the company |
|-------|---|----------------------------------|------------------------------------|
| 1     | NBFC- MFI                                     | 64990                            | 100%                               |

**III PARTICULARS OF HOLDING , SUBSIDIARY & ASSOCIATE COMPANIES**

| Sl No | Name & Address of the Company | CIN/GLN | HOLDING/ SUBSIDIARY/ ASSOCIATE | % OF SHARES HELD | APPLICABLE SECTION |
|-------|-------------------------------|---------|--------------------------------|------------------|--------------------|
| 1     | Not Applicable                |         |                                |                  |                    |

## SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)

| Category of Shareholders  | No. of Shares held at the beginning of the year |               |                  |                   | No. of Shares held at the end of the year |               |                  |                   | % change during the year |
|---|---|---------------|------------------|-------------------|---|---------------|------------------|-------------------|--------------------------|
|   | Demat   | Physical      | Total            | % of Total Shares | Demat                                     | Physical      | Total            | % of Total Shares |                          |
| <b>A. Promoters</b>   |   |               |                  |                   |   |               |                  |                   |                          |
| <b>(1) Indian</b>   |   |               |                  |                   |   |               |                  |                   |                          |
| a) Individual/HUF   | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| b) Central Govt. or State Govt.   | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| c) Bodies Corporates  | 25453879  | 0             | 25453879         | 24.79             | 40283540                                  | 0             | 40283540         | 36.51             | 11.72                    |
| d) Bank/FI  | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| e) Any other  | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| <b>SUB TOTAL:(A) (1)</b>  | <b>25453879</b>                                 | <b>0</b>      | <b>25453879</b>  | <b>24.79</b>      | <b>40283540</b>                           | <b>0</b>      | <b>40283540</b>  | <b>36.51</b>      | <b>11.72</b>             |
| <b>(2) Foreign</b>  |   |               |                  |                   |   |               |                  |                   |                          |
| a) NRI- Individuals   | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| b) Other Individuals  | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| c) Bodies Corp.   | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| d) Banks/FI   | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| e) Any other  | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| <b>SUB TOTAL: (A) (2)</b>   | <b>0</b>  | <b>0</b>      | <b>0</b>         | <b>0</b>          | <b>0</b>                                  | <b>0</b>      | <b>0</b>         | <b>0</b>          | <b>0</b>                 |
| <b>Total Shareholding of Promoter (A)= (A)(1)+(A)(2)</b>                            | <b>25453879</b>                                 | <b>0</b>      | <b>25453879</b>  | <b>24.79</b>      | <b>40283540</b>                           | <b>0</b>      | <b>40283540</b>  | <b>36.51</b>      | <b>11.72</b>             |
| <b>B. PUBLIC SHAREHOLDING</b>   |   |               |                  |                   |   |               |                  |                   |                          |
| <b>(1) Institutions</b>   |   |               |                  |                   |   |               |                  |                   |                          |
| a) Mutual Funds   | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| b) Banks/FI   | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| c) Central govt   | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| d) State Govt.  | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| e) Venture Capital Fund   | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| f) Insurance Companies  | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| g) FIIS   | 60573797  | 0             | 60573797         | 59.00             | 60573797                                  | 0             | 60573797         | 54.91             | -4.09                    |
| h) Foreign Venture Capital Funds  | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| i) Others (specify)   | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| <b>SUB TOTAL (B)(1):</b>  | <b>60573797</b>                                 | <b>0</b>      | <b>60573797</b>  | <b>59.00</b>      | <b>60573797</b>                           | <b>0</b>      | <b>60573797</b>  | <b>54.91</b>      | <b>-4.09</b>             |
| <b>(2) Non Institutions</b>   |   |               |                  |                   |   |               |                  |                   |                          |
| a) Bodies corporates  |   |               |                  |                   |   |               |                  |                   |                          |
| i) Indian   | 7182603   | 0             | 7182603          | 7.00              | 0   | 0             | 0                | 0.00              | -7.00                    |
| ii) Overseas  |   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0                        |
| b) Individuals  |   |               |                  |                   |   |               |                  |                   |                          |
| i) Individual shareholders holding nominal share capital upto Rs.1 lakhs            | 48184   | 2334          | 50518            | 0.05              | 48184                                     | 2334          | 50518            | 0                 | 0                        |
| ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs | 4181891   | 395724        | 4577615          | 4.45              | 4181891                                   | 395724        | 4577615          | 4.15              | -0.30                    |
| c) Others   | 3270980   | 0             | 3270980          | 3.19              | 3270980                                   | 0             | 3270980          | 2.96              | 0.23                     |
| Trusts  | 1564524   | 0             | 1564524          | 1.52              | 1564524                                   | 0             | 1564524          | 1.42              | -0.10                    |
| <b>SUB TOTAL (B)(2):</b>  | <b>16248182</b>                                 | <b>398058</b> | <b>16646240</b>  | <b>16.21</b>      | <b>9065579</b>                            | <b>398058</b> | <b>9463637</b>   | <b>8.53</b>       | <b>-7.22</b>             |
| <b>Total Public Shareholding (B)= (B)(1)+(B)(2)</b>                                 | <b>76821979</b>                                 | <b>398058</b> | <b>77220037</b>  | <b>75.21</b>      | <b>69639376</b>                           | <b>398058</b> | <b>70037434</b>  | <b>63.49</b>      | <b>-11.31</b>            |
| <b>C. Shares held by Custodian for GDRs &amp; ADRs</b>                              | 0   | 0             | 0                | 0                 | 0   | 0             | 0                | 0                 | 0.00                     |
| <b>Grand Total (A+B+C)</b>  | <b>102275858</b>                                | <b>398058</b> | <b>102673916</b> | <b>100.00</b>     | <b>109922916</b>                          | <b>398058</b> | <b>110320974</b> | <b>100.00</b>     |                          |

## (ii) SHARE HOLDING OF PROMOTERS

| Sl No. | Shareholders Name                                      | Shareholding at the beginning of the year |                                  |  | Shareholding at the end of the year |                                  |  | % change in share holding during the year |
|--------|--|---|----------------------------------|--|-------------------------------------|----------------------------------|--|---|
|        |  | No. of shares                             | % of total shares of the company | % of shares pledged encumbered to total shares | No. of shares                       | % of total shares of the company | % of shares pledged encumbered to total shares |   |
| 1      | Aavishkaar Venture Management Services Private Limited | 13099380                                  | 12.76                            | 0  | 23811394                            | 21.58                            | 0  | 8.82                                      |
| 2      | Intellectual Capital Advisory Services Pvt Ltd         | 12354499                                  | 12.03                            | 0  | 16472146                            | 14.93                            | 0  | 2.90                                      |
|        | <b>Total</b>   | <b>25453879</b>                           | <b>24.79</b>                     | <b>0</b>                                       | <b>40283540</b>                     | <b>36.51</b>                     | <b>0</b>                                       | <b>11.72</b>                              |

## (iii) CHANGE IN PROMOTERS' SHAREHOLDING ( SPECIFY IF THERE IS NO CHANGE)

| Sl. No. | Particulars  | Date               | Reason    | Share holding at the beginning of the Year |                                  | Cumulative Share holding during the year |                                  |
|---------|--|--------------------|-----------|--|----------------------------------|--|----------------------------------|
|         |  |                    |           | No. of Shares                              | % of total shares of the company | No of shares                             | % of total shares of the company |
| 1       | Aavishkaar Venture Management Services Private Limited |                    |           |  |                                  |  |                                  |
|         | <b>At the beginning of the year</b>                    | April 1, 2019      |           | 13099380                                   | 12.76                            |  |                                  |
|         | Changes during the year                                | August 23, 2019    | Transfer  | 1795650                                    | 0                                | 14895030                                 |                                  |
|         |  | August 27, 2019    | Transfer  | 3591300                                    | 0                                | 18486330                                 |                                  |
|         |  | September 12, 2019 | Transfer  | 1795653                                    | 0                                | 20281983                                 |                                  |
|         |  | September 27, 2019 | Allotment | 3529411                                    | 0                                | 23811394                                 |                                  |
|         | <b>At the end of the year</b>                          | March 31, 2020     |           |  |                                  | 23811394                                 | 21.58                            |
| 2       | Intellectual Capital Advisory Services Pvt Ltd         |                    |           |  |                                  |  |                                  |
|         | <b>At the beginning of the year</b>                    | April 1, 2019      |           | 12354499                                   | 12.03                            |  |                                  |
|         | Changes during the year                                | September 27, 2019 | Allotment | 4117647                                    | 0                                | 16472146                                 |                                  |
|         | <b>At the end of the year</b>                          | March 31, 2020     |           |  |                                  | 16472146                                 | 14.93                            |

## (iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters &amp; Holders of GDRs &amp; ADRs)

| Sl. No |   | Shareholding at the end of the year |                                  | Cumulative Shareholding during the year |                                  |
|--------|---|-------------------------------------|----------------------------------|---|----------------------------------|
|        |   | No. of shares                       | % of total shares of the company | No of shares                            | % of total shares of the company |
|        | <b>For Each of the Top 10 Shareholders</b>                        |                                     |                                  |   |                                  |
| 1      | <b>Aavishkaar Goodwell India Microfinance Development Company</b> |                                     |                                  |   |                                  |
|        | At the beginning of the year                                      | 18539529                            | 16.81                            | 18539529                                | 16.81                            |
|        | Increase/ Decrease  | 0                                   | 0                                | 0                                       | 0                                |
|        | At the end of the year  | 18539529                            | 16.81                            | 18539529                                | 16.81                            |
| 2      | <b>TANO India Private Equity Fund II</b>                          |                                     |                                  |   |                                  |
|        | At the beginning of the year                                      | 16914279                            | 15.33                            | 16914279                                | 15.33                            |
|        | Increase/ Decrease  | 0                                   | 0                                | 0                                       | 0                                |
|        | At the end of the year  | 16914279                            | 15.33                            | 16914279                                | 15.33                            |
| 3      | <b>Maj Invest Financial Inclusion Fund II K/S</b>                 |                                     |                                  |   |                                  |
|        | At the beginning of the year                                      | 15401267                            | 13.96                            | 15401267                                | 13.96                            |
|        | Increase/ Decrease  | 0                                   | 0                                | 0                                       | 0                                |
|        | At the end of the year  | 15401267                            | 13.96                            | 15401267                                | 13.96                            |
| 4      | <b>TR Capital III Mauritius</b>                                   |                                     |                                  |   |                                  |
|        | At the beginning of the year                                      | 9718722                             | 8.81                             | 9718722                                 | 8.81                             |
|        | Increase/ Decrease  | 0                                   | 0                                | 0                                       | 0                                |
|        | At the end of the year  | 9718722                             | 8.81                             | 9718722                                 | 8.81                             |
| 5      | <b>Michael &amp; Susan Dell Foundation</b>                        |                                     |                                  |   |                                  |
|        | At the beginning of the year                                      | 3270980                             | 2.96                             | 3270980                                 | 2.96                             |
|        | Increase/ Decrease  | 0                                   | 0                                | 0                                       | 0                                |
|        | At the end of the year  | 3270980                             | 2.96                             | 3270980                                 | 2.96                             |

|                                  |                               |                  |      |                  |      |
|----------------------------------|-------------------------------|------------------|------|------------------|------|
| 6                                | <b>Rajesh Sachdeva</b>        |                  |      |                  |      |
|                                  | At the beginning of the year  | 2531194          | 2.29 | 2531194          | 2.29 |
|                                  | Increase/ Decrease            | 10672            | 0    | 10672            | 0    |
|                                  | At the end of the year        | 2541866          | 2.29 | 2541866          | 2.29 |
| 7                                | <b>Shahnaz Memorial Trust</b> |                  |      |                  |      |
|                                  | At the beginning of the year  | 0                | 0.00 | 677028           | 0.61 |
|                                  | Increase/ Decrease            | 677028           | 0.61 | 677028           | 0.61 |
|                                  | At the end of the year        | 677028           | 0.61 | 1354056          | 1.23 |
| 8                                | <b>Ajay Sharma</b>            |                  |      |                  |      |
|                                  | At the beginning of the year  | 507000           | 0.46 | 507000           | 0.46 |
|                                  | Increase/ Decrease            | 0                | 0    | 0                | 0    |
|                                  | At the end of the year        | 507000           | 0.46 | 507000           | 0.46 |
| 9                                | <b>ESOP Trust</b>             |                  |      |                  |      |
|                                  | At the beginning of the year  | 1564524          | 1.42 | 1564524          | 1.42 |
|                                  | Increase/ Decrease            | 0                | 0    | 0                | 0    |
|                                  | At the end of the year        | 1564524          | 1.42 | 1564524          | 1.42 |
| 10                               | <b>Jayesh Arvind Parekh</b>   |                  |      |                  |      |
|                                  | At the beginning of the year  | 172033           | 0.16 | 7182603          | 6.51 |
|                                  | Increase/ Decrease            | 0                | 0    | 0                | 0    |
|                                  | At the end of the year        | 172033           | 0.16 | 7182603          | 6.51 |
| <b>Total Equity Shareholding</b> |                               | <b>110320974</b> |      | <b>110320974</b> |      |

(v) Shareholding of Directors & KMP

| Sl. No | For Each of the Directors & KMP | Shareholding at the end of the year |                                  | Cumulative Shareholding during the year |                                  |
|--------|---------------------------------|-------------------------------------|----------------------------------|---|----------------------------------|
|        |                                 | No. of shares                       | % of total shares of the company | No of shares                            | % of total shares of the company |
| 1      | <b>Milind Ramchandra Nare</b>   |                                     |                                  |   |                                  |
|        | At the beginning of the year    | 10000                               | 0.01                             | 10000                                   | 0.01                             |
|        | Increase/ Decrease              | 0                                   | 0                                | 0                                       | 0                                |
|        | At the end of the year          | 10000                               | 0.01                             | 10000                                   | 0.01                             |
| 2      | <b>Sumantra Banerjee</b>        |                                     |                                  |   |                                  |
|        | At the beginning of the year    | 10000                               | 0.01                             | 10000                                   | 0.01                             |
|        | Increase/ Decrease              | 0                                   | 0                                | 0                                       | 0                                |
|        | At the end of the year          | 10000                               | 0.01                             | 10000                                   | 0.01                             |



V INDEBTEDNESS

| Indebtedness of the Company including interest outstanding/accrued but not due for payment |                                  |                        |          |                        |
|--|----------------------------------|------------------------|----------|------------------------|
|  | Secured Loans excluding deposits | Unsecured Loans (T-II) | Deposits | Total                  |
| <b>Indebtness at the beginning of the financial year</b>                                   |                                  |                        |          |                        |
| i) Principal Amount  | 28,25,34,91,991                  | 1,84,99,99,999         | -        | 30,10,34,91,990        |
| ii) Interest due but not paid  | 21,27,16,000                     | 1,69,31,000            | -        | 22,96,47,000           |
| iii) Interest accrued but not due  | -                                | -                      | -        | -                      |
| <b>Total (i+ii+iii)</b>  | <b>28,46,62,07,991</b>           | <b>1,86,69,30,999</b>  | <b>-</b> | <b>30,33,31,38,990</b> |
| <b>Change in Indebtedness during the financial year</b>                                    |                                  |                        |          |                        |
| Additions  | 11,54,28,90,424                  | 25,00,07,000           | -        | 11,79,28,97,424        |
| Reduction  | -                                | -                      | -        | -                      |
| <b>Net Change</b>  | <b>11,54,28,90,424</b>           | <b>25,00,07,000</b>    | <b>-</b> | <b>11,79,28,97,424</b> |
| <b>Indebtedness at the end of the financial year</b>                                       |                                  |                        |          |                        |
| i) Principal Amount  | 39,75,23,88,415                  | 2,09,99,99,999         | -        | 41,85,23,88,414        |
| ii) Interest due but not paid  | 25,67,10,000.00                  | 1,69,38,000.00         | -        | 27,36,48,000           |
| iii) Interest accrued but not due  | -                                | -                      | -        | -                      |
| <b>Total (i+ii+iii)</b>  | <b>40,00,90,98,415</b>           | <b>2,11,69,37,999</b>  | <b>-</b> | <b>42,12,60,36,414</b> |

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole time director and/or Manager:

| Sl.No | Particulars of Remuneration  | Name of the MD/WTD/Manager                    |
|-------|--|---|
| 1     | <b>Gross salary</b>  | <b>Managing Director- Manoj Kumar Nambiar</b> |
|       | (a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961. | 1,76,31,928                                   |
|       | (b) Value of perquisites u/s 17(2) of the Income tax Act, 1961                   | -   |
|       | (c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961    | -   |
| 2     | Stock option   | 1,50,000 options                              |
| 3     | Sweat Equity   | -   |
| 4     | Commission as % of profit  | -   |
|       | others (specify)   | -   |
| 5     | Others, please specify   | -   |
|       | <b>Total (A)</b>   | <b>1,76,31,928</b>                            |
|       | <b>Ceiling as per the Act</b>  | <b>8,37,92,596</b>                            |

B. Remuneration to other directors:

| Sl.No | Particulars of Remuneration                    | Name of the Directors       |                          |                        |                            |                     |
|-------|--|-----------------------------|--------------------------|------------------------|----------------------------|---------------------|
| 1     | <b>Independent Directors</b>                   | <b>Matangi Gowrishankar</b> | <b>Sumantra Banerjee</b> | <b>Rajat Mohan Nag</b> | <b>Dinesh Kumar Mittal</b> | <b>Total Amount</b> |
|       | (a) Fee for attending board committee meetings | 5,20,000                    | 5,20,000                 | 5,00,000               | 2,80,000                   | 18,20,000           |
|       | (b) Commission                                 | 15,00,000                   | 10,00,000                | 10,00,000              | 25,00,000                  | 60,00,000           |
|       | (c) Others, please specify                     | -                           | -                        | -                      | -                          | -                   |
|       | <b>Total</b>                                   | <b>20,20,000</b>            | <b>15,20,000</b>         | <b>15,00,000</b>       | <b>27,80,000</b>           | <b>78,20,000</b>    |
|       | <b>Total Managerial Remuneration</b>           |                             |                          |                        |                            | <b>78,20,000</b>    |
|       | <b>Overall Ceiling as per the Act.</b>         |                             |                          |                        |                            | <b>1,67,58,519</b>  |

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

| Sl. No. | Particulars of Remuneration  | Key Managerial Personnel                              |   |  |
|---------|--|---|---|--|
| 1       | <b>Gross Salary</b>  | <b>Chief Finacial Officer- Milind Ramchandra Nare</b> | <b>Company Secretary - Anirudh Singh G Thakur</b> | <b>Chief Risk Officer- Ranjan Das (w.e.f 01-03-2020)</b> |
|         | (a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961. | 1,03,78,379   | 70,55,087   | 4,16,280   |
|         | (b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961                       | -   | -   | -  |
|         | (c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961        | -   | -   | -  |
| 2       | Stock Option   | 62,208 Options  | 39,600 Options                                    | 36,000 Options   |
| 3       | Sweat Equity   | -   | -   | -  |
| 4       | Commission as % of profit  | -   | -   | -  |
| 5       | Others, please specify   | -   | -   | -  |
|         | <b>Total</b>   | <b>1,03,78,379</b>                                    | <b>70,55,087</b>                                  | <b>4,16,280</b>  |

VII PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

There was no penalties/punishment/compounding of offences under the Companies Act, 2013 for the year ending March 31, 2020.

## **Independent Auditor's Report**

### **To the Members of Arohan Financial Services Limited**

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

#### **Opinion**

1. We have audited the accompanying financial statements of Arohan Financial Services Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement and the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs of the Company as at 31 March 2020, and its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

#### **Basis for Opinion**

3. We conducted our audit in accordance with the Standards on Auditing 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 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 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 we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of Matter- COVID-19**

4. We draw attention to Note 53 to the accompanying financial statements, which describes the uncertainty relating to the effects of the COVID-19 pandemic on the Company's operations. Our opinion is not modified in respect of this matter.

#### **Key Audit Matters**

5. 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

**Independent Auditors' Report of even date to the members of Arohan Financial Services Limited on the financial statements for the year ended 31 March 2020 (Cont'd)**

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.

6. We have determined the matters described below to be the key audit matters to be communicated in our report.

| Key audit matter   | How our audit addressed the key audit matter   |
|--|--|
| <b>Transition to Indian Accounting Standards Framework</b>   |  |
| <p>Refer Note 2(i) for significant accounting policies and Note 47 for reconciliation</p> <p>As disclosed in Note 47 to the financial statements, the Company has adopted the Indian Accounting Standards notified under section 133 of the Companies Act 2013, read together with the Companies (Indian Accounting Standards) Rules, 2015 (as amended) ('Ind AS') with effect from 1 April 2019 (1 April 2018 being the transition date) and prepared the first set of financial statements under Ind AS framework in the current year.</p> <p>For periods up to and including the year ended 31 March 2019, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP).</p> <p>This change in the financial reporting framework required an end-to-end evaluation of the potential impact on each component of the financial statement which involved significant efforts. This process required the management to apply significant judgements to identify and elect appropriate accounting policies suitable for various transactions and balances relating to the operations of the Company including electing of available options for transition of balances as at transition date from the previous GAAP to the new GAAP.</p> <p>Further, the first time preparation of the Ind AS financial statements involved preparation and presentation of additional notes and disclosures as required by the Ind AS framework as compared to the previous GAAP in addition to Note 47(d) to the financial statements setting forth the reconciliation of balances from previous</p> | <p>Our procedures in respect of the first-time adoption of Ind AS financial reporting framework included, but not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of management's processes and controls to identify the potential impact areas in the financial statements due to the adoption of Ind AS.;</li> <li>• Reviewed the diagnostics performed by the management to assess the impact on Ind AS transition to the individual financial statement line items.</li> <li>• Reviewed the implementation of exemptions availed and options chosen by the Company in accordance with the requirements of Ind AS 101, First Time Adoption of Indian Accounting Standards (Ind AS 101);</li> <li>• Assessed the appropriateness of the adjustments made to the opening balance sheet as at 01 April 2018;</li> <li>• Assessed the appropriateness of the adjustments recorded in the financial statements as of and for the year-ended 31 March 2019 which were prepared in the previous GAAP</li> <li>• Evaluated the accounting policies adopted by the Company on transition to Ind AS and assessed its appropriateness basis our understanding of the entity, the nature and size of its operations and the requirements of relevant accounting standards under the Ind AS framework;</li> <li>• Obtained written representations from management and those charged with governance on whether the financial statements comply with the Ind AS in all respects.</li> <li>• Evaluated the appropriateness and adequacy of financial statement arising on adoption of the Ind AS to determine if these</li> </ul> |

**Independent Auditors' Report of even date to the members of Arohan Financial Services Limited on the financial statements for the year ended 31 March 2020 (Cont'd)**

|   |   |
|---|---|
| <p>GAAP to the new GAAP as at the transition date, and the impact of restatement on the results of the comparative period due to such transition.</p> <p>Considering the significance of the above transition with respect to the financial statements, the complexities and efforts involved, this matter has been identified as a key audit matter for the current year audit.</p>  | <p>are in compliance with the requirements of the Ind AS;</p>   |
| <p><b>Impairment loss on loan assets (expected credit losses on loans)</b><br/>(Refer Note 3(k) for significant accounting policies and Note 37 for credit risk disclosures)</p>  |   |
| <p>As at 31 March 2020, the Company has reported gross loan assets of ₹453,471.29 lacs against which an impairment loss of ₹ 187,52.19 lacs has been recorded. The Company recognised impairment provision for loan assets based on the expected credit loss approach laid down under 'Ind AS 109 – Financial Instruments'.</p> <p>Since this was the first year for the preparation and presentation of the financial statements under Ind – AS framework, the management had to estimate the provision for expected credit losses for the loans outstanding as at 1 April 2018 (the opening balance sheet date), as at 31 March 2019, (the comparative balance sheet date).</p> <p>The calculation of impairment losses on loans is complex and is based on application of significant management judgement and the use of different modelling techniques and assumptions which could have a material impact on reported profits. The Company has applied a three-stage approach based on changes in credit quality to measure expected credit loss on loans which is as follows:</p> <ul style="list-style-type: none"> <li>➤ If the loan is not credit-impaired on initial recognition, then it is classified in 'Stage 1' and its credit risk is continuously monitored by the Company i.e. the default in repayment is within the range of 0 to 30 days.</li> <li>➤ If a significant increase in credit risk since initial recognition is identified, it is moved to 'Stage 2' but is not yet deemed to be credit-impaired i.e. the default in repayment is within the range of 31 to 90 days.</li> <li>➤ If the loan is credit-impaired, it is then</li> </ul> | <p>Our audit focused on assessing the appropriateness of management's judgment and estimates used in the impairment analysis through procedures that included, but were not limited to, the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the modelling techniques adopted by the Company including the key inputs and assumptions. Since modelling assumptions and parameters are based on historical data, we assessed whether historical experience was representative of current circumstances and was relevant in view of the recent impairment losses incurred within the portfolios.</li> <li>• Tested the design and operating effectiveness of key controls over completeness and accuracy of the key inputs and assumptions considered for calculation, recording and monitoring of the impairment loss recognized. Also evaluated the controls over the modelling process, validation of data and related approvals.</li> <li>• Obtained the policy on moratorium of loans approved by the Board of Directors pursuant to the regulatory announcement made by the RBI.</li> <li>• Tested the assumptions underlying the impairment identification and quantification including the forecast of future cash flows by corroborating it with the revised repayment schedules of the borrowers including the impact of moratorium benefit extended to its customers in terms of the COVID-19 regulatory package announced by RBI on 27 March 2020 and 22 May 2020. We have also examined, on a sample basis, data inputs to the discounted cash flow models in supporting the estimation of future cash flows and present value;</li> </ul> |

**Independent Auditors' Report of even date to the members of Arohan Financial Services Limited on the financial statements for the year ended 31 March 2020 (Cont'd)**

|  |   |
|--|---|
| <p>moved to 'Stage 3' i.e. the default in repayment is more than 90 days.</p> <p>The Expected Credit Loss ("ECL") is measured at 12-month ECL for Stage 1 loan assets and at lifetime ECL for Stage 2 and Stage 3 loan assets. Significant management judgement and assumptions involved in measuring ECL is required with respect to:</p> <ul style="list-style-type: none"> <li>➤ determining the criteria for a significant increase in credit risk</li> <li>➤ factoring in future economic assumptions</li> <li>➤ techniques used to determine probability of default, loss given default and exposure at default.</li> </ul> <p>These parameters are derived from statistical models, other historical data and macro-economic factors.</p> <p>Considering the significance of the above matter to the financial statements and extent of management's estimates and judgements involved including the impact of regulatory announcement of moratorium facility for certain customers, it required significant auditor attention. Accordingly, we have identified this as a key audit matter for current year audit.</p> <p>We also draw attention to Note 53 of the accompanying financial statements, regarding uncertainties involved and on the appropriateness of impairment losses provided on the above mentioned loan assets as on 31 March 2020, as the same is fundamental to the understanding of the users of financial statements.</p> | <ul style="list-style-type: none"> <li>• Evaluated the appropriateness of the Company's determination of significant increase in credit risk in accordance with the applicable accounting standard considering impact of COVID-19 and moratorium announced in the RBI Regulatory Package and the basis for classification of various exposures into various stages. For a sample of exposures, we also tested the appropriateness of the Company's categorization across various stages;</li> <li>• Assessed the critical assumptions and input data used in the estimation of expected credit loss models for specific key credit risk parameters, such as the transfer logic between stages, probability of default (PD) or loss given default (LGD);</li> <li>• Obtained written representations from management and those charged with governance whether they believe significant assumptions used in calculation of expected credit losses are reasonable.</li> <li>• Assessed the appropriateness and adequacy of the related presentation and disclosures of Note 37 "Financial risk management" disclosed in the financial statements in accordance with the applicable accounting standards.</li> </ul> |
|--|---|

| <b>Information Technology system for the financial reporting process</b>  |  |
|---|--|
| <p>The Company is dependent on their IT system (FIS software) for recording customer's operational data, supporting their business processes, ensuring complete and accurate processing of financial transactions and supporting the overall internal control framework.</p> <p>This system is maintained by FIS Payment Solutions ("FIS") which acts as technology partner for implementing an end-to-end banking solution, infrastructure and network components. Their scope includes customer information management, user management and role-based access</p> | <p>Our audit procedures with the involvement of auditor's IT specialists included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the Company's IT related control environment and conducted risk assessment and identified IT applications, data bases and operating systems that are relevant to our audit. Also, obtained an understanding of the changes that were made to the identified IT applications during the audit period including the impact on asset classification on account of moratorium relief extended to its customers and tested</li> </ul> |

**Independent Auditors' Report of even date to the members of Arohan Financial Services Limited on the financial statements for the year ended 31 March 2020 (Cont'd)**

|   |  |
|---|--|
| <p>control. FIS software is a complex IT system which runs on a mobility platform and is used for recording all disbursements and collections, identification and tagging of pledged loans to customers and calculating interest income and overdue days.</p> <p>The Company's accounting and financial reporting processes are dependent on automated controls enabled by IT systems which impacts key financial accounting and reporting items such as loans, interest income, impairment on loans amongst others. The controls implemented by the Company in its IT environment determine the integrity, accuracy, completeness and validity of data that is processed by the applications and is ultimately used for financial reporting.</p> <p>Accordingly, considering the pervasive impact of the IT system on the financial statements and testing of such IT systems and related controls being the most significant aspect of our audit strategy, we have determined the same as a key audit matter.</p> | <p>those changes that had a significant impact on financial reporting;</p> <ul style="list-style-type: none"> <li>• Evaluated the appropriateness of controls for security governance to protect systems and data from unauthorised use, including logging of security events and procedures to identify vulnerabilities. Tested segregations of duties controls around program maintenance, security administration and key business processes.</li> <li>• Evaluated management processes for modifications to the IT environment including monitoring and authorization of such modifications. Tested changes made to the IT system that involved significant impact on financial reporting.</li> <li>• Tested the design and operating effectiveness of the Company's IT controls over the IT applications as identified above;</li> <li>• Tested related interfaces, configuration and other application layer controls identified during our audit and report logic for system generated reports relevant to the audit mainly for loans, interest income and impairment of loan assets for evaluating completeness and accuracy;</li> <li>• Tested IT general controls particularly, logical access, change management and aspects of IT operational controls. Tested that requests for access to systems were appropriately reviewed and authorized; tested controls around Company's periodic review of access rights; inspected requests of changes to systems for appropriate approval and authorization; and</li> <li>• Where deficiencies were identified, tested compensating controls or performed alternative procedures.</li> </ul> |
|---|--|

**Information other than the Financial Statements and Auditor's Report thereon**

7. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

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 identified above when it becomes available and, in doing so, consider whether the other

**Independent Auditors' Report of even date to the members of Arohan Financial Services Limited on the financial statements for the year ended 31 March 2020 (Cont'd)**

information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

8. The accompanying financial statements have been approved by the Company's Board of Directors. 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 financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS 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 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
9. In preparing the 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.
10. Those Board of Directors is also responsible for overseeing the Company's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

11. 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 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 financial statements.
12. As part of an audit in accordance with 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 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 Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls;

**Independent Auditors' Report of even date to the members of Arohan Financial Services Limited on the financial statements for the year ended 31 March 2020 (Cont'd)**

- 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
13. 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.
14. 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.
15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Matter**

16. The Company had prepared separate sets of statutory financial statements for the year ended 31 March 2019 and 31 March 2018 in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended) on which we issued auditor's reports to the members of the Company dated 15 May 2019 and 27 April 2018 respectively. These financial statements 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 this matter.

**Report on Other Legal and Regulatory Requirements**

17. As required by section 197(16) of the Act, based on our audit, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act.
18. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.
19. Further to our comments in Annexure A, as required by section 143(3) of the Act, based on our audit, we report, to the extent applicable, that:



**Independent Auditors' Report of even date to the members of Arohan Financial Services Limited on the financial statements for the year ended 31 March 2020 (Cont'd)**

- 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 of the accompanying financial statements;
- 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 financial statements dealt with by this report are in agreement with the books of account;
- d) in our opinion, the aforesaid financial statements comply with Ind AS specified under section 133 of the Act;
- e) the COVID-19 matter described in paragraph 4 under the Emphasis of Matter section, in our opinion, may have an adverse effect on the functioning of the Company;
- f) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of section 164(2) of the Act;
- g) we have also audited the internal financial controls with reference to financial statements of the Company as on 31 March 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 26 June 2020 as per Annexure B expressed unmodified opinion; and
- 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 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
  - i. the Company, as detailed in note 52 to the financial statements, has disclosed the impact of pending litigation on its financial position as at 31 March 2020;
  - ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2020;
  - iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2020; and
  - iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiook & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

**Manish Gujral**  
Partner  
Membership No.: 105117

**UDIN: 20105117AAAACR2341**

**Place:** Mumbai  
**Date:** 26 June 2020

**Annexure A to the Independent Auditor's Report of even date to the members of Arohan Financial Services Limited on the financial statements for the year ended 31 March 2020**

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment.
- (b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- (c) The Company does not hold any immovable property (in the nature of 'property, plant and equipment'). Accordingly, the provisions of clause 3(i)(c) of the Order are not applicable.
- (ii) The Company is an NBFC company, primarily engaged in the business of lending and does not hold any inventories. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.
- (iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.
- (iv) In our opinion, the Company has not entered into any transaction covered under Sections 185 and 186 of the Act. Accordingly, the provisions of clause 3(iv) of the Order are not applicable.
- (v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.
- (vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.
- (vii)(a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, goods and service tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, except in certain cases having delays upto 928 days with respect to deposit of provident fund with appropriate authorities due to non-availability of employee's UAN details. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.
- (b) The dues outstanding in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

| Name of the statute      | Nature of dues | Amount (₹ lacs) | Amount paid under protest (₹ lacs) | Period to which the amount relates | Forum where dispute is pending |
|--------------------------|----------------|-----------------|------------------------------------|------------------------------------|--------------------------------|
| The Income-tax Act, 1961 | Income Tax     | 6.18            | Nil                                | AY 2012-13                         | Income Tax Appellate Tribunal  |

**Annexure A to the Independent Auditor's Report of even date to the members of Arohan Financial Services Limited on the financial statements for the year ended 31 March 2020 (Cont'd)**

| Name of the statute | Nature of dues | Amount (₹ lacs) | Amount paid under protest (₹ lacs) | Period to which the amount relates | Forum where dispute is pending       |
|---------------------|----------------|-----------------|------------------------------------|------------------------------------|--------------------------------------|
| The Income-tax      | Income Tax     | 22.89           | 11.52                              | AY 2014-15                         | Commissioner of Income Tax (Appeals) |
| The Income-tax      | Income Tax     | 9.13            | Nil                                | AY 2017-18                         | Commissioner of Income Tax (Appeals) |

- (viii) The Company has not defaulted in repayment of loans or borrowings to any financial institution or a bank or any dues to debenture-holders during the year. The Company has no loans or borrowings payable to government.
- (ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the Company has applied the term loans for the purposes for which these were raised.
- (x) According to the information and explanations given to us, we report that no material fraud by the Company or by its employees or officers or by the Company have been noticed or reported during the course of our audit.
- (xi) Managerial remuneration has been paid/provided by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.
- (xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.
- (xiii) In our opinion all transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable accounting standards.
- (xiv) During the year, the Company has made private placement of shares. In respect of the same, in our opinion, the Company has complied with the requirement of Section 42 of the Act and the Rules framed thereunder. Further, in our opinion, the amounts so raised have been used for the purposes for which the funds were raised. During the year, the Company did not make preferential allotment of shares or preferential allotment/ private placement of fully/partly convertible debentures.
- (xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.
- (xvi) The Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and such registration has been obtained by the company.

**For Walker Chandiook & Co LLP**  
Chartered Accountants  
Firm Registration No.: 001076N/N500013

**Manish Gujral**  
Partner  
Membership No.: 105117

**UDIN: 20105117AAAACR2341**

Place: Mumbai  
Date: 26 June 2020

**Annexure B to the Independent Auditor's Report of even date to the members of Arohan Financial Services Limited on the financial statements for the year ended 31 March 2020**

**Independent Auditor's Report on the internal financial controls with reference to the financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')**

1. In conjunction with our audit of the financial statements of Arohan Financial Services Limited ('the Company') as at and for the year ended 31 March 2020, we have audited the internal financial controls with reference to financial statements of the Company as at that date.

**Responsibilities of Management and Those Charged with Governance for Internal Financial Controls**

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements 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 the Company's business, including adherence to the 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 Act.

**Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements**

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') 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 were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of such internal financial controls, 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.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

**Annexure B to the Independent Auditor's Report of even date to the members of Arohan Financial Services Limited on the financial statements for the year ended 31 March 2020 (Cont'd)**

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

6. A company's internal financial controls 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. A company's internal financial controls with reference to financial statements include 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 company; (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 company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

7. 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 controls 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**

8. In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 2020, based on internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For **Walker Chandiook & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

**Manish Gujral**  
Partner  
Membership No.: 105117

**UDIN: 20105117AAAACR2341**

Place: Mumbai  
Date: 26 June 2020

**Arohan Financial Services Limited**  
(Formerly Arohan Financial Services Private Limited)  
**Balance Sheet as at 31 March 2020**  
(All amounts in ₹ lakhs unless otherwise stated)

|   | Notes   | As at<br>31 March 2020 | As at<br>31 March 2019 | As at<br>1 April 2018 |
|---|---------|------------------------|------------------------|-----------------------|
| <b>ASSETS</b>   |         |                        |                        |                       |
| <b>Financial Assets</b>   |         |                        |                        |                       |
| Cash and cash equivalents   | 4       | 68,858.31              | 17,400.57              | 15,878.05             |
| Other bank balance  | 5       | 15,165.59              | 8,818.76               | 6,583.25              |
| Trade receivables   | 6       | 532.01                 | 566.33                 | 219.23                |
| Loans   | 7       | 4,34,719.10            | 3,51,521.64            | 2,03,889.39           |
| Investments   | 8       | -                      | 3.32                   | 5.17                  |
| Other financial assets  | 9       | 2,122.62               | 3,613.17               | 1,031.45              |
|   |         | <b>5,21,397.63</b>     | <b>3,81,923.79</b>     | <b>2,27,606.54</b>    |
| <b>Non-financial assets</b>   |         |                        |                        |                       |
| Current tax assets (net)  | 10      | 366.41                 | 323.91                 | 8.37                  |
| Deferred tax assets (net)   | 11      | 3,527.65               | 364.70                 | 689.40                |
| Property, plant and equipment   | 12      | 649.07                 | 601.03                 | 499.20                |
| Intangible assets under development   |         | 4.82                   | 5.29                   | -                     |
| Other intangible assets   | 13 (i)  | 538.80                 | 570.37                 | 534.11                |
| Right of use asset  | 13 (ii) | 740.29                 | 645.70                 | 426.09                |
| Other non-financial assets  | 14      | 813.05                 | 874.82                 | 619.93                |
|   |         | <b>6,640.09</b>        | <b>3,385.82</b>        | <b>2,777.10</b>       |
| <b>Total assets</b>   |         | <b>5,28,037.72</b>     | <b>3,85,309.61</b>     | <b>2,30,383.64</b>    |
| <b>LIABILITIES AND EQUITY</b>   |         |                        |                        |                       |
| <b>Liabilities</b>  |         |                        |                        |                       |
| <b>Financial liabilities</b>  |         |                        |                        |                       |
| <b>Payables</b>   |         |                        |                        |                       |
| <b>(I) Trade payables</b>   |         |                        |                        |                       |
| (i) total outstanding dues of micro enterprises and small enterprises                       |         |                        |                        |                       |
|   |         | -                      | -                      | -                     |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises |         |                        |                        |                       |
|   |         | -                      | -                      | -                     |
| <b>(II) Other payables</b>  |         |                        |                        |                       |
| (i) total outstanding dues of micro enterprises and small enterprises                       |         |                        |                        |                       |
|   |         | -                      | -                      | -                     |
| (ii) total outstanding dues of creditors other than micro enterprises and small enterprises |         |                        |                        |                       |
|   |         | -                      | -                      | -                     |
| Debt securities   | 15      | -                      | 6,245.89               | 11,694.60             |
| Borrowings (other than debt securities)   | 16      | 3,98,340.94            | 2,77,587.83            | 1,60,342.22           |
| Subordinated liabilities  | 17      | 20,970.29              | 18,515.22              | 14,975.98             |
| Other financial liabilities   | 18      | 8,992.46               | 10,426.52              | 3,818.61              |
|   |         | <b>4,28,303.69</b>     | <b>3,12,775.46</b>     | <b>1,90,831.41</b>    |
| <b>Non-financial liabilities</b>  |         |                        |                        |                       |
| Provisions  | 19      | 1,422.95               | 523.69                 | 261.87                |
| Other non-financial liabilities   | 20      | 2,048.04               | 2,294.86               | 1,088.44              |
|   |         | <b>3,470.99</b>        | <b>2,818.55</b>        | <b>1,350.31</b>       |
| <b>Equity</b>   |         |                        |                        |                       |
| Equity share capital  | 21      | 11,032.10              | 10,267.39              | 8,846.54              |
| Other equity  | 22      | 85,230.94              | 59,448.21              | 29,355.38             |
|   |         | <b>96,263.04</b>       | <b>69,715.60</b>       | <b>38,201.92</b>      |
| <b>Total liabilities and equity</b>   |         | <b>5,28,037.72</b>     | <b>3,85,309.61</b>     | <b>2,30,383.64</b>    |

Note 1 to 53 form an integral part of these financial statements

This is the Balance Sheet referred to in our report of even date

For **Walker Chandiook & Co LLP**  
Chartered Accountants  
Firm Registration No. 001076N/N500013

For and on behalf of Board of Directors of  
**Arohan Financial Services Limited**

**Manish Gujral**  
Partner  
Membership No. 105117

**Manoj Kumar Nambiar**  
Managing Director  
(DIN: 03172919)  
Place : Kolkata

**Anurag Agrawal**  
Director  
(DIN: 02385780)  
Place : Mumbai

**Anirudh Singh G Thakur**  
Company Secretary  
Officer  
Place: Kolkata  
Date: 26 June 2020

**Milind Nare**  
Chief Financial  
Officer  
Place: Kolkata

Place : Mumbai  
Date : 26 June 2020

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

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

(All amounts in ₹ lakhs unless otherwise stated)

|  | Notes | Year ended<br>31 March 2020 | Year ended<br>31 March 2019 |
|--|-------|-----------------------------|-----------------------------|
| <b>Revenue from operations</b>                                     |       |                             |                             |
| Interest income  | 23    | 86,146.25                   | 58,483.80                   |
| Fees and commission income   | 24    | 2,525.21                    | 1,984.41                    |
| Net gain on derecognition of financial instruments                 | 25    | 3,324.81                    | 4,269.57                    |
| Other operating income   | 26    | 569.89                      | 513.26                      |
| <b>Total Revenue from operations</b>                               |       | <b>92,566.16</b>            | <b>65,251.04</b>            |
| Other Income   | 27    | 1,270.61                    | 273.12                      |
| <b>Total Income</b>  |       | <b>93,836.77</b>            | <b>65,524.16</b>            |
| <b>Expenses</b>  |       |                             |                             |
| Finance costs  | 28    | 38,220.08                   | 25,478.45                   |
| Impairment on financial instruments                                | 29    | 15,974.07                   | 4,049.18                    |
| Employee benefits expenses   | 30    | 15,700.83                   | 11,725.82                   |
| Depreciation, amortization and impairment                          | 31    | 669.61                      | 527.25                      |
| Other expenses   | 32    | 6,513.64                    | 6,029.79                    |
| <b>Total Expenses</b>  |       | <b>77,078.23</b>            | <b>47,810.49</b>            |
| <b>Profit before tax</b>   |       | <b>16,758.54</b>            | <b>17,713.67</b>            |
| <b>Tax expense:</b>  |       |                             |                             |
| Current tax  | 34    | 7,520.77                    | 4,585.25                    |
| Deferred tax   |       | (3,442.28)                  | 469.89                      |
| Tax expense of earlier years                                       |       | -                           | (105.50)                    |
| <b>Total tax expenses</b>  |       | <b>4,078.49</b>             | <b>4,949.64</b>             |
| <b>Profit for the year</b>   |       | <b>12,680.05</b>            | <b>12,764.03</b>            |
| <b>Other Comprehensive Income</b>                                  |       |                             |                             |
| <b>(A) Items that will not be reclassified to profit or (loss)</b> |       |                             |                             |
| (i) Remeasurement of post employment benefit obligations           |       | (576.11)                    | (116.08)                    |
| (ii) Equity instruments through other comprehensive income         |       | (3.32)                      | -                           |
| (iii) Income tax relating to these items                           |       | 145.83                      | 40.56                       |
| <b>Subtotal (A)</b>  |       | <b>(433.60)</b>             | <b>(75.52)</b>              |
| <b>(B) Items that will be reclassified to profit or loss</b>       |       |                             |                             |
| (i) Fair valuation of financial assets                             |       | 1,689.28                    | (299.42)                    |
| (ii) Income tax relating to these items                            |       | (425.16)                    | 104.63                      |
| <b>Subtotal (B)</b>  |       | <b>1,264.12</b>             | <b>(194.79)</b>             |
| <b>Total other comprehensive income (A + B)</b>                    |       | <b>830.52</b>               | <b>(270.31)</b>             |
| <b>Total comprehensive income for the year</b>                     |       | <b>13,510.57</b>            | <b>12,493.72</b>            |
| <b>Earnings per equity share</b>                                   |       |                             |                             |
| Basic (₹)  |       | 12.07                       | 14.05                       |
| Diluted (₹)  | 35    | 12.05                       | 14.02                       |

Note 1 to 53 form an integral part of these financial statements

This is the statement of profit and loss referred to in our report of even date.

For **Walker Chandiok & Co LLP**  
Chartered Accountants  
Firm Registration No: 001076N/N500013

**Manish Gujral**  
Partner  
Membership No. 105117

Place: Mumbai  
Date: 26 June 2020

For and on behalf of Board of Directors of  
**Arohan Financial Services Limited**

**Manoj Kumar Nambiar**  
Managing Director  
(DIN: 03172919)  
Place : Kolkata

**Anurag Agrawal**  
Director  
(DIN: 02385780)  
Place : Mumbai

**Anirudh Singh G Thakur**  
Company Secretary

Place: Kolkata  
Date: 26 June 2020

**Milind Nare**  
Chief Financial Officer

Place: Kolkata

**Arohan Financial Services Limited**  
(Formerly Arohan Financial Services Private Limited)  
**Cash Flow Statement for the year ended 31 March 2020**  
(All amounts in ₹ lakhs unless otherwise stated)

|   | Year ended<br>31 March 2020 | Year ended<br>31 March 2019 |
|---|-----------------------------|-----------------------------|
| <b>(A) Cash flows from operating activities</b>                             |                             |                             |
| Profit before tax   | 16,758.54                   | 17,713.67                   |
| <b>Adjustments to reconcile profit before tax to net cash flows:</b>        |                             |                             |
| Depreciation, amortization and impairment                                   | 669.61                      | 527.25                      |
| Interest on lease liability   | 74.26                       | 45.28                       |
| Impairment on financial instruments   | 15,974.07                   | 4,049.18                    |
| Gain on sale of loan portfolio (including unwinding) through assignment     | (4,073.68)                  | (5,040.67)                  |
| Liabilities written back  | -                           | -                           |
| Expense on employee stock option scheme                                     | 265.45                      | 104.87                      |
| Effective interest rate adjustment for financial instruments                | 1,399.50                    | 6,825.42                    |
| Unwinding Impact on Security Deposit  | 0.44                        | 0.33                        |
| <b>Operating profit before working capital changes</b>                      | <b>31,068.19</b>            | <b>24,225.33</b>            |
| <b>Changes in working capital</b>   |                             |                             |
| (Increase) in loans   | (97,482.25)                 | (1,51,980.85)               |
| (Increase)/decrease in trade receivables                                    | 34.32                       | (347.10)                    |
| (Increase) in other bank balances   | (6,346.83)                  | (2,235.51)                  |
| (Increase)/ decrease in other financial assets                              | 5,574.87                    | 2,461.72                    |
| (Increase)/ decrease in other non-financial assets                          | 50.69                       | (257.99)                    |
| Increase/ (decrease) in others financial liabilities                        | (1,552.53)                  | 6,367.83                    |
| Increase in provisions  | 323.15                      | 145.74                      |
| Increase/ (decrease) in other non-financial liabilities                     | (246.82)                    | 1,206.42                    |
| <b>Cash used in operating activities</b>                                    | <b>(68,577.20)</b>          | <b>(1,20,414.41)</b>        |
| Income taxes paid (net of refunds)  | (7,563.27)                  | (4,795.29)                  |
| <b>Net cash flows used in operating activities (A)</b>                      | <b>(76,140.47)</b>          | <b>(1,25,209.72)</b>        |
| <b>(B) Cash flows from investing activities</b>                             |                             |                             |
| Purchase of property, plant and equipment                                   | (320.08)                    | (361.06)                    |
| Purchase of intangible assets and intangible assets under development (net) | (154.43)                    | (191.91)                    |
| Proceeds from sale of investments   | -                           | 1.85                        |
| <b>Net cash used in investing activities (B)</b>                            | <b>(474.51)</b>             | <b>(551.12)</b>             |
| <b>(C) Cash flows from financing activities</b>                             |                             |                             |
| Proceeds from issue of equity shares including securities premium           | 13,000.00                   | 19,345.25                   |
| Share issue expenses  | (228.58)                    | (430.16)                    |
| Repayment of debt securities  | (6,100.00)                  | (5,300.22)                  |
| Proceeds from borrowings other than debt securities                         | 3,18,642.65                 | 7,81,023.14                 |
| Repayment of borrowings other than debt securities                          | (1,99,398.11)               | (6,70,677.21)               |
| Proceeds from subordinated liabilities                                      | 2,418.25                    | 23,465.00                   |
| Repayment of subordinated liabilities                                       | -                           | (20,000.00)                 |
| Payment of lease liabilities  | (261.48)                    | (142.45)                    |
| <b>Net cash flows from financing activities (C)</b>                         | <b>1,28,072.73</b>          | <b>1,27,283.36</b>          |
| <b>Net increase in cash and cash equivalents (A+B+C)</b>                    | <b>51,457.74</b>            | <b>1,522.52</b>             |
| Cash and cash equivalents as at the beginning of the year                   | 17,400.57                   | 15,878.05                   |
| Cash and cash equivalents as at the end of the year                         | <b>68,858.31</b>            | <b>17,400.57</b>            |
| <b>Components of cash and cash equivalents:</b>                             |                             |                             |
| Cash on hand  | 365.29                      | 438.75                      |
| Balances and deposits with banks  | 68,493.02                   | 16,961.82                   |
| <b>Cash and cash equivalents considered for cash flow</b>                   | <b>68,858.31</b>            | <b>17,400.57</b>            |

The above Statement of Cash Flows has been prepared under the 'Indirect Method' as set out in Ind AS 7, "Statement of Cash Flows".  
This is the Statement of Cash Flows referred to in our report of even date.

For **Walker Chandio & Co LLP**  
Chartered Accountants  
Firm Registration No. 001076N/N500013

For and on behalf of Board of Directors of  
**Arohan Financial Services Limited**

**Manish Gujral**  
Partner  
Membership No. 105117

**Manoj Kumar Nambiar**  
Managing Director  
(DIN: 03172919)  
Place : Kolkata

**Anurag Agrawal**  
Director  
(DIN: 02385780)  
Place : Mumbai

Place: Mumbai  
Date: 26 June 2020

**Anirudh Singh G Thakur**  
Company Secretary  
Place: Kolkata  
Date: 26 June 2020

**Anirudh Singh G Thakur**  
Chief Financial Officer  
Place: Kolkata



**Arohan Financial Services Limited**

(Formerly Arohan Financial Services Private Limited)

**Statement of change in equity for the year ended 31 March 2020**

(All amounts in ₹ lakhs unless otherwise stated)

**(a) Equity share capital**

| Particulars          | Balance as at 1 April 2018 | Changes during the year | Balance as at 31 March 2019 | Changes during the year | Balance as at 31 March 2020 |
|----------------------|----------------------------|-------------------------|-----------------------------|-------------------------|-----------------------------|
| Equity Share Capital | 8,846.54                   | 1,420.86                | 10,267.40                   | 764.70                  | 11,032.10                   |

**(b) Other equity**

| Particulars  | Reserves and Surplus |                        |                   |                 |                                  |                 | Other Comprehensive Income                            |                                    | Total other equity |
|--|----------------------|------------------------|-------------------|-----------------|----------------------------------|-----------------|---|------------------------------------|--------------------|
|  | Securities premium   | Statutory reserves (*) | Retained Earnings | General reserve | Share option outstanding account | Treasury shares | Equity instruments through other comprehensive income | Fair valuation of financial assets |                    |
| <b>As at 01 April 2018</b>   | 20,501.84            | 2,028.27               | 6,790.67          | 80.27           | 47.12                            | (91.70)         | (1.09)  | -                                  | 29,355.38          |
| Profit for the year  | -                    | -                      | 12,764.03         | -               | -                                | -               | -   | -                                  | 12,764.03          |
| Other comprehensive income (net)   | -                    | -                      | (75.52)           | -               | -                                | -               | -   | (194.79)                           | (270.31)           |
| Issue of equity shares   | 19,917.55            | -                      | -                 | -               | -                                | -               | -   | -                                  | 19,917.55          |
| Share based payment to employees   | -                    | -                      | -                 | -               | 103.40                           | 7.85            | -   | -                                  | 111.25             |
| Issue of shares to trust   | -                    | -                      | -                 | -               | -                                | (2,001.00)      | -   | -                                  | (2,001.00)         |
| Share issue expense  | (430.16)             | -                      | -                 | -               | -                                | -               | -   | -                                  | (430.16)           |
| Amount recorded on grants during the year                                    | -                    | -                      | -                 | -               | 1.47                             | -               | -   | -                                  | 1.47               |
| Transferred to securities premium reserve                                    | 22.21                | -                      | -                 | -               | (22.21)                          | -               | -   | -                                  | -                  |
| Transfer to Statutory reserve under Section 45 - IC of the RBI Act, 1934 (*) | -                    | 2,241.50               | (2,241.50)        | -               | -                                | -               | -   | -                                  | -                  |
| <b>Balance as at 31 March 2019</b>   | 40,011.44            | 4,269.77               | 17,237.68         | 80.27           | 129.78                           | (2,084.85)      | (1.09)  | (194.79)                           | 59,448.21          |
| Profit for the year  | -                    | -                      | 12,680.05         | -               | -                                | -               | -   | -                                  | 12,680.05          |
| Other comprehensive income (net)   | -                    | -                      | (431.12)          | -               | -                                | -               | (2.48)  | 1,264.12                           | 830.52             |
| Share based payment to employees   | -                    | -                      | -                 | -               | 265.45                           | -               | -   | -                                  | 265.45             |
| Issue of equity shares   | 12,235.29            | -                      | -                 | -               | -                                | -               | -   | -                                  | 12,235.29          |
| Share issue expense  | (228.58)             | -                      | -                 | -               | -                                | -               | -   | -                                  | (228.58)           |
| Transfer to Statutory reserve under Section 45 - IC of the RBI Act, 1934 (*) | -                    | 2,536.01               | (2,536.01)        | -               | -                                | -               | -   | -                                  | -                  |
| <b>Balance as at 31 March 2020</b>   | 52,018.15            | 6,805.78               | 26,950.60         | 80.27           | 395.23                           | (2,084.85)      | (3.57)  | 1,069.33                           | 85,230.94          |

(\*) The company is required to create a fund by transferring not less than 20% its net profit every year as disclosed in the statement of profit and loss account and before any dividend is declared. The fund shall be utilised for the purpose as may be specified by the Reserve Bank of India from time to time and every such appropriation shall be reported to the Reserve Bank.

Note 1 to 53 form an integral part of these financial statements

This is the statement of changes in equity referred to in our report of even date

**For Walker Chandio & Co LLP**

Chartered Accountants

Firm Registration No. 001076N/N500013

For and on behalf of Board of Directors of  
Arohan Financial Services Limited

**Manoj Kumar Nambiar**

Managing Director

(DIN: 03172919)

Place : Kolkata

**Anurag Agrawal**

Director

(DIN: 02385780)

Place : Mumbai

**Manish Gujral**

Partner

Membership No. 105117

Date: 26 June 2020

**Anirudh Singh G Thakur**

Company Secretary

Place: Kolkata

Date: 26 June 2020

**Milind Nare**

Chief Financial Officer

Place: Kolkata

## **Arohan Financial Services Limited**

(Formerly Arohan Financial Services Private Limited)

### **Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

(All amounts in lakhs unless otherwise stated)

#### **1 Company overview**

Arohan Financial Services Limited ('the Company') is incorporated under the provisions of the Companies Act. The Company has been registered as a Non-Banking Financial Company ("NBFC") with the Reserve Bank of India ("the RBI") from 8 July 2009 and pursuant to the notification issued by the RBI for classification of NBFCs as Non-Banking Finance Company – Micro Finance Institutions ("NBFC-MFI"), the Company's application for registration as an NBFC-MFI was approved by the RBI on 10 January 2014. The Company has converted itself into a public limited company and changed its name to Arohan Financial Services Limited and has received a fresh certificate of incorporation dated 25 May 2018.

The Company is primarily engaged in providing the livelihood promotion services such as micro-credit to socio-economically disadvantaged customers un-reached by the formal banking systems. In addition to the core business of providing micro-credit, the company uses its distribution channel to provide certain other financial products and services.

#### **2 Basis of preparation**

##### **(i) Statement of compliance with Indian Accounting Standards (Ind AS)**

These financial statements have been prepared in accordance with the Indian Accounting Standards ('Ind AS') as notified by Ministry of Corporate Affairs ('MCA') under Section 133 of the Companies Act, 2013 ('Act') read with the Companies (Indian Accounting Standards) Rules, 2015, as amended and other relevant provisions of the Act. The Company has uniformly applied the accounting policies for all the periods presented in these financial statements.

The financial statements for the year ended 31 March 2020 are the first financial statements, which have been prepared in accordance with Ind AS and other applicable guidelines issued by the Reserve Bank of India ('RBI') and the date of transition is 1 April 2018.

The financial statements up to the year ended March 31 2019 were prepared in accordance with the accounting standard notified under Section 133 of the Act, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP) and other applicable guidelines issued by the RBI, which have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS.

The Company has followed the provisions of Ind AS 101 – 'First time adoption of Indian Accounting Standards' in preparing its opening Ind AS Standalone Balance Sheet as of the date of transition and adjustments were made to restate the opening balances as per Ind AS. The impact of transition has been accounted in the opening reserves as at 1 April 2018. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Company is provided in Note 47.

The financial statements for the year ended 31 March 2020 were authorised and approved for issue by the Board of Directors on 26.11.2020

##### **(ii) Historical cost convention**

The financial statements have been prepared on going concern basis in accordance with accounting principles generally accepted in India. Further, the financial statements have been prepared on historical cost basis except for certain financial assets and financial liabilities and share based payments which are measured at fair values as explained in relevant accounting policies.

#### **3 Significant accounting policies and key account estimates and judgements**

##### **a) Basis of preparation**

The financial statements have been prepared using the significant accounting policies and measurement bases summarised as below. These policies are applied consistently for all the periods presented in the financial statements, except where the Company has applied certain accounting policies and exemptions upon transition to Ind AS.

##### **b) Use of estimates, judgments and assumptions**

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and future periods are affected. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring adjustment to the carrying amounts of assets or liabilities in future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are:

##### **Business model assessment**

The Company determines the business model at a level that reflects how the financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and accordingly prospective change to the classification of those assets are made.

## Arohan Financial Services Limited

(Formerly Arohan Financial Services Private Limited)

### Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in lakhs unless otherwise stated)

#### Defined employee benefit assets and liabilities

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

#### Fair value measurements

When the fair values of financial assets and financial liabilities recorded in the balance sheet cannot be measured based on quoted prices in active markets, their fair value is measured using various valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. Judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### Impairment of loan portfolio

Judgment is required by management in the estimation of the amount and timing of future cash flows when determining an impairment allowance for loans and advances. In estimating these cash flows, the Company makes judgments about the borrower's financial situation. These estimates are based on assumptions about a number of factors such as credit quality, level of arrears etc. and actual results may differ, resulting in future changes to the impairment allowance.

#### Provisions

Provisions created in respect of a range of future obligations such as litigation. Some of the provisions involve significant judgment about the likely outcome of various events and estimated future cash flows. The measurement of these provisions involves the exercise of management judgments about the ultimate outcomes of the transactions. Payments that are expected to be incurred after more than one year are discounted at a rate, which reflects both current interest rates and the risks specific to that provision

#### Useful lives of depreciable/ amortisable assets

Management reviews its estimate of the useful lives of depreciable/ amortisable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technical and economic obsolescence that may change the utility of assets.

### c) Property, plant and equipment

#### Recognition and initial measurement

Property, plant and equipment are stated at their cost of acquisition. The cost comprises purchase price, borrowing cost if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discount and rebates are deducted in arriving at the purchase price.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are recognised in statement of profit and loss.

#### Subsequent measurement (depreciation method, useful lives and residual value)

Property, plant and equipment are subsequently measured at cost less accumulated depreciation and impairment losses. Depreciation on property, plant and equipment is provided on the written down method over the useful life of the assets as prescribed under Part 'C' of Schedule II of the Companies Act, 2013.

| Asset class            | Useful life |
|------------------------|-------------|
| Office equipment       | 5 years     |
| Computer equipment     | 3 years     |
| Computer Servers       | 6 Years     |
| Furniture and fixtures | 10 years    |

Depreciation is calculated on pro rata basis from the date on which the asset is ready for use or till the date the asset is sold or disposed. The residual values, useful lives and method of depreciation are reviewed at the end of each financial year.

#### De-recognition

An item of property, plant and equipment and any significant part initially recognised is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of profit and loss, when the asset is de-recognised.

#### Capital work-in-progress

Capital work-in-progress are carried at cost, comprising direct cost and related incidental expenses acquire property, plant and equipment. Assets which are not ready to its intended use are also shown under capital work-in-progress.

#### Transition to Ind AS

The Company has elected to measure all its property, plant and equipment at the previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS.

## **Arohan Financial Services Limited**

(Formerly Arohan Financial Services Private Limited)

### **Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

(All amounts in lakhs unless otherwise stated)

#### **d) Intangible assets**

##### **Recognition and initial measurement**

Intangible assets are stated at their cost of acquisition. The cost comprises purchase price including any import duties and other taxes (other than those subsequently recoverable from taxation authorities), borrowing cost if capitalisation criteria are met and directly attributable cost of bringing the asset to its working condition for the intended use.

##### **Subsequent measurement (depreciation method, useful lives and residual value)**

Intangible assets are amortised over a period of five years from the date when the assets are available for use. The estimated useful life (amortisation period) of the intangible assets is arrived basis the expected pattern of consumption of economic benefits and is reviewed at the end of each financial year and the amortisation period is revised to reflect the changed pattern, if any.

##### **Transition to Ind AS**

The Company has elected to measure all its property, plant and equipment at the previous GAAP carrying amount as its deemed cost on the date of transition to Ind AS.

##### **Intangible assets under development**

Intangible assets under development represents expenditure incurred in respect of intangible assets under development and are carried at cost.

Cost includes development cost, borrowing costs and other direct expenditure necessary to create, produce and repair the asset to be capable of operating in the manner intended by management. These are recognised as assets when the company demonstrate following recognition requirements:

- a. The development costs can be measured reliably
- b. The project is technically and commercially feasible
- c. The company intends to and has sufficient resources to complete the project
- d. The company has the ability to use or sell such intangible asset
- e. The asset will generate probable future economic benefits.

#### **e) Revenue recognition**

##### **Interest and processing fee income on loans**

Interest and processing fee income is recorded on accrual basis using the effective interest rate (EIR) method. Additional overdue interest/ penal charges, if any, are recognised only when it is reasonable certain that the ultimate collection will be made.

##### **Income from assignment transactions**

Income from assignment transactions i.e. present value of excess interest spread is recognised when the related loan assets are de-recognised. Interest income is also recognised on carrying value of assets over the remaining period of such assets.

##### **Commission income**

Income from business correspondent and cross sale services is recognised as and when the services are rendered as per agreed terms and conditions of the contract.

##### **Interest on fixed deposits**

Interest income on deposits with banks is recognized in time proportion basis taking into account the amount outstanding and the rate applicable using the effective interest rate (EIR) method.

##### **Dividend income**

Dividend income is recognised at the time when the right to receive is established by the reporting date.

##### **Miscellaneous income**

All other income is recognised on an accrual basis, when there is no uncertainty in the ultimate realisation/collection.

#### **f) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition and/or construction of a qualifying asset, till the time such qualifying assets become ready for its intended use, are capitalised. Borrowing cost consists of interest and other cost that the Company incurred in connection with the borrowing of funds. A qualifying asset is one that necessarily takes substantial period of time to get ready for its intended use. All other borrowing costs are charged to the Statement of Profit and Loss as incurred basis the effective interest rate method.

#### **g) Taxation**

**a) Current tax:** Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, in accordance with the Income Tax Act, 1961 and the Income Computation and Disclosure Standards (ICDS) prescribed therein. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current tax relating to items recognised outside profit or loss is recognised in correlation to the underlying transaction either in OCI or directly in other equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**b) Deferred Tax:** Deferred tax is provided using the Balance Sheet approach on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets, if any, are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised outside profit or loss is recognised either in OCI or in other equity.

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Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority. Tax expense recognized in Statement of Profit and Loss comprises the sum of deferred tax and current tax except to the extent it recognized in other comprehensive income or directly in equity

#### **h) Employee benefits**

##### **Short term employee benefits**

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Company has a present obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:**

##### **Defined contribution plans**

The company has a defined contribution plans like provident fund, pension fund and employees state insurance scheme. The contribution made by the Company in respect of these plans are charged to the Statement of profit and loss.

##### **Defined benefit plans**

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. Under the defined benefit plans, the amount that an employee will receive on retirement is defined by reference to the employee's length of service and last drawn salary. The legal obligation for any benefits remains with the Company, even if plan assets for funding the defined benefit plan have been set aside. The liability recognised in the statement of financial position for defined benefit plans is the present value of the Defined Benefit Obligation (DBO) at the reporting date less the fair value of plan assets. Management estimates the DBO annually with the assistance of independent actuaries. Actuarial gains/losses resulting from re-measurements of the liability/asset are included in other comprehensive income.

##### **Other long-term employee benefits**

The employees of the Company are entitled to compensated absences which are both accumulating and non-accumulating in nature. The liability in respect of accumulating compensated absences is estimated on the basis of an actuarial valuation performed by an independent actuary. Actuarial gains and losses arising from changes in actuarial assumptions are charged to Statement of profit and loss in the year in which such gain or losses are determined.

#### **i) Share based payments**

The Company has formulated an Employees Stock Option Schemes to be administered through a Trust. The fair value of options granted under Employee Stock Option Plan is recognised as an employee benefits expense with a corresponding increase in other equity.

The total amount to be expensed is determined by reference to the fair value of the options. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in Statement of Profit and Loss, with a corresponding adjustment to equity.

Treasury shares are presented as a deduction from equity. The original cost of treasury shares and the proceeds of any subsequent sale are presented as movements in equity.

#### **j) Impairment of non-financial assets**

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. Recoverable amount is higher of an asset's net selling price and its value in use.

If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the reporting date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount

#### **k) Impairment of financial assets**

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss (12mECL). The Company's policies for determining if there has been a significant increase in credit risk.

##### **Loan assets**

The Company follows a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- Stage 1 (1-30 days) includes loan assets that have not had a significant increase in credit risk since initial recognition or that have low credit risk at the reporting date.
- Stage 2 (31-90 days) includes loan assets that have had a significant increase in credit risk since initial recognition but that do not have objective evidence of impairment.
- Stage 3 (more than 90 days) includes loan assets that have objective evidence of impairment at the reporting date.

The Expected Credit Loss (ECL) is measured at 12-month ECL for Stage 1 loan assets and at lifetime ECL for Stage 2 and Stage 3 loan assets. ECL is the product of the Probability of Default, Exposure at Default and Loss Given Default, defined as follows:

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#### **Probability of Default (PD)**

The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12 months PD), or over the remaining lifetime (Lifetime PD) of the obligation.

#### **Loss Given Default (LGD)**

LGD represents the Company's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and preference of claim and availability of collateral or other credit support.

#### **Exposure at Default (EAD)**

EAD is based on the amounts the Company expects to be owed at the time of default.

Management overlay is included in determining the 12-month and lifetime ECL. The assumptions underlying the expected credit loss are monitored and reviewed on an ongoing basis.

#### **Trade receivables**

In respect of trade receivables, the Company applies the simplified approach of Ind AS 109, which requires measurement of loss allowance at an amount equal to lifetime expected credit losses. Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of trade receivables.

#### **Other financial assets**

In respect of its other financial assets, the Company assesses if the credit risk on those financial assets has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the Company measures the loss allowance at an amount equal to 12-month expected credit losses, else at an amount equal to the lifetime expected credit losses.

When making this assessment, the Company uses the change in the risk of a default occurring over the expected life of the financial asset. To make that assessment, the Company compares the risk of a default occurring on the financial asset as at the balance sheet date with the risk of a default occurring on the financial asset as at the date of initial recognition and considers reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. The Company assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the balance sheet date.

#### **Write off**

Under the following circumstances, loans are written off:

- a) Under extra-ordinary circumstances such as the death of a customer who has not received life insurance coverage or his/her spouse and/or any other incident(s) where in the opinion of the management, the loan amount is not recoverable.
- b) Where the balance outstanding at the time of closure of loan is insignificant and in the opinion of the management, the cost of collection is not economically viable.
- c) All loss assets as identified in terms of Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.
- d) Cases where management approves settlement with the customer.

Further Management evaluates the possibility of collecting overdue amount past 365 days which may take disproportionately high time and cost to collect, and cases below 365 cases in certain circumstances, post which may appropriately recommend to the Audit Committee. Audit Committee reviews the same and recommends to the Board for approval to write off such accounts.

#### **l) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand (including imprest), demand deposits and short-term highly liquid investments (certificate of deposits and commercial paper) that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value. The Company has netted off the balance of bank overdraft with cash and cash equivalents for cash flow statement.

#### **m) Provisions, contingent assets and contingent liabilities**

Provisions are recognised only when there is a present obligation, as a result of past events, and when a reliable estimate of the amount of obligation can be made at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates. Provisions are discounted to their present values, where the time value of money is material.

Contingent liability is disclosed for:

- Possible obligations which will be confirmed only by future events not wholly within the control of the Company or
- Present obligations arising from past events where it is not probable that an outflow of resources will be required to settle the obligation or a reliable estimate of the amount of the obligation cannot be made.

Contingent assets are neither recognised nor disclosed except when realisation of income is virtually certain, related asset is disclosed.

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#### **n) Leases**

##### **The Company as a lessee**

The Company's lease asset classes primarily consist of leases for land and buildings. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: (i) the contract involves the use of an identified asset (ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and (iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognises a right-of-use asset ("ROU") and a corresponding lease liability for all lease arrangements in which it is a lessee, except for leases with a term of twelve months or less (short-term leases) and low value leases. For these short-term and low value leases, the Company recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised.

The right-of-use assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

##### **Transition to Ind AS**

The Company has valued its rights to use assets equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet on the date of transition to Ind AS.

#### **o) Financial instruments**

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### **Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities are described below.

##### **Non-derivative financial assets:**

###### **Subsequent measurement**

###### **Financial assets carried at amortised cost**

A financial asset is measured at the amortised cost if both the following conditions are met :

- (a) The asset is held within a business model whose objective is to hold assets for collecting contractual cashflows, and
- (b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the Statement of Profit and Loss.

###### **Financial assets carried at fair value through other comprehensive income (FVOCI)**

A financial asset is measured at FVOCI if both the following conditions are met:

- (a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows and selling financial assets
- (b) The contractual terms of the financial asset meet the SPPI test.

FVOCI instruments are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in OCI. Interest income are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

###### **Investment in mutual fund**

Investment in mutual funds are measured at fair value through profit and loss (FVTPL)

###### **De-recognition of financial assets**

Financial assets or a part of financial asset are derecognised when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and substantially all the risks and rewards are transferred. Further, if the Company has not retained control, it shall also de-recognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

###### **Non-derivative financial liabilities:**

###### **Subsequent measurement**

Subsequent to initial recognition, all non-derivative financial liabilities are measured at amortised cost using the effective interest method.

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#### **De-recognition of financial liabilities**

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there are a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

#### **p) Earnings per share**

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting attributable taxes) by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period is adjusted for events including a bonus issue.

For the purpose of calculating diluted earnings per share, the net profit or loss (interest and other finance cost associated) for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

#### **q) Segment reporting**

The Company identifies segment basis of the internal organisation and management structure. The operating segments are the segments for which separate financial information is available and for which operating profit/loss amounts are regularly reviewed by the CODM ('chief operating decision maker') and in assessing performance. The accounting policies adopted for segment reporting are in line with the accounting policies of the Company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of their relationship with the operating activities of the segment.

#### **r) Government grants**

Grants and subsidies from the government are recognised when there is reasonable assurance that (i) the Company will comply with the conditions attached to them, and (ii) the grant/subsidy will be received.

Grant or subsidy relates to revenue, it is recognised as income on a systematic basis in profit or loss over the periods necessary to match them with the related costs, which they are intended to compensate.

#### **s) Foreign currency**

##### **Functional and presentation currency**

Items included in the financial statement of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements have been prepared and presented in Indian Rupees (₹), which is the Company's functional and presentation currency.

##### **Transactions and balances**

Foreign currency transactions are translated into the functional currency, by applying the exchange rates on the foreign currency amounts at the date of the transaction. Foreign currency monetary items outstanding at the balance sheet date are converted to functional currency using the closing rate. Non-monetary items denominated in a foreign currency which are carried at historical cost are reported using the exchange rate at the date of the transaction.

Exchange differences arising on monetary items on settlement, or restatement as at reporting date, at rates different from those at which they were initially recorded, are recognised in the Statement of Profit and Loss in the year in which they arise.



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| <b>Note 4: Cash and cash equivalents</b>             | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> | <b>As at<br/>01 April 2018</b> |
|--|--------------------------------|--------------------------------|--------------------------------|
| Cash on hand   | 365.29                         | 438.75                         | 468.97                         |
| Balances with banks                                  |                                |                                |                                |
| Balance with banks in current accounts               | 64,586.40                      | 5,952.84                       | 8,506.42                       |
| Deposits for original maturity of less than 3 months | 3,906.62                       | 11,008.98                      | 6,902.66                       |
| <b>Total</b>   | <b>68,858.31</b>               | <b>17,400.57</b>               | <b>15,878.05</b>               |

| <b>Note 5: Other bank balance</b>   | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> | <b>As at<br/>01 April 2018</b> |
|---|--------------------------------|--------------------------------|--------------------------------|
| Deposits with remaining maturity of more than 3 months but upto 12 months   | 401.45                         | -                              | 18.59                          |
| Balance with banks and financial institutions to the extent held as margin money deposits against borrowings and guarantees with maturity less than 3 months [Refer Note (a) below] | -                              | 21.56                          | 11.51                          |
| Balance with banks and financial institutions to the extent held as margin money deposits against borrowings and guarantees with maturity more than 3 months [Refer Note (a) below] | 6,113.79                       | 3,512.86                       | 2,370.28                       |
| Fixed deposit having maturity more than 12 months [Refer Note (a) below]  | 8,650.35                       | 5,284.34                       | 4,182.87                       |
| <b>Total</b>  | <b>15,165.59</b>               | <b>8,818.76</b>                | <b>6,583.25</b>                |

(a) The amount under lien as security against term loan and overdraft facility availed, assets securitised are as follows (included above in note 5):

| <b>Particulars</b>                                     | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> | <b>As at<br/>01 April 2018</b> |
|--|--------------------------------|--------------------------------|--------------------------------|
| Term loans from banks & financial Institutions         | 14,221.17                      | 7,925.93                       | 5,687.82                       |
| Overdraft facilities                                   | 53.01                          | -                              | -                              |
| Securitisations  | -                              | 362.95                         | 356.90                         |
| Partnership arrangements under business correspondence | 489.96                         | 529.88                         | 519.94                         |
| <b>Total</b>   | <b>14,764.14</b>               | <b>8,818.76</b>                | <b>6,564.66</b>                |

| <b>Note 6: Trade receivables (at amortised cost)</b> | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> | <b>As at<br/>01 April 2018</b> |
|--|--------------------------------|--------------------------------|--------------------------------|
| Considered good - unsecured                          | 532.01                         | 566.33                         | 219.23                         |
| Less: Impairment loss allowance                      | -                              | -                              | -                              |
|  | <b>532.01</b>                  | <b>566.33</b>                  | <b>219.23</b>                  |

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| Note 7: Loans                                | As at 31 March 2020 |  |                    | As at 31 March 2019 |  |                    | As at 01 April 2018 |  |                    |
|--|---------------------|--|--------------------|---------------------|--|--------------------|---------------------|--|--------------------|
|  | At amortised cost   | At fair value through other comprehensive income | Total              | At amortised cost   | At fair value through other comprehensive income | Total              | At amortised cost   | At fair value through other comprehensive income | Total              |
| <b>Term loan</b>                             |                     |  |                    |                     |  |                    |                     |  |                    |
| Secured Loans                                | 431.73              | 7,118.54   | 7,550.27           | 17,319.90           | -  | 17,319.90          | 3,410.45            | -  | 3,410.45           |
| Unsecured Loans                              | 34,654.91           | 4,11,266.11                                      | 4,45,921.02        | 29,934.16           | 3,08,793.46                                      | 3,38,727.62        | 2,03,547.70         | -  | 2,03,547.70        |
| <b>Total - Gross</b>                         | <b>35,086.64</b>    | <b>4,18,384.65</b>                               | <b>4,53,471.29</b> | <b>47,254.06</b>    | <b>3,08,793.46</b>                               | <b>3,56,047.52</b> | <b>2,06,958.15</b>  | -  | <b>2,06,958.15</b> |
| Less: Impairment loss allowance (*)          | (12,030.21)         | (6,721.98)                                       | (18,752.19)        | (3,720.25)          | (805.63)   | (4,525.88)         | (3,068.76)          | -  | (3,068.76)         |
| <b>Total - Net</b>                           | <b>23,056.43</b>    | <b>4,11,662.67</b>                               | <b>4,34,719.10</b> | <b>43,533.81</b>    | <b>3,07,987.83</b>                               | <b>3,51,521.64</b> | <b>2,03,889.39</b>  | -  | <b>2,03,889.39</b> |
| (i) Secured by tangible assets               | -                   | -  | -                  | -                   | -  | -                  | -                   | -  | -                  |
| (ii) Secured by intangible assets            | 431.73              | 7,118.54   | 7,550.27           | 17,319.90           | -  | 17,319.90          | 3,410.45            | -  | 3,410.45           |
| (iii) Covered by Bank/ Government Guarantees | -                   | -  | -                  | -                   | -  | -                  | -                   | -  | -                  |
| (iv) Unsecured                               | 34,654.91           | 4,11,266.11                                      | 4,45,921.02        | 29,934.16           | 3,08,793.46                                      | 3,38,727.62        | 2,03,547.70         | -  | 2,03,547.70        |
| <b>Total - Gross</b>                         | <b>35,086.64</b>    | <b>4,18,384.65</b>                               | <b>4,53,471.29</b> | <b>47,254.06</b>    | <b>3,08,793.46</b>                               | <b>3,56,047.52</b> | <b>2,06,958.15</b>  | -  | <b>2,06,958.15</b> |
| Less: Impairment loss allowance              | (12,030.21)         | (6,721.98)                                       | (18,752.19)        | (3,720.25)          | (805.63)   | (4,525.88)         | (3,068.76)          | -  | (3,068.76)         |
| <b>Total - Net</b>                           | <b>23,056.43</b>    | <b>4,11,662.67</b>                               | <b>4,34,719.10</b> | <b>43,533.81</b>    | <b>3,07,987.83</b>                               | <b>3,51,521.64</b> | <b>2,03,889.39</b>  | -  | <b>2,03,889.39</b> |
| <b>Loans in India</b>                        |                     |  |                    |                     |  |                    |                     |  |                    |
| (i) Public Sector                            | -                   | -  | -                  | -                   | -  | -                  | -                   | -  | -                  |
| (ii) Others                                  | 35,086.64           | 4,18,384.65                                      | 4,53,471.29        | 47,254.06           | 3,08,793.46                                      | 3,56,047.52        | 2,06,958.15         | -  | 2,06,958.15        |
| <b>Total - Gross</b>                         | <b>35,086.64</b>    | <b>4,18,384.65</b>                               | <b>4,53,471.29</b> | <b>47,254.06</b>    | <b>3,08,793.46</b>                               | <b>3,56,047.52</b> | <b>2,06,958.15</b>  | -  | <b>2,06,958.15</b> |
| Less: Impairment loss allowance              | (12,030.21)         | (6,721.98)                                       | (18,752.19)        | (3,720.25)          | (805.63)   | (4,525.88)         | (3,068.76)          | -  | (3,068.76)         |
| <b>Total - Net</b>                           | <b>23,056.43</b>    | <b>4,11,662.67</b>                               | <b>4,34,719.10</b> | <b>43,533.81</b>    | <b>3,07,987.83</b>                               | <b>3,51,521.64</b> | <b>2,03,889.39</b>  | -  | <b>2,03,889.39</b> |

(\*) Impairment loss allowance includes management overlay of ₹4,525.48 lakhs as on 31 March 2020 (₹1,382.34 as on 31 March 2019, ₹391.68 as on 01 April 2018).

The Company has reassessed its business model and with the background of series of assignment transactions, has changed its business model on 'hold to collect' to 'hold to collect and sell'. Accordingly, the Company has reclassified its eligible portfolio from amortised cost category to fair value through other comprehensive income (FVOCI) category and hence recorded a fair value gain/ (loss) in other comprehensive income.

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| Note 8: Investments   | At fair value                      |                        | Total       |
|---|------------------------------------|------------------------|-------------|
|   | Through other comprehensive income | Through profit or loss |             |
| <b>As at 31 March 2020</b>  |                                    |                        |             |
| <b>Investment in</b>  |                                    |                        |             |
| - Mutual funds  | -                                  | -                      | -           |
| - Unquoted equity instrument<br>50,000 equity shares of Rs. 10 each, fully paid-up of Alpha<br>Micro Finance Consultant Private Limited | 3.32                               | -                      | 3.32        |
| - Debt securities   |                                    |                        |             |
| Bonds   | -                                  | -                      | -           |
| Non convertible debentures  | -                                  | -                      | -           |
| Less: Allowance for Impairment Loss   | (3.32)                             | -                      | (3.32)      |
|   | -                                  | -                      | -           |
| Investments in India  | 3.32                               | -                      | 3.32        |
| Investments outside India   | -                                  | -                      | -           |
| <b>Total</b>  | <b>3.32</b>                        | <b>-</b>               | <b>3.32</b> |
| Less: Allowance for Impairment Loss   | (3.32)                             | -                      | (3.32)      |
| <b>Total Net</b>  | <b>-</b>                           | <b>-</b>               | <b>-</b>    |

| Note 8: Investments (Continued)   | At fair value                      |                        | Total       |
|---|------------------------------------|------------------------|-------------|
|   | Through other comprehensive income | Through profit or loss |             |
| <b>As at 31 March 2019</b>  |                                    |                        |             |
| <b>Investment in</b>  |                                    |                        |             |
| - Mutual funds  | -                                  | -                      | -           |
| - Unquoted equity instrument<br>50,000 equity shares of Rs. 10 each, fully paid-up of Alpha<br>Micro Finance Consultant Private Limited | 3.32                               | -                      | 3.32        |
| Debt securities   |                                    |                        |             |
| Bonds   | -                                  | -                      | -           |
| Non convertible debentures  | -                                  | -                      | -           |
| Less: Allowance for Impairment Loss   | -                                  | -                      | -           |
|   | <b>3.32</b>                        | <b>-</b>               | <b>3.32</b> |
| Investments in India  | 3.32                               | -                      | 3.32        |
| Investments outside India   | -                                  | -                      | -           |
| <b>Total</b>  | <b>3.32</b>                        | <b>-</b>               | <b>3.32</b> |
| Less: Allowance for Impairment Loss   | -                                  | -                      | -           |
| <b>Total Net</b>  | <b>3.32</b>                        | <b>-</b>               | <b>3.32</b> |

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

**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

(All amounts in ₹ lakhs unless otherwise stated)

| Note 8: Investments (Continued)   | At fair value                      |                        | Total       |
|---|------------------------------------|------------------------|-------------|
|   | Through other comprehensive income | Through profit or loss |             |
| <b>As at 01 April 2018</b>  |                                    |                        |             |
| <b>Investment in</b>  |                                    |                        |             |
| - Mutual funds  | -                                  | 1.85                   | 1.85        |
| - Unquoted equity instrument<br>50,000 equity shares of Rs. 10 each, fully paid-up of Alpha<br>Micro Finance Consultant Private Limited | 5.00                               | -                      | 5.00        |
| Debt securities   |                                    |                        | -           |
| Bonds   | -                                  | -                      | -           |
| Non convertible debentures  | -                                  | -                      | -           |
| Less: Allowance for Impairment Loss   | (1.68)                             | -                      | (1.68)      |
|   | <b>3.32</b>                        | <b>1.85</b>            | <b>5.17</b> |
| Investments in India  | 5.00                               | 1.85                   | 6.85        |
| Investments outside India   | -                                  |                        |             |
| <b>Total</b>  | <b>5.00</b>                        | <b>1.85</b>            | <b>6.85</b> |
| Less: Allowance for Impairment Loss   | (1.68)                             | -                      | (1.68)      |
| <b>Total Net</b>  | <b>3.32</b>                        | <b>1.85</b>            | <b>5.17</b> |

| Note 9: Other financial assets   | As at<br>31 March 2020 | As at<br>31 March 2019 | As at<br>01 April 2018 |
|--|------------------------|------------------------|------------------------|
| <i>Unsecured, considered good</i>  |                        |                        |                        |
| Security deposits  | 264.59                 | 205.26                 | 235.75                 |
| Receivable on assigned loans   | 1,538.29               | 3,211.62               | 289.11                 |
| Advances recoverable on behalf of business correspondent<br>arrangements | 106.17                 | 102.26                 | 227.77                 |
| Insurance recoverables   | 140.71                 | 42.36                  | 27.42                  |
| Recoverable from others  | 72.86                  | 51.67                  | 251.40                 |
|  | <b>2,122.62</b>        | <b>3,613.17</b>        | <b>1,031.45</b>        |

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(All amounts in ₹ lakhs unless otherwise stated)

| <b>Note 10: Current tax assets (net)</b> | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> | <b>As at<br/>01 April 2018</b> |
|--|--------------------------------|--------------------------------|--------------------------------|
| Advance income tax (net)                 | 366.41                         | 323.91                         | 8.37                           |
| <b>Total</b>                             | <b>366.41</b>                  | <b>323.91</b>                  | <b>8.37</b>                    |

| <b>Note 11: Deferred tax assets (net)</b>                                       | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> | <b>As at<br/>01 April 2018</b> |
|---|--------------------------------|--------------------------------|--------------------------------|
| <b>Deferred tax assets (net)</b>  |                                |                                |                                |
| <b>Deferred tax asset arising on account of:</b>                                |                                |                                |                                |
| Impairment loss allowance on loan assets  | 3,659.06                       | 988.86                         | 748.41                         |
| Provision for employee benefits   | 378.56                         | 228.35                         | 100.73                         |
| Financial liabilities measured at amortised cost                                | -                              | 74.73                          | 51.84                          |
| Fair valuation of financial assets through other comprehensive income           | -                              | 104.63                         | -                              |
| Financial assets measured at amortised cost                                     | 3.57                           | 7.08                           | 6.96                           |
| Fair valuation of financial instruments through other comprehensive income      | 1.26                           | 0.59                           | 0.59                           |
| Provision for expense allowed for tax purpose on payment basis                  | 30.15                          | 43.94                          | 8.33                           |
| Other adjustments   | 11.16                          | 7.15                           | -                              |
| <b>Total deferred tax assets</b>  | <b>4,083.76</b>                | <b>1,455.33</b>                | <b>916.85</b>                  |
| <b>Deferred tax liability arising on account of:</b>                            |                                |                                |                                |
| Difference in written down value as per companies act and as per income tax act | 32.68                          | 64.32                          | 63.14                          |
| Financial assets measured at amortised cost                                     | -                              | 301.46                         | 164.21                         |
| Fair valuation of financial assets through other comprehensive income           | 320.53                         | -                              | -                              |
| Fair valuation of financial instruments through profit and loss                 | -                              | -                              | 0.10                           |
| Gain on derecognition of financial instruments                                  | 202.90                         | 724.85                         | -                              |
| <b>Total deferred tax liabilities</b>   | <b>556.11</b>                  | <b>1,090.63</b>                | <b>227.45</b>                  |
| <b>Net deferred tax asset</b>   | <b>3,527.65</b>                | <b>364.70</b>                  | <b>689.40</b>                  |

**Movement in deferred tax assets for the year ended 31 March 2020:**

| <b>Particulars</b>  | <b>As at<br/>31 March 2019</b> | <b>Statement of<br/>profit and loss</b> | <b>Other<br/>comprehensive<br/>income</b> | <b>As at<br/>31 March 2020</b> |
|---|--------------------------------|---|---|--------------------------------|
| <b>Deferred tax assets for deductible temporary differences on:</b>             |                                |   |   |                                |
| Impairment loss allowance on loan assets  | 988.86                         | 2,670.20                                | -   | 3,659.06                       |
| Provision for employee benefits   | 228.35                         | 5.22                                    | 144.99                                    | 378.56                         |
| Financial liabilities measured at amortised cost                                | 74.73                          | (74.73)                                 | -   | -                              |
| Fair valuation of financial assets through other comprehensive income           | 104.63                         | -                                       | (104.63)                                  | -                              |
| Financial assets measured at amortised cost                                     | 7.08                           | (3.51)                                  | -   | 3.57                           |
| Fair valuation of financial instruments through other comprehensive income      | 0.59                           | -                                       | 0.67                                      | 1.26                           |
| Provision for expense allowed for tax purpose on payment basis                  | 43.94                          | (13.79)                                 | -   | 30.15                          |
| Other adjustments   | 7.15                           | 4.01                                    | -   | 11.16                          |
| <b>Total</b>  | <b>1,455.33</b>                | <b>2,587.40</b>                         | <b>41.03</b>                              | <b>4,083.76</b>                |
| <b>Deferred tax liabilities for taxable temporary differences on:</b>           |                                |   |   |                                |
| Difference in written down value as per companies act and as per income tax act | 64.32                          | (31.64)                                 | -   | 32.68                          |
| Financial assets measured at amortised cost                                     | 301.46                         | (301.46)                                | -   | -                              |
| Fair valuation of financial assets through other comprehensive income           | -                              | -                                       | 320.53                                    | 320.53                         |
| Fair valuation of financial instruments through profit and loss                 | -                              | -                                       | -   | -                              |
| Gain on derecognition of financial instruments                                  | 724.85                         | (521.95)                                | -   | 202.90                         |
| <b>Total</b>  | <b>1,090.63</b>                | <b>(855.05)</b>                         | <b>320.53</b>                             | <b>556.11</b>                  |
| <b>Deferred tax assets (net)</b>  | <b>364.70</b>                  | <b>3,442.45</b>                         | <b>(279.50)</b>                           | <b>3,527.65</b>                |

**Movement in deferred tax assets for the year ended 31 March 2019:**

| <b>Particulars</b>  | <b>As at<br/>01 April 2018</b> | <b>Statement of<br/>profit and loss</b> | <b>Other<br/>comprehensive<br/>income</b> | <b>As at<br/>31 March 2019</b> |
|---|--------------------------------|---|---|--------------------------------|
| <b>Deferred tax assets for deductible temporary differences on:</b>             |                                |   |   |                                |
| Impairment loss allowance on loan assets  | 748.41                         | 240.45                                  | -   | 988.86                         |
| Provision for employee benefits   | 100.73                         | 87.06                                   | 40.57                                     | 228.35                         |
| Financial liabilities measured at amortised cost                                | 51.84                          | 22.89                                   | -   | 74.73                          |
| Fair valuation of financial assets through other comprehensive income           | -                              | -                                       | 104.63                                    | 104.63                         |
| Financial assets measured at amortised cost                                     | 6.96                           | 0.12                                    | -   | 7.08                           |
| Fair valuation of financial instruments through other comprehensive income      | 0.59                           | -                                       | -   | 0.59                           |
| Provision for expense allowed for tax purpose on payment basis                  | 8.33                           | 35.62                                   | -   | 43.94                          |
| Other adjustments   | -                              | 7.15                                    | -   | 7.15                           |
| <b>Total</b>  | <b>916.85</b>                  | <b>393.29</b>                           | <b>145.20</b>                             | <b>1,455.33</b>                |
| <b>Deferred tax liabilities for taxable temporary differences on:</b>           |                                |   |   |                                |
| Difference in written down value as per companies act and as per income tax act | 63.14                          | 1.18                                    | -   | 64.32                          |
| Financial assets measured at amortised cost                                     | 164.21                         | 137.25                                  | -   | 301.46                         |
| Fair valuation of financial assets through other comprehensive income           | -                              | -                                       | -   | -                              |
| Fair valuation of financial instruments through profit and loss                 | 0.10                           | (0.10)                                  | -   | -                              |
| Gain on derecognition of financial instruments                                  | -                              | 724.85                                  | -   | 724.85                         |
| <b>Total</b>  | <b>227.45</b>                  | <b>863.18</b>                           | <b>-</b>                                  | <b>1,090.63</b>                |
| <b>Deferred tax assets (net)</b>  | <b>689.40</b>                  | <b>(469.88)</b>                         | <b>145.20</b>                             | <b>364.70</b>                  |

## Arohan Financial Services Limited

(Formerly Arohan Financial Services Private Limited)

### Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

| <b>Note 12: Property, plant and equipment</b>     | <b>Furniture and fixtures</b> | <b>Computer and accessories</b> | <b>Office equipment</b> | <b>Total</b>    |
|---|-------------------------------|---------------------------------|-------------------------|-----------------|
| <b>Gross carrying amount</b>                      |                               |                                 |                         |                 |
| <b>Balance as at 01 April 2018</b> (refer note i) | 189.12                        | 268.87                          | 41.21                   | 499.20          |
| Additions   | 86.74                         | 192.31                          | 82.01                   | 361.06          |
| Disposals   | (0.13)                        | (6.18)                          | (0.02)                  | (6.33)          |
| <b>Balance as at 31 March 2019</b>                | <b>275.73</b>                 | <b>455.00</b>                   | <b>123.20</b>           | <b>853.93</b>   |
| Additions   | 57.94                         | 183.95                          | 78.19                   | 320.08          |
| Disposals   | -                             | -                               | -                       | -               |
| <b>Balance as at 31 March 2020</b>                | <b>333.67</b>                 | <b>638.95</b>                   | <b>201.39</b>           | <b>1,174.01</b> |
| <b>Accumulated depreciation :</b>                 |                               |                                 |                         |                 |
| <b>Up to 01 April 2018</b> (refer note i)         | -                             | -                               | -                       | -               |
| Depreciation charge for the year                  | 32.90                         | 179.96                          | 46.07                   | 258.93          |
| Adjustment on account of disposal                 | (0.13)                        | (5.88)                          | (0.02)                  | (6.03)          |
| <b>Up to 31 March 2019</b>                        | <b>32.77</b>                  | <b>174.08</b>                   | <b>46.05</b>            | <b>252.90</b>   |
| Depreciation charge for the year                  | 38.84                         | 193.53                          | 39.67                   | 272.04          |
| Adjustment on account of disposal                 | -                             | -                               | -                       | -               |
| <b>Up to 31 March 2020</b>                        | <b>71.61</b>                  | <b>367.61</b>                   | <b>85.72</b>            | <b>524.94</b>   |
| <b>Net block</b>                                  |                               |                                 |                         |                 |
| Balance as at 01 April 2018                       | 189.12                        | 268.87                          | 41.21                   | 499.20          |
| Balance as at 31 March 2019                       | 242.96                        | 280.92                          | 77.15                   | 601.03          |
| <b>Balance as at 31 March 2020</b>                | <b>262.06</b>                 | <b>271.34</b>                   | <b>115.67</b>           | <b>649.07</b>   |

#### Notes:

(i) Deemed cost of property, plant and equipment - reconciliation of gross block and net carrying amount

| <b>Particulars</b>                           | <b>Furniture and fixtures</b> | <b>Computer and accessories</b> | <b>Office equipment</b> | <b>Total</b>  |
|--|-------------------------------|---------------------------------|-------------------------|---------------|
| Gross block as at 01 April 2018              | 296.82                        | 558.75                          | 74.57                   | 930.14        |
| Accumulated depreciation as at 01 April 2018 | (107.70)                      | (289.88)                        | (33.36)                 | (430.94)      |
| <b>Carring amount as at 01 April 2018</b>    | <b>189.12</b>                 | <b>268.87</b>                   | <b>41.21</b>            | <b>499.20</b> |

(ii) On the date of transition, in accordance with Ind AS 101, the Company has elected to measure an item of property, plant and equipment at deemed cost.

**Arohan Financial Services Limited**

(Formerly Arohan Financial Services Private Limited)

**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

(All amounts in ₹ lakhs unless otherwise stated)

| <b>Note 13 (i) : Intangible assets</b>            | <b>Computer Software</b> | <b>Total</b>  |
|---|--------------------------|---------------|
| <b>Gross carrying amount</b>                      |                          |               |
| <b>Balance as at 01 April 2018</b> (refer note i) | <b>534.11</b>            | <b>534.11</b> |
| Additions   | 187.10                   | 187.10        |
| Reversal on disposal of assets                    | (0.22)                   | (0.22)        |
| <b>Balance as at 31 March 2019</b>                | <b>720.99</b>            | <b>720.99</b> |
| Additions   | 154.90                   | 154.90        |
| Disposals   | -                        | -             |
| <b>Balance as at 31 March 2020</b>                | <b>875.89</b>            | <b>875.89</b> |
| <b>Accumulated amortisation</b>                   |                          |               |
| <b>Up to 01 April 2018</b> (refer note i)         | -                        | -             |
| Amortization charge                               | 150.69                   | 150.69        |
| Disposal  | (0.07)                   | (0.07)        |
| <b>Up to 31 March 2019</b>                        | <b>150.62</b>            | <b>150.62</b> |
| Amortization charge                               | 186.47                   | 186.47        |
| Disposal  | -                        | -             |
| <b>Up to 31 March 2020</b>                        | <b>337.09</b>            | <b>337.09</b> |
| <b>Net block</b>                                  |                          |               |
| Balance as at 01 April 2018                       | 534.11                   | 534.11        |
| Balance as at 31 March 2019                       | 570.37                   | 570.37        |
| <b>Balance as at 31 March 2020</b>                | <b>538.80</b>            | <b>538.80</b> |

| <b>Note 13 (ii) : Right of use assets</b>         | <b>Right of use assets</b> | <b>Total</b>    |
|---|----------------------------|-----------------|
| <b>Gross carrying amount</b>                      |                            |                 |
| <b>Balance as at 01 April 2018</b> (refer note i) | <b>426.09</b>              | <b>426.09</b>   |
| Additions   | 337.24                     | 337.24          |
| Reversal on disposal of assets                    | -                          | -               |
| <b>Balance as at 31 March 2019</b>                | <b>763.33</b>              | <b>763.33</b>   |
| Additions   | 443.45                     | 443.45          |
| Disposals   | (191.81)                   | (191.81)        |
| <b>Balance as at 31 March 2020</b>                | <b>1,014.97</b>            | <b>1,014.97</b> |
| <b>Accumulated amortisation</b>                   |                            |                 |
| <b>Up to 01 April 2018</b> (refer note i)         | -                          | -               |
| Amortization charge                               | 117.63                     | 117.63          |
| Disposal  | -                          | -               |
| <b>Up to 31 March 2019</b>                        | <b>117.63</b>              | <b>117.63</b>   |
| Amortization charge                               | 211.10                     | 211.10          |
| Disposal  | (54.05)                    | (54.05)         |
| <b>Up to 31 March 2020</b>                        | <b>274.68</b>              | <b>274.68</b>   |
| <b>Net block</b>                                  |                            |                 |
| Up to 31 March 2017                               |                            |                 |
| Balance as at 01 April 2018                       | 426.09                     | 426.09          |
| Balance as at 31 March 2019                       | 645.70                     | 645.70          |
| <b>Balance as at 31 March 2020</b>                | <b>740.29</b>              | <b>740.29</b>   |

**Arohan Financial Services Limited**

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**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

(All amounts in ₹ lakhs unless otherwise stated)

**Notes:**

(i) Deemed cost of intangible assets - reconciliation of gross block and net carrying amount

| <b>Particulars</b>                           | <b>Right of use assets</b> | <b>Computer Software</b> | <b>Total</b>  |
|--|----------------------------|--------------------------|---------------|
| Gross block as at 01 April 2018              | 426.09                     | 825.47                   | 1,251.56      |
| Accumulated depreciation as at 01 April 2018 | -                          | (291.36)                 | (291.36)      |
| <b>Carring amount as at 01 April 2018</b>    | <b>426.09</b>              | <b>534.11</b>            | <b>960.20</b> |

(ii) On the date of transition, in accordance with Ind AS 101, the Company has elected to measure an item of intangible assets at deemed cost.

| <b>Note 14: Other non financial assets</b> | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> | <b>As at<br/>01 April 2018</b> |
|--|--------------------------------|--------------------------------|--------------------------------|
| <i>(Measured at amortised cost)</i>        |                                |                                |                                |
| Prepaid expenses                           | 212.07                         | 116.35                         | 163.12                         |
| Advances to employees                      | 132.64                         | 96.99                          | 55.09                          |
| Balances with government authorities       | 115.22                         | 102.58                         | 61.97                          |
| Advance against expenses                   | 247.33                         | 223.83                         | 181.69                         |
| Others                                     | 105.79                         | 335.07                         | 158.06                         |
| <b>Total</b>                               | <b>813.05</b>                  | <b>874.82</b>                  | <b>619.93</b>                  |



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(All amounts in ₹ lakhs unless otherwise stated)

| <b>Note 15: Debt securities</b>      | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> | <b>As at<br/>01 April 2018</b> |
|--------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| (Measured at amortised cost)         |                                |                                |                                |
| Non convertible debentures (secured) | -                              | 6,245.89                       | 11,694.60                      |
| <b>Total</b>                         | <b>-</b>                       | <b>6,245.89</b>                | <b>11,694.60</b>               |
| Debt securities in India             | -                              | 6,245.89                       | 11,694.60                      |
| Debt securities outside India        | -                              | -                              | -                              |
| <b>Total</b>                         | <b>-</b>                       | <b>6,245.89</b>                | <b>11,694.60</b>               |

**Details of debt securities**

| <b>Particulars</b>  | <b>Repayment Schedule</b>  | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> | <b>As at<br/>01 April 2018</b> |
|---|--|--------------------------------|--------------------------------|--------------------------------|
| 11.49% Hinduja Leyland Finance Limited (Face Value ₹10,00,000; nil units as on 31 March 2020; 350 units as on 31 March 2019 and 350 units as on 01 April 2018)  | Bullet Repayment in December 2019  | -                              | 3,497.65                       | 3,488.05                       |
| 14.30% Blue Orchard Microfinance Fund for Asia (MIFA) Debt Fund SA, SICAV-SIF (Face Value ₹10,00,000, nil units as on 31 March 2020; 260 units as on 31 March 2019 and 260 units as on 01 April 2018) | Bullet repayment in April 2020 or put/ call option after 36 months from the date of allotment    | -                              | 2,748.24                       | 2,719.45                       |
| 14.30% Microfinance Initiative for Asia (MIFA) Debt Fund SA, SICAV-SIF (Face Value ₹10,00,000; nil units as on 31 March 2020; nil units as on 31 March 2019 and 200 units as on 01 April 2018)        | Bullet repayment in January 2021 or put/ call option after 36 months from the date of allotment  | -                              | -                              | 2,144.50                       |
| 14.30% UTI International Wealth Creator 4 (Face Value ₹10,00,000; nil units as on 31 March 2020; nil units as on 31 March 2019 and 330 units as on 01 April 2018)                                     | Bullet Repayment in December 2021 or put/ call option after 36 months from the date of allotment | -                              | -                              | 3,342.59                       |
| <b>Total</b>  |  | <b>-</b>                       | <b>6,245.89</b>                | <b>11,694.60</b>               |

| <b>Note 16: Borrowings (other than debt securities)</b>          | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> | <b>As at<br/>01 April 2018</b> |
|--|--------------------------------|--------------------------------|--------------------------------|
| (Measured at amortised cost)                                     |                                |                                |                                |
| (Secured)  |                                |                                |                                |
| (a) Term loans [refer note (a)(i) below]                         |                                |                                |                                |
| Term loan from banks   | 2,85,829.35                    | 1,83,427.12                    | 1,15,085.39                    |
| Term loan from other parties                                     | 1,05,912.91                    | 80,989.84                      | 40,016.04                      |
| (b) Loans from related parties                                   | -                              | -                              | 274.18                         |
| (c) Loans repayable on demand                                    |                                |                                |                                |
| Term loan from banks [refer note (a)(ii) below]                  | 5,932.07                       | 7,505.19                       | 4,966.61                       |
| Term loan from other parties                                     | -                              | 4.50                           | -                              |
| (d) Liability against securitisation [refer note (a)(iii) below] | 666.61                         | 5,661.18                       | -                              |
| <b>Total gross</b>   | <b>3,98,340.94</b>             | <b>2,77,587.83</b>             | <b>1,60,342.22</b>             |
| Borrowings in India  | 3,98,340.94                    | 2,77,587.83                    | 1,60,342.22                    |
| Borrowings outside India   | -                              | -                              | -                              |
| <b>Total gross</b>   | <b>3,98,340.94</b>             | <b>2,77,587.83</b>             | <b>1,60,342.22</b>             |

(#) Terms of repayment given in the repayment schedule

(a) Nature of Security:

(i) All term loans from banks and financial institutions are secured by way of first charge ranking pari-passu over the designated current assets, both present &amp; future, including the designated book debts, loan installments, receivables and underlying assets arising out of finance of the Company.

(ii) Cash credit facilities and working capital demand loans from banks are secured by way of first charge ranking pari-passu over the designated current assets, both present &amp; future, including the designated book debts, loan installments, receivables and underlying assets arising out of finance of the Company.

(iii) Liabilities against securitisation represents amounts received in respect of securitization transactions (net of repayments &amp; investment therein) as these transactions do not meet the de-recognition criteria specified under Ind AS. These are secured by way of hypothecation of designated assets on finance receivables.

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**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

(All amounts in ₹ lakhs unless otherwise stated)

| <b>Note 17: Subordinated Liabilities</b> | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> | <b>As at<br/>01 April 2018</b> |
|--|--------------------------------|--------------------------------|--------------------------------|
| <i>(Measured at amortised cost)</i>      |                                |                                |                                |
| Non-convertible debentures (unsecured)   | 13,416.64                      | 10,972.81                      | 7,499.89                       |
| Term loans from banks                    | 7,553.65                       | 7,542.41                       | 2,476.09                       |
| Term loans from other parties            | -                              | -                              | 5,000.00                       |
| <b>Total</b>                             | <b>20,970.29</b>               | <b>18,515.22</b>               | <b>14,975.98</b>               |
| Subordinated Liabilities in India        | 20,970.29                      | 18,515.22                      | 14,975.98                      |
| Subordinated Liabilities outside India   | -                              | -                              | -                              |
| <b>Total</b>                             | <b>20,970.29</b>               | <b>18,515.22</b>               | <b>14,975.98</b>               |

(#) Terms of repayment given in the repayment schedule

**Details of Subordinated Liabilities**

|  | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> | <b>As at<br/>01 April 2018</b> |
|--|--------------------------------|--------------------------------|--------------------------------|
| <b>(a) Term loans from banks</b> (unsecured)   |                                |                                |                                |
| Term loan from Bank of Maharashtra   | 2,495.47                       | 2,485.08                       | 2,476.09                       |
| Term Loan from IDFC First  | 5,058.19                       | 5,057.33                       | 5,000.00                       |
| <b>Subtotal</b>  | <b>7,553.65</b>                | <b>7,542.41</b>                | <b>7,476.09</b>                |
| <b>(b) Non-convertible debentures</b> (unsecured)  |                                |                                |                                |
| 14.25% IFMR Capital Finance Private Limited (Face Value ₹ 10,00,000; 100 debentures maturing on 20 September 2022) | 1,065.29                       | 911.22                         | 1,057.20                       |
| 13.25% Debenture Northern Arc (Face Value ₹ 10,00,000; 650 debentures; maturing on 28 April 2025)                  | 6,464.21                       | 6,561.59                       | 6,442.68                       |
| 12.85% Karvy Capital Limited (Face Value ₹ 10; 2,50,00,000 debentures, maturing on 25 October 2026)                | 2,423.30                       | -                              | -                              |
| 13.25% Northern Arc Capital Limited (Face Value ₹ 10; 3,50,00,000 debentures; maturing on 30 September 2025)       | 3,463.83                       | 3,500.00                       | -                              |
| <b>Subtotal</b>  | <b>13,416.64</b>               | <b>10,972.81</b>               | <b>7,499.88</b>                |
| <b>Total</b>   | <b>20,970.29</b>               | <b>18,515.22</b>               | <b>14,975.98</b>               |

**Arohan Financial Services Limited**

(Formerly Arohan Financial Services Private Limited)

**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

(All amounts in ₹ lakhs unless otherwise stated)

**Terms of repayment of debt securities, other borrowings and subordinated liabilities as on 31 March 2020 are as follows: (#)**

| Repayment     | Interest rate range | Due within 1 year   |                    | Due within 1 to 2 years |                    | Due within 2 to 3 years |                  | Due within 3 to 4 years |                  | Due after 4 years   |                  | Total Amount       |
|---------------|---------------------|---------------------|--------------------|-------------------------|--------------------|-------------------------|------------------|-------------------------|------------------|---------------------|------------------|--------------------|
|               |                     | No. of installments | Amount             | No. of installments     | Amount             | No. of installments     | Amount           | No. of installments     | Amount           | No. of installments | Amount           |                    |
| Monthly       | Up to 9%            | 21                  | 3,884.00           | 7                       | 1,446.00           | -                       | -                | -                       | -                | -                   | -                | 5,330.00           |
|               | 9% to 12%           | 425                 | 76,658.77          | 250                     | 51,112.66          | 80                      | 19,058.57        | 4                       | 273.82           | -                   | -                | 1,47,103.82        |
|               | 12.01% to 15%       | 12                  | 5,000.00           | 11                      | 4,583.33           | -                       | -                | -                       | -                | -                   | -                | 9,583.33           |
| Quarterly     | 9% to 12%           | 190                 | 96,061.06          | 87                      | 44,920.90          | 25                      | 13,707.55        | 1                       | 166.68           | -                   | -                | 1,54,856.19        |
| Semi-annually | 9% to 12%           | 12                  | 17,971.00          | 12                      | 13,367.00          | 8                       | 6,717.00         | 3                       | 2,000.00         | 1                   | 750.00           | 40,805.00          |
| Bullet        | 9% to 12%           | 14                  | 20,125.00          | 1                       | 3,200.00           | -                       | -                | 2                       | 12,400.00        | -                   | -                | 35,725.00          |
|               | 12.01% to 15%       | -                   | -                  | -                       | -                  | 1                       | 1,000.00         | -                       | -                | 4                   | 17,500.00        | 18,500.00          |
| On demand     | Variable rates      | -                   | 5,953.93           | -                       | -                  | -                       | -                | -                       | -                | -                   | -                | 5,953.93           |
| Monthly (*)   | 14%                 | 8                   | 666.61             | -                       | -                  | -                       | -                | -                       | -                | -                   | -                | 666.61             |
| <b>Total</b>  |                     | <b>682</b>          | <b>2,26,320.37</b> | <b>368</b>              | <b>1,18,629.89</b> | <b>114</b>              | <b>40,483.12</b> | <b>10</b>               | <b>14,840.50</b> | <b>5</b>            | <b>18,250.00</b> | <b>4,18,523.88</b> |

**Terms of repayment of debt securities, other borrowings and subordinated liabilities as on 31 March 2019 are as follows: (#)**

| Repayment     | Interest rate range | Due within 1 year   |                    | Due within 1 to 2 years |                  | Due within 2 to 3 years |                  | Due within 3 to 4 years |                 | Due after 4 years   |                  | Total Amount       |
|---------------|---------------------|---------------------|--------------------|-------------------------|------------------|-------------------------|------------------|-------------------------|-----------------|---------------------|------------------|--------------------|
|               |                     | No. of installments | Amount             | No. of installments     | Amount           | No. of installments     | Amount           | No. of installments     | Amount          | No. of installments | Amount           |                    |
| Monthly       | Up to 9%            | 22                  | 3,870.00           | 21                      | 3,884.00         | 7                       | 1,446.00         | -                       | -               | -                   | -                | 9,200.00           |
|               | 9% to 12%           | 360                 | 49,756.36          | 144                     | 22,842.64        | 11                      | 1,527.78         | -                       | -               | -                   | -                | 74,126.78          |
|               | 12.01% to 15%       | 41                  | 7,743.08           | 23                      | 7,126.27         | 11                      | 4,583.33         | -                       | -               | -                   | -                | 19,452.68          |
|               | Above 15%           | 1                   | 4.50               | -                       | -                | -                       | -                | -                       | -               | -                   | -                | 4.50               |
| Quarterly     | 9% to 12%           | 160                 | 67,864.07          | 89                      | 38,379.85        | 6                       | 3,440.19         | -                       | -               | -                   | -                | 1,09,684.11        |
| Semi-annually | 9% to 12%           | 10                  | 10,700.00          | 10                      | 8,971.00         | 10                      | 4,367.00         | 6                       | 1,467.00        | 1                   | 500.00           | 26,005.00          |
| Bullet        | 9% to 12%           | 16                  | 18,375.00          | -                       | -                | -                       | -                | -                       | -               | 2                   | 12,400.00        | 30,775.00          |
|               | 12.01% to 15%       | 1                   | 2,600.00           | -                       | -                | -                       | -                | 1                       | 1,000.00        | 3                   | 15,000.00        | 18,600.00          |
| On demand     | Variable rates      | -                   | 7,525.67           | -                       | -                | -                       | -                | -                       | -               | -                   | -                | 7,525.67           |
| Monthly (*)   | 14%                 | 12                  | 4,994.57           | 8                       | 666.61           | -                       | -                | -                       | -               | -                   | -                | 5,661.18           |
| <b>Total</b>  |                     | <b>623</b>          | <b>1,73,433.25</b> | <b>295</b>              | <b>81,870.37</b> | <b>45</b>               | <b>15,364.30</b> | <b>7</b>                | <b>2,467.00</b> | <b>6</b>            | <b>27,900.00</b> | <b>3,01,034.92</b> |

(\*) This represents securitisation liability.

(#) All the above repayments disclosed as per the contractual maturities of debt securities, borrowings other than debts securities and subordinate liabilities as gross carrying value. There have been no defaults in repayment of debentures or any installments of term loan taken from banks and others.

**Terms of repayment of debt securities, other borrowings and subordinated liabilities as on 01 April 2018 are as follows: (#)**

| Repayment     | Interest rate range | Due within 1 year   |                  | Due within 1 to 2 years |                  | Due within 2 to 3 years |                  | Due within 3 to 4 years |                 | Due after 4 years   |                  | Total Amount       |
|---------------|---------------------|---------------------|------------------|-------------------------|------------------|-------------------------|------------------|-------------------------|-----------------|---------------------|------------------|--------------------|
|               |                     | No. of installments | Amount           | No. of installments     | Amount           | No. of installments     | Amount           | No. of installments     | Amount          | No. of installments | Amount           |                    |
| Monthly       | Up to 9%            | 23                  | 1,845.83         | 12                      | 1,800.00         | 9                       | 1,400.00         | -                       | -               | -                   | -                | 5,045.83           |
|               | 9% to 12%           | 479                 | 32,431.19        | 255                     | 20,805.69        | 51                      | 4,576.11         | 3                       | 327.72          | -                   | -                | 58,140.71          |
|               | 12.01% to 15%       | 114                 | 4,879.78         | 10                      | 606.44           | -                       | -                | -                       | -               | -                   | -                | 5,486.22           |
|               | Above 15%           | 71                  | 443.05           | 1                       | 4.50             | -                       | -                | -                       | -               | -                   | -                | 447.55             |
| Quarterly     | Up to 9%            | -                   | -                | -                       | -                | -                       | -                | -                       | -               | -                   | -                | -                  |
| Quarterly     | 9% to 12%           | 204                 | 34,064.46        | 258                     | 22,150.17        | 149                     | 3,549.99         | -                       | -               | -                   | -                | 59,764.62          |
|               | 12.01% to 15%       | -                   | -                | -                       | -                | -                       | -                | -                       | -               | -                   | -                | -                  |
|               | Above 15%           | -                   | -                | -                       | -                | -                       | -                | -                       | -               | -                   | -                | -                  |
| Semi-annually | Up to 9%            | -                   | -                | -                       | -                | -                       | -                | -                       | -               | -                   | -                | -                  |
| Semi-annually | 9% to 12%           | 8                   | 6,000.00         | 8                       | 4,700.00         | 8                       | 2,971.00         | 8                       | 867.00          | 4                   | 467.00           | 15,005.00          |
|               | 12.01% to 15%       | 1                   | 0.22             | -                       | -                | -                       | -                | -                       | -               | -                   | -                | 0.22               |
| Annually      | 12.01% to 15%       | 1                   | 750.00           | -                       | -                | -                       | -                | -                       | -               | -                   | -                | 750.00             |
| Bullet        | 9% to 12%           | 12                  | 10,500.00        | 1                       | 3,500.00         | -                       | -                | -                       | -               | 1                   | 2,500.00         | 16,500.00          |
|               | 12.01% to 15%       | -                   | -                | -                       | -                | 2                       | 4,600.00         | 1                       | 3,300.00        | 3                   | 12,500.00        | 20,400.00          |
| On demand     | Variable rates      | -                   | 4,966.13         | -                       | -                | -                       | -                | -                       | -               | -                   | -                | 4,966.13           |
| <b>Total</b>  |                     | <b>913</b>          | <b>95,880.66</b> | <b>545</b>              | <b>53,566.80</b> | <b>219</b>              | <b>17,097.10</b> | <b>12</b>               | <b>4,494.72</b> | <b>8</b>            | <b>15,467.00</b> | <b>1,86,506.28</b> |

(#) All the above repayments disclosed as per the contractual maturities of debt securities, borrowings other than debts securities and subordinate liabilities as gross carrying value. There have been no defaults in repayment of debentures or any installments of term loan taken from banks and others.

**Arohan Financial Services Limited**

(Formerly Arohan Financial Services Private Limited)

**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

(All amounts in ₹ lakhs unless otherwise stated)

| <b>Note 18: Other financial liabilities</b>                | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> | <b>As at<br/>01 April 2018</b> |
|--|--------------------------------|--------------------------------|--------------------------------|
| <i>(Measured at amortised cost)</i>                        |                                |                                |                                |
| Payable towards assignment and securitisation transactions | 6,793.49                       | 7,226.86                       | 2,333.54                       |
| Payables to employees                                      | 1,017.38                       | 1,127.29                       | 543.88                         |
| Lease liabilities  | 784.64                         | 666.17                         | 426.09                         |
| Capital creditors  | 0.43                           | 24.57                          | 7.11                           |
| Other payables   | 396.52                         | 1,381.63                       | 507.99                         |
| <b>Total</b>   | <b>8,992.46</b>                | <b>10,426.52</b>               | <b>3,818.61</b>                |

| <b>Note 19:: Provision</b>         | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> | <b>As at<br/>01 April 2018</b> |
|------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Provision for gratuity             | 789.65                         | 228.65                         | 182.56                         |
| Provision for compensated absences | 633.30                         | 295.04                         | 79.31                          |
| <b>Total</b>                       | <b>1,422.95</b>                | <b>523.69</b>                  | <b>261.87</b>                  |

| <b>Note 20: Other non-financial liabilities</b> | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> | <b>As at<br/>01 April 2018</b> |
|---|--------------------------------|--------------------------------|--------------------------------|
| Statutory dues payables                         | 375.30                         | 391.82                         | 254.20                         |
| Unamortised profit on buy out transactions      | -                              | -                              | 24.38                          |
| Expenses payable                                | 1,168.65                       | 1,203.04                       | 371.82                         |
| Advance from customers                          | 463.31                         | 576.95                         | -                              |
| Others  | 40.78                          | 123.05                         | 438.04                         |
| <b>Total</b>                                    | <b>2,048.04</b>                | <b>2,294.86</b>                | <b>1,088.44</b>                |

**Arohan Financial Services Limited**

(Formerly Arohan Financial Services Private Limited)

**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

(All amounts in ₹ lakhs unless otherwise stated)

| Note 21: Share capital                            | As at 31 March 2020 |                  | As at 31 March 2019 |                  | As at 01 April 2018 |                  |
|---|---------------------|------------------|---------------------|------------------|---------------------|------------------|
|   | Number              | Amount           | Number              | Amount           | Number              | Amount           |
| <b>Authorised share capital</b>                   |                     |                  |                     |                  |                     |                  |
| Equity shares of ₹ 10 each                        | 11,24,53,320        | 11,245.33        | 11,24,53,320        | 11,245.33        | 11,24,53,320        | 11,245.33        |
| <b>Balance at the end of the year</b>             | <b>11,24,53,320</b> | <b>11,245.33</b> | <b>11,24,53,320</b> | <b>11,245.33</b> | <b>11,24,53,320</b> | <b>11,245.33</b> |
| <b>Issued, subscribed and fully paid up</b>       |                     |                  |                     |                  |                     |                  |
| Equity shares of ₹ 10 each [refer note (a) below] |                     |                  |                     |                  |                     |                  |
| At the beginning of the year                      | 10,26,73,916        | 10,267.39        | 8,84,65,353         | 8,846.54         | 8,84,65,353         | 8,846.54         |
| Additions during the year                         | 76,47,058           | 764.71           | 1,42,08,563         | 1,420.85         | -                   | -                |
| <b>Balance at the end of the year</b>             | <b>11,03,20,974</b> | <b>11,032.10</b> | <b>10,26,73,916</b> | <b>10,267.39</b> | <b>8,84,65,353</b>  | <b>8,846.54</b>  |

| (a) Reconciliation of Equity Share Capital | As at 31 March 2020 |                  | As at 31 March 2019 |                  | As at 01 April 2018 |                 |
|--|---------------------|------------------|---------------------|------------------|---------------------|-----------------|
|  | Number              | Amount           | Number              | Amount           | Number              | Amount          |
| <b>Equity shares of ₹ 10 each</b>          |                     |                  |                     |                  |                     |                 |
| Balance at the beginning of the year       | 10,26,73,916        | 10,267.39        | 8,84,65,353         | 8,846.54         | 8,84,65,353         | 8,846.54        |
| Add : Issued during the year               | 76,47,058           | 764.71           | 1,42,08,563         | 1,420.86         | -                   | -               |
| <b>Balance at the end of the year</b>      | <b>11,03,20,974</b> | <b>11,032.10</b> | <b>10,26,73,916</b> | <b>10,267.40</b> | <b>8,84,65,353</b>  | <b>8,846.54</b> |

**Reconciliation of number of equity shares issued to ESOP Trust outstanding at the beginning and at the end of the year**

| Reconciliation of Equity Share Capital      | As at 31 March 2020 |               | As at 31 March 2019 |               | As at 01 April 2018 |              |
|---|---------------------|---------------|---------------------|---------------|---------------------|--------------|
|   | Number              | Amount        | Number              | Amount        | Number              | Amount       |
| Balance at the beginning of the year        | 15,64,524           | 156.45        | 2,93,016            | 29.30         | 2,93,016            | 29.30        |
| Add: Shares issued to trust                 | -                   | -             | 13,50,000           | 135.00        | -                   | -            |
| Less: Allotted to employees during the year | -                   | -             | 78,492              | 7.85          | -                   | -            |
| <b>Outstanding at the end of the year</b>   | <b>15,64,524</b>    | <b>156.45</b> | <b>15,64,524</b>    | <b>156.45</b> | <b>2,93,016</b>     | <b>29.30</b> |

The Company during the period has issued 76,47,058 equity shares of ₹ 10 each on a private placement basis at a price of ₹ 170 each (including premium of ₹160 each). Details of the share issued are as follows:-

| Shareholders   | No of shares | Issue price (₹) | Amount (₹)   |
|--|--------------|-----------------|--------------|
| Aavishkaar Venture Management Services Private Limited | 35,29,411    | 170.00          | 59,99,99,870 |
| Intellectual capital Advisory Pvt. Ltd.                | 41,17,647    | 170.00          | 69,99,99,990 |

**(b) Terms and rights attached to equity shares:**

The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees, if any. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing general meeting. During the current financial year the company has not proposed/declared any dividend.

In the event of liquidation of the Company, the holders of 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 shareholders.

**(c) No additional shares were allotted as fully paid-up by way of bonus shares or pursuant to contract without payment being received in cash during the last five years. Further, none of the shares were bought back by the Company during the last five years.**
**(d) Details of shareholders holding more than 5% shares in the company**

| Particulars   | As at 31 March 2020 |        | As at 31 March 2019 |        | As at 01 April 2018 |        |
|---|---------------------|--------|---------------------|--------|---------------------|--------|
|   | Number              | %      | Number              | %      | Number              | %      |
| <b>Equity shares of ₹ 10 each</b>                                     |                     |        |                     |        |                     |        |
| Aavishkaar Venture Management Services Private Limited                | 2,38,11,394         | 21.58% | 1,30,99,380         | 12.76% | 91,43,320           | 10.34% |
| Aavishkaar Goodwell India Microfinance Development Company II Limited | 1,85,39,529         | 16.81% | 1,85,39,529         | 18.06% | 1,85,39,529         | 20.96% |
| Tano India Private Equity Fund II                                     | 1,69,14,279         | 15.33% | 1,69,14,279         | 16.47% | 1,69,14,279         | 19.12% |
| Intellectual Capital Advisory Services Pvt Ltd                        | 1,64,72,146         | 14.93% | 1,23,54,499         | 12.03% | 1,23,54,499         | 13.97% |
| Maj Invest Financial Inclusion Fund II                                | 1,54,01,267         | 13.96% | 1,54,01,267         | 15.00% | 1,45,41,317         | 16.44% |
| TR Capital III Mauritius  | 97,18,722           | 8.81%  | 97,18,722           | 9.47%  | 92,88,747           | 10.50% |
| Aavishkaar Capital Advisors LLP                                       | -                   | -      | 71,82,603           | 7.00%  | -                   | -      |

## Arohan Financial Services Limited

(Formerly Arohan Financial Services Private Limited)

### Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

(e) **(i) Employee stock option scheme ("ESOP Scheme")**

Arohan ESOP Trust ("ESOP Trust") was formed on 19 March 2010 to promote participation of the eligible employees of the Company in the ownership and growth of the Company and to confer on them certain welfare benefits through the implementation of the welfare schemes. Pursuant to the shareholder's approval in the meeting held on 15 March 2010 and 27 April 2018 (empowering the board to take any further decisions with regard to ESOP schemes), the Board is authorized to issue employee stock options, that are exercisable into not more than 21,75,000 equity shares of the Company to eligible employees and has extended interest free loan to ESOP Trust under the Scheme to provide financial assistance to its employees to purchase equity shares of the Company under such the Scheme.

Presently, stock options have been granted or shares have been issued under the following scheme:

- A. ESOP 2013 (Revised)
- B. ESOP 2017
- C. ESOP 2018 (grant 2018)
- D. ESOP 2018 (grant 2019)

**(ii) Employee stock option schemes:**

| Particulars  | ESOP 2013<br>(Revised)  | ESOP 2017   | ESOP 2018<br>(grant 2018)   | ESOP 2018<br>(grant 2019)   |
|--|---|---|---|---|
| Date of Grant  | 1 July 2014   | 29 August 2017  | 16 May 2018   | 16 May 2019   |
| Date of Board approval   | 29 April 2014   | 19 May 2017   | 27 April 2018   | 15 May 2019   |
| Date of committee meeting where grant of options were approved | 29 April 2014   | 19 May 2017   | 27 April 2018   | 18 February 2019  |
| Date of shareholders' approval                                 | 11 June 2014  | 29 August 2017  | 15 May 2018   | 18 March 2019   |
| Number of options granted                                      | 2,86,992  | 2,29,280  | 5,97,264  | 7,69,528  |
| Method of settlement   | Equity  | Equity  | Equity  | Equity  |
| Vesting conditions   | 1. Continued employment with the Company on relevant date of vesting<br>2. Board may specify certain performance criteria | 1. Continued employment with the Company on relevant date of vesting<br>2. Board may specify certain performance criteria | 1. Continued employment with the Company on relevant date of vesting<br>2. Board may specify certain performance criteria | 1. Continued employment with the Company on relevant date of vesting<br>2. Board may specify certain performance criteria   |
| Vesting period   | 12 months from date of grant of option  | 12 months from date of grant of option  | 36 months from date of grant of option  | 36 months from date of grant of option  |
| Exercise period  | 3 years from the date of vesting. The same has been fully exercised.  | 2 years from the date of vesting or IPO listing by company, whichever is later  | 1 year from the date of vesting or IPO, whichever is later  | <b>For KMP:</b> 1 year from the date of vesting or IPO listing date plus 4 months, whichever is later<br><b>For Other than KMP:</b> 1 year from the date of vesting or IPO listing date plus 3 months, whichever is later |

**(iii) Details of grant and exercise of such options are as follows:**

| Particulars                   | ESOP 2013<br>(Revised) | ESOP 2017 | ESOP 2018<br>(grant 2018) | ESOP 2018<br>(grant 2019) |
|-------------------------------|------------------------|-----------|---------------------------|---------------------------|
| Number of options granted     | 2,86,992               | 2,29,280  | 5,97,264                  | 7,69,528                  |
| Outstanding number of options | -                      | 1,75,280  | 5,43,264                  | 7,34,278                  |

## Arohan Financial Services Limited

(Formerly Arohan Financial Services Private Limited)

### Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

(iv) The weighted average exercise price and remaining contractual life of the ESOP Scheme are as follows:

|  | As at<br>31 March 2020 | As at<br>31 March 2019 |
|--|------------------------|------------------------|
| <b>ESOP 2017</b>                                       |                        |                        |
| Exercise price   | 84.70                  | 84.70                  |
| Weighted average remaining contractual life (in years) | -                      | 0.41                   |
| <b>ESOP 2018 (grant 2018)</b>                          |                        |                        |
| Exercise price   | 130.00                 | 130.00                 |
| Weighted average remaining contractual life (in years) | 1.12                   | 2.12                   |
| <b>ESOP 2018 (grant 2019)</b>                          |                        |                        |
| Exercise price   | 162.80                 | -                      |
| Weighted average remaining contractual life (in years) | 2.12                   | -                      |

(v) Reconciliation of stock options:

|  | ESOP 2013<br>(Revised) | ESOP 2017       | ESOP 2018<br>(grant 2018) | ESOP 2018<br>(grant 2019) |
|--|------------------------|-----------------|---------------------------|---------------------------|
| Outstanding as at 01 April 2018        | 49,492                 | 2,29,280        | -                         | -                         |
| Stock option issued during the year    | -                      | -               | 5,97,264                  | -                         |
| Exercised and vested                   | 48,492                 | 30,000          | -                         | -                         |
| Forfeited/ lapsed                      | 1,000                  | 24,000          | 54,000                    | -                         |
| Outstanding as at 31 March 2019        | -                      | 1,75,280        | 5,43,264                  | -                         |
| Stock option issued during the year    | -                      | -               | -                         | 7,69,528                  |
| Exercised and vested                   | -                      | -               | -                         | -                         |
| Forfeited/ lapsed                      | -                      | -               | -                         | 35,250                    |
| <b>Outstanding as at 31 March 2020</b> | -                      | <b>1,75,280</b> | <b>5,43,264</b>           | <b>7,34,278</b>           |

(vi) The Company has recognized share based payment expense of ₹ 265.47 Lakhs (31 March 2019: ₹ 104.87 Lakhs) during the year as proportionate cost.

(vii) Following employees has received a grant in the reporting year of option amounting to 5% or more of option granted during that year;

| Name of Employee           | Designation              | Number of Options granted |
|----------------------------|--------------------------|---------------------------|
| Mr. Manoj Nambiar          | Managing Director        | 1,50,000                  |
| Mr. Milind Nare            | Chief Financial Officer  | 62,208                    |
| Mr. Shirish Chandra Panda  | Executive Vice President | 46,530                    |
| Mr. Anirudh Singh G Thakur | Company Secretary        | 39,600                    |

Note:

There is no identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.

(viii) The fair value of the options granted is determined on the date of the grant using the "Black-Scholes option pricing model" with the following assumptions, as certified by an independent valuer.

| Particulars   | ESOP 2013<br>(Revised) | ESOP 2017      | ESOP 2018<br>(grant 2018) | ESOP 2018<br>(grant 2019) |
|---|------------------------|----------------|---------------------------|---------------------------|
| (A) Date of grant of options                            | 1 July 2014            | 29 August 2017 | 16 May 2018               | 16 May 2019               |
| (B) Fair market value of option on the date of grant    | 14.71                  | 14.71          | 37.61                     | 49.53                     |
| (C) Exercise price                                      | 40.94                  | 84.70          | 130.00                    | 162.80                    |
| (D) Expected volatility (%)                             | 35.95                  | 35.95          | 34.25                     | 39.02                     |
| (E) Expected forfeiture percentage on each vesting date | -                      | -              | -                         | -                         |
| (F) Expected option life (weighted average)             | 1.04                   | 1.04           | 2.50                      | 2.50                      |
| (G) Expected dividends yield                            | -                      | -              | -                         | -                         |
| (H) Risk free interest rate (%)                         | 6.07%                  | 6.07%          | 7.51%                     | 6.75%                     |

Note: The expected volatility was determined based on historical volatility data of the other comparable Company's shares listed on the Stock Exchange.

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| <b>Note 22: Other equity</b>                          | <b>As at<br/>31 March 2020</b> | <b>As at<br/>31 March 2019</b> | <b>As at<br/>01 April 2018</b> |
|---|--------------------------------|--------------------------------|--------------------------------|
| Securities premium                                    | 52,018.15                      | 40,011.44                      | 20,501.84                      |
| Statutory reserves                                    | 6,805.78                       | 4,269.77                       | 2,028.27                       |
| Retained earnings                                     | 26,950.60                      | 17,237.68                      | 6,790.67                       |
| General reserves                                      | 80.27                          | 80.27                          | 80.27                          |
| Share based payment reserve as per SOCE               | 395.23                         | 129.78                         | 47.12                          |
| Treasury shares                                       | (2,084.85)                     | (2,084.85)                     | (91.70)                        |
| Other comprehensive income                            |                                |                                |                                |
| Equity instruments through other comprehensive income | (3.57)                         | (1.09)                         | (1.09)                         |
| Changes in fair value of loan assets                  | 1,069.33                       | (194.79)                       | -                              |
| <b>Total</b>  | <b>85,230.94</b>               | <b>59,448.21</b>               | <b>29,355.38</b>               |

**Nature and purpose of reserves:****Securities premium**

The security premium represents premium received on issue of shares. This amount can be utilised in accordance with the provision of the Companies Act 2013.

**Statutory reserves**

This reserve is created as per the provision of section 45(IC) of the Reserve Bank of India Act, 1934. This is a restricted reserve and no appropriations can be made from this reserve except for the purpose as may be prescribed by Reserve bank of India.

**General reserves**

The Company has transferred a portion of the net profit to general reserve before declaring dividend pursuant to the provision of erstwhile Companies Act.

**Share based payment reserve as per SOCE**

The reserve is used to recognise the fair value of the options issued to the employees of the Company under Company's stock option plan.

**Treasury shares**

The company has created ESOP trust for providing ESOP to its employees. The company treats ESOP trust as its extension and share held by ESOP trust are treated as treasury shares. Own equity instrument that are re-acquired (treasury shares) are recognised at cost and deducted from equity.

**Equity instruments through other comprehensive income**

This represents the cumulative gains and losses arising on the fair valuation of equity instruments measured at fair value through other comprehensive income.

**Changes in fair value of loan assets**

This represents the cumulative gains and losses arising on the fair valuation of loan assets classified under business model of hold and hold to collect and sell.



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| <b>Note 23: Interest Income</b>                    | <b>Year ended 31 March 2020</b>                               |   |                  |
|--|---|---|------------------|
|  | <b>On Financial Assets measured at fair value through OCI</b> | <b>On Financial Assets measured at Amortised Cost</b> | <b>Total</b>     |
| Interest on Loans                                  | 62,163.98   | 22,562.35   | 84,726.33        |
| Interest on deposits with banks [refer (a) below]  | -   | 655.03  | 655.03           |
| Interest income on unwinding of assigned portfolio | -   | 748.87  | 748.87           |
| Other interest Income                              | -   | 16.02   | 16.02            |
|  | <b>62,163.98</b>  | <b>23,982.27</b>                                      | <b>86,146.25</b> |

| <b>Note 23: Interest Income (continued)</b>        | <b>Year ended 31 March 2019</b>                               |   |                  |
|--|---|---|------------------|
|  | <b>On Financial Assets measured at fair value through OCI</b> | <b>On Financial Assets measured at Amortised Cost</b> | <b>Total</b>     |
| Interest on Loans                                  | 37,487.84   | 19,720.91   | 57,208.75        |
| Interest income from investments                   | -   | 94.29   | 94.29            |
| Interest on deposits with Banks [refer (a) below]  | -   | 397.16  | 397.16           |
| Interest income on unwinding of assigned portfolio | -   | 771.10  | 771.10           |
| Other interest Income                              | -   | 12.50   | 12.50            |
|  | <b>37,487.84</b>  | <b>20,995.96</b>                                      | <b>58,483.80</b> |

(a) Interest represents margin money deposits placed to avail term loan from banks and financial institutions.

| <b>Note 24: Fees and commission Income</b> | <b>Year ended 31 March 2020</b> | <b>Year ended 31 March 2019</b> |
|--|---------------------------------|---------------------------------|
| Income from Cross sale income              | 1,344.91                        | 729.79                          |
| Income from Partnership Income             | 173.36                          | 504.57                          |
| Income from Insurance business             | 1,006.94                        | 750.05                          |
|  | <b>2,525.21</b>                 | <b>1,984.41</b>                 |

| <b>Note 25: Net gain on derecognition of financial instruments</b> | <b>Year ended 31 March 2020</b> | <b>Year ended 31 March 2019</b> |
|--|---------------------------------|---------------------------------|
| Gain on sale of loan portfolio through assignment                  | 3,324.81                        | 4,269.57                        |
|  | <b>3,324.81</b>                 | <b>4,269.57</b>                 |

| <b>Note 26: Other operating income</b> | <b>Year ended 31 March 2020</b> | <b>Year ended 31 March 2019</b> |
|--|---------------------------------|---------------------------------|
| Bad debt recovery                      | 386.17                          | 364.85                          |
| Others                                 | 183.72                          | 148.41                          |
|  | <b>569.89</b>                   | <b>513.26</b>                   |

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| <b>Note 27: Other Income</b>           | <b>Year ended<br/>31 March 2020</b> | <b>Year ended<br/>31 March 2019</b> |
|--|-------------------------------------|-------------------------------------|
| Interest income on deposits with banks | 1,234.18                            | 213.02                              |
| Grant received                         | -                                   | 8.86                                |
| Gain on foreign exchange fluctuation   | -                                   | 0.22                                |
| Miscellaneous income                   | 36.43                               | 51.02                               |
|  | <b>1,270.61</b>                     | <b>273.12</b>                       |

| <b>Note 28: Finance Costs</b>                       | <b>Year ended<br/>31 March 2020</b> | <b>Year ended<br/>31 March 2019</b> |
|---|-------------------------------------|-------------------------------------|
| <i>(Measured at amortised cost)</i>                 |                                     |                                     |
| Interest on debt securities                         | 332.49                              | 1,370.95                            |
| Interest on borrowings (other than debt securities) | 33,965.69                           | 21,280.39                           |
| Interest on subordinated liabilities                | 2,693.57                            | 2,349.33                            |
| Other Interest expenses                             | 1,228.33                            | 477.78                              |
|   | <b>38,220.08</b>                    | <b>25,478.45</b>                    |

| <b>Note 29: Impairment on financial instruments</b> | <b>Year ended 31 March 2020</b>  |  |                  |
|---|--|--|------------------|
|   | <b>On Financial<br/>instruments<br/>measured at fair<br/>value through OCI</b> | <b>On Financial<br/>instruments<br/>measured at<br/>Amortised Cost</b> | <b>Total</b>     |
| Impairment on loans                                 | 4,811.81   | 8,516.42   | 13,328.23        |
| Bad debt written off                                | -  | 2,645.84   | 2,645.84         |
|   | <b>4,811.81</b>  | <b>11,162.26</b>   | <b>15,974.07</b> |

| <b>Note 29: Impairment on financial instruments (continued)</b> | <b>Year ended 31 March 2019</b>  |  |                 |
|---|--|--|-----------------|
|   | <b>On Financial<br/>instruments<br/>measured at fair<br/>value through OCI</b> | <b>On Financial<br/>instruments<br/>measured at<br/>Amortised Cost</b> | <b>Total</b>    |
| Impairment on loans   | 805.63   | 732.24   | 1,537.87        |
| Bad debt written off  | -  | 2,511.31   | 2,511.31        |
| <b>Total</b>  | <b>805.63</b>  | <b>3,243.55</b>  | <b>4,049.18</b> |

| <b>Note 30: Employee benefits expenses</b> | <b>Year ended<br/>31 March 2020</b> | <b>Year ended<br/>31 March 2019</b> |
|--|-------------------------------------|-------------------------------------|
| Salaries and wages                         | 13,784.36                           | 10,554.89                           |
| Contribution to provident and other funds  | 1,078.35                            | 568.96                              |
| Share based payments to employees          | 265.45                              | 104.87                              |
| Staff welfare expenses                     | 572.67                              | 497.10                              |
|  | <b>15,700.83</b>                    | <b>11,725.82</b>                    |

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| <b>Note 31: Depreciation, amortization and impairment</b> | <b>Year ended<br/>31 March 2020</b> | <b>Year ended<br/>31 March 2019</b> |
|---|-------------------------------------|-------------------------------------|
| Depreciation on property, plant and equipment             | 272.04                              | 258.92                              |
| Amortization charge on right of use assets                | 211.10                              | 117.63                              |
| Amortisation of intangible assets                         | 186.47                              | 150.70                              |
|   | <b>669.61</b>                       | <b>527.25</b>                       |

| <b>Note 32: Other expenses</b>                           | <b>Year ended<br/>31 March 2020</b> | <b>Year ended<br/>31 March 2019</b> |
|--|-------------------------------------|-------------------------------------|
| Rent [Refer note 51]                                     | 1,033.07                            | 832.83                              |
| Repairs and maintenance                                  | 506.44                              | 406.16                              |
| Insurance  | 261.26                              | 163.80                              |
| Power and fuel   | 89.30                               | 105.78                              |
| Rates and taxes  | 113.37                              | 533.68                              |
| Office expenses  | 202.59                              | 167.07                              |
| Membership and subscription                              | 63.99                               | 48.37                               |
| Office maintenance                                       | 111.19                              | 208.34                              |
| Printing and stationery                                  | 232.36                              | 239.14                              |
| Legal and professional expenses                          | 1,614.52                            | 1,372.15                            |
| Director's commission [Refer note 41]                    | 74.40                               | 100.00                              |
| Recruitment and induction expenses                       | 161.42                              | 216.04                              |
| Communication expenses                                   | 87.68                               | 100.77                              |
| Travelling and conveyance                                | 1,672.80                            | 1,373.27                            |
| Payment to auditors [Refer note (a) below]               | 44.93                               | 43.15                               |
| Corporate social responsibility expenses [Refer note 49] | 159.76                              | 79.74                               |
| Miscellaneous expenses                                   | 84.56                               | 39.50                               |
|  | <b>6,513.64</b>                     | <b>6,029.79</b>                     |
| Note (a)   |                                     |                                     |
| <b>Payments to auditors</b>                              |                                     |                                     |
| Statutory audit  | 35.00                               | 27.50                               |
| Tax audit  | 1.37                                | 1.28                                |
| <b>In other capacity</b>                                 |                                     |                                     |
| Other services   | 4.27                                | 11.34                               |
| Reimbursement of expenses                                | 4.29                                | 3.03                                |
|  | <b>44.93</b>                        | <b>43.15</b>                        |

**Note 33: Employee benefits**

The Company has adopted Indian Accounting Standard (Ind AS) - 19 on Employee Benefit as under :

**a) Defined contribution plans**

**Provident and other funds**

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards provident fund and other funds which are defined contribution plans. The Company has no obligations other than this to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrue.

| Particulars  | Year ended<br>31 March 2020 | Year ended<br>31 March 2019 |
|--|-----------------------------|-----------------------------|
| Employers contribution to provident and other fund | 1,078.35                    | 568.96                      |

**b) Defined benefit plans**

**Gratuity**

The Company has a defined benefit gratuity plan. Every employee is entitled to gratuity as per the provisions of the Payment of Gratuity Act, 1972. The scheme is funded and the scheme is managed by Life Insurance Corporation of India ("LIC"). The liability of gratuity is recognized on the basis of actuarial valuation.

**Risks associated with plan provisions**

|                        |   |
|------------------------|---|
| Salary increases       | Actual salary increases will result in increase in the Plan's liability. Increase in salary rate assumption in future valuations will also increase the liability.                |
| Investment risk        | If Plan is funded then assets liabilities mismatch & actual investment return on assets lower than the discount rate assumed at the last valuation date can impact the liability. |
| Discount rate          | Reduction in discount rate in subsequent valuations can increase the plan's liability.  |
| Mortality & disability | Actual deaths & disability cases proving lower or higher than assumed in the valuation can impact the liabilities.  |
| Withdrawals            | Actual withdrawals proving higher or lower than assumed withdrawals and change of withdrawal rates at subsequent valuations can impact Plan's liability.                          |

**(i) Amount recognised in the balance sheet is as under:**

| Particulars  | As at<br>31 March 2020 | As at<br>31 March 2019 | As at<br>1 April 2018 |
|--|------------------------|------------------------|-----------------------|
| Present value of obligation                                    | 999.05                 | 349.87                 | 196.74                |
| Fair value of plan assets                                      | 209.40                 | 121.22                 | 14.18                 |
| <b>Net obligation recognised in balance sheet as provision</b> | <b>789.65</b>          | <b>228.65</b>          | <b>182.56</b>         |

**(ii) Amount recognised in the statement of profit and loss is as under:**

| Particulars                                     | Year ended<br>31 March 2020 | Year ended<br>31 March 2019 |
|---|-----------------------------|-----------------------------|
| Current service cost                            | 68.40                       | 40.02                       |
| Net interest cost on defined benefit obligation | 13.17                       | 9.10                        |
| <b>Net impact on profit (before tax)</b>        | <b>81.57</b>                | <b>49.12</b>                |

**Amount recognised in the other comprehensive income:**

| Particulars  | Year ended<br>31 March 2020 | Year ended<br>31 March 2019 |
|--|-----------------------------|-----------------------------|
| Actuarial gain/(loss) unrecognised during the year | 576.11                      | 116.08                      |

**(iii) Movement in the present value of defined benefit obligation recognised in the balance sheet is as under:**

| Particulars  | Year ended<br>31 March 2020 | Year ended<br>31 March 2019 |
|--|-----------------------------|-----------------------------|
| Present value of defined benefit obligation as at the beginning of the year  | 349.87                      | 196.74                      |
| Current service cost   | 68.40                       | 40.02                       |
| Interest cost  | 24.81                       | 13.93                       |
| Benefits paid  | (20.14)                     | (16.90)                     |
| Actuarial loss/(gain) on obligation  |                             |                             |
| Actuarial (gain)/loss on arising from change in financial assumption         | 408.68                      | 4.17                        |
| Actuarial loss on arising from experience adjustment                         | 167.43                      | 111.91                      |
| <b>Present value of defined benefit obligation as at the end of the year</b> | <b>999.05</b>               | <b>349.87</b>               |

**(iv) Major categories of plan assets (as percentage of total plan assets):**

| Particulars                   | As at<br>31 March 2020 | As at<br>31 March 2019 |
|-------------------------------|------------------------|------------------------|
| Funds managed by LIC of India | 100%                   | 100%                   |
| <b>Total</b>                  | <b>100%</b>            | <b>100%</b>            |

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**(v) Movement in the plan assets recognised in the balance sheet is as under:**

| Particulars   | Year ended<br>31 March 2020 | Year ended<br>31 March 2019 |
|---|-----------------------------|-----------------------------|
| Fair value of plan assets at beginning of the year      | 121.22                      | 14.18                       |
| Actual return on plan assets                            | 11.64                       | 4.83                        |
| Employer's contribution                                 | 96.68                       | 119.11                      |
| Benefits paid   | (20.14)                     | (16.90)                     |
| <b>Fair value of plan assets at the end of the year</b> | <b>209.40</b>               | <b>121.22</b>               |

**(vi) Actuarial assumptions**

| Particulars                  | Year ended<br>31 March 2020 | Year ended<br>31 March 2019 |
|------------------------------|-----------------------------|-----------------------------|
| Discounting rate             | 6.40%                       | 7.30%                       |
| Future salary increase       | 8.00%                       | 5.00%                       |
| Retirement age (years)       | 60                          | 60                          |
| Withdrawal rate              |                             |                             |
| upto 5 years of service      | 52%                         | 52%                         |
| More than 5 years of service | 1%                          | 1%                          |
| Weighted average duration    | 16 Years                    | 12 years                    |

Mortality rates as per Indian Assured Life Mortality (2006-08) ultimate

Gratuity is payable to the employees on death or resignation or on retirement at the attainment of superannuation age. To provide for these eventualities, the Actuary has used Indian Assured Lives Mortality (2006-08) Ultimate table.

**(vii) Sensitivity analysis for gratuity liability**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

| Particulars  | Year ended<br>31 March 2020 | Year ended<br>31 March 2019 |
|--|-----------------------------|-----------------------------|
| <b>Impact of the change in discount rate</b>       |                             |                             |
| Present value of obligation at the end of the year |                             |                             |
| - Impact due to increase of 1 %                    | (138.74)                    | (38.04)                     |
| - Impact due to decrease of 1 %                    | 175.04                      | 46.82                       |
| <b>Impact of the change in salary increase</b>     |                             |                             |
| Present value of obligation at the end of the year |                             |                             |
| - Impact due to increase of 1 %                    | 170.41                      | 47.49                       |
| - Impact due to decrease of 1 %                    | (138.09)                    | (39.14)                     |

Sensitivities due to mortality and withdrawals are not material and hence impact of change due to these is not calculated.

Sensitivities as to rate of increase of pensions in payment, rate of increase of pensions before retirement and life expectancy are not applicable.

**(viii) Maturity profile of defined benefit obligation (discounted)**

| Year           | As at<br>31 March 2020 | As at<br>31 March 2019 |
|----------------|------------------------|------------------------|
|                | Amount                 | Amount                 |
| 0 to 1 year    | 109.44                 | 39.02                  |
| 1 to 2 year    | 82.54                  | 55.69                  |
| 2 to 3 year    | 60.03                  | 43.20                  |
| 3 to 4 year    | 69.87                  | 32.47                  |
| 4 to 5 year    | 52.32                  | 39.22                  |
| 5 year onwards | 286.20                 | 179.57                 |
| <b>Total</b>   | <b>660.40</b>          | <b>389.17</b>          |

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**Note 34: Tax expense**

| <b>(a) Income tax recognised in the statement of profit and loss:</b> | <b>Year ended<br/>31 March 2020</b> | <b>Year ended<br/>31 March 2019</b> |
|---|-------------------------------------|-------------------------------------|
| Current tax   | 7,520.77                            | 4,585.25                            |
| Deferred tax  | (3,442.28)                          | 469.89                              |
| Tax expense of earlier years  | -                                   | (105.50)                            |
|   | <b>4,078.49</b>                     | <b>4,949.64</b>                     |

| <b>(b) Reconciliation of income tax expense and the accounting profit for the year:</b> | <b>Year ended<br/>31 March 2020</b> | <b>Year ended<br/>31 March 2019</b> |
|---|-------------------------------------|-------------------------------------|
| Profit before tax   | 16,757.89                           | 17,713.67                           |
| Enacted tax rates (%)   | 25.17%                              | 29.12%                              |
| Income tax expense calculated at corporate tax rate                                     | 4,217.62                            | 5,158.22                            |
| Impact of tax relating to earlier years   | -                                   | -105.50                             |
| Impact due to change in enacted tax rate  | 102.02                              | 78.32                               |
| Tax impact of expenses not deductible   | -17.41                              | -98.33                              |
| Impact due to deductions claimed  | -224.34                             | -116.44                             |
| Others  | 0.59                                | 33.37                               |
|   | <b>4,078.49</b>                     | <b>4,949.64</b>                     |

**Note 35: Earning per share**

| <b>(a) Income tax recognised in the statement of profit and loss:</b>             | <b>Year ended<br/>31 March 2020</b> | <b>Year ended<br/>31 March 2019</b> |
|---|-------------------------------------|-------------------------------------|
| Net profit attributable to equity shareholders                                    | 12,680.05                           | 12,764.03                           |
| Nominal value of equity share (₹)   | 10.00                               | 10.00                               |
| Weighted average number of equity shares for basic earning per share              | 1,050.16                            | 908.47                              |
| Add : Diluting effect of potential equity shares issued as employee stock options | 2.47                                | 1.94                                |
| Weighted average number of equity shares for diluted earning per share            | 1,052.63                            | 910.41                              |
| Earnings per share  |                                     |                                     |
| - Basic earnings per share (₹)  | 12.07                               | 14.05                               |
| - Diluted earnings per share (₹)  | 12.05                               | 14.02                               |

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**Note 36: Financial Instruments - fair value measurements****(a) Financial assets and liabilities**

The following tables shows the carrying amount of the financial assets and financial liabilities

**As at 31 March 2020**

| <b>Particulars</b>                      | <b>Note</b> | <b>FVTPL</b> | <b>FVTOCI</b>      | <b>Amortised Cost</b> |
|---|-------------|--------------|--------------------|-----------------------|
| <i>Financial Assets:</i>                |             |              |                    |                       |
| Cash and cash equivalents               | 4           | -            | -                  | 68,858.31             |
| Other bank balances                     | 5           | -            | -                  | 15,165.59             |
| Trade receivables                       | 6           | -            | -                  | 532.01                |
| Loans                                   | 7           | -            | 4,11,662.67        | 23,056.43             |
| Investments                             | 8           | -            | -                  | -                     |
| Other financial assets                  | 9           | -            | -                  | 2,122.62              |
| <b>Total</b>                            |             | <b>-</b>     | <b>4,11,662.67</b> | <b>1,09,734.96</b>    |
| <i>Financial Liabilities:</i>           |             |              |                    |                       |
| Debt securities                         | 15          | -            | -                  | -                     |
| Borrowings (other than debt securities) | 16          | -            | -                  | 3,98,340.94           |
| Subordinated liabilities                | 17          | -            | -                  | 20,970.29             |
| Others financial liabilities            | 18          | -            | -                  | 8,992.46              |
| <b>Total</b>                            |             | <b>-</b>     | <b>-</b>           | <b>4,28,303.69</b>    |

**As at 31 March 2019**

| <b>Particulars</b>                      | <b>Note</b> | <b>FVTPL</b> | <b>FVTOCI</b>      | <b>Amortised Cost</b> |
|---|-------------|--------------|--------------------|-----------------------|
| <i>Financial Assets:</i>                |             |              |                    |                       |
| Cash and cash equivalents               | 4           | -            | -                  | 17,400.57             |
| Other bank balances                     | 5           | -            | -                  | 8,818.76              |
| Trade receivables                       | 6           | -            | -                  | 566.33                |
| Loans                                   | 7           | -            | 3,07,987.83        | 43,533.81             |
| Investments                             | 8           | -            | 3.32               | -                     |
| Other financial assets                  | 9           | -            | -                  | 3,613.17              |
| <b>Total</b>                            |             | <b>-</b>     | <b>3,07,991.15</b> | <b>73,932.64</b>      |
| <i>Financial Liabilities:</i>           |             |              |                    |                       |
| Debt securities                         | 15          | -            | -                  | 6,245.89              |
| Borrowings (other than debt securities) | 16          | -            | -                  | 2,77,587.83           |
| Subordinated liabilities                | 17          | -            | -                  | 18,515.22             |
| Others financial liabilities            | 18          | -            | -                  | 10,426.52             |
| <b>Total</b>                            |             | <b>-</b>     | <b>-</b>           | <b>3,12,775.46</b>    |

**As at 01 April 2018**

| <b>Particulars</b>                      | <b>Note</b> | <b>FVTPL</b> | <b>FVTOCI</b> | <b>Amortised Cost</b> |
|---|-------------|--------------|---------------|-----------------------|
| <i>Financial Assets:</i>                |             |              |               |                       |
| Cash and cash equivalents               | 4           | -            | -             | 15,878.05             |
| Other bank balances                     | 5           | -            | -             | 6,583.25              |
| Trade receivables                       | 6           | -            | -             | 219.23                |
| Loans                                   | 7           | -            | -             | 2,03,889.39           |
| Investments                             | 8           | 1.85         | 3.32          | -                     |
| Other financial assets                  | 9           | -            | -             | 1,031.45              |
| <b>Total</b>                            |             | <b>1.85</b>  | <b>3.32</b>   | <b>2,27,601.37</b>    |
| <i>Financial Liabilities:</i>           |             |              |               |                       |
| Debt securities                         | 15          | -            | -             | 11,694.60             |
| Borrowings (other than debt securities) | 16          | -            | -             | 1,60,342.22           |
| Subordinated liabilities                | 17          | -            | -             | 14,975.98             |
| Others financial liabilities            | 18          | -            | -             | 3,818.61              |
| <b>Total</b>                            |             | <b>-</b>     | <b>-</b>      | <b>1,90,831.41</b>    |

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(All amounts in ₹ lakhs unless otherwise stated)

**(b) Fair value hierarchy**

Financial assets and financial liabilities are measured at fair value in the financial statements and are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

**Level 1:** Quoted prices (unadjusted) for identical instruments in an active market.

**Level 2:** Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs, other than Level 1 input; and

**Level 3:** inputs that are not based on observable market data (unobservable inputs).

**(C) Financial assets and liabilities measured at fair value - recurring fair value measurements**

| <b>As at 31 March 2020</b>                             | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b>     |
|--|----------------|----------------|--------------------|
| Financial Assets:                                      |                |                |                    |
| Loans at fair value through other comprehensive income | -              | -              | 4,11,662.67        |
| <b>Total</b>   | <b>-</b>       | <b>-</b>       | <b>4,11,662.67</b> |

| <b>As at 31 March 2019</b>                             | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b>     |
|--|----------------|----------------|--------------------|
| Financial Assets:                                      |                |                |                    |
| Loans at fair value through other comprehensive income | -              | -              | 3,07,987.83        |
| <b>Total</b>   | <b>-</b>       | <b>-</b>       | <b>3,07,987.83</b> |

| <b>As at 01 April 2018</b>                                | <b>Level 1</b> | <b>Level 2</b> | <b>Level 3</b> |
|---|----------------|----------------|----------------|
| Financial Assets:   |                |                |                |
| Loans at fair value through other comprehensive income    | -              | -              | -              |
| Investments fair value through profit & loss              | 1.85           | -              | -              |
| Investments fair value through other comprehensive income | -              | -              | 3.32           |
| Other financial assets                                    | -              | -              | -              |
| <b>Total</b>  | <b>1.85</b>    | <b>-</b>       | <b>3.32</b>    |

**Valuation process and technique used to determine fair value**

Specific valuation techniques used to value financial instruments include:

(a) Eligible portfolio loans valued by discounting the aggregate future cash flows (both principal and interest cash flows) with risk-adjusted discounting rate for the remaining portfolio tenor. The Company has considered the average valuation impact arrived using average lending rate of last quarter.

(b) For unquoted equity instruments, the Company has used earning capitalisation method (fair value approach) discounted at a rate to reflect the risk involved in the business.

(c) For mutual funds, the company has used the net asset value (NAV) on the basis of the statement received from the investee party.



**D. Fair value of instruments measured at amortised cost**

Fair value of instruments measured at amortised cost for which fair value is disclosed is as follows, these fair values are calculated using Level 3 inputs.

| Particulars                             | As at 31 March 2020 |                    | As at 31 March 2019 |                    | As at 01 April 2018 |                    |
|---|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|
|   | Carrying value      | Fair value         | Carrying value      | Fair value         | Carrying value      | Fair value         |
| <b>Financial assets</b>                 |                     |                    |                     |                    |                     |                    |
| Cash and cash equivalents               | 68,858.31           | 68,858.31          | 17,400.57           | 17,400.57          | 15,878.05           | 15,878.05          |
| Other bank balance                      | 15,165.59           | 15,165.59          | 8,818.76            | 8,818.76           | 6,583.25            | 6,583.25           |
| Trade receivables                       | 532.01              | 532.01             | 566.33              | 566.33             | 219.23              | 219.23             |
| Loans                                   | 23,056.43           | 22,924.28          | 43,533.81           | 43,468.17          | 2,03,889.39         | 2,04,411.78        |
| Other financial assets                  | 2,122.62            | 2,122.62           | 3,613.17            | 3,613.17           | 1,031.45            | 1,031.45           |
| <b>Total</b>                            | <b>1,09,734.96</b>  | <b>1,09,602.80</b> | <b>73,932.64</b>    | <b>73,866.99</b>   | <b>2,27,601.37</b>  | <b>2,28,123.75</b> |
| <b>Financial liabilities</b>            |                     |                    |                     |                    |                     |                    |
| Debt securities                         | -                   | -                  | 6,245.89            | 6,545.26           | 11,694.60           | 14,599.07          |
| Borrowings (other than debt securities) | 3,98,340.94         | 4,55,581.08        | 2,77,587.83         | 2,74,603.54        | 1,60,342.22         | 1,67,312.94        |
| Subordinated liabilities                | 20,970.29           | 28,109.80          | 18,515.22           | 49,916.79          | 14,975.98           | 28,389.72          |
| Other financial liabilities             | 8,992.46            | 8,992.46           | 10,426.52           | 10,426.52          | 3,818.61            | 3,818.61           |
| <b>Total</b>                            | <b>4,28,303.69</b>  | <b>4,92,683.34</b> | <b>3,12,775.46</b>  | <b>3,41,492.11</b> | <b>1,90,831.41</b>  | <b>2,14,120.34</b> |

The respective carrying values of certain on-balance sheet financial instruments approximate their fair value. These financial instruments include cash in hand, balances with other banks, receivables, trade payables and certain other financial assets and liabilities, with maturities less than a year from the balance sheet date. Carrying values were assumed to approximate fair values for these financial instruments as they are short-term in nature and their recorded amounts approximate fair values or are receivable or payable on demand

**Note 37: Financial risk management**

**Risk Management**

The Company's activities expose it to market risk, liquidity risk and credit risk. The Company's board of directors has overall responsibility for the establishment and oversight of the Company risk management framework. The Company manages the risk basis policies approved by the board of directors. The board of directors provides written principles for overall risk management. This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements

| Risk                         | Exposure arising from  | Measurement                      | Risk management   |
|------------------------------|--|----------------------------------|---|
| Credit risk                  | Cash and cash equivalents (excluding cash on hand), other bank balances, investments, loans, trade receivables and other financial assets. | Credit limit and ageing analysis | Highly rated bank deposits and diversification of asset base and collaterals taken for assets |
| Liquidity risk               | Borrowings, debt securities, subordinated liabilities, trade payables and other financial liabilities.                                     | Cash flow forecasts              | Committed borrowing and other credit facilities and sale of loan assets (whenever required)   |
| Market risk - interest rate  | Change in interest rate of variable rates borrowings, debt securities and subordinated liabilities.  | Sensitivity analysis             | Review of cost of funds and pricing disbursement  |
| Market risk - security price | Investments in equity securities, mutual funds, certificate of deposits and commercial papers.   | Sensitivity analysis             | Diversification of portfolio, with focus on strategic investments                             |

In order to avoid excessive concentration of risk, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

**A. Credit risk**

Credit risk is the risk that the Company will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Company's exposure to credit risk is influenced mainly by cash and cash equivalents, other bank balances, investments, loan assets, trade receivables and other financial assets. The Company continuously monitors defaults of customers and other counterparties and incorporates this information into its credit risk controls.

**a) Credit risk management**

Based on business environment in which the Company operates, a default on a financial asset is considered when the counter party fails to make payments within the agreed time period as per contract. The Company assesses and manages credit risk based on internal credit rating system. Internal credit rating is performed for each class of financial instruments with different characteristics. The Company has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. The Company assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.

- (i) Low credit risk
- (ii) Moderate credit risk
- (iii) High credit risk

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The company provides for expected credit loss based on the following:

| Nature               | Assets covered  | Basis of expected credit loss                                   |
|----------------------|---|---|
| Low credit risk      | Cash and cash equivalents (excluding cash on hand), other bank balances, investments, loans, trade receivables and other financial assets | Life time expected credit loss or 12 month expected credit loss |
| Moderate credit risk | Loans   | Life time expected credit loss or 12 month expected credit loss |
| High credit risk     | Loans   | Life time expected credit loss or fully provided for            |

**Financial assets that expose the entity to credit risk\***

| Particulars                      | As at<br>31 March 2020 | As at<br>31 March 2019 | As at<br>01 April 2018 |
|----------------------------------|------------------------|------------------------|------------------------|
| <b>(i) Low credit risk</b>       |                        |                        |                        |
| Cash and cash equivalents        | 68,858.31              | 17,400.57              | 15,878.05              |
| Other bank balances              | 15,165.59              | 8,818.76               | 6,583.25               |
| Trade receivables                | 532.01                 | 566.33                 | 219.23                 |
| Loans                            | 4,30,578.27            | 3,52,110.23            | 2,02,933.66            |
| Investments                      | -                      | 3.32                   | 5.17                   |
| Other financial assets           | 2,122.62               | 3,613.17               | 1,031.45               |
| <b>(ii) Moderate credit risk</b> |                        |                        |                        |
| Loans                            | 11,709.17              | 1,352.34               | 1,037.66               |
| <b>(iii) High credit risk</b>    |                        |                        |                        |
| Loans                            | 11,183.85              | 2,584.95               | 2,986.83               |

(\*) These represent gross carrying values of financial assets, without netting off impairment loss allowance

**Cash and cash equivalents and bank deposits**

Credit risk related to cash and cash equivalents (excluding cash on hand) and bank deposits is managed by only accepting highly rated deposits from banks and financial institutions across the country.

**Trade receivables**

Trade receivables measured at amortised cost and credit risk related to these are managed by monitoring the recoverability of such amounts continuously.

**Other financial assets**

Other financial assets measured at amortized cost includes security deposits, receivable on assignment, advances recoverable on behalf of business correspondence arrangements, insurance claim receivables and other receivables. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously.

**Loans**

The Company closely monitors the credit-worthiness of the borrower's through internal systems and appraisal process to assess the credit risk and define credit limits of borrower, thereby, limiting the credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties. These processes include a detailed appraisal methodology, identification of risks and suitable structuring and credit risk mitigation measures. The Company assesses increase in credit risk on an ongoing basis for amounts loan receivables that become past due and default is considered to have occurred when amounts receivable become 90 days past due.

The major guidelines for selection of the client includes:

1. The client's income and indebtedness levels must be within the prescribed guidelines of Reserve Bank of India;
2. The client must possess the required KYC documents;
3. The client's household must be engaged in some form of economic activity which ensures regular and assured income;
4. Client must agree to follow the rules and regulations of the organisation and
5. Credit bureau check – In order to deal with the problem of over extension of credit and indebtedness of the client, the organisation undertakes credit bureau checks compulsorily for every client. The credit bureau check helps the organisation in identifying clients with poor repayment histories and multiple loans.

**b) Credit risk exposure****i) Expected credit losses for financial assets other than loans**

The Company have not made expected credit losses for financial assets other than loans as the maturity is within twelve months from the balance sheet date.

| Particulars  | Cash and cash equivalents | Other bank balance | Trade receivables | Investments | Other financial assets |
|--|---------------------------|--------------------|-------------------|-------------|------------------------|
| <b>As at 31 March 2020</b>                         |                           |                    |                   |             |                        |
| Estimated gross carrying amount at default         | 68,858.31                 | 15,165.59          | 532.01            | -           | 2,122.62               |
| Less: Expected credit losses                       | -                         | -                  | -                 | -           | -                      |
| <b>Carrying amount net of impairment provision</b> | <b>68,858.31</b>          | <b>15,165.59</b>   | <b>532.01</b>     | <b>-</b>    | <b>2,122.62</b>        |
| <b>As at 31 March 2019</b>                         |                           |                    |                   |             |                        |
| Estimated gross carrying amount at default         | 17,400.57                 | 8,818.76           | 566.33            | 3.32        | 3,613.17               |
| Less: Expected credit losses                       | -                         | -                  | -                 | -           | -                      |
| <b>Carrying amount net of impairment provision</b> | <b>17,400.57</b>          | <b>8,818.76</b>    | <b>566.33</b>     | <b>3.32</b> | <b>3,613.17</b>        |
| <b>As at 01 April 2018</b>                         |                           |                    |                   |             |                        |
| Estimated gross carrying amount at default         | 15,878.05                 | 6,583.25           | 219.23            | 6.85        | 1,031.45               |
| Less: Expected credit losses                       | -                         | -                  | -                 | 1.68        | -                      |
| <b>Carrying amount net of impairment provision</b> | <b>15,878.05</b>          | <b>6,583.25</b>    | <b>219.23</b>     | <b>5.17</b> | <b>1,031.45</b>        |

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**ii) Movement of carrying amount and expected credit loss for loans**

Definition of default:

The Company considers default in all cases when the borrower becomes 90 days past due on its contractual payments. The Expected Credit Loss (ECL) is measured at 12-month ECL for Stage 1 loan assets and at lifetime ECL for Stage 2 and Stage 3 loan assets. ECL is the product of the Probability of Default, Exposure at Default and Loss Given Default.

| Particulars   | Stage 1            | Stage 2          | Stage 3          |
|---|--------------------|------------------|------------------|
| <b>Gross carrying amount as at 01 April 2018</b>        | <b>2,02,933.66</b> | <b>1,037.66</b>  | <b>2,986.83</b>  |
| Assets originated*                                      | 3,19,012.60        |                  |                  |
| Net transfer between stages                             |                    |                  |                  |
| Transfer to stage 1                                     | 17.00              | (4.35)           | (12.65)          |
| Transfer to stage 2                                     | (1,184.61)         | 1,186.11         | (1.50)           |
| Transfer to stage 3                                     | (3,337.47)         | (110.23)         | 3,447.71         |
| Assets derecognised or collected (excluding write offs) | (1,65,330.94)      | (756.85)         | (1,324.04)       |
| Write - offs (including death cases)                    |                    |                  | (2,511.40)       |
| <b>Gross carrying amount as at 31 March 2019</b>        | <b>3,52,110.24</b> | <b>1,352.34</b>  | <b>2,584.95</b>  |
| Assets originated*                                      | 3,85,561.12        | -                | -                |
| Net transfer between stages                             |                    |                  |                  |
| Transfer to stage 1                                     | 14.11              | (4.58)           | (9.53)           |
| Transfer to stage 2                                     | (11,696.48)        | 11,697.57        | (1.09)           |
| Transfer to stage 3                                     | (12,601.16)        | (193.77)         | 12,794.93        |
| Assets derecognised or collected (excluding write offs) | (2,82,809.56)      | (1,142.39)       | (1,543.38)       |
| Write - offs (including death cases)                    |                    |                  | (2,642.03)       |
| <b>Gross carrying amount as at 31 March 2020</b>        | <b>4,30,578.27</b> | <b>11,709.17</b> | <b>11,183.85</b> |

\* Assets originated has been presented net of collection made during the year.

**Reconciliation of loss allowance provision from beginning to end of reporting period:**

| Reconciliation of loss allowance                                      | Stage 1         | Stage 2         | Stage 3          |
|---|-----------------|-----------------|------------------|
| <b>Loss allowance on 01 April 2018</b>                                | <b>617.27</b>   | <b>361.93</b>   | <b>2,089.56</b>  |
| Increase of provision due to assets originated during the year        | 30,878.12       | -               | -                |
| Net transfer between stages   |                 |                 |                  |
| Transfer to stage 1   | 1.70            | (1.83)          | (12.69)          |
| Transfer to stage 2   | (62.96)         | 387.36          | (1.50)           |
| Transfer to stage 3   | (273.77)        | (34.31)         | 3,447.70         |
| Assets derecognised or collected                                      | (16,244.85)     | (266.19)        | (1,341.50)       |
| Impact of ECL on exposures transferred between stages during the year | (13,526.58)     | 105.03          | 914.78           |
| Write - offs (including death cases)                                  |                 |                 | (2,511.40)       |
| <b>Loss allowance on 31 March 2019</b>                                | <b>1,388.93</b> | <b>552.00</b>   | <b>2,584.95</b>  |
| Increase of provision due to assets originated during the year        | 37,571.72       | -               | -                |
| Net transfer between stages   |                 |                 |                  |
| Transfer to stage 1   | 1.22            | (1.54)          | (9.58)           |
| Transfer to stage 2   | (1,067.00)      | 4,711.02        | (1.10)           |
| Transfer to stage 3   | (1,178.83)      | (81.38)         | 12,808.26        |
| Assets derecognised or collected                                      | (27,639.65)     | (389.04)        | (1,526.95)       |
| Impact of ECL on exposures transferred between stages during the year | (6,397.21)      | 98.10           | (29.70)          |
| Write - offs (including death cases)                                  |                 |                 | (2,642.03)       |
| <b>Loss allowance on 31 March 2020</b>                                | <b>2,679.18</b> | <b>4,889.16</b> | <b>11,183.85</b> |

If the probability of default increases or decrease by 10 basis point the revised expected credit loss will be ₹14,544.04 lakhs or ₹13,909.37 lakhs respectively. Similarly if the loss given default increases or decrease by 100 basis point the revised expected credit loss will be ₹14,403.84 lakhs or ₹14,049.57 lakhs respectively.

**(C) Concentration of loans (\*)**

| Particulars                               | As at<br>31 March 2020 | As at<br>31 March 2019 | As at<br>01 April 2018 |
|---|------------------------|------------------------|------------------------|
| Micro finance loans                       | 4,23,839.42            | 3,19,352.28            | 1,95,971.65            |
| Micro, small and medium enterprise (MSME) | 22,081.60              | 19,375.34              | 7,576.05               |
| Secured term loans to corporates (#)      | 7,550.27               | 17,319.90              | 3,410.45               |
| <b>Total</b>                              | <b>4,53,471.29</b>     | <b>3,56,047.52</b>     | <b>2,06,958.15</b>     |

(#) The secured term loans disbursed to corporates are all secured by book debts

(\*) The above figures represents the gross loan value along with interest accrued

**(B) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities (other than derivatives) that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due.

The Company maintains flexibility in funding by maintaining availability under committed credit lines. Management monitors the Company's liquidity positions (also comprising the undrawn borrowing facilities) and cash and cash equivalents on the basis of expected cash flows. The Company also takes into account liquidity of the market in which the entity operates.

**(i) Financing arrangements**

The Company has access to the following funding facilities:

| As at 31 March 2020        | Total facility     | Drawn            | Undrawn            |
|----------------------------|--------------------|------------------|--------------------|
| - Expiring within one year | 56,500.00          | 46,000.00        | 10,500.00          |
| <b>Total</b>               | <b>56,500.00</b>   | <b>46,000.00</b> | <b>10,500.00</b>   |
| As at 31 March 2019        | Total facility     | Drawn            | Undrawn            |
| - Expiring within one year | 2,34,100.00        | 33,500.00        | 2,00,600.00        |
| <b>Total</b>               | <b>2,34,100.00</b> | <b>33,500.00</b> | <b>2,00,600.00</b> |
| As at 01 April 2018        | Total facility     | Drawn            | Undrawn            |
| - Expiring within one year | 37,330.00          | 2,374.00         | 34,956.00          |
| <b>Total</b>               | <b>37,330.00</b>   | <b>2,374.00</b>  | <b>34,956.00</b>   |

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**(ii) Maturities of financial assets and liabilities**

The tables below analyse the Company financial assets and liabilities into relevant maturity groupings based on their contractual maturities.  
The amounts disclosed in the table are the contractual undiscounted cash flows:

| <b>As at 31 March 2020</b>                             | <b>Less than 1 year</b> | <b>1-2 year</b>    | <b>2-3 year</b>    | <b>More than 3 years</b> | <b>Total</b>       |
|--|-------------------------|--------------------|--------------------|--------------------------|--------------------|
| <b>Financial assets</b>                                |                         |                    |                    |                          |                    |
| Cash and cash equivalents                              | 68,858.31               | -                  | -                  | -                        | 68,858.31          |
| Other bank balances                                    | 6,515.14                | 6,126.58           | 2,473.65           | 50.22                    | 15,165.59          |
| Trade receivables                                      | 532.01                  | -                  | -                  | -                        | 532.01             |
| Loans  | 2,82,938.99             | 2,48,220.50        | 20,215.14          | 10,152.49                | 5,61,527.11        |
| Other financial assets                                 | 2,000.11                | 122.51             | -                  | -                        | 2,122.62           |
| <b>Total undiscounted financial assets</b>             | <b>3,60,844.56</b>      | <b>2,54,469.58</b> | <b>22,688.79</b>   | <b>10,202.71</b>         | <b>6,48,205.64</b> |
| <b>Financial liabilities</b>                           |                         |                    |                    |                          |                    |
| Borrowings other than debt securities                  | 2,57,240.57             | 1,29,780.62        | 42,745.94          | 16,453.40                | 4,46,220.54        |
| Subordinated liabilities                               | 2,837.05                | 2,836.71           | 3,734.15           | 23,203.31                | 32,611.22          |
| Other financial liabilities                            | 8,402.25                | 175.02             | 68.96              | 346.23                   | 8,992.46           |
| <b>Total undiscounted financial liabilities</b>        | <b>2,68,479.87</b>      | <b>1,32,792.35</b> | <b>46,549.05</b>   | <b>40,002.95</b>         | <b>4,87,824.22</b> |
| <b>Net undiscounted financial assets/(liabilities)</b> | <b>92,364.68</b>        | <b>1,21,677.24</b> | <b>(23,860.27)</b> | <b>(29,800.24)</b>       | <b>1,60,381.42</b> |

| <b>As at 31 March 2019</b>                             | <b>Less than 1 year</b> | <b>1-2 year</b>  | <b>2-3 year</b>    | <b>More than 3 years</b> | <b>Total</b>       |
|--|-------------------------|------------------|--------------------|--------------------------|--------------------|
| <b>Financial assets</b>                                |                         |                  |                    |                          |                    |
| Cash and cash equivalents                              | 17,400.57               | -                | -                  | -                        | 17,400.57          |
| Other bank balances                                    | 3,534.42                | 2,583.45         | 2,676.42           | 24.47                    | 8,818.76           |
| Trade receivables                                      | 566.33                  | -                | -                  | -                        | 566.33             |
| Loans  | 3,08,003.29             | 96,700.90        | 2,341.58           | 2,309.64                 | 4,09,355.41        |
| Investments  | -                       | -                | -                  | 3.32                     | 3.32               |
| Other financial assets                                 | 3,475.73                | 137.44           | -                  | -                        | 3,613.17           |
| <b>Total undiscounted financial assets</b>             | <b>3,32,980.34</b>      | <b>99,421.79</b> | <b>5,018.00</b>    | <b>2,337.43</b>          | <b>4,39,757.56</b> |
| <b>Financial liabilities</b>                           |                         |                  |                    |                          |                    |
| Debt Securities  | 6,427.12                | -                | -                  | -                        | 6,427.12           |
| Other bank balances                                    | 1,87,250.45             | 90,427.75        | 17,386.26          | 13,748.00                | 3,08,812.45        |
| Subordinated liabilities                               | 2,521.65                | 2,513.96         | 2,512.96           | 25,490.20                | 33,038.77          |
| Other financial liabilities                            | 9,935.37                | 68.96            | 55.64              | 366.55                   | 10,426.52          |
| <b>Total undiscounted financial liabilities</b>        | <b>2,06,134.58</b>      | <b>93,010.67</b> | <b>19,954.85</b>   | <b>39,604.76</b>         | <b>3,58,704.86</b> |
| <b>Net undiscounted financial assets/(liabilities)</b> | <b>1,26,845.75</b>      | <b>6,411.12</b>  | <b>(14,936.85)</b> | <b>(37,267.33)</b>       | <b>81,052.69</b>   |

| <b>As at 01 April 2018</b>                             | <b>Less than 1 year</b> | <b>1-2 year</b>    | <b>2-3 year</b>    | <b>More than 3 years</b> | <b>Total</b>       |
|--|-------------------------|--------------------|--------------------|--------------------------|--------------------|
| <b>Financial assets</b>                                |                         |                    |                    |                          |                    |
| Cash and cash equivalents                              | 15,878.05               | -                  | -                  | -                        | 15,878.05          |
| Bank balances other than cash and cash equivalents     | 2,400.38                | 1598.62            | 1818.01            | 766.24                   | 6,583.25           |
| Trade receivables                                      | 219.23                  | -                  | -                  | -                        | 219.23             |
| Loans  | 1,94,259.15             | 30,728.77          | 803.79             | 2,649.05                 | 2,28,440.77        |
| Investments  | 0.17                    | -                  | -                  | 5.00                     | 5.17               |
| Other financial assets                                 | 940.20                  | 91.25              | -                  | -                        | 1,031.45           |
| <b>Total undiscounted financial assets</b>             | <b>2,13,697.17</b>      | <b>32,418.65</b>   | <b>2,621.80</b>    | <b>3,420.29</b>          | <b>2,52,157.92</b> |
| <b>Financial liabilities</b>                           |                         |                    |                    |                          |                    |
| Debt Securities  | 1,532.08                | 4,931.53           | 5,544.08           | 3,771.85                 | 15,779.55          |
| Borrowings other than debt securities                  | 1,07,607.63             | 54,171.41          | 13,348.75          | 1,825.30                 | 1,76,953.08        |
| Subordinated liabilities                               | 2,037.19                | 2,047.99           | 2,043.01           | 22,481.47                | 28,609.65          |
| Other financial liabilities                            | 3,461.48                | 55.64              | 46.76              | 254.73                   | 3,818.61           |
| <b>Total undiscounted financial liabilities</b>        | <b>1,14,638.38</b>      | <b>61,206.56</b>   | <b>20,982.60</b>   | <b>28,333.36</b>         | <b>2,25,160.90</b> |
| <b>Net undiscounted financial assets/(liabilities)</b> | <b>99,058.79</b>        | <b>(28,787.92)</b> | <b>(18,360.79)</b> | <b>(24,913.06)</b>       | <b>26,997.02</b>   |

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**(C)Market risk****a) Interest rate risk****(i) Liabilities**

The Company's policy is to minimise interest rate cash flow risk exposures on long-term financing. As at 31 March 2020, the Company is exposed to changes in market interest rates through debt securities, other borrowings and subordinated liabilities at variable interest rates.

*Interest rate risk exposure*

Below is the overall exposure (\*) of the Company to interest rate risk:

| Particulars                           | As at<br>31 March 2020 | As at<br>31 March 2019 | As at<br>1 April 2018 |
|---------------------------------------|------------------------|------------------------|-----------------------|
| <b>Variable rate liabilities</b>      |                        |                        |                       |
| Borrowings other than debt securities | 2,50,233.26            | 1,26,205.84            | 89,562.40             |
| <b>Fixed rate liabilities</b>         |                        |                        |                       |
| Debt securities                       | -                      | 6,100.00               | 11,400.22             |
| Borrowings other than debt securities | 1,49,124.01            | 1,44,567.90            | 70,543.67             |
| Subordinated liabilities              | 18,500.00              | 18,500.00              | 15,000.00             |
| Liability against securitisation      | 666.61                 | 5,661.18               | -                     |
| <b>Total</b>                          | <b>4,18,523.88</b>     | <b>3,01,034.92</b>     | <b>1,86,506.29</b>    |

(\*) 'The above figures are at their principal carrying amount

*Sensitivity*

The sensitivity of the statement of profit and loss is the effect of the changes in market interest rates on debt securities, other borrowings and subordinated liabilities.

Below is the sensitivity of profit and loss in interest rates.

| Particulars                        | Year ended<br>31 March 2020 | Year ended<br>31 March 2019 |
|------------------------------------|-----------------------------|-----------------------------|
| <b>Interest sensitivity*</b>       |                             |                             |
| Interest rates – increase by 0.50% | 1,589.50                    | 1,158.73                    |
| Interest rates – decrease by 0.50% | (1,589.50)                  | (1,158.73)                  |

\* Holding all other variables constant

**(ii) Assets**

The Company's fixed deposits are carried at amortised cost bearing fixed rate of interest, hence sensitivity analysis is not been presented.

**(b) Price risk****Exposure**

The Company's price risk exposure arises from investments held and classified in the balance sheet either as fair value through other comprehensive income or at fair value through profit and loss. To manage the price risk arising from investments, the Company diversifies its portfolio of assets. As on balance sheet data there is no material investment in their balance sheet.

**Legal and operational risk****Legal risk**

Legal risk is the risk relating to losses due to legal or regulatory action that invalidates or otherwise precludes performance by the end user or its counterparty under the terms of the contract or related netting agreements.

The Company has developed preventive controls and formalised procedures to identify legal risks so that potential losses arising from non-adherence to laws and regulations, negative publicity, etc. are significantly reduced. As at 31 March 2020, there are no material legal cases pending against the Company. Based on the opinion of the Company's legal advisors, the management believes that no substantial liability is likely to arise from these cases.

**Operational risk**

Operational risk framework is designed to cover all functions and verticals towards identifying the key risks in the underlying processes. The framework, at its core, has the following elements:

1. Documented Operational Risk Management Policy.
2. Well defined Governance Structure.
3. Use of Identification and Monitoring tools such as Loss Data Capture, Risk and Control Self Assessment, Key Risk Indicators.
4. Standardised reporting templates, reporting structure and frequency.
5. Regular workshops and training for enhancing awareness and risk culture.

The Company has adopted the internationally accepted 3-lines of defense approach to operational risk management. First line - Each function/vertical undergoes transaction testing to evaluate internal compliance and thereby lay down processes for further improvement. Thus, the approach is "bottom-up", ensuring acceptance of findings and faster adoption of corrective actions, if any, to ensure mitigation of perceived risks.

Second line – Independent risk management vertical supports the first line in developing risk mitigation strategies and provides oversight through regular monitoring. All key risks are presented to the Risk Management Committee on a quarterly basis. Third line – Internal Audit conducts periodic risk-based audits of all functions and process to provide an independent assurance to the Audit Committee.

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**Note 38: Capital management**

The Company's capital management objectives are

- to ensure the Company's ability to continue as a going concern
- to comply with externally imposed capital requirement and maintain strong credit ratings
- to provide an adequate return to shareholders

Management assesses the Company's capital requirements in order to maintain an efficient overall financing structure while avoiding excessive leverage. This takes into account the subordination levels of the Company's various classes of debt. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

| Particulars                     | As at<br>31 March 2020 | As at<br>31 March 2019 | As at<br>01 April 2018 |
|---------------------------------|------------------------|------------------------|------------------------|
| Net debt                        | 4,19,311.23            | 3,02,348.94            | 1,87,012.80            |
| Total equity                    | 96,263.04              | 69,715.60              | 38,201.92              |
| <b>Net debt to equity ratio</b> | <b>4.36</b>            | <b>4.34</b>            | <b>4.90</b>            |

**Note 39: Maturity analysis of assets and liabilities**

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

| Particulars   | As at 31 March 2020 |                    | As at 31 March 2019 |                    | As at 01 April 2018 |                    |
|---|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|
|   | Within 12 months    | After 12 months    | Within 12 months    | After 12 months    | Within 12 months    | After 12 months    |
| <b>ASSETS</b>   |                     |                    |                     |                    |                     |                    |
| <b>Financial assets</b>   |                     |                    |                     |                    |                     |                    |
| Cash and cash equivalents   | 68,858.31           | -                  | 17,400.57           | -                  | 15,878.05           | -                  |
| Other bank balance  | 6,515.24            | 8,650.35           | 3,534.42            | 5,284.34           | 2,400.38            | 4,182.87           |
| Trade receivables   | 532.01              | -                  | 566.33              | -                  | 219.23              | -                  |
| Loans   | 2,19,922.81         | 2,14,796.29        | 2,63,224.33         | 88,297.31          | 1,61,066.32         | 42,823.07          |
| Investments   | -                   | -                  | -                   | 3.32               | 1.85                | 3.32               |
| Other financial assets  | 2,000.11            | 122.51             | 3,475.73            | 137.44             | 940.20              | 91.25              |
|   | <b>2,97,828.48</b>  | <b>2,23,569.15</b> | <b>2,88,201.38</b>  | <b>93,722.41</b>   | <b>1,80,506.02</b>  | <b>47,100.51</b>   |
| <b>Non-financial assets</b>   |                     |                    |                     |                    |                     |                    |
| Current tax assets (Net)  | 366.41              | -                  | 323.91              | -                  | 8.37                | -                  |
| Deferred tax assets (Net)   | -                   | 3,527.65           | -                   | 364.70             | -                   | 689.40             |
| Property, Plant and Equipment   | -                   | 649.07             | -                   | 601.03             | -                   | 499.20             |
| Intangible assets under development   | -                   | 4.82               | -                   | 5.29               | -                   | -                  |
| Other Intangible assets   | -                   | 538.80             | -                   | 570.37             | -                   | 534.11             |
| Right to use asset  | 210.18              | 530.11             | 174.43              | 471.27             | 72.85               | 353.24             |
| Other non-financial assets  | 732.93              | 80.12              | 538.71              | 336.11             | 461.87              | 158.06             |
|   | <b>1,309.52</b>     | <b>5,330.57</b>    | <b>1,037.05</b>     | <b>2,348.77</b>    | <b>543.10</b>       | <b>2,234.01</b>    |
| <b>Total assets</b>   | <b>2,99,138.00</b>  | <b>2,28,899.72</b> | <b>2,89,238.43</b>  | <b>96,071.18</b>   | <b>1,81,049.12</b>  | <b>49,334.52</b>   |
| <b>LIABILITIES AND EQUITY</b>   |                     |                    |                     |                    |                     |                    |
| <b>Liabilities</b>  |                     |                    |                     |                    |                     |                    |
| <b>Financial liabilities</b>  |                     |                    |                     |                    |                     |                    |
| 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 | -                   | -                  | -                   | -                  | -                   | -                  |
| Debt securities   | -                   | -                  | 6,245.89            | -                  | 428.74              | 11,265.86          |
| Borrowings (other than debt securities)   | 2,26,387.48         | 1,71,953.46        | 1,69,312.80         | 1,08,275.03        | 96,641.64           | 63,700.58          |
| Subordinated liabilities  | 2,669.37            | 18,300.92          | -                   | 18,515.22          | 2.76                | 14,973.22          |
| Others financial liabilities  | 8,402.25            | 590.21             | 9,900.67            | 525.85             | 3,481.68            | 336.93             |
|   | <b>2,37,459.11</b>  | <b>1,90,844.58</b> | <b>1,85,459.36</b>  | <b>1,27,316.11</b> | <b>1,00,554.80</b>  | <b>90,276.61</b>   |
| <b>Non-financial liabilities</b>  |                     |                    |                     |                    |                     |                    |
| <b>Current tax liabilities (Net)</b>  |                     |                    |                     |                    |                     |                    |
| Provisions  | 334.82              | 1,088.13           | 198.98              | 324.71             | 55.19               | 206.68             |
| Other non-financial liabilities   | 2,048.04            | -                  | 1,821.92            | 472.94             | 1,088.44            | -                  |
|   | <b>2,382.86</b>     | <b>1,088.13</b>    | <b>2,020.90</b>     | <b>797.65</b>      | <b>1,143.63</b>     | <b>206.68</b>      |
| <b>TOTAL LIABILITIES</b>  | <b>2,39,841.97</b>  | <b>1,91,932.72</b> | <b>1,87,480.26</b>  | <b>1,28,113.76</b> | <b>1,01,698.43</b>  | <b>90,483.29</b>   |
| <b>Net Equity</b>   | <b>59,296.03</b>    | <b>36,967.00</b>   | <b>1,01,758.17</b>  | <b>(32,042.58)</b> | <b>79,350.69</b>    | <b>(41,148.77)</b> |

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**Note 40: Transferred financial assets**

In the course of its micro finance activity, the Company makes transfers of financial assets, where legal rights to the cash flows from the asset are passed to the counterparty and where the Company retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty.

The Company has securitised its loan assets to an unrelated and unconsolidated entities. As per the terms of the agreements, the Company is exposed to first loss default guarantee of 20% of the amount securitised and therefore continues to be exposed to significant risk and rewards relating to the underlying mortgage receivables. Hence, these loan assets are not derecognised and proceeds received are presented as borrowings.

The following tables provide a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities:

| <b>Securitisations</b>                                  | <b>As at</b>         | <b>As at</b>         | <b>As at</b>         |
|---|----------------------|----------------------|----------------------|
|   | <b>31 March 2020</b> | <b>31 March 2019</b> | <b>01 April 2018</b> |
| Gross carrying amount of securitised assets             | 676.04               | 5,705.07             | -                    |
| Gross carrying amount of associated liabilities         | 668.59               | 5,668.73             | -                    |
| Carrying value and fair value of securitised assets     | 676.04               | 5,705.07             | -                    |
| Carrying value and fair value of associated liabilities | 668.59               | 5,668.73             | -                    |
| <b>Net position</b>                                     | <b>7.45</b>          | <b>36.34</b>         | <b>-</b>             |

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**Note 41: Related party disclosure information on related party transactions as required by Ind AS - 24 - related party disclosure areas are as follows:****(a) List of related parties**

| Relationship  | Name  |
|---|---|
| Key Managerial Personnel (KMP)  | Manoj Kumar Nambiar - Managing Director<br>Milind Ramchandra Nare - Chief Financial Officer<br>Ranjan Das - Chief Risk Officer (w.e.f 01 March 2020)<br>Anirudh Singh G Thakur - Company Secretary  |
| Director  | Dinesh Kumar Mittal (Independent Director)<br>Vineet Chandra Rai (Director)<br>Anurag Agarwal (Director)<br>Matangi Gowrishankar (Independent Director)<br>Rajat Mohan Nag (Independent Director)<br>Sumantra Banerjee (Independent Director)   |
| Entities which are able to exercise control or have significant influence | Aavishkaar Goodwell India Microfinance Development Company-II Limited<br>Tano India Private Equity Fund II  |
| Entities having common director   | Jain Sons Finlease Limited<br>Aavishkaar Venture Management Services Private Limited<br>Ergos Business Solutions Private Limited (w.e.f 17 March 2020)<br>Aavishkaar Capital Advisory LLP<br>Intellectual Capital Advisory Services Private Limited<br>Andromeda Sales And Distribution Private Limited (w.e.f 15 March)<br>Intellectap Advisory Services Private Limited |
| Enterprise over which KMP have significant influence or control           | Tribetech Private Limited   |

**B. Nature of transactions with related parties:**

| <u>Name of party with nature of transaction</u>         | <u>Year ended<br/>31 March 2020</u> | <u>Year ended<br/>31 March 2019</u> |
|---|-------------------------------------|-------------------------------------|
| <b>Issue of equity shares (including share premium)</b> |                                     |                                     |
| Aavishkaar Venture Management Services Private Limited  | 6,000.00                            | 5,955.22                            |
| Intellectual Capital Advisory Services Private Limited  | 7,000.00                            | -                                   |
| Aavishkaar Capital Advisors LLP                         | -                                   | 10,544.78                           |
| <b>Loan taken</b>                                       |                                     |                                     |
| Aavishkaar Venture Management Services Private Limited  | -                                   | 15,000.00                           |
| <b>Loan repaid</b>                                      |                                     |                                     |
| Jain Sons Finlease Limited                              | 4.50                                | 268.08                              |
| Aavishkaar Venture Management Services Private Limited  | -                                   | 15,000.00                           |
| <b>Security deposit received</b>                        |                                     |                                     |
| Tribetech Private Limited                               | 52.83                               | 14.33                               |
| <b>Security deposit invoked</b>                         |                                     |                                     |
| Tribetech Private Limited                               | 49.69                               | 29.53                               |
| <b>Interest paid</b>                                    |                                     |                                     |
| Jain Sons Finlease Limited                              | 0.07                                | 16.12                               |
| Aavishkaar Venture Management Services Private Limited  | -                                   | 175.19                              |
| <b>Professional/ business support fees</b>              |                                     |                                     |
| Tribetech Private Limited                               | 21.74                               | 55.50                               |
| Andromeda Sales And Distribution Private Limited        | 32.32                               |                                     |
| Aavishkaar Venture Management Services Private Limited  | 17.60                               | 31.63                               |
| Intellectap Advisory Services Private Limited           | 32.39                               | 6.93                                |



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**B. Nature of transactions with related parties (continued):**

| <u>Name of party with nature of transaction</u>        | <u>Year ended<br/>31 March 2020</u> | <u>Year ended<br/>31 March 2019</u> |
|--|-------------------------------------|-------------------------------------|
| <b>Reimbursement of expenses paid</b>                  |                                     |                                     |
| Tribetech Private Limited                              | 0.36                                | 3.03                                |
| Intellectap Advisory Services Private Limited          | 7.97                                | 2.63                                |
| Aavishkaar Venture Management Services Private Limited | 0.46                                | 3.71                                |
| <b>Reimbursement of income</b>                         |                                     |                                     |
| Tribetech Private Limited                              | 0.85                                | 4.25                                |
| Jain Sons Finlease Limited                             | 0.26                                | -                                   |
| Intellectual Capital Advisory Services Private Limited | 1.04                                | 0.58                                |
| Aavishkaar Venture Management Services Private Limited | 1.48                                | 2.51                                |
| <b>Other Income</b>                                    |                                     |                                     |
| Intellectap Advisory Services Private Limited          | 2.96                                | -                                   |
| Tribetech Private Limited                              | 3.05                                | -                                   |
| <b>Director's commission</b>                           |                                     |                                     |
| Dinesh Kumar Mittal                                    | 25.00                               | 25.00                               |
| Vineet Chandra Rai                                     | -                                   | 25.00                               |
| Anurag Agarwal   | -                                   | 15.00                               |
| Matangi Gowrishankar                                   | 15.00                               | 15.00                               |
| Rajat Mohan Nag  | 10.00                               | 10.00                               |
| Sumantra Banerjee                                      | 10.00                               | 10.00                               |
| <b>Remuneration</b>                                    |                                     |                                     |
| Manoj Kumar Nambiar                                    | 176.32                              | 139.85                              |
| Milind Ramchandra Nare                                 | 103.78                              | 82.06                               |
| Ranjan Das - Chief Risk Officer                        | 4.16                                | -                                   |
| Anirudh Singh G Thakur                                 | 70.55                               | 55.74                               |

**C. Outstanding balances with related parties in the ordinary course of business:**

|  | <u>As at<br/>31 March 2020</u> | <u>As at<br/>31st March 2019</u> | <u>As at<br/>1 April 2018</u> |
|--|--------------------------------|----------------------------------|-------------------------------|
| <b>Loans taken</b>                               |                                |                                  |                               |
| Jain Sons Finlease Limited                       | -                              | 4.68                             | 272.58                        |
| <b>Security deposit</b>                          |                                |                                  |                               |
| Tribetech Private Limited                        | 2.80                           | 0.33                             | -                             |
| <b>Security deposit refundable</b>               |                                |                                  |                               |
| Tribetech Private Limited                        | -                              | -                                | 14.88                         |
| <b>Other payables</b>                            |                                |                                  |                               |
| Tribetech Private Limited                        | 1.52                           | 6.23                             | 8.97                          |
| Anudip Foundation                                | -                              | -                                | 1.80                          |
| Intellectap Advisory Services Private Limited    | -                              | 0.10                             | -                             |
| Andromeda Sales And Distribution Private Limited | 12.32                          | -                                | -                             |
| Dinesh Kumar Mittal                              | 25.00                          | 25.00                            | -                             |
| Vineet Chandra Rai                               | -                              | 25.00                            | -                             |
| Anurag Agrawal                                   | -                              | 15.00                            | -                             |
| Matangi Gowrishankar                             | 15.00                          | 15.00                            | -                             |
| Rajat Mohan Nag                                  | 10.00                          | 10.00                            | -                             |
| Sumantra Banerjee                                | 10.00                          | 10.00                            | -                             |

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### Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

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**Note 42: Additional disclosures pursuant to the RBI master direction circular reference RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17 and notifications RBI/2019-20/170 DOR (NBFC).CC.PD.NO.109/22.10.106/2019-20 circular date March 13, 2020**

| <b>i) Capital to risk asset ratio (CRAR)</b>          | <b>31 March 2020</b> | <b>31 March 2019</b> |
|---|----------------------|----------------------|
| Capital to Risk/Weighted Assets Ratio (CRAR) (%)      | 24.72%               | 23.61%               |
| CRAR-Tier I Capital (%)                               | 19.86%               | 17.97%               |
| CRAR-Tier II Capital (%)                              | 4.85%                | 5.13%                |
| Amount of subordinated debt raised as Tier-II Capital | 2,500                | 3,500                |
| Amount raised by issue of Perpetual Debt Instruments  | -                    | -                    |

| <b>ii) Investments</b>  | <b>31 March 2020</b> | <b>31 March 2019</b> |
|---|----------------------|----------------------|
| <b>A. Value of Investments</b>  |                      |                      |
| Gross Value of Investments:   |                      |                      |
| a) In India   | 5.00                 | 5.00                 |
| b) Outside India  | -                    | -                    |
| Provisions for Depreciation:  |                      |                      |
| a) In India   | 5.00                 | 1.68                 |
| b) Outside India  | -                    | -                    |
| Net Value of Investments  |                      |                      |
| a) In India   | -                    | 3.32                 |
| b) Outside India  | -                    | -                    |
| <b>B. Movement of provisions held towards depreciation on investments</b> |                      |                      |
| Opening Balance   | 1.68                 | 1.68                 |
| Add: Provisions made during the year                                      | 3.32                 | -                    |
| Less: Write-off/Write-back of excess provisions during the year           | -                    | -                    |
| Closing Balance   | 5.00                 | 1.68                 |

### iii) Derivatives

The Company does not have any derivatives exposure in the current and previous year.

### iv) Disclosures relating to Securitisation

| <b>A) Securitisation</b>  | <b>31 March 2020</b> | <b>31 March 2019</b> |
|---|----------------------|----------------------|
| 1) No. of SPVs sponsored by the NBFC for securitisation transactions                            | 1                    | 1                    |
| 2) Total amount of securitised assets as per books of the SPVs sponsored                        | 736.91               | 6,558.44             |
| 3) Total amount of exposures retained by the NBFC to comply MRR as on the date of balance sheet |                      |                      |
| a) Off-balance sheet exposures  |                      |                      |
| (i) First loss (*)  | 1,311.69             | 1,311.69             |
| (ii) Others   | -                    | -                    |
| b) On-balance sheet exposures   |                      |                      |
| (i) First loss  | -                    | -                    |
| (ii) Others   | -                    | -                    |
| 4) Amount of exposures to securitisation transactions other than MRR                            | <b>31 March 2020</b> | <b>31 March 2019</b> |
| a) Off-balance sheet exposures  |                      |                      |
| (i) Exposure to own securitisations   |                      |                      |
| - First loss  | -                    | -                    |
| - Others  | -                    | -                    |
| (ii) Exposure to third party securitisations  |                      |                      |
| - First loss  | -                    | -                    |
| - Others  | -                    | -                    |
| b) On-balance sheet exposures   |                      |                      |
| (i) Exposure to own securitisations   |                      |                      |
| - First loss  | -                    | -                    |
| - Others  | -                    | -                    |
| (ii) Exposure to third party securitisations  |                      |                      |
| - First loss  | -                    | -                    |
| - Others  | -                    | -                    |

(\*) First loss default guarantee of Rs. 1,311.89 is given in the form of corporate guarantee.

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(All amounts in ₹ lakhs unless otherwise stated)

**B) Details of financial assets sold to securitisation/reconstruction company for asset reconstruction**

The Company has not sold any financial assets to securitisation/reconstruction company for asset reconstruction during the current and previous year.

**C) Details of Assignment transactions undertaken by NBFCs**

| Particulars  | As at         | As at         |
|--|---------------|---------------|
|  | 31 March 2020 | 31 March 2019 |
| i) Number of accounts  | 2,83,399      | 4,44,506      |
| ii) Aggregate value (net of provision) of account sold                                   | 63,439.51     | 73,810.42     |
| iii) Aggregate consideration   | 63,439.51     | 73,810.42     |
| iv) Additional consideration realized in respect of accounts transferred in earlier year | -             | -             |
| v) Aggregate gain/ loss over net book value  | -             | -             |

**d) Details of non-performing financial assets purchased/sold**

The Company has not purchased/sold any non-performing financial assets during the current and previous year.

**v) Asset Liability Management**

Disclosures relating to maturity pattern of certain items of assets and liabilities are given in Note 46.

**vi) Exposures****A) Exposure to Real Estate Sector**

The Company did not have any exposure to real estate sector during the current and previous year.

**B) Exposure to Capital Market**

The Company did not have any exposure to capital market during the current and previous year.

**C) Details of financing of parent company products**

The Company does not have a parent company and accordingly disclosures is not required.

**D) Details of Single Borrower Limit (SBL)/Group Borrower Limit (GBL) exceeded by the NBFC**

There are no instances of exceeding the single and group borrowing limit by the Company during the current and previous year.

**E) Unsecured Advances - refer Note 7.****vii) Miscellaneous****A) Registration obtained from other financial sector regulators**

The Company has obtained a certificate of registration under registration number CA0402 dated 1 August 2019 to act as Corporate Agent (Composite) under Insurance Regulatory and Development Authority of India (IRDA) and Corporate Identity Number of U74140WB1991PLC053189 under Ministry of Corporate affairs.

**B) Disclosure of Penalties imposed by RBI and other regulators**

There are no penalty imposed by Reserve Bank of India and other regulators during the financial year.

**C) Related Party Transactions**

Details of all material related party transactions are disclosed in Note 41.

**D) Ratings assigned by credit rating agencies and migration of ratings during the year**

The details of ratings assigned by Credit Analysis & Research Ltd. (CARE) vide their report dated 23 October 2019 and 19 February 2020 and migration of ratings during the year are as follows:

| Facilities                          | Ratings | Remarks    |
|-------------------------------------|---------|------------|
| Long-term Bank facilities           | CARE A- | Reaffirmed |
| Non-Convertible Debentures (#)      | CARE A- | Reaffirmed |
| Unsecured Subordinated Tier II Debt | CARE A- | Reaffirmed |

(#) There are no outstanding balances with non-convertible debentures.

**E) Remuneration of Directors (other than Managing Director) (refer note 41)**

| Name of Directors    | Year ended<br>31 March 2020 | Year ended<br>31 March 2019 |
|----------------------|-----------------------------|-----------------------------|
| Dinesh Kumar Mittal  | 25.00                       | 25.00                       |
| Vineet Chandra Rai   | -                           | 25.00                       |
| Anurag Agrawal       | -                           | 15.00                       |
| Matangi Gowrishankar | 15.00                       | 15.00                       |
| Rajat Mohan Nag      | 10.00                       | 10.00                       |
| Sumantra Banerjee    | 10.00                       | 10.00                       |

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**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

(All amounts in ₹ lakhs unless otherwise stated)

**viii) Additional Disclosures****A) Provisions and Contingencies**

| <b>Break up of 'Provisions and Contingencies' shown under the head Expenditure in Statement of Profit and Loss</b> | <b>Year ended<br/>31 March 2020</b> | <b>Year ended<br/>31 March 2019</b> |
|--|-------------------------------------|-------------------------------------|
| Provision towards standard assets  | 4,699.63                            | 1,042.48                            |
| Provision towards non performing assets (*)  | 8,628.60                            | 495.39                              |
| Provision made towards Income tax (including for earlier year and deferred tax)                                    | 4,078.49                            | 4,949.64                            |
| Provision and contingencies on gratuity and compensated absences   | 899.26                              | 261.82                              |

(\*) Does not include provision on accrued NPA interest as the same is netted off in income.

**B) Draw Down from Reserves**

There have been no instances of draw down from reserves by the Company during the current and previous year.

| <b>C) Concentration of Advances, Exposures and NPAs</b>                           | <b>Year ended<br/>31 March 2020</b> | <b>Year ended<br/>31 March 2019</b> |
|---|-------------------------------------|-------------------------------------|
| <b>a) Concentration of Advances</b>   |                                     |                                     |
| Total Advances to twenty largest borrowers  | 7,741.67                            | 17,551.69                           |
| Percentage of Advances to twenty largest borrowers to Total Advances              | 1.73%                               | 5.01%                               |
| <b>b) Concentration of Exposures</b>  |                                     |                                     |
| Total exposure to twenty largest borrowers/customers                              | 7,741.7                             | 17,474                              |
| Percentage of exposures to twenty largest borrowers / customers to Total Exposure | 1.73%                               | 5.01%                               |
| <b>c) Concentration of NPAs</b>   |                                     |                                     |
| Total exposure to top four NPA accounts   | 186.42                              | 138.37                              |

| <b>d) Sector-wise NPAs</b>      | <b>Percentage of NPAs to total advances<br/>in that sector</b> |
|---------------------------------|--|
| Agriculture & allied activities | 1.97%  |
| MSME                            | Nil  |
| Corporate borrowers (*)         | Nil  |
| Services                        | 6.02%  |
| Unsecured personal loans        | 14.65%   |
| Auto loans                      | Nil  |
| Other personal loans            | Nil  |

(\*) Corporate borrowers are included in the respective sector.

| <b>e) Movement of NPAs</b>  | <b>Year ended<br/>31 March 2020</b> | <b>Year ended<br/>31 March 2019</b> |
|---|-------------------------------------|-------------------------------------|
| i) Net NPAs to Net Advances (%)   | 0.00%                               | 0.00%                               |
| ii) Movement of NPAs (Gross)  |                                     |                                     |
| a) Opening Balance  | 2,584.95                            | 2,089.56                            |
| b) Additions during the year  | 12,808.26                           | 4,362.48                            |
| c) Reductions during the year   | (4,209.36)                          | (3,867.09)                          |
| d) Closing balance  | 11,183.85                           | 2,584.95                            |
| iii) Movement of Net NPAs   |                                     |                                     |
| a) Opening Balance  | -                                   | -                                   |
| b) Additions during the year  | -                                   | -                                   |
| c) Reductions during the year   | -                                   | -                                   |
| d) Closing balance  | -                                   | -                                   |
| iv) Movement of provisions for NPAs (excluding provisions on standard assets) |                                     |                                     |
| a) Opening Balance  | 2,584.95                            | 2,089.56                            |
| b) Provisions made during the year  | 12,808.26                           | 4,362.48                            |
| c) Write-off/write-back of excess provisions                                  | (4,209.36)                          | (3,867.09)                          |
| d) Closing balance  | 11,183.85                           | 2,584.95                            |

**f) Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)**

The Company did not have any overseas assets during the current and previous year.

**g) Off-balance sheet SPVs sponsored**

(which are required to be consolidated as per accounting norms)

The Company did not sponsor any SPVs during the current and previous year.

| <b>ix) Disclosure of customer complaints</b>              | <b>Year ended<br/>31 March 2020</b> | <b>Year ended<br/>31 March 2019</b> |
|---|-------------------------------------|-------------------------------------|
| a) No. of complaints pending at the beginning of the year | 34                                  | 74                                  |
| b) No. of complaints received during the year             | 650                                 | 766                                 |
| c) No. of complaints redressed during the year            | 664                                 | 806                                 |
| d) No. of complaints pending at the end of the year       | 20                                  | 34                                  |

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**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

(All amounts in ₹ lakhs unless otherwise stated)

| <b>x) Information on instances of fraud identified during the year</b> | <b>Year ended<br/>31 March 2020</b> | <b>Year ended<br/>31 March 2019</b> |
|--|-------------------------------------|-------------------------------------|
| Nature of fraud  |                                     |                                     |
| <b>A. Cash embezzlement</b>  |                                     |                                     |
| No. of cases   | 101                                 | 9                                   |
| Amount of fraud  | 210.59                              | 27.60                               |
| Recovery (*)   | 107.63                              | 10.61                               |
| Amount provided for  | 102.96                              | 16.99                               |
| <b>B. Loans given against fictitious documents</b>                     |                                     |                                     |
| No. of cases   | -                                   | 1                                   |
| Amount of fraud  | -                                   | 4.98                                |
| Recovery (*)   | -                                   | -                                   |
| Amount provided for  | -                                   | 4.98                                |
| <b>C. Others (Snatching etc.)</b>                                      |                                     |                                     |
| No. of cases   | 60                                  | 32                                  |
| Amount of fraud  | 71.53                               | 39.89                               |
| Recovery (*)   | 49.41                               | 8.11                                |
| Amount provided for  | 22.13                               | 31.79                               |

(\*) Includes claims receivable filed with insurance company.

| <b>xi) Information on net interest margin (qualifying asset)</b> | <b>Year ended<br/>31 March 2020</b> | <b>Year ended<br/>31 March 2019</b> |
|--|-------------------------------------|-------------------------------------|
| Average Interest (a)   | 20.82%                              | 20.89%                              |
| Average effective cost of borrowing (b)                          | 10.85%                              | 10.94%                              |
| Net Interest margin (a-b)  | 9.97%                               | 9.95%                               |

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## Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

### Note 42: Additional disclosures pursuant to Para 19 of Master Direction - Non-Banking Financial Company - Systemically

#### Important Non-Deposit taking company and Deposit taking company (Reserve Bank) Directions, 2016.

##### Liabilities side :

| (1) Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid: | As at 31 March 2020 |                |
|---|---------------------|----------------|
|   | Amount outstanding  | Amount overdue |
| (a) Debentures  |                     |                |
| Secured   | -                   | -              |
| Unsecured   | 13,587.84           | -              |
| (other than falling within the meaning of public deposits)  |                     |                |
| (b) Deferred Credits  | -                   | -              |
| (c) Term Loans  |                     |                |
| Secured   | 3,93,470.42         | -              |
| Unsecured   | 7,581.54            | -              |
| (d) Inter-corporate loans and borrowing   |                     |                |
| (e) Commercial Paper  | -                   | -              |
| (f) Other Loans (*)   | 5,953.96            | -              |

(\*) Under Ind AS 109, securitised loan assets does not meet de-recognition criteria and accordingly, the Company continue to recognise such loan assets and in addition recognises a liability for the amount received. Accordingly, securitised loan assets and related liability is measured at amortised cost using effective interest method which is excluded in the above category.

The above figure includes accrued interest.

##### Assets side :

| (2) Break up of loans and advances: | As at 31 March 2020 |
|-------------------------------------|---------------------|
| a) Secured, gross                   | 7,550.27            |
| b) Unsecured, gross                 | 4,45,921.02         |
| <b>Total</b>                        | <b>4,53,471.29</b>  |

Loans and advances are arriving after the adjustment of accrued interest, unamortised loan processing fees, fair valuation impact and unamortised loan acquisition cost as per Ind AS requirements.

Loans and advances include accrued interest along with other Ind AS adjustments.

| (3) Break up of leased assets                                   | As at 31 March 2020 |
|---|---------------------|
| (i) Lease assets including lease rentals under sundry debtors:  |                     |
| (a) finance lease   | -                   |
| (b) operating lease   | -                   |
| (ii) Stock on hire including hire charges under sundry debtors: |                     |
| (a) assets on hire  | -                   |
| (b) repossessed asset   | -                   |
| (iii) Other loans counting towards AFC activities               |                     |
| (a) loans where assets have been repossessed                    | -                   |
| (b) loans other than (a) above                                  | -                   |

| (4) Breakup of investments  | As at 31 March 2020 |
|-----------------------------|---------------------|
| Current Investments :       |                     |
| 1. Quoted                   |                     |
| (i) Shares                  |                     |
| (a) Equity                  | -                   |
| (b) Preference              | -                   |
| (ii) Debentures and Bonds   | -                   |
| (iii) Units of mutual funds | -                   |
| (iv) Government Securities  | -                   |
| (v) Others                  | -                   |
| 2. Unquoted                 |                     |
| (i) Shares                  |                     |
| (a) Equity                  | -                   |
| (b) Preference              | -                   |
| (ii) Debentures and Bonds   | -                   |
| (iii) Units of mutual funds | -                   |
| (iv) Government Securities  | -                   |
| (v) Others                  | -                   |

## Arohan Financial Services Limited

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### Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

#### Additional disclosures pursuant to Para 19 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking company and Deposit taking company (Reserve Bank) Directions, 2016 (continued)

| Long Term investments :     | As at<br>31 March 2020 |
|-----------------------------|------------------------|
| 1. Quoted                   |                        |
| (i) Shares :                | -                      |
| (a) Equity                  | -                      |
| (b) Preference              | -                      |
| (ii) Debentures and Bonds   | -                      |
| (iii) Units of mutual funds | -                      |
| (iv) Government Securities  | -                      |
| (v) Others                  | -                      |
| 2. Unquoted                 |                        |
| (i) Shares:                 |                        |
| (a) Equity (#)              | 5.00                   |
| (b) Preference              | -                      |
| (ii) Debentures and Bonds   | -                      |
| (iii) Units of mutual funds | -                      |
| (iv) Government Securities  | -                      |
| (v) Others                  | -                      |

(#) Refer note 42 (ii) investment has been fully provided.

| (5) Borrower group-wise classification of assets financed as in (2) and (3)<br>Category | Net of provision as at 31 March 2020 |                    |                    |
|---|--------------------------------------|--------------------|--------------------|
|   | Secured                              | Unsecured          | Total              |
| 1. Related parties  |                                      |                    |                    |
| (a) Subsidiaries  | -                                    | -                  | -                  |
| (b) Companies in the same group   | -                                    | -                  | -                  |
| (c) other related parties   | -                                    | -                  | -                  |
| 2. Other than related parties   | 7,550.27                             | 4,27,168.83        | 4,34,719.10        |
| <b>Total</b>  | <b>7,550.27</b>                      | <b>4,27,168.83</b> | <b>4,34,719.10</b> |

| (6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)<br>Category | Market value /<br>Breakup or fair value<br>or NAV | Book value<br>(net of provisions) |
|---|---|-----------------------------------|
| 1. Related parties  | -   | -                                 |
| 2. Other than related parties   | -   | -                                 |
| <b>Total</b>  | <b>-</b>  | <b>-</b>                          |

| (7) Other information                         | As at<br>31 March 2020 |
|---|------------------------|
| (i) Gross non-performing assets               |                        |
| (a) Related parties                           | -                      |
| (b) Other than related parties                | 11,183.85              |
| (ii) Net non-performing assets                |                        |
| (a) Related parties                           | -                      |
| (b) Other than related parties                | -                      |
| (iii) Assets acquired on satisfaction of debt | -                      |

## Arohan Financial Services Limited

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### Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

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#### Note 43: Additional disclosures pursuant to Para 19 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking company and Deposit taking company (Reserve Bank) Directions, 2016:

| SL.No. | Type of Restructuring  |                    | Others   |              |          |      |        |
|--------|--|--------------------|----------|--------------|----------|------|--------|
|        | Asset Classification   |                    | Standard | Sub Standard | Doubtful | Loss | Total  |
|        | Details  |                    |          |              |          |      |        |
| 1      | Restructured Accounts as on 01 April 2019 (*)  | No. of borrowers   | -        | -            | -        | -    | -      |
|        |  | Amount outstanding | -        | -            | -        | -    | -      |
|        |  | Provision thereon  | -        | -            | -        | -    | -      |
| 2      | Fresh Restructuring during the year  | No. of borrowers   | -        | 794          | -        | -    | 794.00 |
|        |  | Amount outstanding | -        | 125.41       | -        | -    | 125.41 |
|        |  | Provision thereon  | -        | 125.41       | -        | -    | 125.41 |
| 3      | Upgradations to restructured standard category during the FY   | No. of borrowers   | -        | -            | -        | -    | -      |
|        |  | Amount outstanding | -        | -            | -        | -    | -      |
|        |  | Provision thereon  | -        | -            | -        | -    | -      |
| 4      | Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY | No. of borrowers   | -        | -            | -        | -    | -      |
|        |  | Amount outstanding | -        | -            | -        | -    | -      |
|        |  | Provision thereon  | -        | -            | -        | -    | -      |
| 5      | Downgradations of restructured accounts during the FY  | No. of borrowers   | -        | -            | -        | -    | -      |
|        |  | Amount outstanding | -        | -            | -        | -    | -      |
|        |  | Provision thereon  | -        | -            | -        | -    | -      |
| 6      | Write-offs of restructured accounts during the FY  | No. of borrowers   | -        | 793          | -        | -    | 793.00 |
|        |  | Amount outstanding | -        | 111.70       | -        | -    | 111.70 |
|        |  | Provision thereon  | -        | -            | -        | -    | -      |
| 7      | Restructured Accounts as on 31 March 2020 (*)  | No. of borrowers   | -        | -            | -        | -    | -      |
|        |  | Amount outstanding | -        | -            | -        | -    | -      |
|        |  | Provision thereon  | -        | -            | -        | -    | -      |

\* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

1. The outstanding amount and number of borrowers as at 31 March, 2020 is after considering recoveries during the year.
2. CDR and SME debt restructuring segments are nil.
3. One loan account has closed during the financial year



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(All amounts in ₹ lakhs unless otherwise stated)

**Note 44: Disclosures pursuant to Reserve Bank of India notification no. DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated March 13, 2020.****(A) Asset Classification as per RBI Norms**

| Asset Classification as per RBI Norms   | Asset classification as per Ind AS 109 | Gross Carrying Amount as per Ind AS | Loss Allowances (Provisions) as required under Ind AS 109 | Net Carrying Amount | Provisions required as per IRACP norms (*) | Difference between Ind AS 109 provisions and IRACP norms |
|---|--|-------------------------------------|---|---------------------|--|--|
| (A)   | (B)                                    | (C)                                 | (D)   | (E=C-D)             | (F)  | (G=D-F)  |
| <b>Performing Assets</b>  |  |                                     |   |                     |  |  |
| Standard  | Stage 1                                | 4,30,578.27                         | 2,679.18  | 4,27,899.09         | 1,706.88                                   | 972.30   |
|   | Stage 2                                | 11,709.17                           | 4,889.16  | 6,820.01            | 43.75                                      | 4,845.41   |
| <b>Subtotal (A)</b>   |  | <b>4,42,287.44</b>                  | <b>7,568.34</b>   | <b>4,34,719.10</b>  | <b>1,750.63</b>                            | <b>5,817.71</b>  |
| <b>Non-Performing Assets (NPA)</b>  |  |                                     |   |                     |  |  |
| Substandard   | Stage 3                                | 11,183.85                           | 11,183.85   | -0.00               | 2,722.14                                   | 8,461.71   |
| Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms | Stage 1                                |                                     |   | -                   |  | -  |
|   | Stage 2                                |                                     |   | -                   |  | -  |
|   | Stage 3                                |                                     |   | -                   |  | -  |
| <b>Subtotal (B)</b>   |  | <b>11,183.85</b>                    | <b>11,183.85</b>  | <b>-0.00</b>        | <b>2,722.14</b>                            | <b>8,461.71</b>  |
| <b>Total (A+B)</b>  | <b>Stage 1</b>                         | <b>4,30,578.27</b>                  | <b>2,679.18</b>   | <b>4,27,899.09</b>  | <b>1,706.88</b>                            | <b>972.30</b>  |
|   | <b>Stage 2</b>                         | <b>11,709.17</b>                    | <b>4,889.16</b>   | <b>6,820.01</b>     | <b>43.75</b>                               | <b>4,845.41</b>  |
|   | <b>Stage 3</b>                         | <b>11,183.85</b>                    | <b>11,183.85</b>  | <b>-0.00</b>        | <b>2,722.14</b>                            | <b>8,461.71</b>  |
|   | <b>Total</b>                           | <b>4,53,471.29</b>                  | <b>18,752.19</b>  | <b>4,34,719.10</b>  | <b>4,472.77</b>                            | <b>14,279.42</b>   |

(\*) The amount of securitisation portfolio has been considered off book balances for limited purpose of computation provision as per RBI norms.

**Note 45(a): Disclosures pursuant to Reserve Bank of India notification no. DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 and DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020 on COVID-19 – Regulatory Package**

In pursuant of the notification number DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 issued by Reserve Bank of India grants three month moratorium period from 01 March 2020 to 31 May 2020. In addition to that vide notification number DOR.No.BP.BC.71/21.04.048/2019-20 dated May 23, 2020 an additional moratorium period of three month were granted from 01 June 2020 to 31 August 2020 to its borrowers.

The Company has applied the relaxation to its borrowers across the loans product offerings as detailed below:

1. For the loans in which customers avails the moratorium, interest shall accrue at the contractual interest rate during the moratorium period with corresponding increase in the residual tenure.
2. Interest accrual for moratorium period is adjusted over the balance period with EMI recalibration.
3. Rescheduling of payment including interest will not qualify as a default for purpose of supervisory reporting and reporting to Credit Bureau.
4. Days Past Due (DPD) status and reporting to Credit Bureaus between 1st March 2020 and 31st August, 2020 will not change with effect from 1st Mar 2020. However, due to EMI repayments post 1st March 2020, if there is a reduction of DPD days, the same will be recorded & reported.

**Note 45(b): Disclosures pursuant to Reserve Bank of India notification no. RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2020-21 dated April 17, 2020**

|  |           |
|--|-----------|
| Respective amount in SMA/ overdue category where the moratorium deferment was extended | 30,737.57 |
| Respective amount where asset classification benefit is extended                       | 18,827.84 |

**Arohan Financial Services Limited**

(Formerly Arohan Financial Services Private Limited)

**Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

(All amounts in ₹ lakhs unless otherwise stated)

**Note 46: Asset Liability Management****Maturity pattern of assets and liability as on 31 March 2020**

| Particulars                         | 1 to 7 days | 8 to 14 days | 15 to 30/31 days | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | Over 1 year and upto 3 years | Over 3 year and upto 5 years | Over 5 years | Total       |
|-------------------------------------|-------------|--------------|------------------|---------------|---------------|---------------|--------------------|------------------------------|------------------------------|--------------|-------------|
| Deposits (with banks)               | 4,072.88    | -            | 253.31           | 466.20        | 628.89        | 819.02        | 3,901.61           | 8,177.77                     | 50.00                        | -            | 18,369.68   |
| Advances (Micro Finance Portfolio)  | -           | -            | -                | 325.90        | -             | 35,762.61     | 1,66,204.59        | 2,08,945.50                  | 8,790.07                     | -            | 4,20,028.67 |
| Advances (Other than Micro Finance) | 70.37       | 132.30       | 78.82            | 175.05        | 241.83        | 3,501.14      | 12,165.77          | 11,344.40                    | 1,288.89                     | -            | 28,998.57   |
| Investments                         | -           | -            | -                | -             | -             | -             | -                  | -                            | -                            | -            | -           |
| Borrowings                          | 5,383.92    | 10,508.75    | 4,482.86         | 8,247.35      | 20,134.35     | 65,136.07     | 1,12,427.08        | 1,59,112.99                  | 15,590.49                    | 17,500.00    | 4,18,523.85 |
| Foreign Currency assets             | -           | -            | -                | -             | -             | -             | -                  | -                            | -                            | -            | -           |
| Foreign Currency liabilities        | -           | -            | -                | -             | -             | -             | -                  | -                            | -                            | -            | -           |

**Maturity pattern of assets and liability as on 31 March 2019**

| Particulars                         | 1 to 7 days | 8 to 14 days | 15 to 30/31 days | 1 to 2 months | 2 to 3 months | 3 to 6 months | 6 months to 1 year | Over 1 year and upto 3 years | Over 3 year and upto 5 years | Over 5 years | Total       |
|-------------------------------------|-------------|--------------|------------------|---------------|---------------|---------------|--------------------|------------------------------|------------------------------|--------------|-------------|
| Deposits (with banks)               | 21.55       | 2,000.00     | 9,062.71         | 276.22        | 377.68        | 522.15        | 2,126.89           | 5,054.23                     | 24.47                        | -            | 19,465.90   |
| Advances (Micro Finance Portfolio)  | 59.93       | 103.71       | 22,883.75        | 23,393.28     | 22,894.73     | 65,659.86     | 1,02,661.26        | 78,781.42                    | 1,474.68                     | -            | 3,17,912.62 |
| Advances (Other than Micro Finance) | 6.19        | 10.71        | 2,363.80         | 2,514.58      | 2,313.47      | 6,922.38      | 10,993.80          | 10,523.96                    | 834.96                       | -            | 36,483.85   |
| Investments                         | -           | -            | -                | -             | -             | -             | -                  | -                            | -                            | 3.32         | 3.32        |
| Borrowings                          | 3,794.12    | 8,507.04     | 8,820.40         | 10,543.23     | 12,949.80     | 47,959.67     | 80,859.00          | 97,234.67                    | 15,367.00                    | 15,000.00    | 3,01,034.94 |
| Foreign Currency assets             | -           | -            | -                | -             | -             | -             | -                  | -                            | -                            | -            | -           |
| Foreign Currency liabilities        | -           | -            | -                | -             | -             | -             | -                  | -                            | -                            | -            | -           |

## Notes:

1. The above borrowings and deposits excludes accrued interest.
2. The advances comprise of loan portfolio and does not include interest accrued and other Ind AS adjustments.
3. The above information has been considered as per the Asset Liability Management (ALM) Report compiled by the management and reviewed by the ALM Committee.

**Note 47: First time adoption of Ind AS**

**A. Explanation of transition to Ind AS**

These are the Company's first financial statements prepared in accordance with Ind AS.

The accounting policies set out in note 3 have been applied in preparing the financial statements for the year ended 31 March 2020, the comparative information presented in these financial statements for the year ended 31 March 2019 and in the preparation of an opening Ind AS balance sheet at 01 April 2018 (the Company's date of transition). An explanation of how the transition from previous GAAP to Ind AS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes.

**Reconciliation of total equity as at 31 March 2019**

| Particulars   | Note    | As at 31 March 2019 |                                |                    |
|---|---------|---------------------|--------------------------------|--------------------|
|   |         | Previous GAAP *     | Effect of transition to Ind AS | Ind AS             |
| <b>ASSETS</b>   |         |                     |                                |                    |
| <b>Financial assets</b>   |         |                     |                                |                    |
| Cash and cash equivalents   |         | 17,400.18           | 0.39                           | 17,400.57          |
| Other bank balances   |         | 8,818.76            | -                              | 8,818.76           |
| Trade receivables   |         | 566.33              | -                              | 566.33             |
| Loans   | E.c,d,g | 3,45,317.11         | 6,204.53                       | 3,51,521.64        |
| Investments   | E.e     | 5.00                | (1.68)                         | 3.32               |
| Other financial assets  |         | 1,549.37            | 2,063.80                       | 3,613.17           |
|   |         | <b>3,73,656.75</b>  | <b>8,267.04</b>                | <b>3,81,923.79</b> |
| <b>Non-financial assets</b>   |         |                     |                                |                    |
| Current tax assets (net)  | E.f     | 323.91              | -                              | 323.91             |
| Deferred tax assets (net)   | E.f     | 1,151.47            | (786.77)                       | 364.70             |
| Property, plant and equipment   |         | 601.03              | -                              | 601.03             |
| Intangible assets under development   |         | 5.29                | -                              | 5.29               |
| Other intangible assets   |         | 570.37              | -                              | 570.37             |
| Right-of-use assets   |         | -                   | 645.70                         | 645.70             |
| Other non-financial assets  |         | 864.65              | 10.17                          | 874.82             |
|   |         | <b>3,516.72</b>     | <b>(130.90)</b>                | <b>3,385.82</b>    |
| <b>Total assets</b>   |         | <b>3,77,173.47</b>  | <b>8,136.14</b>                | <b>3,85,309.61</b> |
| <b>LIABILITIES AND EQUITY</b>   |         |                     |                                |                    |
| <b>Liabilities</b>  |         |                     |                                |                    |
| <b>Financial liabilities</b>  |         |                     |                                |                    |
| 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 |         | -                   | -                              | -                  |
| Debt securities   | E.a     | 6,244.29            | 1.60                           | 6,245.89           |
| Borrowings (other than debt securities)   | E.a     | 2,71,714.38         | 5,873.45                       | 2,77,587.83        |
| Subordinated liabilities  | E.a     | 18,515.22           | -                              | 18,515.22          |
| Others financial liabilities  |         | 9,759.11            | 667.41                         | 10,426.52          |
|   |         | <b>3,06,233.00</b>  | <b>6,542.46</b>                | <b>3,12,775.46</b> |
| <b>Non-financial liabilities</b>  |         |                     |                                |                    |
| Provisions  |         | 523.69              | -                              | 523.69             |
| Other non-financial liabilities   |         | 2,294.86            | -                              | 2,294.86           |
|   |         | <b>2,818.55</b>     | <b>-</b>                       | <b>2,818.55</b>    |
| <b>Equity</b>   |         |                     |                                |                    |
| Equity share capital  |         | 10,116.14           | 151.25                         | 10,267.39          |
| Other equity (refer statement of change in equity)  |         | 58,005.78           | 1,442.43                       | 59,448.21          |
|   |         | <b>68,121.92</b>    | <b>1,593.68</b>                | <b>69,715.60</b>   |
| <b>Total liabilities and equity</b>   |         | <b>3,77,173.47</b>  | <b>8,136.14</b>                | <b>3,85,309.61</b> |

(\*The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements i.e. basis Division III of Schedule III for the purpose of this note. After reclassification, effect has been given for transition adjustments.

**Reconciliation of of statement of Profit and Loss for the year ended 31 March 2019**

| Particulars   | Note | Previous GAAP *  | Effect of transition to Ind AS | Ind AS           |
|---|------|------------------|--------------------------------|------------------|
| <b>Revenue from operations</b>                              |      |                  |                                |                  |
| Interest income   | E.a  | 60,281.78        | -1,797.98                      | 58,483.80        |
| Fees and commission income                                  |      | 1,984.41         | -                              | 1,984.41         |
| Net gain on derecognition of financial instruments          | E.b  | -                | 4,269.57                       | 4,269.57         |
| Other operating income                                      |      | 513.26           | -                              | 513.26           |
| <b>Total Revenue from operations</b>                        |      | <b>62,779.45</b> | <b>2,471.59</b>                | <b>65,251.04</b> |
| Other Income  |      | 270.35           | 2.77                           | 273.12           |
| <b>Total Income</b>   |      | <b>63,049.80</b> | <b>2,474.36</b>                | <b>65,524.16</b> |
| <b>Expenses</b>   |      |                  |                                |                  |
| Finance costs   | E.a  | 25,360.60        | 117.85                         | 25,478.45        |
| Impairment on financial instruments                         | E.d  | 4,049.18         | 0.00                           | 4,049.18         |
| Employee benefits expenses                                  | E.g  | 11,738.50        | (12.68)                        | 11,725.82        |
| Depreciation, amortization and impairment                   |      | 409.61           | 117.64                         | 527.25           |
| Other expenses  |      | 6,168.25         | (138.46)                       | 6,029.79         |
| <b>Total Expenses</b>                                       |      | <b>47,726.14</b> | <b>84.35</b>                   | <b>47,810.49</b> |
| <b>Profit/(loss) before tax</b>                             |      | <b>15,323.66</b> | <b>2,390.01</b>                | <b>17,713.67</b> |
| Tax Expense   | E.f  |                  |                                |                  |
| Current tax   |      | 4,585.25         | -                              | 4,585.25         |
| Tax reversal for earlier periods                            |      | (105.50)         | -                              | (105.50)         |
| Deferred Tax  |      | (366.37)         | 836.26                         | 469.89           |
| <b>Profit before tax</b>                                    |      | <b>11,210.28</b> | <b>1,553.75</b>                | <b>12,764.03</b> |
| <b>Other Comprehensive Income</b>                           | E.g  |                  |                                |                  |
| (A) Items that will not be reclassified to profit or (loss) |      |                  |                                |                  |
| (i) Remeasurement of post employment benefit obligations    |      | -                | (116.08)                       | (116.08)         |
| (ii) Equity instruments through other comprehensive income  |      | -                | -                              | -                |
| (iii) Income tax relating to these items                    |      | -                | 40.56                          | 40.56            |
| Subtotal (A)  |      | -                | (75.52)                        | (75.52)          |
| (B) Items that will be reclassified to profit or loss       |      |                  |                                |                  |
| (i) Fair valuation of financial assets                      |      |                  | (299.42)                       | (299.42)         |
| (ii) Income tax relating to these items                     |      |                  | 104.63                         | 104.63           |
| Subtotal (B)  |      | -                | (194.79)                       | (194.79)         |
| <b>Other Comprehensive Income (A + B)</b>                   |      | -                | (270.31)                       | (270.31)         |
| <b>Total comprehensive income for the year</b>              |      | <b>11,210.28</b> | <b>1,283.44</b>                | <b>12,493.72</b> |

\*The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements i.e. basis Division III of Schedule III for the purpose of this note. After reclassification, effect has been given for transition adjustments.

**Reconciliation of total equity as at 01 April 2018**

| Particulars   | Note    | As at 1 April 2018 |                                |                    |
|---|---------|--------------------|--------------------------------|--------------------|
|   |         | Previous GAAP *    | Effect of transition to Ind AS | Ind AS             |
| <b>ASSETS</b>   |         |                    |                                |                    |
| <b>Financial assets</b>   |         |                    |                                |                    |
| Cash and cash equivalents   |         | 15,863.87          | 14.18                          | 15,878.05          |
| Other bank balances   |         | 6,583.25           | -                              | 6,583.25           |
| Trade receivables   |         | 219.23             | -                              | 219.23             |
| Loans   | E.c,d,g | 2,03,439.37        | 450.02                         | 2,03,889.39        |
| Investments   | E.e     | 6.58               | (1.41)                         | 5.17               |
| Other financial assets  |         | 1,044.73           | (13.28)                        | 1,031.45           |
| <b>Total financial assets</b>   |         | <b>2,27,157.03</b> | <b>449.51</b>                  | <b>2,27,606.54</b> |
| <b>Non-financial assets</b>   |         |                    |                                |                    |
| Current tax assets (net)  | E.f     | 8.37               | -                              | 8.37               |
| Deferred tax assets (net)   | E.f     | 785.11             | (95.71)                        | 689.40             |
| Property, plant and equipment   |         | 499.20             | -                              | 499.20             |
| Intangible assets under development   |         | -                  | -                              | -                  |
| Other intangible assets   |         | 534.11             | -                              | 534.11             |
| Right-of-use assets   |         | -                  | 426.09                         | 426.09             |
| Other non-financial assets  |         | 606.65             | 13.28                          | 619.93             |
| <b>Total non-financial assets</b>   |         | <b>2,433.44</b>    | <b>343.66</b>                  | <b>2,777.10</b>    |
| <b>Total assets</b>   |         | <b>2,29,590.47</b> | <b>793.17</b>                  | <b>2,30,383.64</b> |
| <b>LIABILITIES AND EQUITY</b>   |         |                    |                                |                    |
| <b>Liabilities</b>  |         |                    |                                |                    |
| <b>Financial liabilities</b>  |         |                    |                                |                    |
| 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 |         | -                  | -                              | -                  |
| Debt securities   | E.a     | 11,694.90          | (0.30)                         | 11,694.60          |
| Borrowings (other than debt securities)   | E.a     | 1,60,193.59        | 148.63                         | 1,60,342.22        |
| Subordinated liabilities  | E.a     | 14,975.98          | -                              | 14,975.98          |
| Others financial liabilities  |         | 3,391.13           | 427.48                         | 3,818.61           |
|   |         | <b>1,90,255.60</b> | <b>575.81</b>                  | <b>1,90,831.41</b> |
| <b>Non-financial liabilities</b>  |         |                    |                                |                    |
| Provisions  |         | 261.87             | -                              | 261.87             |
| Other non-financial liabilities   |         | 1088.44            | -                              | 1,088.44           |
|   |         | <b>1,350.31</b>    | <b>-</b>                       | <b>1,350.31</b>    |
| <b>Equity</b>   |         |                    |                                |                    |
| Equity share capital  |         | 8,822.44           | 24.10                          | 8,846.54           |
| Other equity  |         | 29,162.12          | 193.26                         | 29,355.38          |
|   |         | <b>37,984.56</b>   | <b>217.36</b>                  | <b>38,201.92</b>   |
| <b>TOTAL LIABILITIES AND EQUITY</b>   |         | <b>2,29,590.47</b> | <b>793.17</b>                  | <b>2,30,383.64</b> |

(\*) The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements i.e. basis Division III of Schedule III for the purpose of this note. After reclassification, effect has been given for transition adjustments.

**B Ind AS optional exemptions**

Indian Accounting Standard 101 First time adoption Indian Accounting Standards (Ind AS 101) allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following

**(i) Deemed cost property, plant and equipment and intangible assets**

Ind AS 101 permits a first-time adopter to elect to continue with the carrying value for all of its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost as at the date of transition. This exemption can also be used for intangible assets covered by Ind AS 38 Intangible Asset. Accordingly, the Company has elected to measure all of its property, plant and equipment and intangible assets at their previous GAAP carrying value.

**(ii) Determining whether an arrangement contains a lease**

The Company has applied Ind AS 116 for determining whether an arrangement contains a lease and also to determine whether an arrangement existing at the transition date contains a lease on the basis of facts and circumstances existing at that date.

**(iii) Share based payments**

Ind AS 102 share based payments requires an entity to recognise the equity settled share based payment plans based on fair value of the stock options granted to employees instead of intrinsic value. Ind AS 101 permits a first time adopter to ignore such

**C Ind AS mandatory exceptions**

**(i) Estimates**

An entity's estimates in accordance with Ind ASs at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies), unless there is objective evidence that those estimates were in error.

Ind AS estimates as at 01 April 2018 are consistent with the estimates as at the same date made in conformity with previous GAAP. The Company made estimates for following items in accordance with IndAS at the date of transition as these were not required under previous GAAP:

- a) Investment in equity instruments carried at FVOCI
- b) Impairment of financial assets based on expected credit loss model

**(ii) Classification and measurement of financial assets and liabilities**

The classification and measurement of financial assets will be made considering whether the conditions as per Ind AS 109 are met based on facts and circumstances existing at the date of transition. Further, if it is impracticable for the Company to apply retrospectively the effective interest rate method in IndAS 109, the fair value of the financial asset or the financial liability at the date of transition to Ind AS shall be the new gross carrying amount of that financial asset or the new amortised cost of that financial liability at the date of transition to Ind AS.

**(iii) Derecognition of financial assets and liabilities**

Ind AS 101 requires a first-time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However, Ind AS 101 allows a first-time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of the entity's choice, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

**D Reconciliations between previous GAAP and Ind AS**

Ind AS 101 requires an entity to reconcile total equity, total comprehensive income and cash flows for prior periods. The following tables represent the reconciliations from previous GAAP to Ind AS.

**(i) Reconciliation of total equity as at 31 March 2019**

| Particulars   | As at            |                  |
|---|------------------|------------------|
|   | 01 April 2018    | 31 March 2019    |
| <b>Total equity (shareholder's funds) as per previous GAAP</b>  | 38,044.67        | 68,121.92        |
| <b>Adjustment resulting in increase/ (decrease) in equity reported in previous GAAP:</b>  |                  |                  |
| (1) Impact on recognition of financial asset and financial liabilities at amortised cost by application of effective interest rate method | (168.25)         | 628.90           |
| (2) Net gain on derecognition of loans sold under assignment transaction  | -                | 2,074.31         |
| (3) Fair valuation of financial assets and liabilities  | (26.10)          | (431.20)         |
| (4) Others  | 447.90           | 108.47           |
| (7) Tax impact on above adjustments   | (96.30)          | (786.80)         |
| <b>Total adjustments on transition to Ind AS</b>  | <b>157.25</b>    | <b>1,593.68</b>  |
| <b>Total equity as per Ind AS</b>   | <b>38,201.92</b> | <b>69,715.60</b> |

**(ii) Reconciliation of total comprehensive income for the year**

| Particulars   | Year ended       |
|---|------------------|
|   | 31 March 2019    |
| <b>Net profit as per previous GAAP</b>  | 11,207.52        |
| <b>Adjustment resulting in increase/ (decrease) in profit after tax as reported under previous GAAP</b>                                   |                  |
| (1) Impact on recognition of financial asset and financial liabilities at amortised cost by application of effective interest rate method | 327.22           |
| (2) Net gain on derecognition of loans sold under assignment transaction  | 2,074.31         |
| (3) Fair valuation of financial assets and liabilities  | (103.73)         |
| (5) Others  | 94.97            |
| (6) Deferred tax impact on Ind AS adjustments   | (836.25)         |
| <b>Profit after tax as per Ind AS</b>   | <b>12,764.04</b> |
| Other comprehensive income, net of taxes  | (270.32)         |
| <b>Total comprehensive income for the year</b>  | <b>12,493.72</b> |

(iii) Impact of Ind AS adoption on statement of cash flows for the year ended on 31 March 2019:

| Particulars   | Previous GAAP*   | Adjustments    | Ind AS           |
|---|------------------|----------------|------------------|
| Net cash used in operating activity                         | (1,25,804.90)    | 595.18         | (1,25,209.72)    |
| Net cash used in investing activity                         | (439.40)         | (111.72)       | (551.12)         |
| Net cash flows from financing activity                      | 1,27,795.86      | (512.50)       | 1,27,283.36      |
| <b>Net Increase/ (decrease) in cash and cash equivalent</b> | <b>1,551.56</b>  | <b>(29.03)</b> | <b>1,522.52</b>  |
| Cash and cash equivalent as at 01 April 2018                | 15,861.20        | 16.85          | 15,878.05        |
| <b>Cash and cash equivalent as at 31 March 2019</b>         | <b>17,412.76</b> | <b>(12.19)</b> | <b>17,400.57</b> |

The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements i.e. basis Division III of Schedule III for the purpose of this note. After reclassification, effect has been given for transition adjustments.

**E Notes to First time adoption**

**a Borrowings and loans**

Under previous GAAP, transaction costs incurred towards origination of borrowings were charged to statement of profit and loss on straight-line basis over the period of borrowing. Under Ind AS, such transaction costs are netted off from the carrying amount of borrowings on initial recognition. These transactions costs are then recognised in the statement of profit and loss over the tenure of the such borrowings as part of the interest expense by applying the effective interest rate method.

**b Gain on de-recognition of loans sold under direct assignment transactions**

Under Ind AS, present value of excess interest spread receivables on de-recognized assets has been computed by discounting net cash flows from such assigned pools with respective pool IRR. Under previous GAAP, such spread was being recognized as and when received in cash.

**c Securitisation**

Under previous GAAP, the Company used to de-recognise the securitised loan assets and excess interest spread income was recognised on receipt basis. Under Ind AS 109, securitised loan assets does not meet de-recognition criteria and accordingly, the Company continue to recognise such loan assets and in addition recognises a liability for the amount received. Accordingly, securitised loan assets and related liability is measured at amortised cost using effective interest method.

**d Impairment of loan assets**

Under previous GAAP, the Company were created impairment allowance on loan assets basis the provisioning norms prescribed by Reserve Bank of India ('RBI'). Under Ind AS, impairment allowance has been determined based on expected credit loss ('ECL') model.

**e Fair valuation of investments**

Under previous GAAP, investments in long-term equity instrument were carried at cost and tested for other than temporary diminution. Under Ind AS, such investments are carried either at fair value through profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI) (except for investment in subsidiaries).

Under previous GAAP, investments in mutual funds were carried at cost or market value whichever is lower. Under Ind AS, such investments are carried at fair value through profit and loss (FVTPL).

**f Tax impact on adjustments**

Retained earnings and statement of profit and loss has been adjusted consequent to the Ind AS transition adjustments with corresponding impact to deferred tax, wherever applicable.

**g Other comprehensive income**

Under Ind AS, all items of income and expense recognised in a period should be included in profit and loss for the period, unless a standard requires or permits otherwise. Items of income and expense that are not recognised in profit and loss but are shown in the statement of profit and loss as 'other comprehensive income' includes re-measurements of defined benefit plans and fair value gains or (losses) on FVOCI equity instruments and their corresponding income tax effects. The concept of other comprehensive income did not exist under previous GAAP.

## Arohan Financial Services Limited

(Formerly Arohan Financial Services Private Limited)

### Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

#### Note 48: Foreign Currency Disclosures

| Particulars                                  | Year ended<br>31 March 2020 | Year ended<br>31 March 2019 |
|--|-----------------------------|-----------------------------|
| (a) Earnings in foreign currency             |                             |                             |
| Grant income                                 | -                           | 3.47                        |
| Sale of accumulated carbon credit            | 4.92                        | -                           |
|  | <b>4.92</b>                 | <b>3.47</b>                 |
| (b) Expenditure in foreign currency          |                             |                             |
| Other borrowing costs                        |                             | 38.12                       |
| Professional fees                            | 1.34                        | -                           |
|  | <b>1.34</b>                 | <b>38.12</b>                |
| (c) Unhedged foreign currency exposure - Nil |                             |                             |

#### Note 49: Disclosure in respect of Corporate Social Responsibility under section 135 of the Act and Rules thereon

A CSR committee has been formed by the company as prescribed under section 135 of the Companies Act 2013, CSR expenses have been incurred throughout the year on the activities as specified in schedule VII of the Act.

| Particulars   | Year ended<br>31 March 2020 | Year ended<br>31 March 2019 |
|---|-----------------------------|-----------------------------|
| (a) Gross amount required to be spent during the year   | 159.76                      | 79.74                       |
| (b) Amount spent during the year on purposes other than construction/acquisition of any asset |                             |                             |
| Already spend   | 141.40                      | 77.67                       |
| Yet to be spend   | 18.36                       | 2.07                        |
|   | <b>159.76</b>               | <b>79.74</b>                |

#### Note 50: Segment reporting

The Company operates in a single reportable segment i.e. financing which has similar risks and returns for the purpose of Ind AS 108 "Operating segments" is considered to be the only reportable business segment. The Company derives its major revenues from financing activities and its customers are widespread. Further, the company is operating in India which is considered as a single geographical segment.

#### Note 51: Lease related disclosures

##### (a) Company as a lessee

The Company has adopted Ind AS 116 effective 1 April 2018 (i.e. date of transition to Ind AS), using the modified retrospective method to all lease contracts existing as at 1 April 2019. This has resulted in recognising a right-of-use asset of ₹ 1,206.79 lakhs and a corresponding lease liability of ₹ 1,206.79 lakhs. In the Statement of Profit and Loss for the current and previous year, operating lease expenses which were recognised as rental expenses is now recognised as depreciation expense for the right-of-use asset and finance cost for interest accrued on lease liability. De-recognition of rental expenses and recognition of depreciation and finance costs has positively impacted EBITDA by ₹ 261.48 lakhs (31 March 2019: 141.94 lakhs) and negatively impacted the PBT by ₹ 34.05 lakhs (31 March 2019: 20.47 lakhs)

##### (b) The table below describes the nature of Company's leasing activities by type of right-of-assets recognised on balance sheet:

| Right of use assets | Number of leases | Range of remaining term | Average remaining lease term | Number of leases with extension option | Number of leases with purchase option | Number of leases with termination option |
|---------------------|------------------|-------------------------|------------------------------|--|---------------------------------------|--|
| Office premises     | 9                | 10 months to 95 months  | 34 months                    | 9                                      | -                                     | -  |
| Furniture           | 3                | 111 months              | 111 months                   | 3                                      | -                                     | -  |

##### (c) Lease payments, not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. The expense relating to payments not included in the measurement of the lease liability is as follows:

| Particulars                | Year ended<br>31 March 2020 | Year ended<br>31 March 2019 |
|----------------------------|-----------------------------|-----------------------------|
| Short-term leases          | 1,033.07                    | 832.83                      |
| Leases of low value assets | -                           | -                           |
| Variable lease payments    | -                           | -                           |

##### (d) Total future lease payments relating to underlying leases are as follows:

| Particulars               | Within 1 year | 1-2 years     | 2-3 years    | 3-4 years    | 4-5 years    | More than 5 years | As at<br>31 March 2020 |
|---------------------------|---------------|---------------|--------------|--------------|--------------|-------------------|------------------------|
| Lease payments            | 266.85        | 228.16        | 108.62       | 89.22        | 75.06        | 299.42            | 1,067.33               |
| Less: Finance cost        | 72.41         | 53.14         | 39.66        | 33.59        | 28.30        | 55.60             | 282.70                 |
| <b>Net present values</b> | <b>194.44</b> | <b>175.02</b> | <b>68.96</b> | <b>55.63</b> | <b>46.76</b> | <b>243.82</b>     | <b>784.63</b>          |

| Particulars               | Within 1 year | 1-2 years     | 2-3 years     | 3-4 years    | 4-5 years    | More than 5 years | As at<br>31 March 2019 |
|---------------------------|---------------|---------------|---------------|--------------|--------------|-------------------|------------------------|
| Lease payments            | 221.11        | 205.90        | 167.45        | 82.72        | 66.37        | 105.64            | 849.19                 |
| Less: Finance cost        | 61.61         | 44.95         | 29.26         | 18.32        | 12.23        | 16.65             | 183.02                 |
| <b>Net present values</b> | <b>159.50</b> | <b>160.95</b> | <b>138.19</b> | <b>64.40</b> | <b>54.14</b> | <b>88.99</b>      | <b>666.17</b>          |

(e) Total cash outflow for leases for the year ended 31 March 2020 was ₹ 261.48 lakhs (31 March 2019; ₹ 141.94 lakhs)

(f) The Company has leases for office building and furnitures. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate are excluded from the initial measurement of the lease liability and right of use assets. The Company classifies its right-of-use assets in a consistent manner to its property, plant and equipment.

Each lease generally imposes a restriction that, unless there is a contractual right for the Company to sublease the asset to another party, the right-of-use asset can only be used by the Company. Some leases contain an option to extend the lease for a further term. The Company is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and other premises the Company must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Company is required to pay maintenance fees in accordance with the lease contracts.

(g) On transition to Ind AS 116 the weighted average incremental borrowing rate applied to lease liabilities recognised was 11%.

#### Note 52: Contingent liabilities and commitments

(a) Demand for income tax received from income tax authorities in respect of which the Company has gone for appeal is ₹ 38.20 Lakhs (31 March 2019: ₹ 29.07 lakhs and 01 April 2018: ₹ 96.20 lakhs). Based on the management assessment, crystallization of liability on these items is not considered probable and hence not acknowledged as debt by the Company.

(b) Corporate Guarantee provided to IndusInd Bank towards partnership agreement for ₹ 75 Lakhs (31 March 2019: ₹ 75 lakhs and 1 April 2018: ₹ 75 lakhs).

(c) Corporate guarantee in the form of credit enhancement provided towards securitisation for ₹ 1,311.69 lakhs (31 March 2019: ₹ 1,311.69 Lakhs and 1 April 2018: ₹ Nil).

(d) Capital commitment for purchase/ development of tangible and intangible asset (net of advances) ₹ 13.81 lakhs (31 March 2019: ₹16.44 lakhs and 1 April 2018: ₹ 97.31 lakhs).



## **Arohan Financial Services Limited**

(Formerly Arohan Financial Services Private Limited)

### **Summary of significant accounting policies and other explanatory information for the year ended 31 March 2020**

(All amounts in ₹ lakhs unless otherwise stated)

**Note 53:** 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.

This is the summary of significant accounting policies and other explanatory information referred in our report of even date.

For **Walker Chandiook & Co LLP**  
Chartered Accountants  
Firm Registration No. 001076N/N500013

**Manish Gujral**  
Partner

Place: Mumbai  
Date: 26 June 2020

For and on behalf of Board of Directors of  
**Arohan Financial Services Limited**

**Manoj Kumar Nambiar**  
Managing Director  
(DIN: 03172919)  
Place : Kolkata

**Anurag Agrawal**  
Director  
(DIN: 02385780)  
Place : Mumbai

**Anirudh Singh G Thakur**  
Company Secretary  
Place: Kolkata  
Date: 26 June 2020

**Milind Nare**  
Chief Financial Officer  
Place: Kolkata