

Independent Auditor’s Review Report on unaudited financial results of Arohan Financial Services Limited for the quarter and half year ended September 30, 2022 pursuant to the Regulation 52 read with Regulation 63(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

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

1. We have reviewed the accompanying statement of unaudited financial results of Arohan Financial Services Limited (the ‘Company’) for the quarter and half year ended September 30, 2022 (the ‘Statement’) attached herewith, being submitted by the Company pursuant to the requirements of Regulation 52 read with Regulation 63(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended (‘the Regulation’). Our responsibility is to express a conclusion based on our review.
2. This Statement, which is the responsibility of the Company’s Management and approved by the Company’s Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in Indian Accounting Standard 34 - ‘Interim Financial Reporting’ (the ‘Ind AS 34’), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other recognized accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagement (SRE) 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Institute of Chartered Accountants of India. This standard requires that we plan and perform the review to obtain moderate assurance as to whether financial results are free of material misstatements. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.
4. Based on our review conducted as stated in paragraph 3 above, nothing has come to our attention that causes us to believe that the accompanying Statement of unaudited financial results prepared in accordance with the recognition and measurement principles laid down in Ind AS 34, prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India has not disclosed the information required to be disclosed in terms of the Regulation including the manner in which it is to be disclosed, or that it contains any material misstatement.

MSKA & Associates

Chartered Accountants

5. The unaudited financial results of the Company for the corresponding quarter and half year ended September 30, 2021, was reviewed by another auditor whose report dated November 11, 2021 expressed an unmodified conclusion on those financial results. Our conclusion is not modified in respect of these matters.

For M S K A & Associates

ICAI Firm Registration Number: 105047W

Chartered Accountants

Tushar Kurani

Partner

Membership Number: 118580

UDIN: 22118580BCUMMG8703

Mumbai

November 11, 2022

Arohan Financial Services Limited
Statement of unaudited financial results for the quarter and half year ended 30 September 2022

Particulars	(₹ in lakhs)					
	Quarter ended			Half year ended		Year ended
	30 September 2022 (Unaudited)	30 June 2022 (Unaudited)	30 September 2021 (Unaudited)	30 September 2022 (Unaudited)	30 September 2021 (Unaudited)	31 March 2022 (Audited)
1 Revenue						
(a) Interest income	24,344.61	22,296.41	21,049.31	46,641.02	43,298.94	85,872.70
(b) Dividend income	-	-	-	-	-	3.50
(c) Fees and commission income	2,142.08	1,558.11	852.99	3,700.19	1,892.74	4,172.35
(d) Net gain on derecognition of financial instruments	1,051.71	358.81	-	1,410.52	-	-
(e) Others	13.93	21.07	21.92	35.00	56.23	124.02
Total revenue from operations	27,552.33	24,234.40	21,924.22	51,786.73	45,247.91	90,172.57
(f) Other income	369.65	436.12	647.81	805.77	1,376.28	1,870.03
Total revenue	27,921.98	24,670.52	22,572.03	52,592.50	46,624.19	92,042.60
2 Expenses						
(a) Finance costs	12,104.12	11,016.31	10,435.40	23,120.43	21,494.66	40,176.34
(b) Impairment on financial instruments	6,104.22	2,541.19	2,147.04	8,645.41	6,764.66	13,566.80
(c) Employee benefits expenses	5,497.34	5,739.93	5,636.75	11,237.27	10,544.30	21,039.10
(d) Depreciation and amortization expenses	111.84	125.53	155.35	237.37	304.24	586.07
(e) Other expenses	2,164.16	2,050.26	1,770.57	4,214.42	3,521.55	8,380.19
Total expenses	25,981.68	21,473.22	20,145.11	47,454.90	42,629.41	83,748.50
3 Profit/ (loss) before tax (1-2)	1,940.30	3,197.30	2,426.92	5,137.60	3,994.78	8,294.10
4 Tax expense						
(a) Current tax	(45.21)	301.22	(217.55)	256.01	1,265.86	8.93
(b) Deferred tax charge/ (credit)	287.83	564.22	929.83	852.05	(278.74)	2,178.62
(c) Tax expense for earlier years	-	-	-	-	-	11.52
5 Net Profit/ (loss) after tax (3-4)	1,697.68	2,331.86	1,714.64	4,029.54	3,007.66	6,095.03
6 Other Comprehensive Income						
(a) Items that will not be reclassified to profit or loss						
(i) Remeasurement of post employment benefit obligations	(66.08)	(92.40)	(273.26)	(158.48)	(288.87)	(223.42)
(ii) Remeasurement of equity instruments through other comprehensive income	-	-	-	-	-	5.00
(iii) Income tax relating to items that will not be reclassified to profit or loss	16.63	23.26	68.77	39.89	72.70	55.40
(b) Items that will be reclassified to profit or loss						
(i) Fair valuation of financial assets	-	-	-	-	-	-
(ii) Income tax relating to items that will be reclassified to profit or loss	-	-	-	-	-	-
Total Other Comprehensive Income (a+b)	(49.45)	(69.14)	(204.49)	(118.59)	(216.17)	(163.02)
Total Comprehensive Income for the period/ year (5+6)	1,648.23	2,262.72	1,510.15	3,910.95	2,791.49	5,932.01
7 Paid-up equity share capital (Face value of ₹ 10 each)	12,117.73	12,017.73	12,017.73	12,117.73	12,017.73	12,017.73
8 Earning per equity share (not annualised)						
(a) Basic (In ₹)	1.41	1.94	1.47	3.35	2.57	5.07
(b) Diluted (In ₹)	1.41	1.93	1.46	3.35	2.56	5.05

Arohan Financial Services Limited
Statement of unaudited financial results for the quarter and half year ended 30 September 2022
Balance Sheet

(₹ in lakhs)

Particulars	As at	As at
	30 September 2022 (Unaudited)	31 March 2022 (Audited)
A Assets		
1 Financial assets		
(a) Cash and cash equivalents	36,644.69	95,362.92
(b) Other bank balances	36,434.35	35,372.38
(c) Trade receivables	969.47	200.59
(d) Loans	4,08,238.55	3,71,019.93
(e) Investments	5.00	5.00
(f) Other financial assets	3,568.58	547.14
Total financial assets	4,85,860.64	5,02,507.96
2 Non-financial assets		
(a) Current tax assets (net)	6,894.22	4,820.31
(b) Deferred tax assets (net)	12,961.36	13,773.52
(c) Property, plant and equipment	407.01	400.71
(d) Intangible assets under development	51.03	45.04
(e) Other intangible assets	242.30	269.47
(f) Right of use asset	519.57	393.43
(g) Other non-financial assets	1,434.56	711.69
Total non-financial assets	22,510.05	20,414.17
TOTAL ASSETS	5,08,370.69	5,22,922.13
B LIABILITIES AND EQUITY		
Liabilities		
1 Financial liabilities		
(a) Payables		
(i) Trade payables		
(i) total outstanding dues of micro enterprises and small enterprises	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	-	-
(ii) Other payables		
(i) total outstanding dues of micro enterprises and small enterprises	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	-	-
(b) Debt securities	29,975.06	28,338.42
(c) Borrowings (other than debt securities)	3,17,494.32	3,41,078.35
(d) Subordinated liabilities	42,698.58	43,309.37
(e) Others financial liabilities	7,339.67	3,675.95
Total financial liabilities	3,97,507.63	4,16,402.09
2 Non-financial liabilities		
(a) Provisions	2,183.28	2,099.70
(b) Other non-financial liabilities	2,327.37	2,072.25
Total non-financial liabilities	4,510.65	4,171.95
3 Equity		
(a) Equity share capital	12,117.73	12,017.73
(b) Other equity	94,234.68	90,330.36
Total equity	1,06,352.41	1,02,348.09
TOTAL LIABILITIES AND EQUITY	5,08,370.69	5,22,922.13

Arohan Financial Services Limited
Statement of unaudited financial results for the quarter and half year ended 30 September 2022
Cash Flow Statement

(₹ in lakhs)

Particulars	Period ended 30 September 2022 (Unaudited)	Period ended 30 September 2021 (Unaudited)
(A) Cash flows from operating activities		
Profit before tax	5,137.60	3,994.78
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortization	237.37	304.24
Interest on lease liability	29.55	27.95
Impairment on financial instruments & other financial assets	8,645.41	6,764.66
Interest income on unwinding of assigned portfolio	(1,470.39)	(296.53)
Expense on employee stock option scheme	87.72	194.78
Effective interest rate adjustment for financial instruments	1,261.97	(1,366.78)
Unwinding impact on security deposit	0.12	
Operating profit before working capital changes	13,929.35	9,623.10
Working capital adjustments		
<u>(Increase)/ decrease in assets</u>		
Loans	(45,864.03)	13,321.03
Trade receivables	(768.88)	(8.38)
Other bank balances	(1,061.97)	(5,231.92)
Other financial assets	(1,548.85)	842.76
Other non-financial assets	(725.19)	(331.24)
<u>Increase/ (decrease) in liabilities</u>		
Others financial liabilities	3,531.93	(1,251.83)
Provisions	(74.90)	314.64
Other non-financial liabilities	255.12	(200.76)
Cash generated from operating activities	(32,327.42)	17,077.40
Income taxes paid (net of refunds)	(2,329.92)	(2,241.74)
Net cash generated from operating activities (A)	(34,657.34)	14,835.66
(B) Cash flows from investing activities		
Purchase of property, plant and equipment	(88.33)	(48.31)
Purchase of intangible assets and intangible assets under development	(54.25)	(39.99)
Proceeds from sale of property, plant and equipment	(0.24)	2.65
Net cash used in investing activities (B)	(142.82)	(85.65)
(C) Cash flows from financing activities		
Proceeds from issue of equity shares including premium	5.65	124.05
Proceeds from debt securities	11,500.00	-
Repayment of debt securities	(9,760.00)	(17,260.00)
Proceeds from borrowings (other than debt securities)	2,24,605.20	2,17,056.22
Repayment of borrowings (other than debt securities)	(2,49,165.34)	(2,58,080.70)
Proceeds from subordinated liabilities	-	2,472.75
Repayment of subordinated liabilities	(1,000.00)	-
Payment of lease liabilities	(103.58)	(125.23)
Net cash generated/ (used in) financing activities (C)	(23,918.07)	(55,812.91)
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	(58,718.23)	(41,062.90)
Cash and cash equivalents as at the beginning of the year	95,362.92	1,15,801.75
Cash and cash equivalents as at the end of the period	36,644.69	74,738.85
Components of cash and cash equivalents:		
Cash on hand	136.20	151.87
Balances and deposits with banks	36,508.49	74,586.98
Cash and cash equivalents considered for cash flow	36,644.69	74,738.85

Arohan Financial Services Limited

Notes:-

- The above unaudited financial results have been reviewed by the Audit Committee and approved by the Board of Directors of Arohan Financial Services Limited ('the Company') at their meetings held on November 10, 2022 and November 11, 2022 respectively.
- The unaudited financial results of the Company have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under Section 133 of the Companies Act 2013 ("the Act") read with the Companies (Indian Accounting Standard) Rules, 2015 as amended by the Companies (Indian Accounting Standards) Amendment Rules, 2016 and Regulation 52 read with Regulation 63(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.
- The above financial results for quarter ended June 30, 2022, quarter and half year ended September 30, 2022 and year ended March 31, 2022 have been reviewed/ audited by M S K A & Associates, Chartered Accountants, on which they had issued unmodified conclusion/ opinion. The financial results for the quarter and half year ended September 30, 2021 were reviewed by Walker Chandlok & Co LLP, Chartered Accountants, on which they had issued unmodified opinion.
- India is emerging from COVID-19 virus, a global pandemic that affected the world economy over last two years. The extent to which any new wave of COVID-19 will impact the Company's results will depend on the ongoing as well as future developments, including, among other things, any new information concerning the severity of COVID-19 pandemic, and any action contain its spread or mitigate its impact whether government mandated or elected by us.
- RBI vide circular dated November 12, 2021 – "Prudential Norms on Income Recognition, Asset Classification and Provisioning (IRACP) pertaining to Advances – Clarifications" has clarified certain aspects of the extant regulatory guidelines with a view to ensuring uniformity in the implementation of IRACP norms across the lending institutions. However RBI vide circular dated February 15, 2022 had allowed NBFC's to implement the same by September 30, 2022 which the Company has implemented for regulatory reporting as applicable. Such change has no impact on the financial results for the quarter and half year ended September 30, 2022 as the Company continues to prepare the financial results in accordance with the applicable Ind AS guidelines and the RBI circular dated March 13, 2020 – "Implementation of Indian Accounting Standards".
- Details of loan transferred/ acquired during the half year ended September 30, 2022 vide RBI circular RBI/DOR/2021-22/86 DOR.STR.REC.51/21.04.048/2021-22 on transfer of loan exposures dated September 24, 2021 are given below:
 - Details of loan transfer through direct assignment transaction in respect of loans not in default for the half year ended September 30, 2022:

Particulars	To Banks/ NBFC's
Number of loans	1,24,634
Aggregate amount of loans transferred (₹ in lakhs)	24,602.91
Sale Consideration (₹ in lakhs)	24,602.91
Weighted average residual maturity (in months) (*)	13.91
Weighted average holding period by the originator (in months)	8.34
Retention of beneficial economic interest by the originator	8.54% to 15.90%
Tangible security coverage	-
Rating-wise distribution of rated loans	-
Number of instances where it has agreed to replace loans transferred to transferee(s)	-
Number of instances where it has agreed to pay damages arising out of any representation or warranty	-

(*) residual maturity from the time of transfer

(ii) The Company has not transferred/ acquired any stressed loans during the half year ended September 30, 2022.

(iii) The Company has not acquired loans not in default during the half year ended September 30, 2022.

- During the period to relieve COVID-19 pandemic related stress, the Company had invoked and implemented resolution plans for eligible borrowers based on the parameters laid down in accordance with the one-time restructuring policy approved by the Board of Directors of the Company and in accordance with the guidelines issued by the RBI on August 6, 2020 and May 5, 2021.

(in lakhs)

Type of borrower	A	B	C	D	E
	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year i.e. March 31, 2022 (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year i.e. September 30, 2022
Personal Loans	-	-	-	-	-
Corporate persons (*)	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others (**)	1,14,159.29	4,508.74	81.49	44,158.79	65,410.27
Total	1,14,159.29	4,508.74	81.49	44,158.79	65,410.27

(*) As defined in Section 3(7) of the Insolvency and Bankruptcy Code, 2016

(**) represents microfinance loans to customer

Under Covid Resolution 1.0 and 2.0, 6,48,491 and 5,42,934 number of borrower accounts respectively were sanctioned for modification and implemented whose aggregate exposure as on September 30, 2022 is ₹7,781.05 lakhs and ₹71,287.78 lakhs respectively.

Under covid resolution 1.0, 336 number of MSME borrower accounts were sanction for modification and implemented whose aggregate exposure as on September 30, 2022 is ₹471.09 lakhs.

- The Company is primarily engaged in the business of financing - a single business segment in terms of Ind AS 108 "Operating segments"; consistent with the internal reporting provided to the Chief Operating Decision Maker.
- As per Regulation 54(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ("Listing Regulations"), all secured non convertible debentures ("NCDs") issued by the Company are secured by way of an exclusive charge on identified receivables to the extent of at least 100% of outstanding secured NCDs and pursuant to the terms of respective information memorandum.
- The Company has allotted 10,00,000 equity shares of ₹10 each to Arohan ESOP Trust at a price of ₹153.94 (including securities premium of ₹143.94 per share) aggregating to ₹1,539.40 Lakhs.
- The Indian Parliament has approved the Code on Social Security, 2020 which subsumes the Provident Fund and Gratuity Act and rules thereunder. The Ministry of Labour and Employment has also released draft rules thereunder on November 13, 2020 and has invited suggestions from stakeholders, which are under active consideration by the Ministry. The Company will evaluate the rules, assess the impact, if any, and account for the same once the rules are notified and becomes effective.
- Information as required by Regulations 52(4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended, is attached as Annexure 1.
- Previous quarter/ year ended figures have been regrouped / rearranged wherever necessary, to conform with the current quarter/ year.

By order of the Board
For Arohan Financial Services Limited

Manoj Kumar Nambiar
Managing Director
DIN: 03172919

Place: Kolkata
Date: 11 November 2022

Registered Office: PTI Building, DP Block, DP-9, 4th Floor, Sector - V, Salt Lake, Kolkata - 700091.
CIN: U74140WB1991PLC053189; **Website:** www.arohan.in

Arohan Financial Services Limited

Disclosure in compliance with Regulation 52(4) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, for the quarter and half year ended September 30, 2022.

Annexure 1

Sl. No	Particulars	Ratio
A	Debt-equity ratio ⁽¹⁾	3.67
B	Debt service coverage ratio ⁽²⁾	Not Applicable
C	Interest service coverage ratio ⁽²⁾	Not Applicable
D	Debenture redemption reserve ⁽³⁾	Not Applicable
E	Capital redemption reserve ⁽³⁾	Not Applicable
F	Outstanding redeemable preference shares (quantity and value)	Nil
G	Net worth (₹ in lakhs) ⁽⁴⁾	92,466.34
H	Net profit after tax (₹ in lakhs)	
	(i) For the quarter ended	1,697.68
	(ii) For half year ended	4,029.54
I	Earnings per share (in ₹)	
	(i) Basic :	
	Quarter ended	1.41
	Half year ended	3.35
	(ii) Diluted :	
	Quarter ended	1.41
	Half year ended	3.35
J	Current ratio ⁽⁷⁾	Not Applicable
K	Long term debt to working capital ⁽⁷⁾	Not Applicable
L	Bad debts to account receivable ratio ⁽⁷⁾	Not Applicable
M	Current liability ratio ⁽⁷⁾	Not Applicable
N	Total debts to total assets ⁽⁵⁾	76.75%
O	Debtors turnover ⁽⁷⁾	Not Applicable
P	Inventory turnover ⁽⁷⁾	Not Applicable
Q	Operating margin (%) ⁽⁷⁾	Not Applicable
R	Net profit margin (%) ⁽⁶⁾	
	(i) For the quarter ended	6.08%
	(ii) For the half year ended	7.66%
S	Sector specific equivalent ratios, as applicable	
	(i) Capital Adequacy Ratio ⁽⁸⁾	26.57%
	(ii) Gross stage 3 Ratio ⁽⁹⁾	3.09%
	(iii) Net stage 3 Ratio ⁽¹⁰⁾	0.79%

Notes:-

- Debt - equity ratio = (debt securities + borrowings-other than debt securities + subordinated liabilities) / (Equity Share Capital + Other Equity).
 - Debt service coverage ratio and interest service coverage ratio are not applicable to Banks or NBFC/ Housing Finance Companies registered with RBI as per Regulation 52(4) of SEBI Listing Obligations and Disclosure Requirements Regulation 2015.
 - Capital redemption Reserve/ Debenture redemption reserve is not required in respect of privately placed debentures in terms of Rule18(7)(b)(ii) of Companies (Share Capital and Debenture) Rules, 2014.
 - Net worth is calculated as defined in section 2(57) of the Companies Act, 2013.
 - Total debts to total assets = (debt securities + borrowings - other than debt securities + subordinated liabilities) / total assets
 - Net profit margin = Net profit after tax / Total income
 - The Company is a Non-Banking Financial Company registered under Reserve Bank of India Act, 1934, hence these ratios are generally not applicable.
 - Capital to risk-weighted assets is calculated as per the RBI guidelines.
 - Gross stage 3 ratio* = Gross stage 3 loans exposure at default (EAD) / Gross total loans EAD
 - Net Stage 3 ratio* = (gross stage 3 loans EAD - impairment loss allowance for Stage 3) / (gross total loans EAD - impairment loss allowance for Stage 3)
- * Refer note 5 of financial result.

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

Manoj Kumar Nambiar
Managing Director
DIN: 03172919

Place: Kolkata
Date: 11 November 2022

Registered Office: PTI Building, DP Block, DP-9, 4th Floor, Sector - V, Salt Lake, Kolkata - 700091.
CIN: U74140WB1991PLC053189; **Website:** www.arohan.in