

Independent Auditor's Review Report on the Unaudited Financial Results for the quarter and half year ended September 30, 2023 of Arohan Financial Services Limited pursuant to the Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

**To the Board of Directors
Arohan Financial Service 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, 2023 ('the Statement') attached herewith, being submitted by the Company pursuant to the requirements of Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('the Regulations').
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' ('Ind AS 34'), prescribed under Section 133 of the Companies Act, 2013 ('the Act') read with relevant rules issued thereunder and other recognized accounting principles generally accepted in India and in compliance with the Regulations. 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. A review of interim financial information 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 specified under Section 143 (10) of the Act 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, prepared in accordance with the recognition and measurement principles laid down in Ind AS 34, prescribed under Section 133 of the Act read with relevant rules issued thereunder and other recognized accounting principles generally accepted in India has not disclosed the information required to be disclosed in terms of the Regulations including the manner in which it is to be disclosed, or that it contains any material misstatement.

For **M S K A & Associates**
Chartered Accountants
ICAI Firm Registration Number: 105047W

Tushar Kurani
Partner
Membership Number: 118580
UDIN: 23118580BGXRW2213

Mumbai
November 10, 2023.

Arohan Financial Services Limited
Statement of unaudited financial results for the quarter and half year ended 30 September 2023

Particulars	(₹ in lakhs)					
	Quarter ended			Half year ended		Year ended
	30 September 2023 (Unaudited)	30 June 2023 (Unaudited)	30 September 2022 (Unaudited)	30 September 2023 (Unaudited)	30 September 2022 (Unaudited)	31 March 2023 (Audited)
1 Revenue						
(a) Interest income	33,763.29	29,707.77	24,344.61	63,471.06	46,641.02	93,096.90
(b) Fees and commission income	4,250.82	3,939.20	2,142.08	8,190.02	3,700.19	10,209.69
(c) Net gain on derecognition of financial instruments	1,598.00	873.20	1,051.71	2,471.20	1,410.52	3,586.49
(d) Others	0.01	0.33	13.93	0.34	35.00	52.30
Total revenue from operations	39,612.12	34,520.50	27,552.33	74,132.62	51,786.73	1,06,945.38
(e) Other income	1,022.59	855.54	369.65	1,878.13	805.77	2,154.14
Total revenue	40,634.71	35,376.04	27,921.98	76,010.75	52,592.50	1,09,099.52
2 Expenses						
(a) Finance costs	14,557.98	13,356.86	12,104.12	27,914.84	23,120.43	46,864.42
(b) Impairment on financial instruments	551.53	8,952.70	6,104.22	9,504.23	8,645.41	19,316.60
(c) Employee benefits expenses	8,264.49	7,173.00	5,497.34	15,437.49	11,237.27	24,614.80
(d) Depreciation and amortization	143.18	129.85	111.84	273.03	237.37	476.24
(e) Other expenses	2,585.91	2,515.45	2,164.16	5,101.36	4,214.42	8,832.10
Total expenses	26,103.09	32,127.86	25,981.68	58,230.95	47,454.90	1,00,104.16
3 Profit before tax (1-2)	14,531.62	3,248.18	1,940.30	17,779.80	5,137.60	8,995.36
4 Tax expense						
(a) Current tax	883.40	117.99	(45.21)	1,001.39	256.01	1.96
(b) Deferred tax charge	3,197.50	509.50	287.83	3,707.00	852.05	2,014.95
(c) Tax expense for earlier years	0.12	80.81	-	80.93	-	(93.18)
5 Net profit after tax (3-4)	10,450.60	2,539.88	1,697.68	12,990.48	4,029.54	7,071.63
6 Other Comprehensive Income						
(a) Items that will not be reclassified to profit or loss						
(i) Remeasurement of post employment benefit obligations	(107.81)	(105.00)	(66.08)	(212.81)	(158.48)	(350.99)
(ii) Income tax relating to items that will not be reclassified to profit or loss	27.13	26.43	16.63	53.56	39.89	88.34
(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)	(80.68)	(78.57)	(49.45)	(159.25)	(118.59)	(262.65)
Total Comprehensive Income for the period/ year (5+6)	10,369.92	2,461.31	1,648.23	12,831.23	3,910.95	6,808.98
7 Paid-up equity share capital (Face value of ₹ 10 each)	18,240.76	18,170.76	12,117.73	18,240.76	12,117.73	15,038.85
8 Earning per equity share (not annualised)						
(a) Basic (In ₹)	8.94	2.17	1.41	11.11	3.35	6.05
(b) Diluted (In ₹)	7.18	1.82	1.41	8.93	3.35	5.84

Arohan Financial Services Limited
Statement of unaudited financial results for the quarter and half year ended 30 September 2023
Balance Sheet

(₹ in lakhs)

Particulars		As at 30 September 2023 (Unaudited)	As at 31 March 2023 (Audited)
A Assets			
1 Financial assets			
(a) Cash and cash equivalents		78,166.54	55,656.06
(b) Other bank balances		33,326.90	37,800.09
(c) Trade receivables		2,166.45	1,537.64
(d) Loans		5,49,880.88	4,78,221.95
(e) Investments		14,746.36	7,877.00
(f) Other financial assets		5,284.87	2,757.32
Total financial assets		6,83,572.00	5,83,850.06
2 Non-financial assets			
(a) Current tax assets (net)		5,240.33	4,268.74
(b) Deferred tax assets (net)		8,193.47	11,846.91
(c) Property, plant and equipment		694.54	530.80
(d) Intangible assets under development		37.80	44.06
(e) Other intangible assets		181.81	215.05
(f) Right of use asset		577.06	490.05
(g) Other non-financial assets		1,036.31	571.12
Total non-financial assets		15,961.32	17,966.73
TOTAL ASSETS		6,99,533.32	6,01,816.79
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		21,940.95	30,084.77
(c) Borrowings (other than debt securities)		4,45,598.53	3,80,936.33
(d) Subordinated liabilities		42,746.45	42,327.83
(e) Others financial liabilities		11,186.88	9,946.14
Total financial liabilities		5,21,472.81	4,63,295.07
2 Non-financial liabilities			
(a) Provisions		2,238.64	2,468.29
(b) Other non-financial liabilities		2,844.19	2,250.92
Total non-financial liabilities		5,082.83	4,719.21
3 Equity			
(a) Equity share capital		18,240.76	15,038.85
(b) Other equity		1,54,736.92	1,18,763.66
Total equity		1,72,977.68	1,33,802.51
TOTAL LIABILITIES AND EQUITY		6,99,533.32	6,01,816.79

Arohan Financial Services Limited
Statement of unaudited financial results for the quarter and half year ended 30 September 2023
Statement of Cash Flows

Particulars	(₹ in lakhs)	
	Period ended 30 September 2023 (Unaudited)	Period ended 30 September 2022 (Unaudited)
A Cash flows from operating activities		
Profit before tax	17,779.80	5,137.60
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortization	273.03	237.37
Interest on lease liability (net)	30.43	29.55
Impairment on financial instruments	8,007.51	8,645.41
Impairment on security receipts	1,500.00	-
Impairment reversal on trade receivables	(3.28)	-
Net gain on derecognition of financial instruments	(2,471.20)	-
Interest income on unwinding of assigned portfolio	(519.42)	(1,470.39)
Expense on employee stock option scheme	121.87	87.72
Effective interest rate adjustment for financial instruments	1,000.93	1,261.97
Unwinding impact on security deposit	0.10	0.12
Operating profit before working capital changes	25,719.77	13,929.35
Working capital adjustments		
<u>(Increase)/ decrease in assets</u>		
Loans	(79,666.44)	(45,864.03)
Trade receivables	(625.53)	(768.88)
Other financial assets	465.74	(1,548.85)
Other non-financial assets	(467.95)	(725.19)
<u>Increase/ (decrease) in liabilities</u>		
Others financial liabilities	1,149.08	3,531.93
Provisions	(442.46)	(74.90)
Other non-financial liabilities	593.27	255.12
Cash (used in) from operating activities	(53,274.52)	(31,265.45)
Income taxes paid (net of refunds)	(2,053.91)	(2,329.92)
Net cash (used in) from operating activities (A)	(55,328.43)	(33,595.37)
B Cash flows from investing activities		
Purchase of property, plant and equipment	(282.32)	(88.33)
Investment in fixed deposits	4,473.19	(1,061.97)
Purchase of investments (net of redemption)	(8,369.36)	-
Purchase of intangible assets	(2.83)	(23.30)
Purchase of intangible assets under development	(12.69)	(30.95)
Proceeds from sale of property, plant and equipment	1.83	(0.24)
Net cash used in investing activities (B)	(4,192.18)	(1,204.79)
C Cash flows from financing activities		
Proceeds from issue of equity shares (including premium)	9.81	5.65
Proceeds from Issue of compulsorily convertible preference shares (including premium)	26,621.20	-
Share issue expenses	(408.94)	-
Proceeds from debt securities	-	11,500.00
Repayment of debt securities	(7,645.00)	(9,760.00)
Proceeds from borrowings (other than debt securities)	3,24,839.22	2,24,605.20
Repayment of borrowings (other than debt securities)	(2,61,258.15)	(2,49,165.34)
Repayment of subordinated liabilities	-	(1,000.00)
Payment of lease liabilities	(127.05)	(103.58)
Net cash generated financing activities (C)	82,031.09	(23,918.07)
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	22,510.48	(58,718.23)
Cash and cash equivalents as at the beginning of the year	55,656.06	95,362.92
Cash and cash equivalents as at the end of the period	78,166.54	36,644.69
Components of cash and cash equivalents:		
Cash on hand	142.49	136.20
Balances and deposits with banks	78,024.05	36,508.49
Cash and cash equivalents considered for cash flow	78,166.54	36,644.69

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 9, 2023 and November 10, 2023 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 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.
- Figures for the quarters ended September 30, 2023 and September 30, 2022 are the balancing figure between unaudited year to date figures and quarter ended Jun 30, 2023 and June 30, 2022 respectively.
- The Company has allotted 7,00,000 equity shares of ₹10 each to Arohan ESOP Trust at a price of ₹124.00 (including securities premium of ₹114.00 per share) aggregating to ₹868.00 Lakhs.
- Details of loan transferred/ acquired during the period ended September 30, 2023 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:

(i) Details of loan transfer through direct assignment transaction in respect of loans not in default for the period ended September 30, 2023:

Particulars	To Banks/ NBFC's
Number of loans	1,03,170
Aggregate amount of loans transferred (₹ in lakhs)	28,853.77
Sale Consideration (₹ in lakhs)	28,853.77
Weighted average residual maturity (in months) (*)	16.79
Weighted average holding period by the originator (in months)	5.56
Retention of beneficial economic interest by the originator	9.96% to 15.75%
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 acquired any stressed loans during the period ended September 30, 2023.

(iii) The Company has not acquired loans not in default during the year ended September 30, 2023.

(iv) (a) The company has transferred certain NPA & SMA loans during the period ended September 30, 2023, details of which are given below:

Particulars	To ARC's		To permitted transferees
	NPA	SMA	
(i) Total number of loan assets assigned	69,070	78,009	Nil
(ii) Aggregate principal outstanding of loans transferred (₹ in lakhs) (*)	15,267.65	23,394.04	Nil
(iii) Weighted average residual tenor of loans transferred (in months)	11.18	25.10	Nil
(iv) Net book value of loan assets transferred (at the time of transfer) (₹ in lakhs)	Nil	15,384.18	Nil
(v) Aggregate consideration (₹ in lakhs)	12,000.00		Nil
(vi) Addition consideration realised in respect of account transferred in earlier years	Nil		Nil

(*) NPA Includes written off loans of ₹6,764.99 lakhs

(iv) (b) Security Receipt's (SR's) held and recovery ratings assigned to such SR's by the credit rating agency.

Particulars	Category of recovery ratings	As at September 30, 2023 (₹ in lakhs)
Security Receipts under trust floated by ARC's (FY 23-16)	IND RR2 (75%-100%)	6,496.00
Security Receipts under trust floated by ARC's (FY 23-36)	Yet to be rated within time lines as per Reserve Bank of India guidelines	9,745.36

- 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, 2023 (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, 2023
Personal Loans	-	-	-	-	-
Corporate persons (*)	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others (**)	14,370.87	219.23	6,728.37	4,799.84	2,623.43
Total	14,370.87	219.23	6,728.37	4,799.84	2,623.43

(*) 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, 2023 is ₹165.62 lakhs and ₹2,657.05 lakhs respectively.

- 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 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

Place: Kolkata
Date: 10 November 2023

Manoj Kumar Nambiar
Managing Director
DIN: 03172919

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, 2023.

Annexure 1

Sl. No	Particulars	Ratio
A	Debt-equity ratio ⁽¹⁾	2.95
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⁾	1,64,052.59
H	Net profit after tax (₹ in lakhs)	
	(i) For the quarter ended	10,450.60
	(ii) For half year ended	12,990.48
I	Earnings per share (in ₹)	
	(i) Basic :	
	For the quarter ended	8.94
	For the half year ended	11.11
	(ii) Diluted :	
	For the quarter ended	7.18
	For the half year ended	8.93
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⁾	72.95%
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	25.72%
	(ii) For the half year ended	17.09%
S	Sector specific equivalent ratios, as applicable	
	(i) Capital Adequacy Ratio ⁽⁸⁾	31.79%
	(ii) Gross stage 3 Ratio ⁽⁹⁾	1.26%
	(iii) Net stage 3 Ratio ⁽¹⁰⁾	0.00%

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)

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

Manoj Kumar Nambiar
Managing Director
DIN: 03172919

Place: Kolkata
Date: 10 November 2023

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