

Independent Auditor's Review Report on unaudited financial results of Arohan Financial Services Limited for the quarter and nine months ended December 31, 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 nine months ended December 31, 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').
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.

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

Tushar Kurani
Partner
Membership Number: 118580
UDIN: 23118580BGXROR1706

Mumbai
February 14, 2023

Arohan Financial Services Limited
Statement of unaudited financial results for the quarter and nine month ended 31 December 2022

Particulars	(₹ in lakhs)					
	Quarter ended			Nine month ended		Year ended
	31 December 2022 (Unaudited)	30 September 2022 (Unaudited)	31 December 2021 (Unaudited)	31 December 2022 (Unaudited)	31 December 2021 (Unaudited)	31 March 2022 (Audited)
1 Revenue						
(a) Interest income	20,646.97	24,344.61	21,654.79	67,287.99	64,953.73	85,872.70
(b) Dividend income	-	-	3.50	-	3.50	3.50
(c) Fees and commission income	2,646.83	2,142.08	1,198.39	6,347.02	3,091.13	4,172.35
(d) Net gain on derecognition of financial instruments	394.91	1,051.71	-	1,805.43	-	-
(e) Others	14.10	13.93	42.98	49.10	99.21	124.02
Total revenue from operations	23,702.81	27,552.33	22,899.66	75,489.54	68,147.57	90,172.57
(f) Other income	492.71	369.65	309.38	1,298.48	1,685.66	1,870.03
Total revenue	24,195.52	27,921.98	23,209.04	76,788.02	69,833.23	92,042.60
2 Expenses						
(a) Finance costs	11,877.69	12,104.12	9,706.46	34,998.12	31,201.12	40,176.34
(b) Impairment on financial instruments	2,419.41	6,104.22	3,835.16	11,064.82	10,599.82	13,566.80
(c) Employee benefits expenses	6,420.71	5,497.34	5,315.53	17,657.98	15,859.83	21,039.10
(d) Depreciation and amortization expenses	118.37	111.84	146.68	355.74	450.92	586.07
(e) Other expenses	2,280.09	2,164.16	1,894.93	6,494.51	5,416.48	8,380.19
Total expenses	23,116.27	25,981.68	20,898.76	70,571.17	63,528.17	83,748.50
3 Profit/ (loss) before tax (1-2)	1,079.25	1,940.30	2,310.28	6,216.85	6,305.06	8,294.10
4 Tax expense						
(a) Current tax	(185.71)	(45.21)	(1,265.86)	70.30	-	8.93
(b) Deferred tax charge	517.65	287.83	1,924.17	1,369.70	1,645.43	2,178.62
(c) Tax provision for earlier years	(132.39)	-	-	(132.39)	-	11.52
5 Net Profit after tax (3-4)	879.70	1,697.68	1,651.97	4,909.24	4,659.63	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	(98.70)	(66.08)	(148.82)	(257.18)	(437.69)	(223.42)
(ii) Remeasurement of equity instruments through other comprehensive income	-	-	3.32	-	3.32	5.00
(iii) Income tax relating to items that will not be reclassified to profit or loss	24.84	16.63	36.62	64.73	109.32	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)	(73.86)	(49.45)	(108.88)	(192.45)	(325.05)	(163.02)
Total Comprehensive Income for the period/ year (5+6)	805.84	1,648.23	1,543.09	4,716.79	4,334.58	5,932.01
7 Paid-up equity share capital (Face value of ₹ 10 each)	12,117.73	12,117.73	12,017.73	12,117.73	12,017.73	12,017.73
8 Earning per equity share (not annualised)						
(a) Basic (In ₹)	0.75	1.41	1.41	4.20	3.99	5.07
(b) Diluted (In ₹)	0.74	1.41	1.41	4.15	3.97	5.05

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 February 13, 2023 and February 14, 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 63(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.
- The above financial results for the quarter and nine month ended December 31, 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.
- 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.
- The Company has followed the same significant accounting policies in the preparation of the financial results as those followed in the annual financials statement for the year ended March 31, 2022.
- Details of loan transferred/ acquired during the nine month ended December 31, 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 nine month ended December 31, 2022:

Particulars	To Banks/ NBFC's
Number of loans	1,65,026
Aggregate amount of loans transferred (₹ in lakhs)	33,099.17
Sale Consideration (₹ in lakhs)	33,099.17
Weighted average residual maturity (in months) (*)	13.71
Weighted average holding period by the originator (in months)	7.95
Retention of beneficial economic interest by the originator	2.80% 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 acquired any stressed loans during the nine month ended December 31, 2022.

(iii) The Company has not acquired loans not in default during the nine month ended December 31, 2022.

(iv) (a) The details of stressed loans transferred during the quarter ended December 31, 2022 to ARC's:

Particulars	To ARC's		To permitted transferees
	NPA	SMA	
(i) Total number of loan assets assigned	1,10,656	21,219	Nil
(ii) Aggregate principal outstanding of loans transferred (₹ in lakhs) (*)	22,594.96	5,294.60	Nil
(iii) Weighted average residual tenor of loans transferred (in months)	20.43	23.93	Nil
(iv) Net book value of loan assets transferred (at the time of transfer) (₹ in lakhs)	6,838.75	3,194.61	Nil
(v) Aggregate consideration (₹ in lakhs)	9,200.00		Nil
(vi) Addition consideration realised in respect of account transferred in earlier years	Nil		Nil

(*) NPA Includes written off loans of ₹1,325.50 lakhs.

(iv) (b) The details of investment made in Security Receipts (SR's) during the quarter ended December 31, 2022 to ARC's:

Particulars	Category of recovery ratings	As at December 31, 2022 (₹ in lakhs)
Security Receipts under trust floated by ARC's	Yet to be rated within time lines as per Reserve Bank of India guidelines	8,000.00

- 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.
- During the current quarter ended December 31, 2022 the Company has allotted 1,85,00,412 compulsorily convertible preference shares of ₹10 each to The Teachers Insurance and Annuity Association of America (TIAA) at a price of ₹85 (including securities premium of ₹75 per share) aggregating to ₹15,725.35 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: Mumbai
Date: 14 February 2023

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 nine month ended December 31, 2022.

Annexure 1

Sl. No	Particulars	Ratio
A	Debt-equity ratio ⁽¹⁾	3.25
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⁾	1,09,944.26
H	Net profit after tax (₹ in lakhs)	
	(i) For the quarter ended	879.70
	(ii) For nine month ended	4,909.24
I	Earnings per share (in ₹)	
	(i) Basic :	
	Quarter ended	0.75
	Nine month ended	4.20
	(ii) Diluted :	
	Quarter ended	0.74
	Nine month ended	4.15
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⁾	74.60%
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	3.64%
	(ii) For nine month ended	6.39%
S	Sector specific equivalent ratios, as applicable	
	(i) Capital Adequacy Ratio ⁽⁸⁾	29.01%
	(ii) Gross stage 3 Ratio ⁽⁹⁾	2.30%
	(iii) Net stage 3 Ratio ⁽¹⁰⁾	0.33%

Notes:-

- Debt - equity ratio = (debt securities + borrowings - other than debt securities + subordinated liabilities) / (Equity Share Capital + Compulsory convertible preference shares + 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 Rule 18(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: Mumbai
Date: 14 February 2023

Registered Office: PTI Building, DP Block, DP-9, 4th Floor, Sector - V, Salt Lake, Kolkata - 700091.
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