
Walker Chandniok & Co LLP

11th Floor, Tower II,
One International Center,
S B Marg, Prabhadevi (W),
Mumbai - 400013
Maharashtra, India
T +91 22 6626 2699
F +91 22 6626 2601

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

To the Board of Directors of Arohan Financial Services Limited

Opinion

1. We have audited the accompanying annual financial results ('the Statement') of **Arohan Financial Services Limited** ('the Company') for the year ended **31 March 2021**, attached herewith, being submitted by the Company pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) ('the Listing Regulations'), including relevant circulars issued by SEBI from time to time.
2. In our opinion and to the best of our information and according to the explanations given to us, the Statement:
 - a. presents financial results in accordance with the requirements of Regulation 52 of the Listing Regulations, and
 - b. gives a true and fair view in conformity with the applicable Indian Accounting Standards ('Ind AS') prescribed under Section 133 of the Companies Act, 2013 ('the Act'), read with relevant rules issued thereunder, and other accounting principles generally accepted in India, of the net loss after tax and other comprehensive income and other financial information of the Company for the year ended 31 March 2021.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Statement section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('the ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us, is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

4. We draw attention to Note 5 of the accompanying Statement, which describes the uncertainty relating to the effects of Covid-19 pandemic on the Company's operations and the impact on impairment provision recognised towards the loan assets outstanding as at 31 March 2021. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Statement

5. This Statement has been prepared on the basis of the annual audited financial statements and has been approved by the Company's Board of Directors. The Company's Board of Directors are responsible for the preparation and presentation of the Statement that gives a true and fair view of the net loss and other comprehensive income and other financial information of the Company in accordance with the accounting principles generally accepted in India, including Ind AS prescribed under Section 133 of the Act, read with relevant rules issued thereunder and other accounting principles generally accepted in India, and in compliance with Regulation 52 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Statement that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
6. In preparing the Statement, the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
7. The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Statement

8. Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Standards on Auditing, specified under section 143(10) of the Act, will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Statement.
9. As part of an audit in accordance with the Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the Company has in place an adequate internal financial controls with reference to financial statements and the operating effectiveness of such controls.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

Arohan Financial Services Limited

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

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the Statement, including the disclosures, and whether the Statement represents the underlying transactions and events in a manner that achieves fair presentation.
10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter

12. The Statement includes the financial results for the half year ended 31 March 2021, being the balancing figures between the audited figures in respect of the full financial year and the published unaudited figures for the half year ended 30 September 2020, which are subject to limited review by us. Our opinion is not modified in respect of this matter.

For **Walker Chandio & Co LLP**

Chartered Accountants

Firm Registration No:001076N/N500013

Manish Gujral

Partner

Membership No:105117

UDIN:21105117AAAACY6091

Place: Mumbai

Date: 04 June 2021

Arohan Financial Services Limited
Statement of audited financial results for the half year ended 31 March 2021

(₹ in lakhs)

Particulars	Half year ended		Year ended	
	31 March 2021	31 March 2020	31 March 2021	31 March 2020
	(Refer note 4)	(Refer note 4)	(Audited)	(Audited)
1 Revenue				
(a) Interest income	45,444.63	44,598.10	94,582.42	86,146.25
(b) Fees and commission income	1,905.76	1,506.20	2,324.54	2,525.21
(c) Net gain on derecognition of financial instruments	1,565.00	487.77	1,565.00	3,324.81
(d) Others	105.09	85.38	147.25	183.72
Total revenue from operations	49,020.48	46,677.45	98,619.21	92,179.99
(e) Other income	1,607.79	814.07	2,748.31	1,270.61
Total revenue	50,628.27	47,491.52	1,01,367.52	93,450.60
2 Expenses				
(a) Finance costs	23,034.48	20,010.85	46,798.67	38,220.08
(b) Impairment on financial instruments	44,051.57	13,204.70	50,386.29	15,587.90
(c) Employee benefits expenses	9,508.31	8,335.94	18,897.61	15,700.83
(d) Depreciation and amortization expenses	328.92	345.75	668.52	669.61
(e) Other expenses	3,635.28	3,208.45	6,395.76	6,513.64
Total expenses	80,558.56	45,105.69	1,23,146.85	76,692.06
3 Profit/ (loss) before tax (1-2)	(29,930.29)	2,385.83	(21,779.33)	16,758.54
4 Tax expense				
(a) Current tax	2,889.63	3,775.14	6,222.38	7,520.77
(b) Deferred tax (credit)	(10,568.54)	(3,291.98)	(12,006.77)	(3,442.28)
5 Net Profit/ (loss) after tax (3-4)	(22,251.38)	1,902.67	(15,994.94)	12,680.05
6 Other Comprehensive Income				
(a) Items that will not be reclassified to profit or loss				
(i) Remeasurement of post employment benefit obligations	(32.03)	(464.72)	(166.14)	(576.11)
(ii) Remeasurement of equity instruments through other comprehensive income	-	(3.32)	-	(3.32)
(iii) Income tax relating to items that will not be reclassified to profit or loss	8.06	117.79	41.81	145.83
(b) Items that will be reclassified to profit or loss				
(i) Fair valuation of financial assets	(27.49)	1,147.61	(1,389.86)	1,689.28
(ii) Income tax relating to items that will be reclassified to profit or loss	(22.38)	(259.57)	320.52	(425.16)
Total Other Comprehensive Income (A+B)	(73.84)	537.79	(1,193.67)	830.52
Total Comprehensive Income for the period/ year (5+6)	(22,325.22)	2,440.46	(17,188.61)	13,510.57
7 Paid-up equity share capital (Face value of ₹ 10 each)	12,017.73	11,032.10	12,017.73	11,032.10
8 Earning per share				
(a) Basic (In ₹)	(20.26)	1.81	(14.56)	12.07
(b) Diluted (In ₹)	(20.26)	1.81	(14.56)	12.05

Arohan Financial Services Limited

(₹ in lakhs)

Balance Sheet

Particulars		As at 31 March 2021 (Audited)	As at 31 March 2020 (Audited)
A	ASSETS		
1	Financial assets		
	(a) Cash and cash equivalents	1,15,801.75	68,858.31
	(b) Bank balance other than cash & cash equivalents	19,249.42	15,165.59
	(c) Trade receivables	113.67	500.26
	(d) Loans	3,92,590.53	4,34,719.10
	(e) Other financial assets	1,051.46	2,154.37
	Total financial assets	5,28,806.83	5,21,397.63
2	Non-financial assets		
	(a) Current tax assets (net)	635.96	410.66
	(b) Deferred tax assets (net)	15,896.74	3,527.65
	(c) Property, plant and equipment	502.28	649.07
	(d) Intangible assets under development	52.55	4.82
	(e) Other intangible assets	385.46	538.80
	(f) Right of use asset	506.76	740.29
	(g) Other non-financial assets	1,332.10	813.05
	Total non-financial assets	19,311.85	6,684.34
	TOTAL ASSETS	5,48,118.68	5,28,081.97
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	1,00,735.92	-
	(c) Borrowings (other than debt securities)	3,19,775.64	3,98,340.94
	(d) Subordinated liabilities	21,008.31	20,970.29
	(e) Others financial liabilities	6,701.39	9,031.80
	Total financial liabilities	4,48,221.26	4,28,343.03
2	Non-financial liabilities		
	(a) Current tax liabilities (net)	-	44.25
	(b) Provisions	1,788.51	1,422.95
	(c) Other non-financial liabilities	2,245.38	2,008.70
	Total non-financial liabilities	4,033.89	3,475.90
	Equity		
	(a) Equity share capital	12,017.73	11,032.10
	(b) Other equity	83,845.80	85,230.94
	Total equity	95,863.53	96,263.04
	TOTAL LIABILITIES AND EQUITY	5,48,118.68	5,28,081.97

Arohan Financial Services Limited

Notes:-

- 1 The above audited financial results have been reviewed by the Audit Committee and approved by the Board of Directors of Arohan Financial Services Limited ('the Company') at their meetings held on 03 June 2021 and 04 June 2021 respectively.
- 2 The audited financial results of the Company have been prepared in accordance with Indian Accounting Standards ("IndAS") 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.
- 3 The above financial results have been audited by the statutory auditors of the Company as required under Regulation 52 of the SEBI Listing Obligations and Disclosure Requirements Regulations 2015 and ('Listing Regulations') and have issued an unmodified opinion.
- 4 The figures for the half-year ended 31 March 2021 and 31 March 2020 are the balancing figures between the audited figures in respect of full financial year ended 31 March 2021 and 31 March 2020 respectively and the published half-year ended 30 September 2020 and 30 September 2019 respectively, which were subject to limited review by the statutory auditors.
- 5 Consequent to the outbreak of the COVID-19 pandemic, the Indian Government announced a lockdown in March 2020. Subsequently, the national lockdown was lifted by the Government, but regional lockdowns continue to be implemented in areas with a significant number of COVID-19 cases. The impact of COVID-19, including changes in customer behavior and pandemic fears, as well as restriction of business and individual activities led to significant volatility in global and Indian financial markets and a significant decrease in global and local economic activities. This may lead to a rise in the number of borrower defaults and consequently an increase in corresponding provisions. The extent to which COVID-19 pandemic, including the current "second wave" that has significantly increased the number of cases in India, will continue to impact the Company's performance and will depend on ongoing as well as future developments which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by us.
The Company has recognized provisions as on 31 March 2021 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 condition.
The Company's capital and liquidity position remains sufficient and would continue to be the focus area for the Company; accordingly, the Company does not expect a stress on its liquidity situation in the immediate future.
- 6 The Hon'ble Supreme Court of India through an interim order dated 3 September 2020 (Public Interest Litigation (PIL) by Gajendra Sharma Vs Union of India & ANR), had directed that accounts which were not declared non-performing assets (NPA) till 31 August 2020 shall not be declared as NPA till further orders. Basis the said interim order, the Company had not classified any account as non-performing assets (NPA), as per Reserve Bank of India (RBI) or other regulatory prescribed norms, after 31 August 2020 which was not NPA as of 31 August 2020. The interim order granted to not declare accounts as NPA stood vacated on 23 March 2021. In accordance with the instructions in paragraph 5 of the RBI circular dated 07 April 2021 issued in this regards, the Company has complied with the asset classification of borrower accounts as per extant RBI instructions/ IRAC norms.
- 7 The Company has transferred part of its MSME business along with others related assets to Ashv Finance Limited, through a slump sale, at a consideration of ₹ 6,305.16 lakhs and the resultant gain thereon has been recognized in the Statement of Profit and Loss.
- 8 The Government of India, Ministry of Finance, vide its notification dated 23 October 2020, had announced COVID-19 Relief Scheme ("the Scheme") for grant of exgratia payment being difference between compounded interest and simple interest for six months period from 1 March 2020 to 31 August 2020 to eligible borrowers as per the Scheme. The management has credited the differential interest in the borrower accounts in line with the requirement of the Scheme and does not have any impact on the financial results. The Company have received the entire amount from Government of India on 31 March 2021.
- 9 As per Regulation 54(2) of the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 ('Listing Regulations'), debenture are secured by first charge ranking pari-passu with each other on the Company's book debt and loan installment receivables. The total asset cover is hundred percent or above of the principal amount of the said debentures.
- 10 In connection with the proposed initial public offering of its equity shares, the Company has filed the Draft Red Herring Prospectus with the Securities and Exchange Board of India, in February 2021.
- 11 During the half year ended 31 March 2021, the Company has made preferential allotment of 80,06,329 equity shares of ₹10 each to various investors at a price of ₹210 (including securities premium of ₹200 per share) aggregating to ₹16,813.29 lakhs. Further, the Company has also allotted 10,00,000 equity shares of ₹10 each to Arohan ESOP Trust at a price of ₹210 (including securities premium of ₹200 per share) aggregating to ₹2,100 Lakhs.
- 12 During the year, to relieve COVID-19 pandemic related stress, the Company has invoked 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 6 August 2020

(i) Disclosure as per format prescribed under notification no. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21

(₹ in lakhs)

	(A)	(B)	(C)	(D)	(E)
Type of borrower	Number of accounts where resolution plan has been implemented under this window	exposure to accounts mentioned at (A) before implementation of the plan	Of (B), aggregate amount of debt that was converted into other securities	Additional funding sanctioned, if any, including between invocation of the plan and implementation	Increase in provisions on account of the implementation of the resolution plan
Personal Loans	-	-	-	-	-
Corporate persons*	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others	6,48,491	1,46,585.81	-	-	27,512.13
Total	6,48,491	1,46,585.81	-	-	27,512.13

Arohan Financial Services Limited

(ii) Disclosure under notification no. RBI/2018-19/100 DBR.No.BP.BC.18/21.04.048/2018-19 (for restructuring of accounts of Micro, Small and Medium Enterprises (MSME) sector

(₹ in lakhs)	
No. of accounts restructured	Amount
336	4,768.68

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

13 In accordance with the instructions vide RBI circular dated 7 April 2021, and the Indian Banks' Association ('IBA') advisory letter dated 19 April 2021, the Company has put in place a Board approved policy to refund / adjust the 'interest on interest' charged to borrowers during the moratorium period i.e., 1 March 2020 to 31 August 2020. The Company has estimated the said amount and made an adequate provision in the financial results for the year ended 31 March 2021.

14 The Company is primarily engaged in the business of financing - a single business segment in terms of Ind AS108 "Operating segments"; consistent with the internal reporting provided to the Chief Operating Decision Maker.

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

**MANOJ
KUMAR
NAMBIAR**

Digitally signed by
MANOJ KUMAR
NAMBIAR
Date: 2021.06.04
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Manoj Kumar Nambiar
Managing Director
DIN: 03172919

Place: Mumbai
Date: 4 June 2021

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