



AROHAN FINANCIAL SERVICES LIMITED

ANNUAL REPORT

2020-21

Inside this Report:

1) Message from the Chairperson, Board of Directors, Arohan.....	1
2) Message from the Founder of Aavishkaar Group, Promoters of Arohan.....	3
3) Message from the Managing Director, Arohan.....	5
4) Company Overview.....	10
5) Corporate Information.....	16
6) Board of Director's Profile.....	18
7) Management Profile.....	22
8) Investor Profile.....	27
9) Management Discussion & Analysis.....	29
10) Board's Report.....	79
a. Annexure I	
Secretarial audit report for the fiscal 2021.....	94
b. Annexure II	
Report on CSR activities.....	99
c. Annexure III	
Particulars of employees.....	104
d. Annexure IV	
Corporate Governance Report.....	107
e. Annexure V	
Extract of Annual Return.....	126
11) Particulars of contracts/arrangements made with related parties.....	130
12) Financial Statements.....	131

Message from the Chairperson, Board of Directors, Arohan

Dear Friends and Shareholders,

Financial Year 2021 has been an extraordinary year for more reasons than one. As the world undergoes an unprecedented shift post the COVID-19 onslaught, economy across the Globe and in India contracted by 3.5% and 7.3% respectively, per World Bank estimates. At such a time, when people's earning and spending capabilities have been compromised, the need and purpose for serving the financially underserved in India becomes even more important and relevant. I am confident in telling you that your Company, Arohan, is well placed to deliver in such a dynamic environment.

Starting with the mandated lockdown at the onset of the pandemic in March 2020, environmental extremities like floods in Bihar and Assam, cyclones in West Bengal and Odisha, and political upheavals in some geographies – India's national and regional economies faced headwinds during the financial year, impacting the livelihood of millions in India, essentially bringing down the underserved to ground zero.

Amidst a very challenging macro-environment, the Indian microfinance industry with its operations in the most financially excluded states in the country continued to demonstrate exceptional resilience as a key financial inclusion engine in India. The Government of India and the Central Bank, too, made notable efforts by extending timely support to the sector and its customers, including the rolling out of moratorium to non-NPA customers from March 2020 to August 2020; 2% interest subvention to eligible loans given under the Mudra-Shishu scheme, PMSVANidhi loans of up to INR 50,000 for a tenure of at least one year for street vendors with initial working capital loans of up to INR 10,000. It is also commendable how the industry, represented by its Self-Regulatory Organisations, Microfinance Institutions Network (MFIN) and Sa-Dhan continued to uphold the importance of adherence to the Code for Responsible Lending (CRL), which has since gotten acceptance from over 100 entities across lending institutions in India.

As for your Company, I am pleased to note and state that Arohan's proactive response to the country-wide lockdown and the various external challenges, has not only helped strengthen its activities related to automation of internal and external processes but also protect the health and wellbeing of its employees and customers alike. The Company, operating from the most financially excluded states of the country braved political and environmental disruptions in many pockets, especially in Assam, Bihar, Bengal and Odisha, but managed to pave its way for the future.

Our Digital Focus remains a cornerstone in the Company's roadmap and Arohan has improved its customer touchpoints manifold with multiple options of digitalized repayments; a special product suite to help borrowers tide over the impact of the pandemic and environmental calamities, and restore normalcy. In its journey of creating a state-of-the-art technology

landscape, Arohan's early and focused investments in technology have played a crucial role in helping the Company in ensuring Business Continuity during the financial year 20-21. Some of the notable efforts were establishing regular connect with customers through virtual calls and center meetings, digitalization of operational solutions for enhanced customer experience, better and real-time field monitoring, real-time capturing of data to enable informed decisions and seamless transition for employees to assist work from home.

I congratulate the management of your Company for the proactive measures taken that has placed Arohan in a much better position to address the challenges of the post-COVID world while becoming future-ready.

With the efforts of the Management of the organisation, supported by the Promoters, guidance of its award-winning Corporate Governance practices and a well-established Board, your Company has filed a Draft Red Herring Prospectus (DRHP) with the Securities and Exchange Board of India (SEBI) in February, 2021.

Despite the challenges of the macro-environment, your Company was able to touch more lives and create better opportunities for the underserved by staying anchored to our Mission and Vision statements.

We look forward to your continued support as I wish the management of Arohan all the best in their endeavours of empowering the underserved households of India.

Warm Regards,
Dinesh Kumar Mittal
Chairperson

Message from the Founder of Aavishkaar Group, Promoters of Arohan

Dear Shareholders, Colleagues and Friends

We are pleased to release the Annual Report of Arohan Financial Services Limited, Non-Banking Finance Company – Micro Finance Institution, documenting our progress over the financial year 2020-21. As a Group Chairman, I had the advantage of a ring side view of the unfolding challenges during the year and various strategies that made Arohan come out with flying colours amidst the disruption caused by COVID-19.

Disruption has a negative connotation but the innovative society all over the world see it as a reset opportunity. At Arohan, we perceived the COVID-led disruption as a signal indicating that the 'Future is Here'. Our long term vision for Arohan has been to evolve the Company into a new-age technology-enabled digital financial inclusion platform that will enable millions of customers to participate in the economy of the future. We had confidence in the resilience and adaptability of our customers, and the reality of their 'bottom of the pyramid' profile only strengthened our resolve.

We worked hard over the years and mapped the customers' needs for financial inclusion and built a technology stack that allows our customer to experience a digital journey that seamlessly generate electronic loan application, digital KYC (Know Your Customer) verification, digital loan approval process and credit into customer bank account.

When the COVID-19 induced disruption struck, our customers benefitted from this amazing digital journey where they had the ability to borrow and repay loans remotely and buy financial, as well as need-based products such as health insurance, bicycles, solar lamps etc. virtually. Even during the most difficult lock down period of the first six months of FY 2020-21, we were able to engage with our customers and serve them remotely.

There is no better bonding with your customer than the intent of solve their problem during extreme disruption, working round the clock. The last 12 months have demonstrated to our customers the benefits of being part of a digital journey with Arohan, a technologically advanced microfinance institution in India. Our conviction was further buoyed by our survey results that showed that smart phones now have close to 70% penetration in our customer's household.

As a responsible financial inclusion company, our claim on responsibility is tested to the extreme during such challenging times. Our governance under the leadership of our Independent Chairman and outstanding Independent Directors held us accountable to our customers. The 'Best Governed Company - Unlisted Segment – Emerging Category' award at the 20th ICSI National Awards for Excellence in Corporate Governance, 2020 to Arohan testifies our Corporate Governance credentials.

We have been lucky to have some of the most amazing employees led by our stellar Managing Director Manoj Nambiar. All our ~6800 employees are passionately supportive of the Company's Vision and Mission.

Finally, and most importantly, we are indebted to our investors who have stood rock solid by us in building this Company of the future. We remain eternally grateful for their support in helping us service 2.1 million customers, on whose shoulders we have built this institution and whose interest has and will remain to be the most important for us to serve.

With warm regards,

Vineet Rai

Founder and Chairman, Aavishkaar Group



Message from the Managing Director, Arohan

Dear Shareholders,

I am delighted to connect with all of you through the Annual Report of your Company. I hope all of you and your families are safe and doing well in these trying times.

The Indian economy has gone through a challenging year in 2020/21 with the first contraction of 7.3% since 1952 after many years of positive growth. The Reserve Bank of India (RBI) responded to the situation with the lowering of interest rates, extra liquidity and a special COVID-19 relief package for stressed clients, helping lenders as well as the borrowers in tiding over the difficult situation and getting back to normalcy. The Central Government also unveiled an INR 12 Lakh Cr package across sectors to address the impact of the lockdown and get back to a steady state of economic activity. The big concern at this time is that the International Monetary Fund (IMF) and other local think tanks indicating that about 50 to as much as 230 million citizens of India would have been pushed back into poverty due to COVID-19, negating previous gains achieved over decades of growth.

Arohan finished an eventful business year of 2020/21 on March 31, 2021 with the COVID-19 induced lockdown starting from end of March 2020 to the gradual unlocking in the second half of April 2020. An unprecedented RBI loan repayment moratorium of six months for borrowers, floods and cyclones in some operational states and increased infection in others, reverse migration of labour from urban centres and opening up of repayments in September 2020 made this a very challenging time. Needless to add, the livelihoods and incomes of our clients were impacted and the same is reflected in their repayment patterns over the last seven months ending March 2021.

Some of the key highlights of your Company's journey last year with a sharp focus on building our capabilities towards strengthening our technologically-driven financial inclusion platform are:

We launched, an internally developed meraArohan suite of IT modules, which integrates our customer facing modules and our ApnaBazaar app for seamless cross-sell efforts. Backed by the robust IT platform with the base as the Core Banking System, we were able to roll out the 6-month moratorium, 2% interest subvention to eligible Mudra Shishu Loan customers, ex-gratia payments to eligible customers as directed by the Supreme Court, as well as the RBI relief product for our clients. We were able to implement all of the above well in time in order to provide relief to our customers.

Our Risk Management unit focused on data analytics and modelling by tracking activations and efficiencies to help the Company with key projections for better management of business. We have completed the groundwork and are currently beta-testing a credit

scoring model called 'Nirnay' in collaboration with CRIF's digital decisioning platform, Strategy One.

We launched several new products and initiatives: Sahbhaagi – our center reward programme to motivate borrowers to attend center meetings and pay on time, Bharosa - product to help our regular clients with extra credit and Udaan - a special credit programme for existing customers. We also scaled our efforts on cashless repayments, through BBPS/ PayTM/ AePS and M-POS devices, making it convenient for the customers to repay during the pandemic.

We raised an additional INR 168 Cr from our Promoter group as well as an existing HNI investor and two new investors in February 2021. In line with our objective to raise capital and move towards a possible listing, we filed our Draft Red Herring Prospectus (DRHP) with Securities and Exchange Board of India (SEBI) for a possible listing through an Initial Public Offering (IPO). We got the approval from SEBI on April 23, 2021, which is valid for 12 months from the date of such approval.

Our ability to raise debt at fine rates continued last year where we raised over INR 3,000 Cr across lenders and instruments despite a very difficult external environment. With the fine borrowing rates, we could pass on the benefits to our borrowers and were among the three lowest-priced MFIs in the country. The continuing impact of the pandemic on the livelihoods and the slow journey back to normalcy has resulted in us having to take additional provisions as we operate on a IND-AS accounting methodology with an Expected Credit Loss (ECL) model. Given our conservative stance, we have preferred to take the additional provisions rather than change the model, even though this is unprecedented period.

Our focus on strengthening the organisation structure and being ready for the next phase of growth continued. We strengthened our Recovery CSR cadre all across and initiated a settlement programme called Sandhi in February, 2021. We also established a separate and independent Credit function and a Deputy Business Head structure for better operational management. Our Bazaar and Recovery verticals would now be managed by a senior resource assigned to the Business Head for better tracking and progress. We also invested in building a Zonal and Regional training structure and the Internal Control & Quality vertical grew to have last mile connectivity and presence at the Branch level to ensure a strong “check and balance” mechanism for our growth plans.

Our MSME business was hived off to Ashy, our Group NBFC company, to help consolidate all non- MFI lending activities in one place. Our inorganic business extended its support to existing and new relationships, given the overall tight liquidity position externally, especially for small and medium MFIs whom the vertical caters to.

One of our key strategic focus areas is to move towards a balanced workplace, especially given the fact that as of September 30, 2020, over 97% of our borrowers were women. With

a clear action plan, we improved our gender balance from about 6% in April 2020 to over 10.88% as of March 2021.

In line with our employee focus, we were certified as a “Great Place to Work” and were ranked 86th among the best companies to work for in India by the Great Place to Work Institute, India in 2020. The Company also ranks among the Best Workplaces in Microfinance India 2021, and among India’s 30 Best Workplaces in BFSI - 2021 as per assessment conducted by the Great Place to Work® Institute. We got recertified in February 2021 with better scores and are now placed at 65th among India’s Best Companies to Work for 2021 by the Great Place to Work® Institute. We also launched Phase 2 of our Human Resources Management System platform to digitalise our Recruitment Processes, starting from manpower requisition to offer rollout and offer management, as well as our Performance Management System.

We won other several noteworthy awards recognising the effort and the achievements of the team: qualified for semi-finals of 4 SKOCH Orders-Of-Merit awards, the Best Governed Company - Unlisted Segment, Emerging Category’ award at the 20th ICSI National Awards for Excellence in Corporate Governance, 2020, the ‘Governance Professional of the Year’ Awards to our Company Secretary and the Best CFO – BFSI (Large sized enterprises)’ award for 2020 at the 8th CFO Summit Awards, 2021 by the All India Association of Industries to our CFO. Our Internal Audit Function also received the ISO 9001:2015 recertification, by British Standard Institute.

Given the fact that client repayment activations and efficiencies are yet to reach normal pre-COVID levels, especially with the onset of the second wave of the pandemic, our key priorities for the current year would be:

To get our MFI clients’ discipline and attendance back to the center with field employee cadre using Sahbhaagi as a key initiative. This would benefit the operations and coverage of our field operations and help restore pre-COVID levels.

To build on our Great Place to Work rankings in our efforts towards ensuring that we are able to attract the best quality and diverse talent, introduce more training interventions to help build their capabilities and reward them with a robust review and performance management structure, aided by the digitalisation of the PMS module.

To further strengthen our Business Continuity Plan and the newly developed Enterprise Risk Management Registers to enable the organisation to be better prepared in the face of any unprecedented events while being future-ready.

To raise additional capital to strengthen your Company’s net worth, be ready for the next phase of growth, hopefully through a pre-IPO and an IPO.

To improve our loan origination and credit underwriting mechanisms with the scoring model 'Nirnay' and ensure effective use of our Internal Control & Quality cadre across Branch, Regional and Zonal levels.

To leverage the new Operations Structure to manage our portfolio better, diversify and catch up on the lost growth of the previous year and strengthen our quality functions such as Internal Audit, Risk and Credit to be a strong check & balance on our business and growth aspirations.

To continue strengthening our IT platforms and create more customer-centric platforms such as customer app while enabling business and support functions in managing our operations better.

To continue to build on key products and process initiatives such as cashless collections which will result in enhanced safety and efficiency along with focus on all-round improvement of our operational and financial efficiency ratios with growth at all levels.

The business year 2021/22 has started on an eventful note, especially with months of May and June 2021.

The RBI has unveiled a Relief Package 2.0 to help borrowers and lenders navigate the second wave of the pandemic in India, in early May 2021 by extending the tenure, providing moratorium and even providing extra credit to eligible customers.

On June 14, 2021, the RBI has placed in the public domain a discussion paper on harmonising microfinance guidelines across all types of lender viz. banks and non-banks. This is quite radical and a paradigm shift in terms of deregulation across various operating guidelines, including freeing up of pricing based on a model and a board approved policy.

In addition to this, Assam became the first state in India to work with the microfinance lenders led by MFIN, our sector Self-Regulatory Organisation, to unveil a first-ever MFI Relief Scheme in the country. This will benefit lakhs of borrowers and is intended to reinforce regular repayment and credit discipline by incentivising prompt payment and giving relief to genuinely stressed clients. This will be funded by the state government to the extent of INR 8,250 Cr.



*In the Picture:
Mr. Manoj
Nambiar (Left)
with the
Honourable
Chief Minister
of Assam, Dr.
Himanta
Biswa Sarma
(2nd from
Left), June 18,
2021*

The Honourable Central Finance Minister also announced a set of measures on helping various sectors to regain normalcy. In her address, MFIs were specially focused with a credit guarantee scheme of upto INR 7,500 Cr across three years to reassure banks to lend to MFIs and help make credit accessible to over 25 Lakh end beneficiaries.

With interventions as listed above, I wish to thank our Central and State governments for their focus on Financial Inclusion, the RBI, our regulator, for its progressive policies, our Promoters, for their confidence in this business, our esteemed Board for their valuable guidance and support, the Executive Committee and the Senior Management Team for their inspired efforts and all the 6,800 employees for their hard work and dedication in these trying times leading us to where we are today.

We have a difficult task ahead this year to catch up on our **20 by 2025** Vision, but I am confident that with our focus, hard work and dedication we will make it happen: **Hum Honge Kamyab!**

Wish you all a great year ahead – professionally and personally.

Warm regards,
Manoj Kumar Nambiar
Managing Director

COMPANY OVERVIEW

a. A Growth Approach to Financial Inclusion

Arohan is a leading Indian NBFC-MFI, and the largest in Eastern India, with operations in financially under-penetrated Low Income States of India. We are a digitally advanced institution, using customer and industry data to provide financial inclusion products, including income generating loans, insurance, and other products to customers at the base of the pyramid, who have limited or no access to formal financial services in India

Arohan is registered with and our business is regulated by the Reserve Bank of India (RBI) as a Non-Banking Financial Company – Microfinance Institution (NBFC-MFI). We commenced microfinance operations in the year 2006 and became part of The Aavishkaar Group, who are global pioneers in taking an entrepreneurship-based approach towards development, in the year 2012. As of March 31, 2021, we served 2.1 million borrowers in 17 States including 12 Low Income States in India (as defined by CRISIL), through our extensive network of 737 branch offices.

Our Promoters have advised and nurtured businesses with social impact in India and abroad. They have invested in and advised a large number of organisations on inclusive business strategies and also provided significant amounts of venture capital funding to social impact businesses. As of March 31, 2021, the Aavishkaar Group had an AUM of approximately US\$1.00 billion across Asia.

Arohan has been awarded the “Microfinance Organisation of the Year” award by Access Assist at the Inclusive Finance India Awards 2018. We were also awarded the “Microfinance Institution of the Year” award in 2010 in the “Small and Medium Category” by Access Assist.

b. Mission & Core Values of Arohan

MISSION

To empower under-served households and small businesses by offering a range of financial services, in a manner sustainable for all stakeholders.

CORE VALUES (ETHICS)

Employee Engagement: Arohan treats its employees as a major stakeholder and hence its processes and systems are designed to ensure employee satisfaction, development and high morale.

Transparency: Arohan's products and processes are transparent to its clients such that the information communicated to them is clear, sufficient and timely in a manner and language clients can understand so that clients can make informed decisions. It is also

transparent in its communication to, and transactions with all other stakeholders, and employees.

Honesty and Integrity: Led by exemplary governance, Arohan maintains high integrity in its delivery, products and processes. Arohan has zero tolerance for unethical practices. It strives to behave with honesty and integrity in all its internal and external communication, and dealings with all stakeholders.

Innovation: Arohan strives to maintain a creative culture in the organisation, where employees are encouraged to learn and innovate in their day to day work, while adhering to Arohan's standards of business and conduct. Also, product, process and business model innovation are integral to Arohan.

Customer Centricity: Since customers are considered important stakeholders, Arohan's products and processes are designed keeping customer needs and realities in mind. Arohan strives to serve customer needs in an effective and efficient manner and behave in a dignified and respectful manner with its customers at all times.

Shareholder Value Focus: Arohan recognizes its shareholders to be an important stakeholder whose interests it strives to protect, and to whom it seeks to deliver value by focusing on sustainability, profitability and growth of the business.

c. Digitally advanced NBFC-MFI with scalable technology-enabled infrastructure

At Arohan, prudent investment in Technology and its agile adoption have been the cornerstone for enabling the Company's mission for sustainable scale and growth in line with its Vision.

While serving over millions from inception till date, Arohan has tracked significant metrics and data points about microfinance customer behaviour, backgrounds, lifestyles, socio-economic parameters, banking and financial habits, their occupation and livelihoods and their ever-evolving financial needs. While catering to the credit needs of millions of customers, Arohan facilitates millions of financial transactions every single day, through its IT - enabled Core Banking System backbone. Therefore, the use of technology to advance and scale its infrastructure, strengthen its financing initiatives, and derive greater operational, cost and management efficiencies across the business functions is integral to Arohan's way of working.

Arohan's thought leadership in leveraging technology to further financial inclusion in India is evidenced by our semi-finalist recognition with the SKOCH Order-of-Merit Awards 2021 for meraArohan, an end-to-end loan management in-house application. In the year 2018, Arohan won the SKOCH Order of merit for Strategic IT Transformation, along with SKOCH Order-of-Merit for qualifying among the top 80 technology projects in India and Best Implementation for Mobility and CRM in 2017.

d. **Financial Highlights for FY 2020-21**

Operational Performance:

- **Total Branches: 737**
- **Customer Strength: 20.63 Lakh**
- **Districts: 231**
- **Disbursements for FY 21: INR 3,945 Cr**
- **Gross Loan Portfolio: INR 4,648 Cr**

Solvency & Liquidity:

- **Net worth: INR 959 Cr**
- **Number of Lender Relationships: Over 40 Lenders**
- **Cost of Borrowing: 10.64%**
- **Funds Drawn: INR 5,136 Cr**

Key Financial Ratios:

- **Capital Adequacy Ratio: 24.27%**
- **Operational Expenditure: 5.46%**
- **Pre-Provision Operating PBT Margin (% of revenue): 28.22%**

e. **Product Offerings**

Arohan offers a broad range of products to our customers, broadly classified as credit and insurance products.

Arohan's credit products include income generating loans and other loan products for various household purposes. Insurance products provided to customers include life and health insurance covers, including additional cover for COVID-19, issued and underwritten by certain Indian insurance companies with whom the Company has entered into partnerships. Arohan also offers offer term loans to small Micro-Finance Institutions. ("MFIs").

CORE PRODUCTS

NAME	CUSTOMER PROFILE	LOAN SIZE	LOAN TENURE
 Saral	Catering to women residing in low income areas, generally involved in trade & services.	 INR 10,000 - 50,000	 12 - 24 months
 Bazaar	Loans to address the working capital needs of small businesses operating out of authorised market places or clusters of shops organised under a traders' association. Includes predominantly male customers.	 INR 15,000 - 50,000	 12 - 24 months

SECONDARY PRODUCTS

NAME	MAXIMUM AMOUNT OF LOAN / CREDIT LIMIT / INSURANCE COVERAGE	LOAN TENURE
Tatkal Loan	INR 18,000	12 Months
Sanitation Loan	INR 15,100	12-24 Months
Cross-Sell Products	INR 20,000 Customers have the option of outright purchase or purchase with additional credit	3-18 Months

OTHER PRODUCTS

Product Category	Name of Loan/Product	Maximum Amount of Loan / Credit Limit / Insurance Coverage	Term(Months/Week)
Insurance (offered through tie-ups with certain Indian insurance companies)	Term Life Insurance	Coverage is equal to loan amount disbursed to customer	Loan Term + 2 Months
Insurance (offered through tie-ups with certain Indian insurance companies)	Health Insurance (including COVID-19 policies)	<p>INR 500/ INR 1,000/ INR 1,500 per day for normal hospitalisation up to 30 days and INR 1,000/ INR 2,000/ INR 3,000 day for ICU hospitalisation up to 20 days in a year</p> <p>Riders include Critical Illness benefit of INR 50,000 and Personal Accident benefit of INR 100,000 or INR 200,000</p>	12/24 Months

Product Category	Name of Loan/Product	Maximum Amount of Loan / Credit Limit / Insurance Coverage	Term(Months/Week)
Insurance (offered through tie-ups with certain Indian insurance companies)	Health Insurance (including COVID-19 policies)	INR 25,000.00 base policy cash benefit for hospitalisation due to COVID-19	12 Months
Loans to Small MFIs	Term Loans	INR 250 million	12-36 Months

CORPORATE INFORMATION

INDEPENDENT & NOMINEE DIRECTORS

Mr. Dinesh Kumar Mittal
Chairman of the Board & Independent Director

Mr. Rajat Mohan Nag
Independent Director

Mr. Sumantra Banerjee
Independent Director

Ms. Matangi Gowrishankar
Independent Director

Mr. Vineet Chandra Rai
Promoter Nominee Director

Mr. Anurag Agrawal
Promoter Nominee Director

Mr. Piyush Goenka
Nominee Director

Mr. Wilhemus Marthinus Maria Wen Der Beek
Nominee Director

Mr. Shree Ram Meena
Nominee Director

Mr. Kasper Svarrer
Nominee Director

Mr. Paul Gratien Robine
Nominee Director

Mr. Manoj Kumar Narayan Nambiar
Managing Director

MANAGEMENT

REPRESENTATIVES

Mr. Manoj Kumar Narayan Nambiar
Managing Director

Mr. Milind Nare
Chief Financial Officer

Mr. Anirudh Singh G. Thakur
Head of Legal, Compliance & Company Secretary

Mr. Ranjan Das
Chief Risk Officer

Mr. Harshavardhan Patnaik
Head of Business

Mr. Prashant Rai
Head of HR, Admin, CSR & Training

Mr. Arvind Murarka
Head of Information Technology

Mr. Abin Mukhopadhyay
Head of Internal Audit

Mr. Shailesh Kumar
Head of Credit

Ms. Reema Mukherjee
Head of Strategic Initiatives and Corporate Communications

Mr. Ketan Agrawal
Head of Accounts

Mr. Vinod Pandey
Head of Central Operations

Mr. Rajesh Kumar
Deputy Business Head

Mr. Joyanta Bakali
Deputy Business Head

REGISTERED AND CORPORATE OFFICE

PTI Building, 4th Floor, Block DP,
DP-9, Sector V, Salt Lake,
Kolkata – 700091, West Bengal, India
Tele: + 91-33-4015-6000
E-mail: compliance@arohan.in
Website: www.arohan.in

AUDITORS

Walker Chandiok & Co LLP
(Registration No-001076N/N500013)
10 C Hungerford Street, 5th Floor,
Kolkata -700017, West Bengal, India

CORPORATE IDENTITY NUMBER

U74140WB1991PLC053189

PRESENCE

- Assam⁽²⁾
- Bihar
- Chattisgarh
- Jharkhand
- Karnataka⁽¹⁾
- West Bengal⁽²⁾
- Odisha⁽²⁾
- Meghalaya
- Manipur
- Uttar Pradesh⁽²⁾
- Madhya Pradesh⁽²⁾
- Maharashtra⁽¹⁾
- Tripura
- Telengana⁽¹⁾
- Rajasthan⁽³⁾
- Haryana⁽³⁾
- Gujarat⁽³⁾

Note:

(1) These states serve only the MSME lending business, part of which Arohan has divested.

(2) Includes branches related to both the microfinance and MSME lending businesses.

(3) States where Arohan does not have branches, but have active customers

REGISTRAR & TRANSFER AGENTS

Link Intime India Private
Limited
C-101, 1st Floor, 247 Park,
L.B.S Marg, Vikhroli (West)
Mumbai – 400083,
Maharashtra, India

SECRETARIAL AUDITOR

S Basu & Associates
Alapan Apartment, 3rd Floor,
10/6/2 Raja Rammohan Roy
Road Kolkata -700008, West
Bengal, India

Board of Director's Profile

DINESH KUMAR MITTAL

Dinesh Kumar Mittal is an Independent Non-Executive Chairman of Arohan's Board. He has been a Director since May 15, 2018. He holds a Master's degree in Physics from University of Allahabad. He joined the Indian Administrative Services in July 1977. Previously, he has served with the Government of India as Secretary – Ministry of Finance, Secretary – Department of Financial Services and the Ministry of Corporate Affairs and as Additional Secretary and Joint Secretary – Department of Commerce. He has also served as the Chief Executive Officer of IL&FS and with the Government of the state of Uttar Pradesh in various capacities including as Secretary to the Chief Minister, Managing Director – Uttar Pradesh Land Development Corporation, Vice Chairman of the Ghaziabad Development Authority and Special Secretary and Additional Director – Industries.

MANOJ KUMAR NARAYAN NAMBIAR

Manoj Kumar Nambiar is the Managing Director of our Company. He has been a Director since October 2012, when he was appointed as the Managing Director of our Company with effect from October 3, 2012. He holds a Bachelor's degree in Engineering (Mechanical branch) from VJIT Mumbai and a Master's degree in Management Studies from the University of Bombay. He has also completed the 'Strategic Leadership in Microfinance' course from Harvard Business School, USA and he has also successfully completed the Strategem – Strategy Meets Leadership Programme from INSEAD, Fontainebleau, France. He has worked with various companies in the fields of business development, consumer banking and microfinance across India and the Middle East. Previously, he has worked with Xerox India Limited (formerly, Modi Xerox Limited), Countrywide Consumer Financial Services Limited, ANZ Grindlays Bank, ABN Amro Bank N.V., National Bank of Oman, Ahli Bank and with Alhamrani Company for Investment in Trade. He has chaired the governing board of MFIN, the self-regulatory organisation for NBFC-MFIs recognised by the RBI, since 2019, having first joined MFIN's board in 2013. He was also the President of MFIN in 2015-16 and currently Chairman of MFIN.

VINEET CHANDRA RAI

Vineet Chandra Rai is a Non-Executive Nominee Director of Arohan. He was nominated to Arohan's Board by AVMS. He has been a Director since October 24, 2013. He holds a Post Graduate Diploma in Forestry Management from the Indian Institute of Forest Management, Bhopal. Additionally, he is an Honorary Member of XLRI Alumni Association. He is the promoter of AVMS, which is a part of the Aavishkaar Group. He was awarded the Outstanding Social Change Agent by TiE Mumbai in January 2020 and also featured on the cover of Forbes India (January 2018 issue). He participated in the 'Champions of Change' event in August 2017 organized by the National Institution for Transforming India. Further, he was also appointed by

SEBI as a member of the 'Working Group on Social Stock Exchanges' in India. He has also served as a commission member at the Global Commission on Business and Sustainable Development.

MATANGI GOWRISHANKAR

Matangi Gowrishankar is a Non-Executive Independent Director of Arohan. She has been a Director since August 22, 2016. She holds a Bachelor's degree in Sociology from the University of Madras, Chennai and Honours Diploma in Industrial Relations and Welfare from Xavier Labour Relations Institute, Jamshedpur. After completion of her management studies in the year 1979, she has worked at organisations like Standard Chartered Bank and Cummins India Limited, both in India and overseas. Previously, she has worked with BP India Services Private Limited where she held the position of Director Leadership Academy. She is also a Director on the Boards of other companies in India.

SUMANTRA BANERJEE

Sumantra Banerjee is a Non-Executive Independent Director of Arohan. He has been a Director since April 29, 2014. He holds a Bachelor's degree (Technology) in Chemical Engineering from the Indian Institute of Technology, Kharagpur, a Master's degree in Science and a Master's degree in Business Administration from the University of Connecticut, USA. Previously, he has served as the Managing Director of CESC Limited, the Sector Head of Spencer's Retail Limited and a member of the board of the RPG Group Supervisory Board.

RAJAT MOHAN NAG

Rajat Mohan Nag is a Non-Executive Independent Director of Arohan. He has been a Director since January 31, 2015. He holds a Bachelor's degree in Technology (electrical engineering) from the Indian Institute of Technology, Delhi and a Master's degree in Science and a Master's degree in Business Administration and an Honorary Doctorate from the University of Saskatchewan, Canada. He also holds a Master's degree in Science (Economics) from the London School of Economics and Political Science, University of London, United Kingdom. He is also a Distinguished Fellow at the Emerging Markets Forum, and has been recognised as a Distinguished Professor at the Emerging Markets Institute at Beijing Normal University, as well as a member of several nonprofit organisations, including Action for Autism. Previously, he has served as the Managing Director General of the Asian Development Bank from 2006 to 2013.

WILHELMUS MARTHINUS MARIA VAN DER BEEK

Wilhelmus Marthinus Maria Van Der Beek is a Non-Executive Nominee Director of Arohan. He was nominated to Arohan's Board of Directors by AG II. He has been a Director since December 5, 2016. He holds a Doctoral Degree in Economics and Business Economics from Erasmus University, Rotterdam and has completed the European Leadership Course 6 from Comenius Leergangen. He has experience in financial structuring, investment management, private equity and cross-border direct investments. He is the Founder of Goodwell Investments BV, a

Netherlands-based investment firm focused on financial inclusion and also manages the Aavishkaar Goodwell India Microfinance Development Company I Ltd. and AG II.

ANURAG AGRAWAL

Anurag Agrawal is a Non-Executive Nominee Director of Arohan. He has been a Director since October 3, 2012. He holds a Bachelor's degree in Business Administration and a Master's degree in Commerce from the University of Madras, Chennai and a Post Graduate Diploma in Management from T.A. Pai Management Institute, Manipal. He is also the Chief Operating Officer of one of our Promoters, AVMS. Previously, he has worked with ICICI Bank Limited.

PIYUSH GOENKA

Piyush Goenka is a Non-Executive Nominee Director of Arohan. He was nominated to Arohan's Board of Directors by Tano. He has been a Director since March 31, 2015. He holds a Bachelor's degree in Commerce from University of Calcutta and has completed the Post Graduate Programme in Management (equivalent to a Master's degree in Business Administration) from Management Development Institute, Gurugram. He is a CFA Charter holder. At Tano, he is responsible for making investments across a wide range of sectors and has led most of Tano's investments in the consumer, pharmaceuticals and financial services sectors. Prior to joining Tano, he worked with Infrastructure Leasing & Financial Services Limited, Export-Import Bank of India and First Global.

SHRI RAM MEENA

Shri Ram Meena is a Non-Executive Nominee Director of Arohan. He was nominated to Arohan's Board of Directors by SIDBI. He has been a Director since May 15, 2019. He holds a Bachelor's degree in Commerce and a Master's degree in Economics from the University of Rajasthan. He is also a member of the Indian Institute of Banking and Finance and has passed the requisite CAIIB examination of the institute. He joined SIDBI in December 1996 as an assistant manager and is presently the Deputy General Manager at the Regional Office of 179 SIDBI, Guwahati.

KASPER SVARRER

Kasper Svarrer is a Non-Executive Nominee Director of Arohan. He was nominated to Arohan's Board of Directors by Maj Invest. He has been a Director since March 31, 2017. He holds a Bachelor's degree in Forestry from Royal Veterinary and Agricultural University, Copenhagen and a Master's degree in Business Administration from Henley Business School, University of Reading, United Kingdom. He also holds a certificate for completing a course on International Business Management from Georgetown University, USA. He has been with the Maj Invest group since 2009. He is the Managing Partner, financial inclusion, at Maj Invest Equity A/S and Fondsmæglerselskabet Maj Invest A/S, and also represents the funds on the board of directors of Microcred S.A.S., a portfolio company. Previously, he has worked at the World Bank.

PAUL GRATIEN ROBINE

Paul Gratien Robine is a Non-Executive Nominee Director of Arohan. He was nominated to Arohan’s Board of Directors by TR Capital. He has been a Director since March 18, 2019. He holds a Diploma from EDHEC Business School, France. He is the Founding Partner and Chief Executive Officer of TR Capital and is responsible for all investment and divestment decisions made at the firm, as well as its strategic direction. He has been responsible for the investment activity of TR Capital since 2007. He currently serves as a board member in a number of TR Capital’s investee companies.



Management Profile

MANOJ KUMAR NARAYAN NAMBIAR

Manoj Kumar Nambiar is the Managing Director of our Company. He has been a Director since October 2012, when he was appointed as the Managing Director of our Company with effect from October 3, 2012. He holds a Bachelor's degree in Engineering (Mechanical branch) from VJIT Mumbai and a Master's degree in Management Studies from the University of Bombay. He has also completed the 'Strategic Leadership in Microfinance' course from Harvard Business School, USA and he has also successfully completed the Strategem – Strategy Meets Leadership Programme from INSEAD, Fontainebleau, France. He has worked with various companies in the fields of business development, consumer banking and microfinance across India and the Middle East. Previously, he has worked with Xerox India Limited (formerly, Modi Xerox Limited), Countrywide Consumer Financial Services Limited, ANZ Grindlays Bank, ABN Amro Bank N.V., National Bank of Oman, Ahli Bank and with Alhamrani Company for Investment in Trade. He has chaired the governing board of MFIN, the self-regulatory organisation for NBFC-MFIs recognised by the RBI, since 2019, having first joined MFIN's board in 2013. He was also the President of MFIN in 2015-16 and currently Chairman of MFIN.

MILIND RAMCHANDRA NARE

Milind Ramchandra Nare is the Chief Financial Officer of Arohan and has been associated with the Company with effect from April 28, 2016. He holds a Bachelor's degree in Commerce from the University of Bombay and a Master's degree in Financial Management from Pondicherry University. He is a finance professional with over 22 years of experience in finance. He heads the finance team of the Company. He has experience in strategic planning, treasury management, resource mobilization, audit, taxation, regulatory compliance, foreign exchange management, information system control and management information systems. He is responsible for financial management, treasury management, audit and taxation and regulatory compliance, legal and secretarial verticals. His role also includes liaising with all external stakeholders. Prior to joining the Company, he has been the chief financial officer of India Factoring and Finance Solutions Private Limited. He has also worked at Global Trade Finance Limited, The Bombay Dyeing & Manufacturing Company Limited, Pam Pharmaceutical & Allied Machinery Company Private Limited and L & T Capital Limited. He was conferred the 'Best CFO – BFSI (Large sized enterprises)' award for 2020 at the 8th CFO Summit Awards, 2021 by the All India Association of Industries.

RANJAN DAS

Ranjan Das is the Chief Risk Officer of Arohan and has been associated with the Company since July 1, 2017. He is responsible for the overall risk management and control, risk analytics, credit and product policy approvals, credit underwriting and portfolio risk analytics of the Company. He holds a Master's degree in Business Management from the University of Calcutta. He has

over 20 years of experience in the financial sector. Prior to joining the Company, he has worked with Citicorp Finance (India) Limited, Magma Fincorp Limited and Indian Container Leasing Company Limited.

ANIRUDH SINGH G THAKUR

Anirudh Singh G. Thakur is the Head – Legal, Compliance and Company Secretary of Arohan and has been associated with the Company with effect from October 1, 2017. He holds a Bachelor's degree in Science and a Bachelor's degree in Law from Nagpur University. He is an associate member of the Institute of Company Secretaries of India and has passed the Limited Insolvency Examination conducted by the Insolvency and Bankruptcy Board of India. He has over 20 years of experience in corporate law, commercial law, compliance and litigation. Prior to joining the Company, he worked as a legal consultant, and has also worked with India Factoring and Finance Solutions Private Limited, Global Trade Finance Limited, Intelenet Global Services Limited, Premier Auto Electric Limited and Pix Transmissions Limited in their respective legal and secretarial departments. He received the 'Governance Professional of the Year' award at the 20th ICSI National Awards for Excellence in Corporate Governance, 2020.

SHAILESH KUMAR

Shailesh Kumar is the Senior Vice President – Head of Credit of our Company and has been associated with our Company since April 1, 2018 and earlier he was the Business Head of the MSME Segment of our Company. He is responsible for formulating all credit policies and underwriting of all business and also responsible for portfolio monitoring and good quality of all businesses. He holds a bachelor's degree (honours) in English from Babasaheb Bhimrao Ambedkar Bihar University. He has approximately 20 years of experience across various functions of banking. Prior to joining our Company, he has worked with ICICI Bank Limited and the State Bank of India.

HARSHAVARDHAN PATNAIK

Harshavardhan Patnaik is the Senior Vice President – Head of Business of Arohan and has been associated with the Company since October 14, 2016. He is responsible for building and maintaining a portfolio of products and solutions that delivers profitable growth and delivering outstanding service quality for the Company. He holds a Post-Graduate Diploma in Rural Management from the Institute of Rural Management Anand. He has over 27 years of work experience in the financial services, fast-moving consumer goods and rural/social consulting sectors. Prior to joining the Company, he has worked at SREI Sahaj e-Village Limited as senior vice president – marketing and senior vice president – business development/chief executive officer division, and also at Britannia Industries Limited, Reliance Retail Limited, the general insurance business of ITC Limited, IFFCO-Tokio General Insurance Company Limited, ActionAid India and TTK Healthcare Limited (formerly known as TTK Pharma Limited).

ABIN MUKHOPADHYAY

Abin Mukhopadhyay is the Senior Vice President – Head of Internal Audit of Arohan and has been associated with the Company since July 1, 2015. He is responsible for giving assurance on the internal control arrangements and promoting good corporate governance in the Company. He is a qualified Chartered Accountant and a member of the Institute of Chartered Accountants of India. He is also a Chartered Management Accountant (admitted as an associate of the Chartered Institute of Management Accountants), a certified Information Systems Auditor (as certified by the Information Systems Audit and Control Association), a certified Fraud Examiner (as certified by the Association of Certified Fraud Examiners) and an associate of the Insurance Institute of India. He has over 20 years of experience in audit, accounting and management. Prior to joining the Company, he has worked with Eveready Industries India Limited, ITC Limited, Colgate-Palmolive (India) Limited, Hindustan Motors Limited and Gumasol Rubber-Tec GmbH.

ARVIND MURARKA

Arvind Murarka is the Senior Vice President – Head of Information Technology of Arohan and has been associated with the Company since August 12, 2015. He is responsible for overseeing the infrastructure of technical operations, tracking the technology and the information technology team to achieve goals, meet quotas, eliminate security risks, increase user satisfaction and maintain information technology infrastructure, operations and systems/application. He holds a Bachelor's degree in Commerce from Calcutta University. He holds a Master's degree in Business Administration from the Institute of Chartered Financial Analysts of India University, Sikkim and has completed the course titled 'Data Analytics Essentials' from the National Institute of Information Technology, New Delhi. He has experience of over 27 years across multiple industries including information technology consulting, healthcare, infrastructure, food processing, and retail. Prior to joining the Company, he has worked with GPT Infraprojects Limited, Medica Pharmacy Private Limited, IntraSoft Technologies Private Limited, iNavigators Private Limited, Softweb Technologies Private Limited, Amrit Feeds Limited and Kris Systems Private Limited.

PRASHANT RAI

Prashant Rai is the Senior Vice President – Head of Human Resources, Admin, Training and CSR of Arohan and has been associated with the Company since October 28, 2015. He is responsible for the smooth and profitable operation of the department, supervision and providing consultation to management on strategic staffing plans, compensation, benefits, training and development, budgeting and other related activities of the Company. He holds a PGDBM – HR from EMPI business school, New Delhi and Master's degree in Science (ecology and environment) from Sikkim Manipal University. He is accredited as an internationally certified user of Thomas International Limited's "Personal Profile Analysis" and its related instruments by Thomas

International and has also completed a certification in 'Growth Leadership Masterclass' from Korn/Ferry International. He has also completed the requirements to be recognized as an Assessor for the Confederation of Indian Industry – National HR Excellence Award. He has also completed the transactional analysis 101 course offered by the International Transactional Analysis Association and is a life member of the Indian Society for Training & Development, New Delhi. He has approximately 15 years of experience in training and development, talent management and leadership development. Prior to joining the Company, he has worked with Srei Infrastructure Finance Limited, Voltas Limited, Wacker Metroark Chemicals Private Limited and Artefact Software and Finance Limited.

REEMA MUKHERJEE

Reema Mukherjee is the Assistant Vice President – Head of Strategic Initiatives & Corporate Communications and has been associated with our Company since March 16, 2020. She is responsible for all strategic programs and projects, including capital raise, investor relations, corporate communications, inorganic growth opportunities and performance management with a focus on key business metrics. She holds a Post Graduate Diploma in Management (PGDM) from the Indian Institute of Management, Bangalore and Bachelor of Technology (B.Tech) degree in Computer Science and Engineering from West Bengal University of Technology. She has over 11 years of work experience across Finance, Operations and Business Development. She has also been awarded the Citi Woman Leader Award from Citibank for Leadership and Excellence (2011-2012). Prior to joining our Company, she has worked with Amazon Web Services and Ingram Micro, both based out of US. She has also worked with Dhandho Holdings, Vellvette Lifestyle and Xoriant Solutions in India as well as in Barclays Capital Asia Limited in Hong Kong.

KETAN AGRAWAL

Ketan Agrawal is an Deputy Vice President - Heads the Accounts Department of our Company. He has over 18 years of experience in the field of Corporate Accounting. Ketan has in-depth knowledge and expertise in Corporate, Business, Banking & Receivable Accounting and RBI Compliances. He joins us from Magma Fincorp Limited where he was AVP - Core Accounting. His previous work experience includes years at Tulip Telecom Private Limited, Birla Corporation Ltd and Ashok Leyland Finance Limited. Ketan is a Chartered Accountant with Information & System Auditor.

RAJESH KUMAR

Rajesh Kumar is a Vice President - Deputy Business Head, supervising operations for Zone 2 of Bihar & Jharkhand, Zone 5 of Uttar Pradesh, and Zone 6 of Madhya Pradesh & Chhatisgarh of Arohan's operational geographies. He has over 18 years of diversified experience spanning Retail and Banking Functions, Microfinance Operations, and Consulting activities. Rajesh joins us from Jana Small Finance Bank. In his long career, he has also worked with Share Microfin Ltd,

Intellectcash Ltd, Reliance Capital, ICICI Bank and Basix. Rajesh is a gold medalist MBA in Rural Management from Institute of Rural Management, Anand (IRMA) and has also completed a one-year Post Graduate Executive Program in Applied Finance from IIM Calcutta.

JOYANTA BAKALI

Joyanta Bakali is a Vice President - Deputy Business Head and currently handles the largest portfolio in Arohan, supervising operations for Zone 1 of Bengal, Zone3 of Assam, Tripura and Meghalaya, and Zone 4 of Odisha Arohan's operational geographies. Joyanta joined Arohan in June 2007. He was instrumental in conceptualizing designing and successfully launching the "Bazaar" Loan product in the year 2008. With its launch, Bazaar created a revolution in the microfinance space as being the first product that catered to the needs of our male clients too. Joyanta is a microfinance veteran and has over 15 years of working experience in the sector. Joyanta is in charge of Circle 1, our biggest Circle (portfolio, customer base wise). Joyanta holds a Post Graduate Diploma in Business Management from IMT Ghaziabad.

VINOD PANDEY

Vinod Pandey is a Deputy Vice President – Head of Central Operations of Arohan. Vinod is a seasoned professional with 17 years of diverse experience in Livelihood Development, Rural Marketing, Life Insurance, and Microfinance Industry. He has worked with reputed organisations such as International Development Enterprise (India), Max New York Life, Kotak Life and L&T Finance. Vinod has completed Post Graduate Diploma in Rural Management from XISS, Ranchi, and Advance Diploma in Business Management, ICFAI.

Investor Profile

Promoter

Aavishkaar Group

The Aavishkaar Group are global pioneers in taking an entrepreneurship-based approach towards development. The Group is focused on developing the impact ecosystem in the continents of Asia and Africa. Aavishkaar Group manages assets in excess of USD 1 billion across Equity and Credit, with 7,000+ employees present across India, Indonesia, Bangladesh and Kenya.

The Group's ecosystems include **Aavishkaar Capital** - Pioneer in equity led impact investing, **Arohan** - One of India's largest Technology led Financial inclusion platform, **Ashv** - specialized lender to small and growing businesses, **Intellectap** - Thought Leader and Advisory business with a focus on sustainability and **Sankalp Forum** - one of the world's largest inclusive development led platform.

The Group's shareholders include TIAA-Nuveen, Triodos Bank, Shell Foundation and Dutch Entrepreneurial Development Bank, FMO. The investments into Arohan Financial Services Limited have been done through Aavishkaar Venture Management Services Pvt Ltd and Intellectual Capital Advisory Services Pvt Ltd.

Institutional Investors

Aavishkaar Goodwell India Microfinance Development Company II Ltd

Aavishkaar Goodwell is a for-profit business development company that provides equity finance and hands-on support to enterprises active in the microfinance sector in India on a socially and commercially sustainable basis. Aavishkaar Goodwell is a joint initiative of the teams behind Dutch social investment firm Goodwell Investments and Aavishkaar India, the world's first for-profit micro venture capital fund.

Tano India Private Equity Fund II

Tano Capital is an independent fund manager of two private equity funds: TIPEF-I and TIPEF-II, aggregating USD 211 MM. It was co-founded by Chuck Johnson, Hetal Gandhi and Carlton Pereira in 2006. The funds are focused on providing growth capital to Indian companies across diverse sectors such as Consumer, Pharmaceuticals, Financial Services, Engineering and Manufacturing.

Maj Invest Financial Inclusion Fund II K/S

Maj Invest is a Danish asset management company with about USD 17 billion under management, providing services in asset management and private equity. With headquarters in Copenhagen, Denmark, the company employs about 107 highly skilled professionals worldwide. Maj Invest was founded more than 15 years ago and is fully owned by management and employees. The financial inclusion business area is one of the several business areas of Maj Invest and operates on Maj Invest's regulated institutional platform with its own dedicated team supported by the legal, financial and administrative departments. The financial inclusion team of eleven people is based in Copenhagen and in regional offices in Lima, Peru and Mumbai, India. Maj Invest Financial Inclusion Fund II K/S (Fund II), was established in 2015 and has invested in seven companies around the globe.

TR Capital III Mauritius

TR Capital is a leader in secondary private equity investments in the Asia-Pacific region. The firm focuses on providing liquidity solutions to owners of private equity assets through Secondary Direct (single asset) and Fund Restructuring (portfolio) transactions. The firm targets significant positions in established leaders in the Technology, Digital Consumer and Healthcare sectors. TR Capital is an active investor/shareholder and works with its portfolio companies to optimize their business models and capital structures. TR Capital currently manages four funds and total capital commitments of close to USD 1 billion. Its sophisticated investor base includes sovereign funds, pension funds, asset management firms, financial institutions, entrepreneurs, and family offices. Founded in 2007, TR Capital has subsequently closed 36 secondary investments and built a solid track record with TR Capital Fund I (2008), TR Capital Fund II (2012), TR Capital Fund III (2016) and TR Capital Fund IV (2019). TR Capital's 20 professionals are based in offices in Hong Kong, Shanghai and Mumbai.

Michael & Susan Dell Foundation (MSDF)

The Michael & Susan Dell Foundation is dedicated to transforming the lives of children living in urban poverty in the United States, India, and South Africa through its various activities.

Management Discussion & Analysis

Accelerating financial inclusion for the excluded base of the pyramid in India

The microfinance industry in India, in its journey of metamorphosis through the years, has provided for growth of the underserved and financially excluded base of the socio-economic pyramid, making them as resilient as the industry itself. The industry has thus emerged into a formidable force for the greater good, through the ups and downs of unprecedented challenges of global, national and regional externalities. All through, Arohan stood tall with Technology and Innovation as its guiding force, supported by the enabling efforts of the Government of India (GoI), the Reserve Bank of India (RBI), the Microfinance Self-Regulatory Organisations (SROs) and the entire industry, with its peers and its customers.

Industry Overview in FY2020-21

The Indian Microfinance industry currently serves 59 Mn⁽¹⁾ microfinance borrowers through a Portfolio Outstanding of INR 3,84,615 Cr⁽¹⁾ through its Joint Liability Group (JLG) and Self-Help Group (SHG) models. The industry has come a long way since 2011, when there were 27.59 mn⁽²⁾ borrowers pan India with a Portfolio Outstanding of INR 18,157 Cr ⁽²⁾. The industry is projected to reach INR 6,573 Bn⁽³⁾ by FY 2024-25, as per independent projections from CRISIL. The Indian Microfinance Industry is foundationally robust, has weathered several storms in the past, and has emerged resilient and victorious every single time – providing financial access to millions of excluded individuals at the base of the pyramid in India.

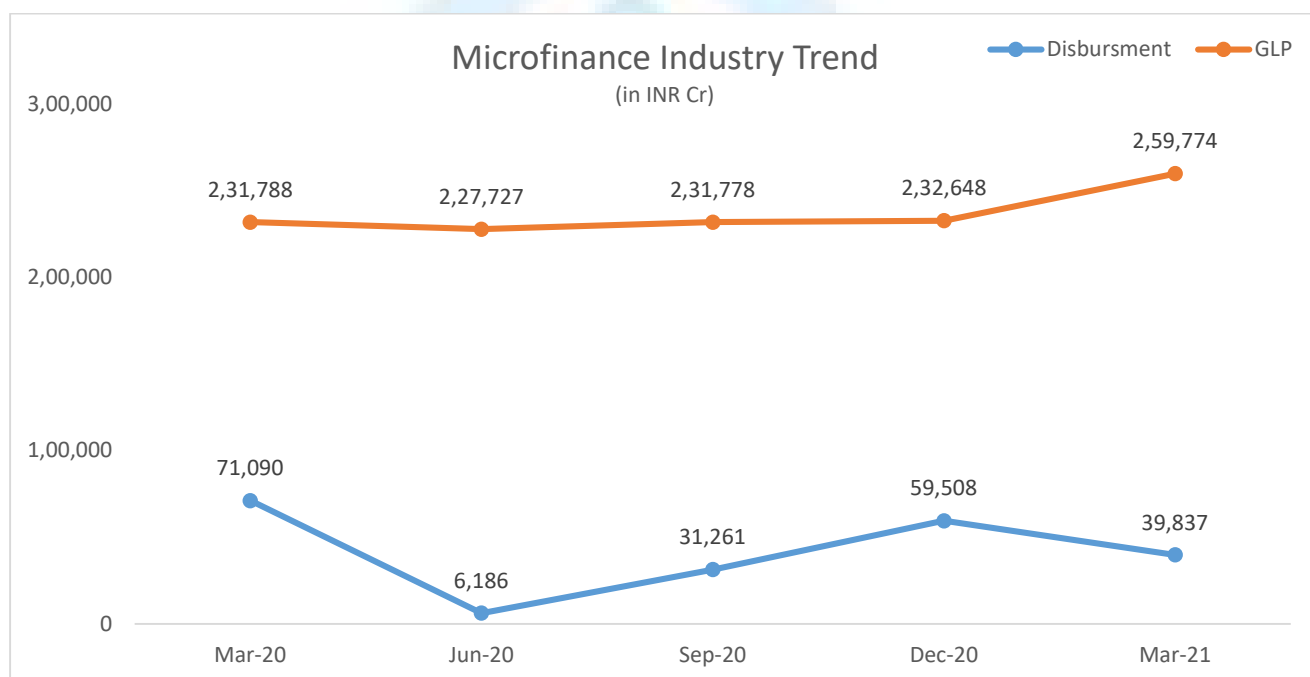
When compared to other emerging and developed economies like China, Brazil, the UK and the US – India demonstrates a significantly lower Credit to Gross Domestic Product (GDP) ratio and Household credit as a percentage of the nation's GDP. With 11%⁽³⁾ of the world's unbanked adult population coming from India, there is a significant potential to increase banking habits and overall financial inclusion in India. Moreover, while rural India contributes to 66%⁽³⁾ of India's population and 47%⁽³⁾ of its GDP, only 9%⁽³⁾ of total credit outstanding in the country comes from rural India. This is again indicative of opportunities for microfinance institutions to penetrate rural India significantly.

As per the independent results published by CRISIL, India has 14 low-income states, which exhibit lower CRISIL Inclusix Scores, pointing towards poor financial inclusion in those states. It is further ratified by CRISIL that there is extremely low per-capita retail credit and low share of banking credit in the Eastern, Central and North-Eastern states of India.

Financial Year (FY) 2020-21 has been an exceptional year, having witnessed the onset and subsequent spread of the global pandemic of COVID-19. In India, however, despite the nationwide lockdown in March, 2020, the phase wise opening of lockdown, gradual rebooting of the Indian economy and proactive measures taken by the industry, resulted in steady restoration of normalcy.

The resilience of the customer segment that the industry caters to, once again, shone through as customers worked actively in support of the various timely interventions by the Government, the RBI and the industry, to revive their livelihoods and reinstate credit discipline. By Quarter 3 of the Financial Year, the overall financial inclusion industry saw significant improvement in collections month-on-month and projections showed a steady recovery to pre-COVID times. India's microfinance industry steadily regained momentum during the second half of the year. This recovery has been in line with the resilience shown by the industry in the past, and is a true testimony of the industry's ability to successfully respond to external shocks time and again. The overall microfinance industry's Gross Loan Portfolio in India grew to INR 2,59,377 Cr⁽¹⁾ as of March 31, 2021 (for the loans originated after February 2017) despite muted disbursements across the industry in the first half of FY 2020-21. The disbursements in the last quarter picked up in line with levels in FY 2019-20, in terms of number of loan accounts disbursed as well as total loan amount disbursed. Overall, industry Assets Under Management (AUM) grew by 11.90%⁽¹⁾ in the same period (based on the loans originated after February 2017).

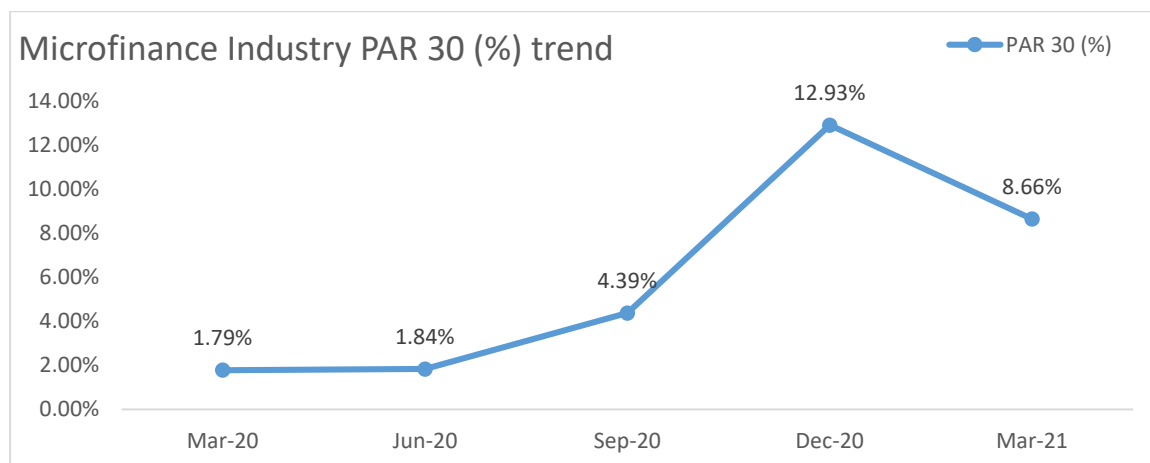
Industry Disbursement trends and AUM trend Quarter-on-Quarter from March 2020 to March 2021.



Source: MFIN Micrometer Issue 37, Disbursement figures represent the total disbursement in the quarter ending the month and GLP figures represent the GLP as on last day of the month.

Collections of microfinance institutions, which had plunged to near zero in April 2020 because of the nationwide lockdown, rebounded to 70-75% in July and August and further improved to 90%+ in the latter half of the year, as per CRISIL estimates.

The improved collection efficiency has led to improved Portfolio At Risk (PAR) figures which settled at 8.66% of PAR 30 (%) in March 2021 as compared to a high of 12.93% in December 2020, as per MFIN Micrometer, Issue 36.

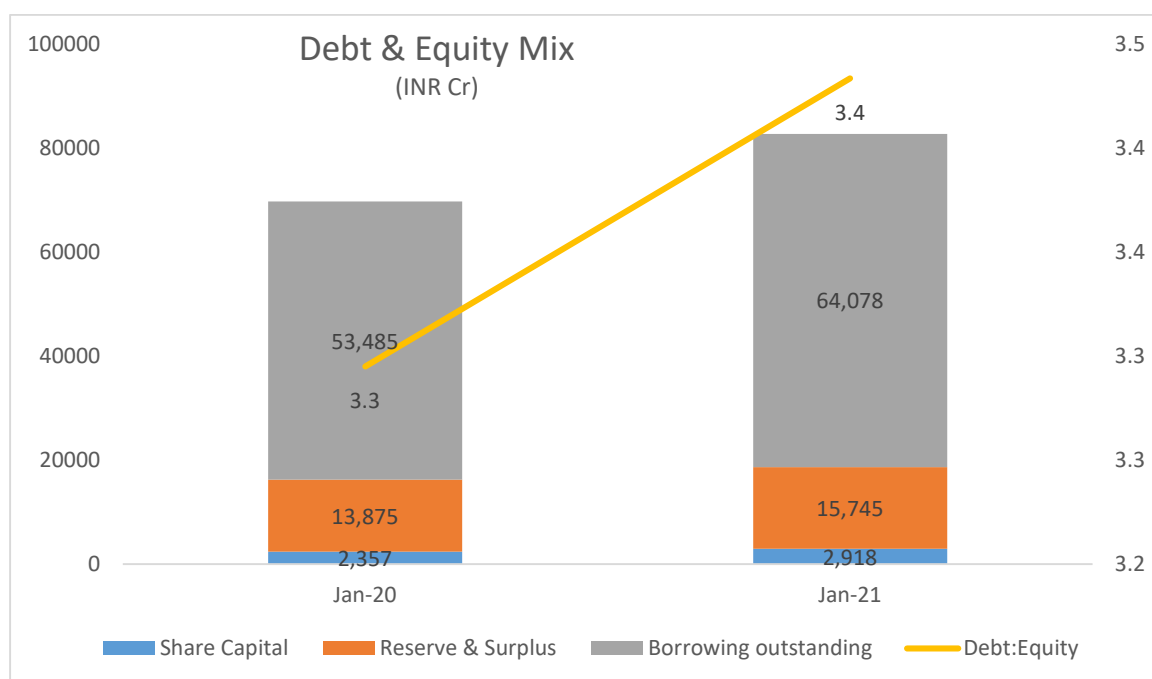


In response to the COVID-19 situation, different measures were introduced by Indian regulatory bodies to ensure credit availability for regular paying customers and also to lower economic stress for customers during the period of lockdown.

- 1. Moratorium to Regular customers:** The Reserve Bank of India first announced the moratorium for a period of three months from March to May 2020, which was then extended to August 31, 2020. Also, India's Honourable Supreme Court further provided relief to borrowers by providing an order to lenders to provide ex-gratia compound interest relief for the moratorium period.
- 2. Loan interest subvention scheme:** The Government of India provided 2% interest subvention to loans given under the MUDRA Shishu scheme for eligible borrowers. These loans are up to a ticket size of INR 50,000 and are primarily given by NBFC-MFIs catering to low-income groups of borrowers.
- 3. Loans for Street Vendors:** The government unveiled an INR 50 billion special credit facility for street vendors under the Pradhan Mantri Street Vendor's Atmanirbhar Nidhi (PMSVANidhi) scheme, which allowed them to get access to an initial working capital of up to INR 10,000 collateral-free. Over 2.18 mn street vendors have already been supported through this special credit facility and have received INR 21.64 Bn as of March 31, 2021 (source: <https://pmsvanidhi.mohua.gov.in/Home/PMSDashboard>)
- 4. Code for Responsible Lending (CRL),** which was launched in September 2019 by MFIN and Sa-Dhan along with Finance Industry Development Council (FIDC) for India's micro-credit industry with an aim of bringing more transparency and addressing customer centric issues, got wider acceptance in FY 2020-21, with more than 100 entities adopting it for their operations.

The Government, RBI and other lending institutions like National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI) & State Bank of India (SBI) also launched several other schemes to ensure liquidity availability to different lending organisations. These are Long-Term Repo Operations (LTRO), Targeted Long-Term Repo Operations (TLTRO) 1.0 and 2.0, Partial Credit Guarantee Scheme (PCGS) from RBI, along with Term Loans & Non-convertible debentures (NCDs) facilities from SIDBI, SBI Capital and NABARD.

These government schemes helped Indian NBFC-MFIs ensure sufficient liquidity in hand during the externally stressed situation. Overall, the funding to MFIs were majorly through debt arrangements as debt funding for MFIs increased by 9.2%(1) in FY 2020-21 over FY2019-20.



Source: MFIN Micrometer Issue 37

According to a speech by the Governor of Reserve Bank of India on February 5, 2021, there is a pressing need to harmonise regulations governing the microfinance lending industry in India. In recent years, as several large MFI players converted into Small Finance Banks (SFBs), the current regulations are applicable to only NBFC-MFIs, who contribute to 31% of the total microfinance lending in India, as of March 31 2021, per MFIN Micrometer Issue 37. A potential harmonisation of regulations for MFI lending can have a positive impact on NBFC-MFIs as banks and SFBs will also be governed by same benchmarks, hence eliminating the competitive edge they have currently. A consultative paper, inviting feedback from the micro-lending industry, on the same was published by the RBI on June 14, 2021.

Overview of Financial Year 2020-21 for Arohan

With the onset of the pandemic, Arohan's first line of action was to adopt precautionary measures against COVID-19 to ensure safety of all employees and customers. To create extensive awareness on social distancing, the proper use of face masks and overall safety and hygiene practices among the field employees and customers, Arohan introduced guidelines covering COVID-19 symptoms, sanitation measures, travel advisories, and social distancing know-how. Arohan also implemented hygiene measures, including providing sanitisers, masks and gloves at all of its 700+ branches. In addition, during initial lockdown in India, Arohan quickly transitioned to contacting customers virtually, instead of physically, at center meetings. The Company facilitated a work-from-home policy for most of its offices and also provided additional COVID-19 medical insurance for all employees.

With increasing focus on cashless repayments at this time, Arohan partnered with leading FinTech organisations to launch a digital repayment model in April 2020. Arohan also enabled digital repayment facilities for customers, whereby the customers can repay their loans using any digital wallets, through facilities provided by partner organisations through Bharat Bill Pay System (BBPS) or Aadhar Enabled Payment System (AEPS), their debit cards via Ezetap, mobile Point of Sale (mPOS) and various cash drop services for customers.

In response to the various measures announced by the Reserve Bank of India and the Government of India, Arohan was able to provide all benefits in a timely manner to eligible customers, such as:

- 1) Payment moratorium
- 2) MUDRA-Shishu loan interest subventions of 2%
- 3) Ex-gratia relief on Compound Interest, as per the Honourable Supreme Court order

This was made possible within such very concise timeframes and with minimal effort only because Arohan has a robust IT backbone, effectively using Profile, a Core Banking Solution from FIS Global (a Fortune 500 company). Arohan is the only NBFC-MFI in India to use Profile from FIS Global as Lending Management Solution.

To enable effective implementation of the above interventions, Arohan trained and enabled all field agents to provide customers with information regarding the payment moratorium, especially with respect to interest accruals. In addition, Arohan promptly addressed the financial needs of all customers: those who made regular repayments prior to the imposition of the moratorium, those who continued to make repayments during the moratorium period, and those unable to make repayments due to economic stress - by introducing specific credit products for customers to provide liquidity and ensure sustenance of their livelihoods, during the COVID-19 restriction period and its aftermath.

In FY 2020-21, Arohan continued its journey of further strengthening all IT systems and introduced:

1. **meraArohan:** An end-to-end lending solution built on an advanced technology platform which is designed to completely digitise all customers' loan lifecycle from end-to-end. It also helps to capture key customer data which enables the Company to design attractive and relevant financial inclusion products for customers.
2. **Sanjaya:** A unique IT portal which helps the Field management to track real-time the activities of all employees in the Field with geo-tagging & time stamps for verification. All reporting managers and supervisors can track their teams' movement in the Field, leading to better accountability across the organisation.
3. **Nirnay:** The credit scoring model in collaboration with CRIF's digital decisioning platform, StrategyOne. This is a unique application scorecard to facilitate objective credit decisioning using data from Arohan's own records as well as Credit Bureau. It is a customisable tool with a unique algorithm with the power to streamline underwriting conditions and effectively manage Arohan's credit risk with a long term view in mind.
4. **Adrenalin Phase 2:** An end-to-end HR Management System (HRMS) including separate modules for Recruitment and Performance Management. Through these Arohan is able to conduct in a paperless fashion, all hiring processes (including interviews, assessments, selection processes and outcomes) and also review employee performance of 6,790 staff (as of Mar 31, 2021) digitally.

With its focus on preparing the Company for the next phase of growth, Arohan further strengthened the Organisation Structure:

Independent Credit Vertical: Arohan also established a separate and independent Credit function to strengthen underwriting with its continued and sharp focus on quality till the last mile.

Recovery Vertical: Arohan had introduced a dedicated Recovery Vertical in FY 2017-18. The Recovery CSR (R-CSR) cadre all across was streamlined further in FY 2020-21 with reporting to Business. A settlement programme called Sandhi was initiated in February, 2021 to support the objectives of the vertical aligned to organisational priorities.

Deputy Business Head structure: Arohan introduced two Deputy Business Heads positions managing three operational Zones each and reporting in to the Business Head, for better operational management.

Diversity & Inclusion Initiatives

Since majority of microfinance customers are female, as a strategic initiative Arohan undertook initiatives to increase the number of female employees in its workforce. Arohan's Diversity & Inclusion Committee was established in FY 2020-21. It introduced programmes, processes and policies with an aim to hire and retain an increasing number of female employees across geographies. Arohan has opened branches that employ only female staff members in several states. These initiatives increased Arohan's gender diversity from 4.95% in April 2019 to 10.88% by the end of March 2021.

Focus on providing a Great Place to Work

In a major milestone, Arohan was recertified as a Great Place to Work™ in March 2021 and ranked amongst the Top 30 Companies in Banking, Financial Services and Insurance (BFSI) Industry in India. Arohan also ranked overall 65th across all organisations and industries pan India. Additionally, Arohan was also awarded Best Governed Company, Unlisted Segment in Emerging Category, in the 20th ICSI National Awards for Excellence in Corporate Governance and semi-finalist recognition at the SKOCH Awards 2021 for COVID-19 response, meraArohan (Arohan's loan management IT Solution), Corporate Governance and overall Micro-credit initiatives. Arohan has also been recognised as a 'Responsible Lender' and has a Code for Responsible Lending (CRL) score of 99% in the last published results. This reflects the Company's commitment to uphold the highest standards in Customer Protection.

Fund Raise Efforts

In an effort to bolster its Tier-I Capital, Arohan raised INR 168 Cr equity from existing and new investors and filed Draft Red Herring Prospectus (DRHP) dated February 14, 2021 in connection with its Initial Public Offering with the SEBI. With its funding activities, both via equity and debt, Arohan maintained strong liquidity throughout the year.

Plan ahead for Fiscal Year 2021-22

Being a truly digital-focused organisation, Arohan will continue to introduce and integrate new Information Technology interventions across the Company's processes to ensure that the technology used in the Company's processes and policies remains advanced and overall business scope is poised to grow with scalable, operationally efficient and with effective internal control measures in place.

In line with its mission to empower underserved households, Arohan intends to expand to other low income and financially under-penetrated or moderately-penetrated states in India, like Rajasthan, Haryana, Punjab, Uttarakhand etc. through organic means by opening new branches in operationally contiguous regions; inorganically by partnering with other local MFIs working in these geographies and focusing on Merger & Acquisition opportunities for product

diversification and strengthening of the Company's portfolio. Arohan also aims to focus on diversifying its product suite in order to increase customer touch points, while helping customers to get empowered financially and uplifting their communities in the process.

Source of data for Industry Overview: (1) MFIN Micrometer, Issue 37, (2) MFIN Micrometer, Issue June, 2012, (3) CRISIL Industry Report

Forging stronger customer relationships during a challenging time

Arohan's operational processes have facilitated strong customer connect and contact through proactive measures, forerunner initiatives and innovations, enabling its readiness for the inevitable new normal, during and post the COVID-19 pandemic, all in an effort to reach out to its customers better and be by their side during a challenging external environment.

Arohan has been a sector leader in adopting a diversified growth strategy driven through various financial services and innovative business modules spanning organic, inorganic, as well as credit plus channels, helping the organisation reach out to and serve customers across the base of the socio-economic pyramid in India. As on March 31, 2021, Arohan's total Assets Under Management stands at INR 4,648 Cr, serving a customer base of over 2.1 mn from 737 branches, manned by 6,790 employees across 17 states.

Arohan demonstrated quick and agile responses to the external environment and took proactive measures to mitigate the impact of the ensuing global-pandemic on all customers and employees, not just managing the crisis but also turning it into an opportunity to better the Company's outreach to customers in the process. Implementation of a well thought-through strategy has helped Arohan in connecting with and serving its clients effectively in the midst of COVID-19 pandemic. Arohan started taking precautionary measures to handle the COVID-19 crisis even before the country-wide lockdown was announced.

CUSTOMER WELLNESS AND REACH

With 'Customer Centricity' as one of the key pillars of Arohan's Core Value system, focus on ensuring the wellness and safety of customers was of foremost importance in the face of the pandemic gaining momentum.

Preventive Guidelines: Information on COVID-19 symptoms, preventive Do's and Don'ts, sanitation best practices, social distancing know-how etc. were shared with the customers. Detailed guidelines on Centre Meetings were also issued to all field employees, who are the first line of connect with customers. Awareness and sensitization among the customers as well as employees were effectively managed across all states of operation.

Virtual Connect: Once the lockdown was announced, Arohan quickly transitioned to virtual centre meetings instead of physical centre meetings with customers. Helping all customers fight

the crisis and ensuring that they do not feel abandoned in their hour of need, virtual interactions were being conducted with customers, highlighting the need for safety and hygiene during the COVID-19 crisis and reassuring customer on the financial front with customized product offerings. Customers were also made aware about the RBI-announced moratorium period, and the impact thereof on their loan terms, particularly on their loan tenures and interest repayments schedules.

CORE LOAN PRODUCTS

All of Arohan's products are designed to best cater to the needs of target customers. This plays a key role in enhancing customer experience and increasing the tenure of customer lifecycle with Arohan. All products introduced in the recent years with the objective of improving customer experience have grown stronger and they create immense value towards customer engagement at Arohan.

- 1. Saral:** Arohan's flagship product, '**Saral**', which caters to women who are residing in low-income areas and are generally involved in trade and services, continues to hold a dominant share in the organisation's portfolio. For Saral loans, Arohan predominantly provide loans to groups consisting of three to five women, and the group's loans are disbursed using the Joint Liability Group (JLG) model. The product is for economically active women residing in low-income areas, generally involved in trade and services. The Saral loan amounts range from ₹10,000 to ₹75,000 (including Saral Plus, Saral Plus Plus and Saral Prime loans) and have a term of 12 to 24 months.
 - **Saral Plus and Saral Plus Plus:** If a customer has repaid a minimum of 10 EMIs under her existing loan and she has a good attendance record at centre meetings, the customer becomes eligible for 'Saral Plus' or 'Saral Plus Plus', which provides access to a larger loan amount for a longer tenure under a Joint Liability Center (JLC), which consists of all the women in that customer's centre, the number of whom range typically between 25 and 30 women. These product services loan sizes from INR 55,000 to INR 75,000.
 - **Saral Prime:** Arohan also provides 'Saral Prime' Loans to repeat customers with good repayment records and whose credit requirements are higher, with the objective of retaining these customers.
 - **Retention Product:** Arohan's Retention Product strives towards enhancing customer delight and extending customer lifecycle by disbursement of loans required for the next cycle just before the last due repayment of the existing loan. The first repayment of the Retention Product starts from the centre meeting day following the last EMI of the previous loan.
 - **Single Customer Addition (SCA) Product:** Single Customer Addition Product was introduced to strengthen the size of centres which are older than 1 year while retaining the fabric of Joint Liability.

2. **Bazaar:** Arohan's 'Bazaar' product is a Group loan product offered to address the working capital needs of small businesses operating out of authorised market places or clusters of shops organised under Traders' Associations. Bazaar loan borrowers are predominantly men involved in small trading and micro-enterprises. The Bazaar loan amounts generally range from INR 15,000 to INR 50,000 and have a term of 12 to 24 months. Repayment meetings for Bazaar customers may be fortnightly or monthly.
- **Bazaar Plus:** Once a customer has repaid a minimum of 10 repayments of his/her existing Bazaar Loan, and the customer has a good attendance record at centre meetings, the customer becomes eligible for 'Bazaar Plus', which provides access to a larger loan amount for a longer term under a Joint Liability Center.

SECONDARY LOAN PRODUCTS

In addition to the above-mentioned core loan products, Arohan offers a range of secondary loan products for other daily purposes. Arohan caters to its customers' requirements for both financial products like life and non-life insurance, as well as, non-financial products for sanitation needs, for utility products including solar lamps, agricultural products, consumer durables, kitchen appliances, bicycles and other household items. This plays a key role in increasing the customers' access to a range of financial inclusion products that helps the overall credit relationship with Arohan. Arohan believes that having robust customer relationships helps with the customer's credit behaviour with the Company.

Financial Safety Net Products:

In order to ensure a financial safety net for its customers, Arohan offers life and health insurance policy products that are issued by certain insurance companies, with whom the Company has entered into tie-ups. Arohan has partnered with Bajaj Allianz Life Insurance Company Limited, HDFC Life Insurance Company Limited and Kotak Mahindra Life Insurance Company Limited to underwrite Group Term Life Insurance policies. Arohan has also partnered with Future Generali India Insurance Company Limited and Aditya Birla Health Insurance Company Limited to provide health insurance and hospital cash benefits to customers in case of the unfortunate incident of illness resulting in hospitalization of the customer or her spouse.

In addition, in order to support customers in the common fight against the global pandemic, Arohan through its partners, is able to provide a COVID-19 related insurance policy to customers in addition to their regular health insurance. This has been well-received by customers across all areas of Arohan's presence.

Non-Financial products:

Arohan offers a range of utility products to its customers at affordable costs. These products may also be financed by Arohan through secondary loans for eligible customers. Current products available under non-financial products include but are not limited to solar lamps,

agricultural products, home and kitchen appliances, consumer durables and bicycles, made available in association with various third parties. The products offered to customers are those that provide value to the customer's life or livelihood, enhancing her and family's quality of life in the process.

The ApnaBazaar platform

Arohan cross-sells products to its customers via a Technology Platform called 'ApnaBazaar', developed in-house, on which various products are made available to all Field Staff on their mobile or tablet devices. Customers and field staff are able to see which products are available at which location, place orders and find out estimated delivery times.

COVID-19 Special Product Package

In order to address customers' needs during a challenging external environment, Arohan came up with several product interventions to assist customers, regular, overdue and delinquent.

DIVERSIFIED BUSINESS MODEL WITH INORGANIC GROWTH

Arohan is one of the very few microfinance organisations to provide loans of amounts ranging from INR 10,000 to INR 250 Mn, including Term Loans to small MFIs operating in remote parts of various Low Income States or financially underpenetrated states in India.

Arohan's Inorganic Portfolio comprises of loans sourced through the Company's partnerships with small MFIs. These partnerships include the provision of Term Loans and also Sourcing and Collection arrangements. Through this vertical, Arohan works with over 30 partners across its areas of operations creating a win-win-win model:

- i. Customers situated in remote geographies, lacking access to diversified credit products, get continued access to credit
- ii. Grass-root level institutions get financial, as well as, technological and operational scale through focused consultation and training interventions, allowing such organisations to incubate towards growth
- iii. Last but not the least, Arohan achieves diversification and strengthening of portfolio.

Since its introduction, the Inorganic vertical has traversed a robust growth journey, reaching out to underserved customers in remote geographies in India. Since inception, the vertical has maintained a portfolio with high quality and negligible Portfolio at Risk (PAR), which increased in FY 2020-21 due to a challenging external environment.

INNOVATIVE CUSTOMER OFFERINGS

Arohan's management is focused on driving innovation and differentiation through its products and processes with an aim to serve customers better. Following the COVID-19 pandemic and the ensuing payment moratorium, Arohan introduced additional innovative products designed to address the needs of both regular, as well as stressed, customers.

Hum Hain Naa: In order to capitalise on its ability to raise debt, its monthly repayment model and to offer microfinance loans to customers at attractive rates, Arohan recently launched, a first of its kind, balance transfer product, 'Hum Hain Naa', to help customers benefit from better pricing and a monthly repayment model. Arohan's loan officers are able to quantify to customers the monetary benefits of shifting to Arohan as part of this programme.

Sahbhaagi: Post the RBI introduced moratorium in 2020, in order to bring back center discipline amongst customers, Arohan has also introduced 'Sahbhaagi', an industry-first, centre reward programme, which seeks to recognise regular centre attendance and timely repayment with benefits to the Center Members and Centre Coordinators for their efforts in ensuring attendance and repayment of their peer groups.

Khaas: Arohan intends to offer a first-of-its kind model in the industry called 'Khaas' for used-to-credit customers which will require fewer in-person interactions with Field staff. Through this model, Arohan's customers are likely to have virtual centre meetings, fully digitised loan renewal processes, cashless repayments and special benefits such as lower interest rates and better rewards. This would be similar to the 'Privilege Banking' services in retail banking.

RECOVERY VERTICAL

In a challenging external environment when the earnings capability and savings of people across India were impacted, in order to serve the customers who were unable to repay their monthly instalments and were hesitant to attend center meetings, Arohan further strengthened its Recovery vertical, which was first put in place post demonetization in 2016. The Recovery team is committed to meeting customers individually at their residences or places of work. Field Agents of Recovery explain to these customers the need for being engaged with Arohan on an ongoing and timely basis and help clarify their concerns and doubts, in order to re-instate center meeting discipline and timely repayment habits amongst these stressed customers.

GEOGRAPHIC REACH

Arohan with its well-thought through geographic diversification strategy is present in 17 states across Central, Eastern, North-Eastern and Western parts of the country. As of March 2021 Arohan's portfolio was distributed 75.55% in non-urban areas in its areas of operation, through its 737 branches. The number of districts covered by Arohan has increased from 229 in FY 2019-20 to 231 in FY 2020-21.

COLLECTION DURING PANDEMIC

Despite challenges posed by COVID-19, lockdown restrictions and natural calamities affecting business operations in Arohan's operational geographies, the Company was able to maintain high collection efficiency ratio (as mentioned below) due to its proactive approaches in

implementing government reliefs such as loan moratorium, 2% interest subvention benefits and ex-gratia relief. This is further aided by the Company's focus on customer connect through regular and recovery CSRs, timely product interventions for all customer segments and ensuring wellness of its employee. For the month of March, 2021, Arohan collection efficiency ratio⁽¹⁾ was 122.59%.

To fulfil the credit requirement of stressed customers, whose livelihoods were impacted in the last financial year, Arohan offered relief products as per RBI relief package/guidelines in addition to other product interventions while also reducing the value at risk by restating stressed loans without increasing overall exposure to any customers.

PROCESS FRAMEWORK

Operational Architecture

Arohan's entire organic operation is categorised under six Zones where Zone I refers to West Bengal, Zone II refers to Bihar and Jharkhand, Zone III refers to the North-Eastern states of Assam, Tripura, Meghalaya and Manipur, Zone IV is Odisha, Zone V is Uttar Pradesh and Zone VI refers to Madhya Pradesh and Chhattisgarh. Each Zone has three to five Regional Offices (RO) with a total of 26 Regional Offices overall and each RO has four to seven Areas mapped to it. Under each Area there are four to six Branches.

Cashless Focus

Reaching a completely cashless back-end is one of the key focus areas of Arohan. This is in tune with the one of the key national agendas of a cashless economy. Arohan has steadily transformed its disbursement and collection processes to maintain consistent levels of customer service while enhancing operational efficiencies and scale.

Cashless Disbursement: Arohan had a 100% cashless disbursement system as of March 31, 2020 and continued to maintain the same during FY2020-21. This process is enabled through the centralised Loan Management System, Profile by FIS, which facilitates initiation of NEFT transactions directly to customers' accounts. Arohan also partnered with a leading Payments Bank to seamlessly open instant bank accounts with Insta-debit cards for customers allowing them to withdraw cash at nearby ATMs or nearby banking merchant points.

Cashless Collection: In FY 2020-21, Arohan achieved significant progress in its drive for cashless collections. Having partnered with a leading Payments Bank, Arohan has introduced cash-drop facility for its customers at the Banking Outlet points which are easily accessible across geographies.

(1) Collection efficiency represents total business collections (excluding MSME lending portfolio and inorganic portfolio) during the month by total demand for the month. Collections include the collection against the month's demand, outstanding demand, advance, and against pre-closure.

Additionally, the organisation introduced customer-initiated and Arohan-assisted cashless payment solution models such as Bharat Bill Pay System (BBPS), Aadhaar Enabled Payment System(AEPS) and Point-of-Sale (POS) machines for debit card payments.

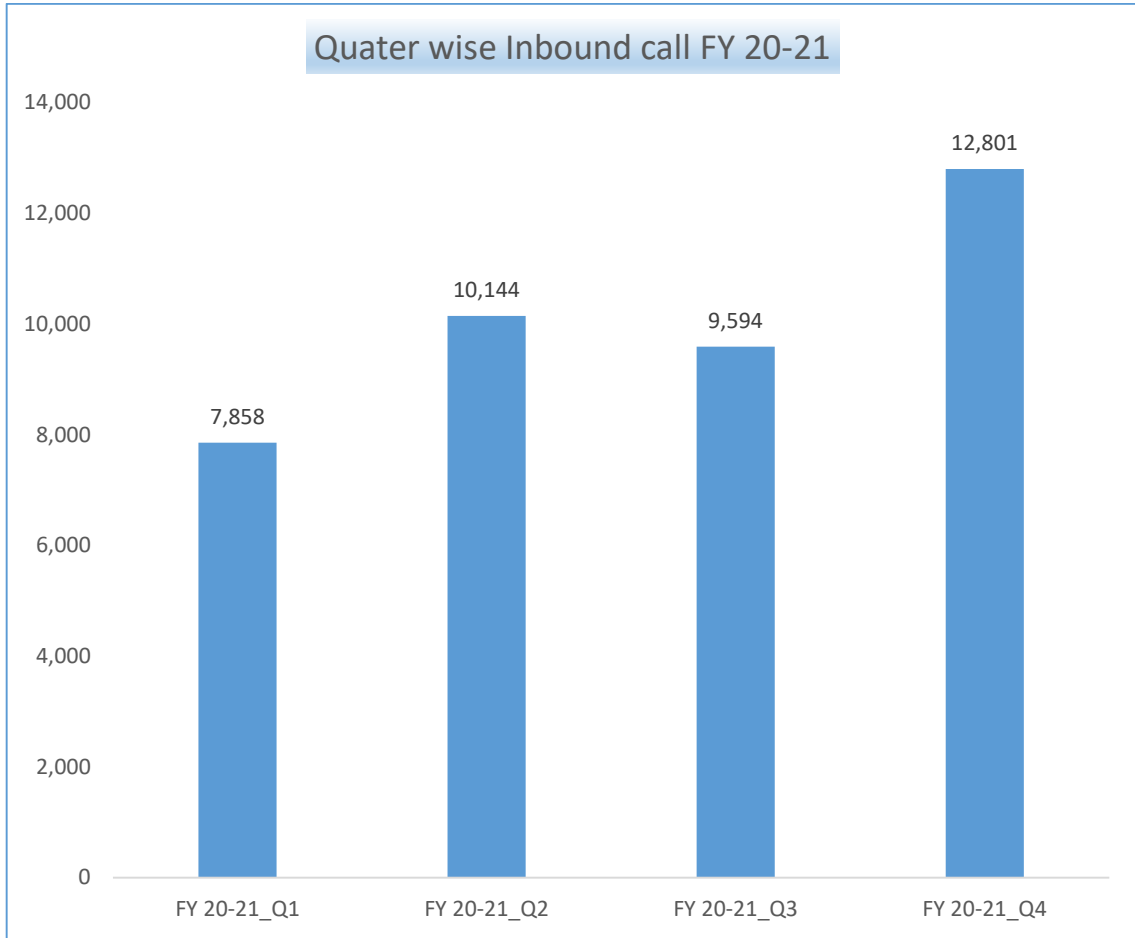
CUSTOMER INSIGHTS & GRIEVANCE REDRESSAL

In line with one of the key pillars of Arohan's Core Values of Customer Centricity, the Company has a dedicated Customer Insights function that acts as a one-stop point for the resolution all customer queries and concerns. The Customer Insights team is the custodian of Customer Grievance Redressal mechanisms to ensure compliance with MFIN and RBI guidelines for the same.

When a customer has a complaint or query, the same is addressed by the relevant Customer Service Representative or the Branch Head. If the complaint cannot be resolved, the customer has the option of escalating the same by contacting Arohan's toll free number at the Customer Care Helpdesk. To avoid any language barrier issues, each customer's call is redirected based on location. If the complaint remains unresolved, the customer may further escalate the matter to the Grievance Redressal Officer. Workflow-based routing of cases has been integrated so that all customer queries and concerns are linked to an appropriate workflow, enabling prompt follow-up action and resolution. The Customer Insights team also conducts outbound calls to assess customer satisfaction levels and to get an insight into their needs from a credit and cross-sell perspective.

Transition to cloud-based Customer Relationship Management (CRM) system has enabled the Customer Insights team to be completely operational even during the country-wide lockdown in FY 2020-21, addressing customers' queries and supporting them well within stipulated timelines.

Inbound Process - To ensure good customer experience, Arohan has a toll free number (1800 - 103-2375, Monday to Friday 10 am to 6 pm) which offers multilingual (Bengali, Hindi, Odiya and Assamese) services.



Grievance Redressal Mechanism

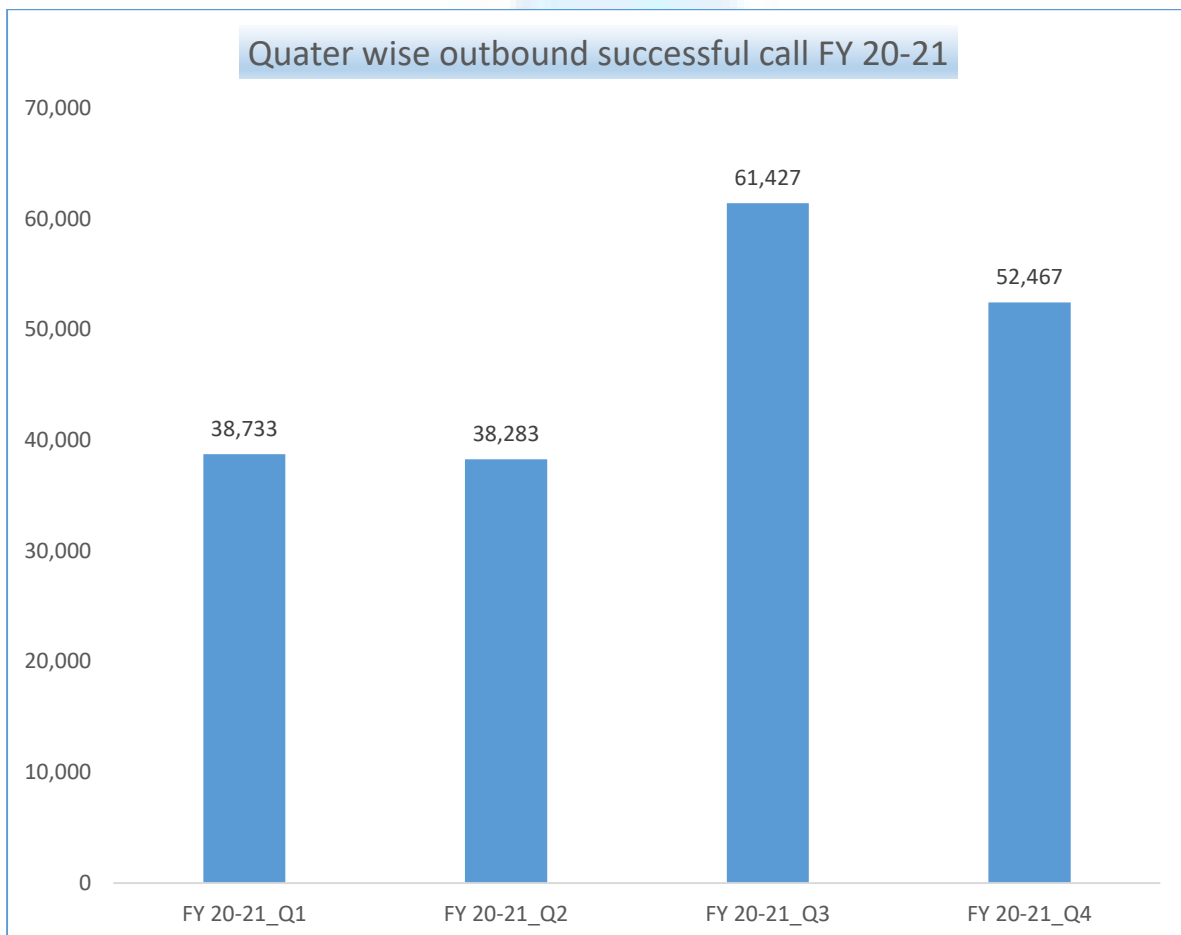
The Inbound Process manages Arohan's Customer Grievance Redressal Mechanism and is a robust platform to address customer grievances on priority. The key principles of Arohan's Grievance Redressal Mechanism are:

- a) Customers shall be treated fairly at all times.
- b) Complaints raised by customers are dealt with courtesy and without undue delay.
- c) To enlist various types of modes through which customers can register complaints.
- d) To define escalation levels in case customer's complaint is not addressed at all or was not addressed satisfactorily.
- e) Customers are fully informed of avenues to escalate their complaints/grievances within the organisation and their rights to alternative remedy, if they are not fully satisfied with the response of the Company to their complaints.
- f) All complaints to be dealt efficiently and fairly as otherwise they can damage the reputation and business.
- g) Arohan's employees would work in good faith and without prejudice to the interest of the customers.

In a survey conducted by Micro-Finance Institutions Network (MFIN), the Industry Self-Regulatory Organisation), FY 2020-21 for all its members on their Customer Grievance Redressal Mechanism based, Arohan was awarded a high score of 28.5 out of 30.

Outbound Process

Through the Outbound Process, Arohan’s Customer Insights vertical directly reaches out to customers to understand their needs, while maintaining highest levels of customer centricity and integrity. Detailed surveys are conducted on loan sourcing, customer satisfaction, overdue, dropout and cross sell products, along with need-based surveys through targeted samples to gain customer insights. Specialised surveys such as Impact of COVID-19 on households, in association with Microfinance Institutions Network (MFIN) and Change in customer Livelihood in Three Years (without considering the COVID 19 impact) in association with MicroSave were also conducted during FY 2020-21.



Other Initiatives that the Customer Insights Team has undertaken during FY2020-21 are:

1. **Tele-verification Process** – Arohan has also initiated Customer Tele-verification process, as a pre-disbursement measure for loans. An additional quality check mechanism, through this process, loan applications are approved post verification of customer details. The

process is currently piloted in Uttar Pradesh, Zone 5 of Arohan's operational expanse, with an aim to expand further.

2. **Portal based bulk SMS** – Further strengthening customer connect and transparency in processes, Arohan's Customer Insights vertical also connects with customers through portal-based bulk Short Message Services (SMS) for them to be informed of any new product offerings or any change in process, that may have an impact on their loan repayments.
3. **IVR Based Calling Solution** – Arohan has also introduced an Interactive Voice Response (IVR) based calling solution for customers to facilitate easy and quicker navigation for the callers, ensuring effective closure.

RATINGS & GRADINGS

The following rating and grading upgrades in FY 20-21 bear testimony to Arohan's thought-leadership towards developing a sustainable and scalable operational model for maximum customer service:

1. **CARE MFI 1 Grading:** Arohan continues to retain the highest rated MFI 1 grading from CARE Ratings for four consecutive years. The grading is assigned on an 8-point scale with MFI 1 being the highest, enabling Arohan to retain its position among the elite league of MFIs in India.
2. **Code of Conduct Assessment (COCA):** Arohan continues to retain the highest rated C1 grading from M-CRIL for three consecutive years. Arohan has been awarded a score of 95 out of 100 during FY2020-21. The scores and grading are merited on indicators pertaining to Transparency, Client Protection, Governance, Recruitment, Client Education, Feedback & Grievance Redressal and Data Sharing.
3. **An SP1 Social Performance Rating:** Arohan continues to retain the highest rated SP1 grading by ICRA for two consecutive years. The Company's score has improved from 80 to 81 this year. The grading reflects ICRA's opinion on the ability of an MFI to conduct its operations in a scalable and sustainable manner.

Nurturing strength through robust financials, capitalization and liquidity

Arohan's assets, in terms of capitalization, has nurtured the strength and stability of the Company during the challenges of an extraordinary year, allowing it to gain the continued confidence of its shareholders and making it well-poised for its journey ahead.

During FY 2020-21, Arohan recorded its total asset and gross portfolio at INR 5,481 Cr and INR 4,648 Cr respectively.

Arohan closed the year with the following key financial results:

- Total Revenue stood at INR 1,014 Cr. Despite a difficult year impacted by COVID-19, there has been a total revenue growth of 8.47% in FY21 as compared to FY 2019-20.
- Pre-Provision Operating Profit Margin stood at 28.22% in FY 2020-21
- Pre-Provisions Profit before Taxes stood at INR 286 Cr, thus demonstrating strong business fundamentals.
- In a challenging external situation, the Management took additional provisions to weather the storm, ending with INR 710 Cr of provisions, translating to approximately 15.31% of the Company's Business Assets.
- Equity infusion of about INR 168 Cr by existing and new investors showed the strong backing of the investor community, willing to provide Arohan with confidence capital during a challenging external environment.
- As on March 31, 2021 total borrowing outstanding for Arohan was close to INR 4,415 Cr. The Company held surplus liquidity of INR 1158 Cr to help mitigate any liquidity related risks during and post the pandemic.
- With Tier-I and Tier-II Capital raised over FY2020-21, the CRAR held steady at 24.27%, which is well above the regulatory requirement of 15%.
- The Company's Net worth remained intact despite post impairment losses in FY2020-21.

Arohan's Branch network grew from 711 in FY 2019-20 to 737 in FY 2020-21, while its employee strength grew by 8.26%, from 6,272 in FY 2019-20 to 6,790 in FY 2020-21. The company ensured a comfortable financial performance throughout the year to support business.

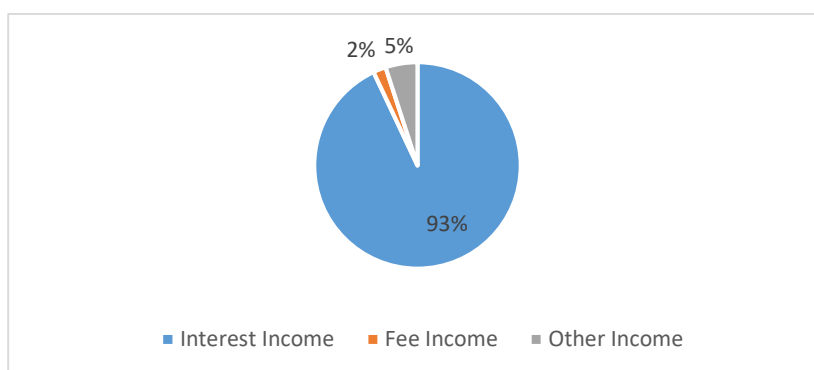
An analysis of the organisation's financial performance for the Financial Year 2020-21, as compared to the previous year, is given below:

INCOME STATEMENT ANALYSIS

Revenue

Revenue has grown by 8.47% from FY 2019-20 to FY 2020-21, mainly due to the growth in interest income contributing to the overall revenue growth for the Company.

Break-up of Revenue for FY 2020-21



Expenditure

Interest expenses have increased by 22% YoY, with increase in borrowings. With the employee count increasing from 6,272 in FY 2019-20 to 6,790 in FY 2020-21, employee costs increased by 17% over the previous year. Administrative costs have decreased marginally by 2% from the previous year.

Key Ratios

Overall Opex ratio has increased, primarily due to muted business growth in a challenging external environment. The weighted average interest charged to customers was in FY 2020-21 against % in FY 2019-20.

Ratios	FY 19-20	FY 20-21	Variance
Yield	21.24%	20.68%	-2.64%
Opex	5.14%	5.46%	6.25%
CRAR	24.80%	24.27%	-2.14%
Weighted average interest charged qualifying assets	20.82%	20.45%	-1.78%
Leverage	4.36	4.61	5.74%

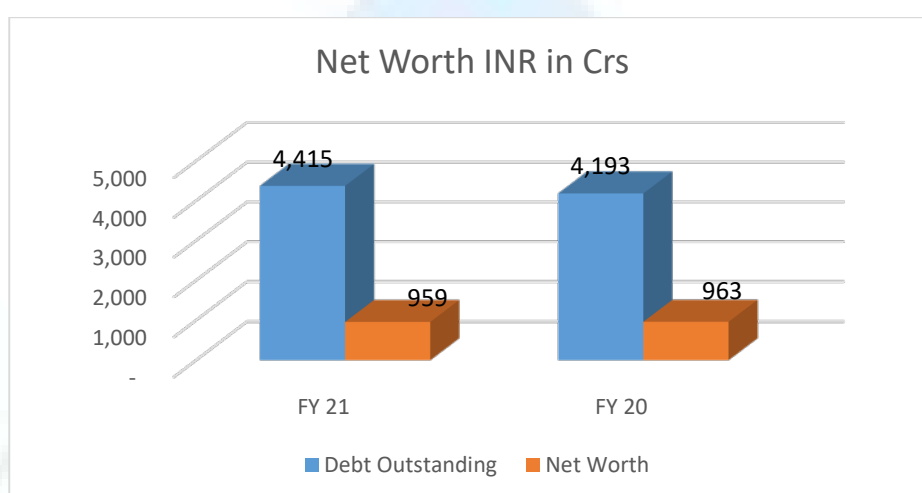
BALANCE SHEET ANALYSIS

Loan Portfolio

In a year which was marked by consolidation at Arohan, the Company had a 4% de-growth in Gross Loan Portfolio from FY2019-20 and touched the INR 4,648 Cr mark. This is due to the Company witnessing muted disbursements due to the various challenges posed by the COVID-19 pandemic and movement restrictions due to lockdowns across geographies mostly during the first half of the financial year.

Net Worth

With sufficient Tier-I and Tier-II raised during FY2020-21, Arohan managed to retain its Net worth at FY2019-20 levels, despite a challenging year marked by consolidation in the Company's operations.



MANAGING LIQUIDITY DURING THE YEAR

With the rapid change in the macro-environment during FY 2020-21, managing liquidity became key to managing the overall business at Arohan. With changes in the behaviour of underlying assets and liabilities, Arohan maintained strong liquidity through diverse borrowing relationships and access to multiple sources of capital.

While Arohan granted moratorium to all its customers, the Company did not receive the same relief from all of its lenders but manages to get this benefit from a few lenders thus, avoiding a negative asset liability mismatch in the Company's books.

Arohan struck a fine balance between carrying high liquidity in the books and taking the drag of negative carry on such liquid assets. With additional provisions due to stress on financial,

Arohan prudently opted for liquidity over-negative carry of funds. Arohan's Cash and Cash Equivalent as of March 31, 2021 was INR 1,158 Cr compared to INR 689 Cr as of March 31, 2020. Additionally, as of March 31, 2021, Arohan's Liquidity Coverage Ratio (LCR) was 684%.

Raising Funds During the Year

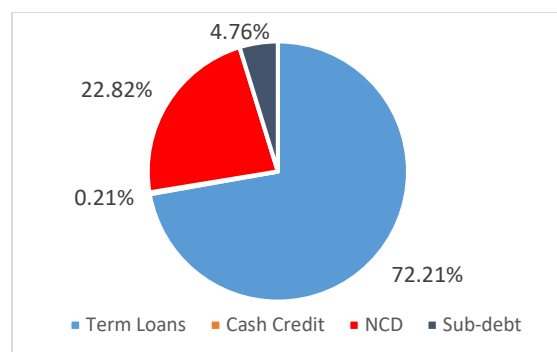
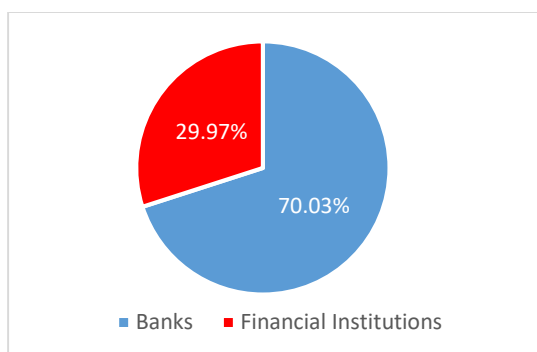
Post the COVID-19 induced lockdown in 2020, lenders' appetite went down significantly, such that non-recourse and partial recourse transactions in the form of assignment and securitization structures had no takers in the market. Accordingly, Arohan did not execute any Securitisation or Assignment transactions during FY 2020-21. Moreover, access to traditional sources of capital also became a challenge since most financial institutions decided to wait and watch on how collection numbers would unwind post the unlocking. Instruments used to raise funds include Secured and Non-Secured Term Loans, Secured and Non-Secured Non-Convertible Debentures, Cash Credit Facilities, External Commercial Borrowings, Masala Bonds and others.

In such a situation, Arohan successfully explored other available options to raise additional funds. Special Liquidity Schemes from RBI and interventions from the Central Government such as Targeted Long-Term Repo Operation (TLTRO) and Partial Credit Guarantee Scheme (PCGS) provided much needed relief to overall market participants. Further, this increased the credit flow while keeping the interest rates on the lower side. During the year, Arohan raised INR 75 Cr under the TLTRO scheme and INR 775 Cr under the PCGS scheme from various Public Sector Undertaking (PSU) banks, including State Bank of India, Indian Bank, Bank of Baroda and Union Bank of India, to name a few.

The repayment of the Non-Convertible Debentures (NCDs) issued under PCGS and TLTRO were structured in a way to enhance proper Asset Liability Management (ALM) of the Company. Arohan also raised longer tenure loans during the year to balance out comparatively shorter tenure PCGS funds, which has helped the Company to keep its average maturity tenure of borrowings at 33 months, well above the average maturity tenure of its lendings at 23 months.

Keeping the rate of interest stable during the year in FY 2020-21, the Company drew funds of INR 5,136 Cr from various PSU as well as private lenders. Additionally, post September 2020, Arohan raised large credits from lenders like IDFC FIRST Bank, Axis Bank, NABARD etc, at attractive rates. Overall Arohan has working relationships with over 40 lenders as of March 2021. Some prominent relationships are with International Finance Corporation, State Bank of India, ICICI Bank, Axis Bank, IDFC First Bank along with Development Financial Institutions like SIDBI and NABARD.

BORROWING MIX, AS ON 31.03.2021



Arohan successfully established new relationships with lenders such as Nabkisan Finance Limited, Kookmin Bank and the CDC Group in the FY 2020-21. Further, Arohan managed to raise INR 168 Cr of equity from select investors, including the Promoter group. This augmented the Company's Tier-I capital and helped in maintaining Capital Adequacy Ratio at comfortable levels.

Cost of Borrowings

Arohan's cost of borrowings for FY 2020-21 was at **10.64 %** as compared to **10.89 %** in FY 2019-20, in line with earlier trends of reducing cost of funds. The Company concluded the year by participating in a pool bond issuance, where five other renowned MFIs also participated in issuance of unlisted NCDs, which was subscribed by the CDC Group, a UK-based development finance institution, and partially guaranteed by Northern Arc.

Credit Ratings

In FY 2020-21, Arohan became a dual credit rated company, by being awarded credit ratings for long term bank facilities/non-convertible debentures of A- (stable outlook) by both CARE Ratings Limited and ICRA Limited.

Arohan also achieved the highest-rated MFI 1 grade from CARE Advisory Research and Training Limited, a wholly owned subsidiary of CARE Ratings Limited, in 2020. The Company has also been assigned a grading of alpha/M2 by MCRIL, which is second highest on their assessment scale.

These gradings and ratings are a testimony of Arohan's commitment to continue operating with a high degree of transparency, financial and operational sustainability, and scalable processes.

Guarding the way, Guiding growth for the Future

Arohan's laser-sharp focus on Quality of its Lending Portfolio guides the Company's credit-underwriting process with the 3-Pillar approach of Risk Management, Internal Audit and Internal Control & Quality, safe-guarding the organisation through a challenging year.

In an externally challenged environment, Arohan chose to focus on consolidation of its operations, geographies and processes/policies. The Company's 3-Pillar approach of Risk Management, Internal Control & Quality and Internal Audit, all based on the foundation of efficient Credit Underwriting, ensured that the Company's products were tailored specifically for customers' needs and the resultant portfolio was monitored stringently.

INDEPENDENT CREDIT VERTICAL

Arohan has established a separate and independent Credit function to strengthen underwriting process with its continued and sharp focus on quality till the last mile. The Credit function of the Company has two sub-verticals of Organic Credit and Inorganic Credit managing the credit quality of its diversified business model.

(1) **Organic Credit:** This vertical focuses on developing credit policies to ensure quality sourcing of the organic portfolio. To this effect, a three-pronged approach is maintained:

- Credit Policy Formulation where each product and its related process are balanced with necessary credit checks, to ensure that the rigour of the customer selection process does not get diluted;
- Credit Administration through app-based KYC and CB filters, cross-verified with a dedicated check unit and focused upskilling of field employees to mitigate credit risks;
- Credit Quality Monitoring where credit performance of all branches are monitored and corrective measures, which includes Root Cause Analysis (RCA) of stressed accounts and ring fencing measures like cash flow analysis, ring leader identification, repayment discipline of the borrowers, further checks of KYCs and CB Records, etc. are implemented.

(2) **Inorganic Credit:** This vertical generates credit decisioning regarding the on-boarding of inorganic partners and monitoring of their performance through various processes including Cross Validation of Total Collection amount, Triangulation of Activation, Collection Efficiency and PAR numbers, Cross checking of Entity's portfolio with CRIF and guiding on course correction. Arohan has adopted a Credit Committee approach which undertakes a rigorous review mechanism, including audit checks, of each and every case of Term Loan or Sourcing & Collection relationship proposal.

RISK MANAGEMENT APPROACH

Arohan's robust risk management framework, incisive analytics capabilities, and digital footprint of business and collections helped the Company be prepared for facing challenges throughout FY 2020-21. The Risk Management function of the Company is led by the Chief Risk Officer and has independent reporting to the Risk Management Committee of the Board of Directors, headed by an eminent Independent Director, with regular administrative guidance from the Managing Director of the Company.

Risk Analytics, Insights and Actionable Focus

Risk Analytics have been Arohan's forte with the deployment of various statistical tools, large data processing software and visual analytics tools such as Python, R and Tableau. The incisive analytics and predictive capabilities of the Risk unit provided sector-leading critical inputs to the Management, such as activation cuts, portfolio projections and other deep insights and rationale-driven business intelligence inputs. These are critical for Arohan's strategic planning and provide key actionable for the Management.

Arohan's proprietary Branch Risk (BRisk) assessment algorithm, which provides key visibility of operational risks continued to effectively assess and predict higher risk environments consistently for the challenging FY 2020-21. The BRisk Grading of the entire Company at all levels up to the Branches provided the Operations team, the Management and the Board of Directors with an impartial assessment of the operational health of Arohan's active branches while indicating potential emerging risks.

New Risk Initiatives

Decision Tools: Development of Arohan's credit acquisition scorecard, 'Nirnay', and deployment of the robust Strategy-One credit decision platform has been completed. The development required that out of 350+ data points collected from a customer through Arohan's loan origination system, 43 key customer variables were gleaned for development of the scorecard. This platform will help Arohan in identifying customer repayment behaviour and provide tailor made loan products. This Data Stack along with power of Big Data analytics and Machine learning will help the Company in identifying and addressing the financial needs of the customers. Arohan's strong domain expertise facilitated seamless acquisition of this project, which harnesses the power of big data of the entire industry. Parallel testing and deployment is currently underway, coinciding with the deployment of Arohan's new Loan Origination platform, meraArohan.

Enterprise Risk Management: In order to effectively balance Risk vis-à-vis Return, and providing accurate and insightful visibility on all risks as a mandate for the Risk unit, Arohan

initiated the implementation of the Enterprise Risk Management (ERM) project using the COSO framework. The project is nearing completion.

Business Continuity Policy: In FY 2020-21 the Risk unit spearheaded the formulation, completion and adoption of the refreshed Business Continuity Policy and Plan of the Company. The Policy intends to capture the basic approach followed towards defining and developing the Business Continuity Management System for the organisation including the Business Continuity Plan, Incident Management Plan and Disaster Recovery Plan. This enhanced Arohan's response preparedness against any disruption and/or crisis, especially in view of the COVID-19 waves.

INTERNAL CONTROL & QUALITY

The second pillar in Arohan's focus on its Portfolio Quality is the Internal Control & Quality vertical, which is responsible for maintaining the quality of assets, ensuring compliance with policies and procedures, as well as verification of documents submitted by customers in adherence with the Company's credit policies.

The function is also responsible for improving operations at the Branch level, including strengthening the asset origination process, improving customer attendance at centre meetings, increasing the percentage of loan repayments made by customers, improving the quality of customer service, and improving overall compliance and adherence with the Company's internal policies and procedures, as well as other statutory requirements.

With this objective, Arohan's IC&Q vertical has dedicated cadres of Zonal Quality Heads, Regional Quality Heads and last mile presence with Branch Quality Heads at the respective operating Branches. The IC&Q vertical is also responsible for monitoring and improving all internal control, fraud detection and remedial action processes, as well as communicating policies and procedures to employees, ensuring their adherence to the same, and implementing strategic initiatives across the organisation.

Additional Measures during Lockdown

When the Government of India, in March 2020, announced a country-wide lockdown the immediate challenge for Arohan was to manage the proper closure of its huge network of 700+ branches while making sure that cash and account books were managed without any issues. This was made possible by the Internal Control & Quality function within a span of few days, ensuring that accounting closures at all branches correctly reflect disbursements and collections status till the last operational day before the lockdown.

The IC&Q Department also put in place mechanisms to track and report adverse incidents at closed branches during the lockdown period. Four branches reported burglary in this period without any significant loss to the Company since the IC&Q department ensured there was no cash available at Branches.

The function put in place a robust plan to ensure high rigour of control and quality when branches started opening, with focus on employee safety, management of probable ad-hoc collections, monitoring of possible fraud instances, connecting with customers given the continuing travel restrictions.

When the phase-wise unlocking was initiated, the function played a crucial role in managing the Branch teams and supervising the entire activities at branch, regional and zonal levels to ensure a fine balance of quality and quantity. In order to ensure transparency and quality in communication to the last mile employee, the function adopted measures of creating video tutorials in vernacular languages.

Most importantly, the Internal Control & Quality department aligned itself completely to the Company's mandate of restoring repayment collection performance to pre-COVID levels and extended all possible assistance to the Business Operations team in this pursuit. This entailed Branch based IC&Q resources going out in the field and meeting customers, routine as well as stressed.

In addition, in order to strengthen collection performance and especially the outreach to stressed borrowers, the department took the additional responsibility of reaching customers telephonically with the objective to motivate them to reconnect with their centers and the Company's Branch staff.

Enhanced Monitoring

Recognising the need to strengthen fraud identification, the Internal Control & Quality function, under the able guidance of Arohan's Apex Committee introduced reporting, investigation and punitive measures as an effective deterrent to fraud instances. The function also undertook structured and periodic Virtual Monitoring of branches over video-conference starting in May-June 2020 and supplementing it with strong on-ground presence starting August 2020.

Towards the end of the Financial Year 2020-21, the Internal Control & Quality function was further mainstreamed and merged with Business Operations to leverage the function to better drive the Company's overall Quality and Quantity agenda.

INTERNAL AUDIT MANAGEMENT

The third pillar in Arohan's Quality Control agenda is an independent Internal Audit function, which reports directly to the Audit Committee of the Board. The Company's Internal Audit Department monitors adherence to internal controls and regulatory requirements and provides input and recommendations to strengthen governance, control and risk management frameworks. The function also undertakes an independent review to establish whether the business is operating in accordance with the Company's internal policies and standards for managing operational risk, as well as statutory requirements. The function is guided by a

comprehensive audit charter and policy, which is reviewed and approved by the Audit Committee of the Board, led by a non-executive independent director.

Managed appropriately by qualified professionals having in-depth understanding of the business culture, systems and processes, the Internal Audit function of the organisation acts as a third-line of defence by monitoring adherence to controls and providing inputs for strengthening risk management.

Arohan's Internal Audit function adopts a Risk Based Supervision (RBS) approach aligned to the guidelines of the Reserve Bank of India. The function has already completed a gap analysis in its process of complying with all the provisions of the Reserve Bank of India, circular dated February 3, 2021 on "Risk Based Internal Audit (RBIA) for all non-deposit taking NBFCs, with asset size of Rs. 5000 Cr and above". Additionally, the function adheres to relevant guidelines as prescribed by the Companies Act, 2013 and the rules thereunder, and standards of internal audits issued by Institute of Chartered Accountants of India (ICAI), to ensure credibility, resilience and transparency in Arohan's governance processes.

Quality Certification

In FY 2019-20, the Internal Audit function of Arohan has been certified with ISO 9001:2015 by the British Standards Institution (BSI) for operating a Quality Management System which complies with the requirements of the certification for conducting Internal Audit for Operations and all other Support Functions. In December 2020, the certificate was further revalidated for one year after an annual surveillance audit.

Infrastructure

Internal Audit in microfinance is a specialised function which requires combination of field knowledge with specialised auditing skills. In Arohan the Internal Audit team is structured in a way to combine the essence of both, handpicked field auditors who are seasoned field personnel and pairing them with people with formal audit training. The team is composed of qualified individuals who are members of the Institute of Chartered Accountants of India, hold Master of Business Administration degrees, or have Certified Information Systems Auditor certifications. Additionally, Arohan continuously invests time and efforts to upgrade the skill sets, as well as enhance knowledge of the audit team members through regular trainings and workshops. As on March 31, 2021, Arohan's Internal Audit team comprises of 154 skilled auditors, spanning its geography, sourced carefully through a rigorous selection process.

In FY 2020-21, the Internal Audit department has successfully audited 735+ active branches on a quarterly basis, spanning Microfinance, MSME and Business Correspondence operations. The

Microfinance and Business Correspondence branch audit coverage rate is 100% in all quarters, except for Quarter 1 and 2 of FY 20-21, where physical auditing was restricted due to COVID-19 lockdowns.

The function is supported by a real-time Audit Management System (AMS), named 'Perdix' with technological support from Dvara Solutions (Formerly IFMR Rural Finance). The Perdix platform provides access to audit schedules, input screens and the entire audit database, including auditable data such as cash management processes, fixed assets and loan documents, via a web-based platform. Perdix also offers the functionality to automatically distribute and calculate branch audit scores based on the pre-set weightage and severity.

Additionally, Arohan's Internal Audit team uses data analytics, which enables offsite generation of exception reports, MIS, and various other analytical reports for use by the Audit team, as well as Management. Through this web-based system, Arohan's Internal Audit function captures the audit findings in a structured and periodic manner. Arohan has adopted a paperless, end-to-end technology driven audit management system and is the first MFI based in Eastern India to use Perdix's audit software.

Methodology and Reporting

The Internal Audit function at Arohan conducts audit of all operative branches once every quarter. The audit is focused on a three-pronged approach namely, i. Field Processes, ii. Back-End Activity and iii. Customer Contact.

- i. The Field Process includes audit of the logs and practices of business operations including Verification, Collection and Disbursements.
- ii. Back-End Activity approach is designed to screen for deviations in any documentation and administration related activities that drive business continuity.
- iii. Customer Contact cross checks all systems and processes that results in customer interaction and business transactions.

These three approaches are assigned appropriate weightage within a dynamic range, to reflect the final Audit score of each Branch. Each Branch, having undergone audit every quarter, is assigned an audit grading based on the observations and scores of each quarter. The resultant grade acts as a significant parameter in defining the organisation's quality parameter and contributes to a significant share of the performance appraisal programme of all concerned staff or operating unit.

For Field operations, two types of audits are conducted: a regular audit and a snap audit. A regular audit is a comprehensive audit, which covers adherence to policy and procedures, while a snap audit involves an audit of only critical or high-risk elements of such business functions. Support functions, including Compliance, Human Resources, Administration, Information Technology, Central Operations, Finance and Accounts are also audited at least twice in a year.

High emphasis is further enforced on monitoring adherence to compliance and regulatory statutes.

Overcoming the limitations of the COVID-19 lockdown

On-site Internal Audit of branches was affected due to prolonged lockdown in the first 2 quarters of FY 2020-21. Post May 2020, due to local restrictions, visiting a few branches was not possible. The team mitigated the risk by adopting innovating approaches like tele-calling, remote audit based on scanned documents and analysing relevant MIS/records.



Fostering Digital Growth: Connectivity and Continuity through Scalable Innovation

Arohan has built a robust Technology backbone, which has enabled connectivity and continuity of all business processes despite significant external challenges and disruptions in the past year. With easily scalable practices and successful implementation thereof, catering to the needs of millions of customers and making the Company future-ready, has become permissively effortless for the team at Arohan.

Advanced and Scalable Technology-enabled Infrastructure

Technology at Arohan has been the cornerstone for enabling the Company's quest for scale and growth in its Vision, serving 5 million households in the financially excluded and underserved segment of the socio-economic pyramid in India. Since 2016, when the Company first started building its IT foundation, till today, the focus has invariably on the path of 'Cashless at the front' and 'Paperless at the back'.

In its business of catering to the credit needs of over 2.1 million customers, Arohan's IT system currently captures more than 350 different data points per customer and facilitates over 2 mn of transactions every single day in the Company's steady Loan Management System. Therefore, the use of Technology to advance and scale Arohan's infrastructure, strengthen its financing initiatives, and derive greater operational, cost and management efficiencies across the business functions is of strategic importance to the Management. Arohan's adoption and implementation of Information Technology is guided by the IT Strategy Committee of the Board, which chaired by an Independent Director.

Arohan believes that its use of technology has been innovative. This is evidenced by the inclusion in the SKOCH Order-of-Merit for 'IT Transformation, Mobility and CRM' in 2017, and the SKOCH Order-of-Merit for qualifying among the Top Ranking Banking and Finance projects in India for 'IT Strategic Transformation' in 2018. Arohan also received an award for being a Digitally Advanced NBFC at the India NBFC Summit and Awards in 2019. Recently the Company has received a semi-finalist recognition at the SKOCH Order-of-Merit Awards 2021 for meraArohan – an end-to-end loan management in-house application.

Over the years, Arohan has implemented various technology-based tools and platforms:

1. **Gravity:** 'Gravity' is an Android and web-based application for Loan Origination that helps to record operational transactions conducted in the Field on a real-time basis.
2. **Profile:** 'Profile' is a Core Banking System from FIS (a Global Fortune 500 company) to manage the overall lending business, increase customer handling numbers and strengthen the Company's back-end systems. During the COVID-19 pandemic, the

Company's Core Banking System helped to manage various government responses, including the extension of payment moratorium, interest subvention and compound interest relief for all eligible customers. Arohan is the only MFI in India using 'Profile' as a loan management solution.

3. **Prismatic:** Arohan also runs data analytics on internal customer data and external data provided by CRIF High Mark, a Reserve Bank of India- approved Credit Bureau in India, for its operations. Arohan uses CRIF High Mark's "Prismatic" data analytics for its area selection process when expanding into new geographies.
4. **Perdix** - Since 2017, Arohan has used "Perdix", a centralized digital audit platform, for its internal audit, and are the first MFI in Eastern India to use the audit software. "Perdix" provides access to audit schedules, input screens and the entire audit database through a web-based platform including auditable data such as cash management process, fixed assets and loan documents.
5. **Diligent** - In 2019, Arohan implemented "Diligent", a comprehensive corporate governance software which manages all its board related activities in a paperless, transparent and timely manner. This has led to reduced usage of and dependence on physical documents, ultimately increasing the security and reducing turn-around-time as well as costs. Arohan's digitisation of compliance and corporate governance was recognized at the Institute of Company Secretaries of India's 20th ICSI National Awards for Excellence in Corporate Governance 2020, where we received the award for the Best Governed Company in the Unlisted Segment – Emerging Category.
6. **MeraArohan** - In 2020, Arohan introduced "MeraArohan", an automated lending solution built on an advanced technology platform, designed to completely digitise the loan lifecycle from end-to-end.
7. **Nirnay** - Arohan has also recently introduced "Nirnay", a credit scoring model, in partnership with CRIF's digital decisioning platform, "StrategyOne" which is customisable and supports streamlining lending processes and controlling credit risk.

Other technology platforms and applications which support the company's business operations and functions are:

- Sanjaya - to monitor the field staff activities with geotagging and time stamps.
- Perdix - by Internal Audit team for audit management.
- Adrenalin - for different HR functions such as attendance, payroll, performance management, recruitment and hiring.
- Trackwizz - for AML related activities.
- ApnaBazaar - for cross-selling products.

IT Strategy

Arohan, by way of developing its Information Technology infrastructure, focuses on continuous improvement in customer experience while optimising its operational expenses. In the past few years, Arohan has prudently invested in its Information Technology systems to introduce a range of automated and digitised Technology Platforms and tools to strengthen its approach towards Customer Centricity, while driving lesser operational cost and furthering management efficiencies for the Company. This strategy has been even more relevant during the country-wide lockdown in 2020, when reaching out to customers and staying connected with the Company's diverse employee base across geographies was of critical significance.

Arohan has sought to build its technology platform into a business tool that helps the Company in maintaining consistent levels of customer service and enhance operational efficiencies and scale. With the help of the various Information Technology interventions and automation efforts, Arohan has been able to reduce its operating expenses ratio (measured as operating expense / average annual AUM) from 6.78% in Fiscal 2018 to 5.46% in fiscal 2021. The Company's loan disbursement turn-around-time has also reduced from more than 15 days in fiscal 2015 (before implementation of 'Gravity') to less than a week by fiscal 2019 (after implementing "Gravity" and switching to a 100% cashless disbursement system, among other initiatives).

IT Operations

With the assistance of selected technology vendors, Arohan has built its Technology platform into a business tool that helps the Company to maintain consistent levels of customer service, enhance operational efficiencies and create sustainable advantages for the organisation. Arohan has also integrated its IT system and infrastructure into its loan lifecycle, a summary of which is detailed here:

- Branch Area Selection using analytics from CRIF High Mark. Arohan uses this tool to analyse various business factors such as portfolio quality and competition in new geographies.
- Loan Origination using 'Gravity', which facilitates real time Credit Bureau checks for customer indebtedness, provides automatic advice on maximum loan size and enables upload of customers' KYC documents.
- Group Recognition Tests with customers held by Branch Head through 'Gravity'.
- Cross Verification of a customer's application by Branch Head through 'Gravity'.
- Data Validation by Branch Quality Head through Arohan's Loan Origination System.
- Quality Check of customer documentation through the 'Central Hub' based out of the Company's Head Office in Kolkata, West Bengal. This step completes the 8-eyes check process for any incoming loan application.

- Penny-drop test to verify the active status of a bank account and authentication of the same.
- Seamless and & Cashless Transfer of the loan amount into a customer's bank account.
- Post disbursement, Loan Utilisation Check by Field Agents through 'Gravity'.
- Automatic Loan Management using 'Profile', Arohan's Core Banking System from FIS, a Global Fortune 500 Company.
- Real-time Repayment and Customer Attendance monitoring at centre meetings through Arohan's 'MeraArohan' App.
- Digital Repayment using facilities from PayTM, PayU, Axis Bank and Ezetap. Arohan has also partnered with Airtel Payments Bank Limited and Spice Money Limited so that customers can repay their loans in cash at such merchant outlets.

Arohan believes that continued adoption of digital service delivery mechanisms will enable the Company to be future ready, be more efficient and undertake more reliable data analytics, resulting in target customer profiling and customised products with risk-based pricing to deliver greater customer satisfaction.

To this effect the following measures have been implemented:

Mobile-first approach: Arohan endorses a Mobile-First approach. All field employees are equipped with a mobile or tablet device. The Company has also implemented Bring Your Own Device (BYOD) guidelines to enable employees to use their own mobile devices. This has helped the field employees to be in touch with the customers virtually, despite lockdown restrictions during the onset of the global pandemic.

Additionally, all branches of the Company are connected through high-speed internet to enable real-time authentication of customers, KYC validation and Credit Bureau checks. This has substantially reduced the time spent on processing loan applications.

Cloud-Based CRM: Arohan's Customer Care unit is equipped with a Customer Relationship Management (CRM) system to better serve customers. Transition to a cloud-based CRM system has enabled the Customer Insights team to be completely operational even during the country-wide lockdown, addressing customer's queries and supporting them well-within stipulated timelines.

Cashless Transactions: Along with all disbursements at Arohan being cashless and paid directly into customers' accounts, in FY 2020-21, Arohan also took significant steps towards implementing cashless repayment facilities for its customers.

Data Warehouse for Timely Dashboards: Arohan has created a Data Warehouse for its business intelligence and data analytics to generate data rich dashboards and reports for consumption by all field staff and Management.

Quality Checks: In 2020, Arohan developed a platform to integrate and connect Loan Origination and Loan Management Systems and automate the flow of information from the field to the Central Hub, thereby significantly reducing turnaround time for loan processing for disbursements. Arohan also implemented automated credit assessment (currently in beta-testing phase) and anti-money laundering checks on all customers. Artificial Intelligence and Machine Learning algorithms are also being implemented to check the genuineness of customer's KYC documents.

Customer Facial Recognition: Arohan's Collection module, which forms a part of the MeraArohan suite of mobile applications, is used extensively for all loan repayments of the Company. During center meetings, where the repayments are collected from the customer, it is mandatory for the customer to be present and pay her/his installment. The collection application uses an in-built facial recognition capability to mark the customer 'present' through a group photograph taken at the center. This has removed any dependency on maintaining a manual attendance register at the center while also ensures accuracy in customer's attendance. This is one such example of the many machine learning functions that Arohan uses in its mobile apps to ensure accuracy and speed in field operations.

The challenges of the macro-environment have opened a new world of opportunities for those who are adequately future-ready.

With its sharp and consistent focus on leveraging technology to scale operational efficiencies, Arohan will continue to further digitalise and automate a number of its back-office functions. The Company also intends to tie-up with third party vendors for executing digital loan documents and e-signing thereof, to further help in streamlining the loan document execution process.

Instilling Values and Supporting Rich Intellectual capital

Intellectual Capital strengthening and Capacity Building lie at the core of Arohan's Human Resource and Development functions. Through proactive measures and milestone initiatives, Arohan's Human Resources department emerges as a force for driving Arohan's Core Values, while playing a pivotal role in the growth objectives of the organisation.

In a manpower-intensive operating model, Arohan recognises the need for keeping the Company's workforce engaged and motivated. This has been even more relevant during FY 2020-21 with its unprecedented challenges and threat to humanity. To ensure the safety, development and well-being of its workforce was of foremost priority for the Company as it planned it way through the financial year.

The efforts have been evidenced by the achievement of Arohan getting Great Place to Work certified twice in a row by the Great Place to Work® Institute. This certification helps Arohan benchmark employee perceptions of the workplace environment with selected criteria across industries and locations. Arohan's Trust Index Score, a tool that measures Employee Perception based on the parameters of Credibility, Respect and Fairness (which form the cornerstone of TRUST between management and employees), Pride, and Camaraderie, is at 88 on a scale of 100 vis-à-vis India Top 25 Score of 89, and Arohan's Culture Audit Score, which is an in-depth assessment and evaluation of the Company's people practices, based on the globally validated Great Place to Work® framework, is 3 out of a 5-point scale vis-à-vis India Top 25 score of 3.5. Additionally, the Company has also been identified amongst the Top 30 India's Best Workplaces in BFSI 2020. From Arohan's pan-India rank of 86 across industries and sectors in India in 2020, the Company further moved up to Rank 65, among Best Companies to Work For in India, in the surveys conducted in January 2021.

This achievement brings Arohan closer to a key component of its Vision Statement of being amongst the top 3 Preferred Places to work for. This recognition also helps Arohan in creating the right proposition for attracting the best talent from the industry and the sector. In the Financial Year 2020-21, Arohan has grown its employee base to 6,790 by 8.26% from 6,272 in FY 2019-20.

ON-BOARDING TALENT

Arohan believes that a well-organised Induction Programme is an integral part of introducing a new employee to the organisation's culture and processes, and if done effectively this can lead to high levels of employee satisfaction in the long term.

Despite the prevailing pandemic situation and the impact on the overall microfinance industry, Arohan has honoured every single offer rolled out pre-lockdown. The entire on-boarding and welcoming practices were moved onto a virtual platform while ensuring detailed interactions are conducted for the inductees with all cross-functional teams. Arohan also encouraged flexibility

in completion of joining formalities which helped new joinees work their way through the challenges of the lockdown period.

With the aim of welcoming new employees in the organisation, the unique programmes of Praarambh, meaning 'Beginning' with Classroom sessions & Virtual Meetings, and Ashirwaad, meaning 'Blessing' where parents of new joinees are contacted by the joinees team-members, were conducted uninterrupted through virtual platforms – thus retaining the spirit and purpose of the programme to create a sense of belongingness among not just the new incumbents but also their families.

Pre-Recruitment Orientation Programme (PROP) - Since physical visits to Branches were restricted during the countrywide lockdown, Arohan shifted this process to a virtual platform set-up. Online assessments were conducted at the end of every session to assess and ensure effectiveness of understanding on the functional needs.

Group Induction Programme – The yearly Group Induction Programme with the various businesses of the Aavishkaar Group was conducted virtually to familiarize new joinees with the Group philosophy and way of working. The programme is designed to ensure interaction with Senior Group Management, which involves self-study along with attending sessions.

Management Trainee Programme - In FY 2020-21, 18 Management Trainees joined Arohan across locations in various departments spanning Field and enabling functions. The entire on-boarding programme, including the assessment tests and panel review for the Management Trainees were done virtually. Since its launch in 2016, the Management Trainee Programme of Arohan has contributed significantly to develop a robust middle management talent pool with nearly 23% of the pool moving into people managers' role in Financial Year 2020-21.

EMPLOYEE COMMUNICATION PLATFORMS

Arohan believes that Effective Communication is one of the leading ways of establishing a high-performance culture in the Organisation. To this effect, Arohan encourages its employees to productively exchange information and ideas across the organisation. It helps build a culture of collaboration effectively. This is a step towards a fundamental business practice for a committed and productive workforce. With effective two-way communication, Arohan believes that the employees of Arohan are more productive and committed to Arohan's Vision and Mission.

Virtual Meet 5: This initiative provides the employees with an opportunity to have a direct face-to-face conversation with the Senior Management Team of the Company. Responding to the challenges posed by the pandemic, Arohan launched Meet 5 in a virtual mode, where the Senior Management Team connected with close to 250 employees virtually, which helped boost morale and confidence of employees, while also addressing their concerns, if any.

E-Sahayta: This Resolution Platform gives employees the opportunity to resolve their operational queries and concerns, such as queries related to policy, employee benefits, working conditions, transfer details etc. Despite the unprecedented times, the HR team could successfully connect with over 550 employees virtually, resolving their concerns and queries.

Town Halls: Town Hall meetings are held on a quarterly basis and are forums for the Company's Senior Management to share milestones, discuss new plans, and clarify topics of concern. Due to the current pandemic situation, all Town Halls were moved onto a virtual platform, wherein all key participants joined from the safety of their respective locations. To further support the employees and boost their morale, Group Chairman, Vineet Rai, connected with employees through this platform, addressing the participants on the way forward for the Group and especially for Arohan.

Did You Know: This is an initiative to popularize the different employee benefits and best practices amongst all employees. Through this initiative, employees were made aware of the various best practices of working from home, the Do's and Don't's to fight the COVID-19 pandemic and the Arohan Standard Operating Procedures.

Aadarsh Arohanite: In a unique initiative to promote Corporate Governance and inspire employees to be model Arohanites, while serving customers, Arohan has in place various disciplinary policies and best practices that one must be aware of and adhere to. #AadarshArohanite is an initiative to encourage employees to be responsible towards the wellbeing of the organisation and their colleagues by raising their voice against any wrongdoings that they may come across at the workplace – this is done by means of sharing of case studies and relevant contact details through periodic mailers.

Online Surveys & Focused Group Discussions – Arohan believes that it is important to get insights and feedback from the employees to gauge and measure the effectiveness of focused programmes. To this effect, various Online Surveys were launched over FY 2020-21. *Your Voice Matters!*, Online Feedback Survey on Annual PMS, Female Employee Survey, Managers of Female Employee Survey were some of the most effective ones conducted over the year.

HR AUTOMATION

Arohan has been consistently working towards the automation of key HR processes, to increase efficiency, scale and turnaround time.

Talent Acquisition – In FY 2020-21, Arohan automated its Talent Acquisition module through the Adrenalin, the Human Resources Management System Platform. Arohan believes that growth of business in terms of workforce talent and productivity largely depends on the right and effective hiring practices which can now be better monitored and tracked using technology.

Performance Management System – As part of its digital journey, Arohan has also moved its Performance Management System (PMS) on Adrenalin, under the Phase 2 transition of its

automated Human Resources Management System. This platform will support the entire PMS process starting from Goal Setting to Performance Assessment, which will make the process even more robust and transparent for employees all across.

INSPIRING WELLNESS

Arohan recognizes that nothing is more important to have than a fit mind and body. To help employees get accustomed to the changing global environment and fight the prevailing pandemic situation, Arohan made focused efforts to inspire its employees to stay fit and sharp from a body-mind perspective. A specialized programme called 'Arohan Swasth Paraamarsh' was initiated. It is a focused wellness initiative to help employees gain practical knowledge and useful insights on mental and physical health, along with critical wellness insights, and guidance to help them in their journey of fitness. Arohan also conducts wellness sessions with doctors, fitness coaches and yoga trainers across Zones, along with health camps and free doctor's consultation.

The Company also encourages employees to share their fitness journey and inspire others in the process through the 'Being Fit' platform – a series of videos by and for the employees on health and fitness.

REWARDS & RECOGNITION

Arohan constantly endeavours to recognize the extraordinary efforts put in by employees towards the growth objectives of the organisation. This is also reflected in the culture of the organisation where each and every employee is encouraged to express their gratitude and appreciation towards their colleagues. Arohan continues to align its recognition programme under the following two categories: Culture of Gratitude & Culture of Recognition.

Culture of Gratitude:

Thanks Giving Note: Arohan acknowledges, appreciates and expresses its gratitude towards the contribution of each and every employee. A 'Thank you' note from Arohan was presented to the Field employees, creating a higher sense of belongingness and establishing last mile connectivity. The note was well received not just by the employees but also their families.

Star In You: This initiative was launched to encourage employees to appreciate the culture, efforts and values that their colleagues exhibit throughout the year, especially during the current difficult times of global pandemic, while also wishing them and their families for good health. A virtual card with a personalized message for expressing their gratitude is sent over the respective individuals.

Long-Service Recognition: The true test of character is shown only in the face of adversity. Arohan believes that it is only because of the strong commitment of its employees, that the organisation has kept forging ahead in a difficult time. To recognize the extraordinary commitment, professionalism and solidarity of its employees, over the years Arohan presented the Long Service Awards to employees who completed 5 & 10 years of association with the Company.

Culture of Recognition:

Wall of Fame: It is a continuous effort on Arohan's part to recognise employees' outstanding performance and adherence to organisational culture and values. To this effect, Arohan introduced the 'Wall of fame' across all its Regional/Zonal offices, dedicated to the appreciation of employees — with their pictures and contributions. This has been a great way to brighten up the workspace as well.

Employee of the Quarter: Taking the next leap towards creating a culture of appreciation, Arohan moved all its Employee Recognition Platforms into a virtual mode. Employees of the Quarter who walked the extra mile and successfully delivered and completed their projects were duly recognized. Junior employees are recognized for new ideas which improve the department's functioning and increases process efficiencies. This is conducted at Regional, Zonal, as well as Head Office levels.

EMPLOYEE GRIEVANCE REDRESSAL PLATFORMS

Arohan provides a well-defined Grievance Redressal Policy that entails procedures to support employees to help raise their concerns and obtain appropriate resolutions in a stipulated timeframe. The designated grievance redressal platforms are as follows:

Saarathi – Arohan recognizes that it is important that employees are treated fairly and receive prompt responses to their concerns. Saarathi provides a clear and transparent framework for employees to deal with difficulties which may arise as part of their working relationships. This provides the employees with a course of action when they have a concern.

Saheli – It is a grievance-platform for women employees. Employees can call in at the dedicated helpline number, following which a ticket will get raised and the query or concerns gets addressed within the stipulated TAT of 10 working days.

Staff Governance Committee – The Arohan Code of Conduct (ACOC) has been formulated for all employees, in order to maintain the standard of business conduct for Arohan, ensuring compliance with legal requirements and Arohan's Core Values. Employees are encouraged to raise their voice against any breach of ACOC that they may experience. The Staff Governance

Committee, a corporate-level cross-functional team, plays a crucial role in upholding the Company's commitment to encouraging and protecting employees who raise concerns on suspected or confirmed incidents of breach of the Code. The Committee conducts an unbiased and thorough investigation to come to a fair conclusion. Basis the investigations and the recommendations of this committee, the Steering Committee (cross-functional leadership team) arrives on a verdict and necessary actions.

Whistle Blower Policy – The Whistle Blower Policy encourages employees to disclose any fraud or unethical behavior that may adversely impact Arohan's Values, customers, employees, partners, investors or public at large. Employees are encouraged to raise their voice against any wrongdoing that they may come across around them. The policy protects the whistle-blower against any retaliation that may include discrimination, reprisal or harassment in any manner.

Prevention of Sexual Harassment (POSH) Internal Committee – Arohan is an equal opportunity employer and strives to maintain a harassment free environment without discrimination based on race, caste, religion, colour, ancestry, marital status, gender, sexual orientation, age, nationality, ethnic origin or disability, as the case may be. The Company strives to provide a professional work environment free of sexual harassment, exploitation and intimidation. To this effect, Arohan has a robust POSH Internal Committee at both Corporate and Zonal Levels, practicing zero tolerance against any kind of sexual harassment or discrimination and thus preventing, prohibiting and punishing any form of sexual harassment at the workplace, irrespective of gender of the employee.

CELEBRATIONS AT WORK

With the objective of keeping all employees engaged and motivated at work, regular celebrations for are arranged. FY 2020-21 too saw various celebrations, albeit virtually, despite external challenges to help boost employee morale and foster cross-team bonding.

Some of these include:

- **Arohan Bigg Boss:** A unique and fun way of engaging employees and their families, as well as making them feel included as a part of the larger team of employees across locations.
- **Virtual Antakshari:** A game of Antakshari was organised virtually for all branch employees across Zones.
- **Happy Hour:** A unique initiative conducted across Zones and Regions for teams to connect virtually and enjoy a fun hour of games, showcase various cultural activities such as dance performances, singing, recitation etc. by the employees.
- **Arohan Cricket League:** The annual game of cricket was also played across regions, zones and even the Head Office.

DIVERSITY & INCLUSION FOCUS

Arohan is focused on having greater gender diversity in its people. The Company is focused on developing a more cohesive, collaborative, and creative work environment as a means of driving continued growth in line with its strategic objectives. Gender Equity is promoted as a means to achieve Equality across the organisation.

Having a conscious thought process in improving the diversity index and building an inclusive work culture, Arohan aims towards reaching its diversity goals through the following initiatives:

- Being an equal opportunity employer, bringing in different perspectives, approaches, ideas and views with varied talents, skills and experiences.
- Conducting business in a more socially responsible manner.
- Focusing on increasing productivity and quality through diversity
- Creating greater resonance with the clients and ensuring that products and services are more attuned

Formation of the Arohan Diversity Committee

The Arohan Diversity Committee has been formed to drive a clear and visible mandate from the Senior Management of the Company. The Committee includes representation from Senior and Mid Management members and seeks to work towards influencing and co-creating the Diversity & Inclusion roadmap for the Company.

Some of the key initiatives taken by the council are as follows:

- **Gender Equity at workplace:** Serving the most under-served states in the country with majority of its 2.1 mn plus customers being women, Arohan strongly believes that for a sustainable future it is imperative to achieve a balance within the organisation in terms of Gender Equality. As a stepping stone to driving Equity and Equality at Workplace, Arohan conducted an event on March 7, 2020. The programme #ArohanGenerationEquality initiated the conversation on gender equity and equality, while also encouraging the participants to appreciate, own and think beyond their unconscious biases.
- **All-Women Branches:** Arohan has launched many all-women branches across Regions and Zones, adhering to the dedicated branch set-up guidelines for women branches. The objective of the guideline is to provide a framework that will help the Regional / Zonal Teams to determine their course of action while opening All-Women Branches across the regions, while maintaining uniformity in terms of branch infrastructure, hiring and providing safe working environment for all women employees in the field.
- **Child Care Leaves:** These leaves are granted for the specific purpose of taking care of a minor child for rearing or looking after other needs of the child.

- **Building the Culture of Equality through Communication:** Communication plays a pivotal role in driving the Diversity & Inclusion strategy for Arohan. It is crucial for the strategy to percolate through levels in the organisation to bring about the desired acceptance and transformation. The Senior Management Team are the visible champions to this mandate and lend their voice and gravitas for effective and transparent communication in demonstrating their commitment towards driving this initiative.
- The Committee also focuses on Differently-Abled Equity as a medium to achieve Equality across the organisation.

TRAINING & DEVELOPMENT

Arohan has a dedicated Learning & Development vertical. The Company believes that the highly dynamic industry environment today demands organisations to invest in upskilling all employees to remain relevant and competitive.

Arohan has put in place the following training initiatives to upskill its employees across verticals:

Induction Programmes: The Induction programmes for all the different levels of field staffs are targeted towards developing their functional competencies. Given the current context of the pandemic, 70% of Arohan's training interventions have moved onto a virtual platform. In the Financial Year 2020-21, Arohan has conducted 435 such programmes with an effectiveness score of 84%.

Knowledge Management: As a part of its knowledge management initiatives, Arohan has launched a host of interventions, such as the ones listed below:

- **Saksham** – This is a Certification Programme for employees handling critical roles in Field and enabling functions. The programme aims to upgrade employee knowledge on policies, processes and industry, while learning and honing the skill of handle the new normal situations.
- **Apna Arohan Radio** - An in-house radio channel to disseminate the best practices in field, industry updates, motivational nuggets and leader-speak.
- **Learning Curve** – This is a Training Journal to showcase and disseminate the best practices on business parameters, leadership, technology etc.
- **Wednesday Wisdom Videos** – These are bite-sized videos on the knowledge of recent changes in policy and processes which are circulated to the Field staff on a weekly basis.

Corporate Training: In order to strengthen skills and behavioural competencies of employees in Enabling functions, Arohan initiated a Corporate Training programme, which is conducted in regular intervals through the year. In Financial Year, 2020-21, the intervention has covered 87% of the employees in Support function across the six Zonal Offices as well as the Head Office.

Area Managers' Boot Camp: Arohan conceptualised its flagship half-yearly intervention of Area Managers' Boot Camp, in order to enhance the functional and skill-based competencies of its

Area Managers. In Financial Year 2020-21, the intervention focused on building the skill of 'Crisis Management & Feedback Sharing' among its participants. A total of 153 Area Managers have been trained through this intervention over the year.

Automation of Training: Arohan has continued to evolve its learning strategy to match the requirement of the millennials. To this effect, the Company has launched its Learning Management System through which Arohan has instituted micro-learning on soft skills and people management skills for all levels of managers, while also launching courses targeted to build the capabilities of the entire cadre of Field employees through weekly intervention and monthly assessments.

Abhyuday, Group Manager's Development Programme: Launched by the Aavishkaar Group in the Financial Year 2018-19 in response to the growing business need of nurturing and developing the line managers across the Group and build a pipeline of the future leaders, the intervention successfully concluded in August, 2020. The interactions included a series of webinars that covered all the people managers in the grades of Manager to Senior General Manager.

Leadership Development Programme: A 'Leadership Webinar Series' was launched where the participants get to hear from industry leaders, helping them get an outside-in view. Three webinars on 'Changing World & Leadership', 'Organisational Change Leadership' and 'Collaboration is Multiplication' with eminent industry leaders like Dr. Mohandas Pai, Mr. Amit Chandra and Ms. Matangi Gowrishankar were conducted successfully.

Talent Assessment Programme: This was launched to identify potential employees for Field leadership and Functional Head roles. The assessment was designed based on seven different mission-critical competencies - Ownership, Problem Solving, Communicating with Impact, Leadership, Collaboration, Analytical Skill and Result Orientation. 42 employees from Field Operations and Enabling Function have undergone the Talent Assessment Process during the last Financial Year.

Mentoring Programme: This was launched to develop the productivity of lagging Field resources across different grades. The programme is a quarterly intervention, and was designed in consultation with the Business team to target productivity gaps. Since launch over 800 individuals have improved their performance through this intervention.

COVID-19 Interventions

In an externally challenged environment due to the pandemic, Arohan came up with several interventions to ease the challenge and pain for its employees. During these challenging times, the organisation's top priority was to protect the health and well-being of its employees and their immediate families. Some of these are detailed here:

Arohan Suraksha Kawaj: In order to ensure that no employee faces any challenge during the pandemic with regards to their medical needs including receiving timely treatment for COVID-19, an additional top-up insurance was provided to all employees. The Arohan Surakhska Kawaj, provides an additional coverage of INR 1 lakh, over and above the existing medical insurance coverage which also extends to COVID-19 related medical expenses. Also, Arohan has empanelled reputed hospitals across locations to ensure that employees get required access to hassle-free treatment if needed.

Standard Operating Procedure on COVID-19: To ensure that all employees take relevant precautionary measures to avoid any risks and have a clear way forward to follow in every possible scenario and aspect, a detailed Guideline and SOP was shared with employees. The guideline suggested precautionary measures and steps of dealing with the suspected cases in the field, self-isolation rules and preventive measures, maintaining hygiene in the branches and office premises, employee guidelines for COVID-19 testing and sanitization techniques. This has given the employees a detailed understanding of how to proceed in case someone is detected positive at the workplace. Extensive communication campaigns were run to create awareness on preventive guidelines and advice on how employees can protect themselves and their families.

Safety and Support during lockdown: Employees who had stayed back at the branch / office premises during the lockdown were ensured adequate supply of food, commodities, medicines, sanitizers, masks and other essential commodities for their well-being. The safety and security of the women employees were given utmost priority. 100% of employees were connected virtually by the Human Resources and Administration teams specifically to check on their health and wellbeing and address any concerns that they may have had.

Arohan Swachh Mission: This initiative is taken to maintain the hygiene and cleanliness of all branches. The employees in the branch need to ensure that their branch is 100% clean, well maintained and secured as per the guidelines. A competition is announced and awareness mailers are shared to help the employees understand the true importance of maintaining proper hygiene. The Best Branch in Region, Zone and consistent Branch are awarded on a Quarterly and Annual bases.

The 'FIGHT COVID-19' campaign: Arohan launched a campaign called 'Fight COVID-19' to include all its employees across locations in a movement encouraging safety, care and hygiene. Extensive communication on preventive guidelines, key measures and initiatives on safeguarding employees, as well as customers from the negative impact of the global pandemic were initiated. The series of focused communication included - A pack of visual mailers on preventive guidelines for employees across all levels, a call-to-action manual for employees in case of medical emergency related to COVID 19, digital posters for widespread circulation and referenced, focused message on preventive measures for customers, through virtual platforms, and focused communication of lockdown-induced moratorium for field employees and customers through digital posters and message-app friendly posts.

Supporting families of deceased employees: Arohan extended support to the families of employees who succumbed to accidents or COVID-19. There were two such incidents in Financial Year 2020-21, wherein one Field officer met with a major accident and suffered a head injury, while a Branch Head succumbed to the virus. Even though money is not a substitute for the life lost, Arohan understands the need for financial security for a family, in addition to all the benefits that the organisation provides to its employees. To this effect, all employees willingly contributed to the employee fund in order to provide an additional support of INR 3,50,000 to each of the deceased's families.

Administrative Interventions on COVID-19

Some key interventions were institutionalised to ensure safety of employees across office premises at Arohan:

- Regular sanitization of the premises
- Temperature Check
- Hand Sanitization facilities
- Provision of PPE Kits
- Shifting to no-touch attendance recording
- Support provided to employees in case of hospitalization for themselves, as well as and their families

In order to promote and ensure social distancing among employees, the followings measures were put into practice:

- 50% capacitation in offices for roles that must operate from work premises. All other functions were encouraged to strictly work from home during the lockdown.
- Restrictions were imposed on movement of two-wheelers for field employees
- Safety guidelines were made available to employees availing public transport
- Staggered Lunch timings
- No visitors were allowed in the premises without masks and temperature checks
- Field employees were allowed to meet only 2-3 customers at a time

Empowering customers and communities, bridging need gaps

Arohan, through the initiation on Environment, Social and Governance focused outreach activities spanning the financial year, empowered not just people but communities at large, enabling them to fight through the impacts of the unprecedented challenges of the time.

Arohan operates in marginalized communities where access to quality healthcare, basic education, water and sanitation is still restricted. Through its strong Governance and Corporate Social Responsibility activities, the organisation has worked in areas pertinent to social development, as key government priorities, supporting and empowering the women of underserved communities. Through its focused social activities impacting women and communities, Arohan has touched approximately 237,629 lives so far.

ENVIRONMENTAL INITIATIVES

Eco sustainability (Safe Drinking Water & Sanitation) – Arohan’s journey on sustainability focuses on the triple bottom-line approach of People, Planet and Profit. The Company’s integrated water and sanitation plants addresses the gaps in implementation and strategic management in Water & Sanitation, and Hygiene sectors by assuring investment efficacy, linking revenue returns to social benefits and allowing common partnership. Till date, Arohan has impacted approximately 21,940 beneficiaries through these interventions.

- Integrated Water Sanitation Unit is fully functional in Sonarpur and Purulia areas of West Bengal and Hojai in Assam. These units were implemented in partnership with South Asian Forum for Environment (SAFE).
- Two additional Water & Sanitation units have been initiated in Odisha and Jharkhand in partnership with Piramal Sarvajal and PK Associates.
- Four Water Units and Three Tiger Worm Toilets have been initiated in Uttar Pradesh, Madhya Pradesh and Odisha, in partnership with Piramal Sarvajal and Oxfam India respectively.

Disaster Relief - Arohan has always protected the wellbeing and interest of its customers, especially in times of need. Natural calamities like flood and cyclones are common in its areas of operations. Arohan and its employees make extra effort to support its customers during such instances. Till date, Arohan has provided disaster relief material to approximately 45,040 customers during times of floods and cyclones. In Financial Year 2020-21, Arohan distributed dry ration kits, tarpaulin sheets and hygiene kits to approximately 19616 customers, those most affected due to Super Cyclone Amphan and floods.

COVID-19 relief - Towards the closing of the Financial Year 2019-20, with the rise of the global pandemic, the entire nation was forced into a lockdown personal and professional lives to a standstill. Rising to the occasion, Arohan initiated active measures to address the needs of all the communities, in dire need of food and basic amenities.

Arohan, through its Corporate Social Responsibility department responded by making food packets available to over 706 street-dwelling children and families in March, 2020. With the start of the Financial Year 2020-21, one of Arohan's major thematic scope was provide COVID-19 relief related measures. The country-wide lockdown resulted in stranding millions of daily wage workers with little or no access to basic utilities. The situation was even more acute in the Company's operational geographies like Bihar, Jharkhand, Uttar Pradesh, Assam, and in urban slums of large metropolitan cities, as they cater to a high proportion of the migrant workforce and daily wage earners. Additionally, with suspected cases on the rise, frontline workers like medical staff, and community health workers, were increasingly in need of Personal Protective Equipment (PPE) kits and Medical supplies to deal with the crisis.

Faced with this calamitous challenge, the Aavishkaar Group made the decision to tackle some of the most urgent issues that the virus had presented in India, through the Aavishkaar Group Facility for Humane Action. Of the total amount committed to the cause, Arohan contributed INR 57.41 Lakh through its CSR fund long with an additional employee contribution of INR 34.64 Lakh. As a part of the Aavishkaar Group, Arohan provided meals to 23865 beneficiaries, 2,897 PPE Kits, 29,000 masks, 18,000 gloves and other hygiene items to 1125 frontline workers including doctors, nurses and other medical staff in government district hospitals.

Simultaneously, Arohan also distributed hygiene kits to approximately 6516 community members and 9548 policemen in its operational areas. Additionally, a contribution of INR 5.00 Lakh was made to Assam Arogya Nidhi to help them in their fight against the pandemic.

Through its response to COVID-19, by way of social initiatives, Arohan has impacted approximately 92,710 beneficiaries in the Financial Year 2020-21.

Water Conservation - Water conservation is a means for increasing agricultural production in rain fed, semi-arid areas. There are nearly 85 million hectares of land as rain fed area in the country. These areas were bypassed by the Green Revolution and therefore, experienced little to no growth in agricultural production for several decades. Through the process of Water Resources Management and improving the management of soil and vegetation, Arohan aims to create conditions conducive to higher agricultural productivity while also contributing to the conservation of natural resources.

SOCIAL INITIATIVES

Women Empowerment & Education – Wellbeing of women and their education is the premise of progress in every society. Arohan focuses on empowerment of women through Scholarship programmes, Skill Building programmes, Model Anganwadis, building of school enterprises, STEM Learning and E-Learning. Till date, Arohan has benefitted approximately 43,905 beneficiaries.

- Educational aid in the form of free school bags were distributed to 4,150 students of Government Schools.
- Skill Training was provided to 1350 youths, 60% of which got placements. Entrepreneurship training was provided to 200 women in Odisha.
- 365 girl students have been awarded Scholarship for further studies, till date. A library with computer was built in the school which benefitted ~3000 students.
- Two Anganwadis were adopted in Jharkhand and Bihar benefitting ~ 13,951 students, women and adolescents through different programmes and community intervention.
- Pitch It – A focused sustainable project for children on building school enterprises and supporting the most innovative projects. 101 kid and their ideas were shortlisted and finalised, out of which Arohan funded 33 projects.
- In its relentless pursuit of education for the girl child, Arohan partnered with Samabhavana NGO, a Child development focused organisation, to set up Science Centres for two all-girls schools in Odisha and West Bengal. The project aims to help students build an aptitude for STEM (Science, Technology, Engineering and Mathematics) learning, through fun and innovative methodologies thus, creating a stepping stone for the students to pursue a career in such fields. 702 students have benefitted through this initiative so far.
- In response to the impact of COVID-19 on school students, with lockdowns being imposed all over, Arohan initiated online learning mechanism for school students through self-paced learning content via Learning Management Systems and instructor-led sessions. The project has been initiated to enable students to continue their learning from the comfort of their home on a real-time learning platform along with career counselling and mentoring by professional instructors. 187 girl students have been undergoing E-Learning classes in Uttar Pradesh and Madhya Pradesh.

Livelihood Trainings – In order to further support socio-economic development, Arohan partnered with Seven Sisters Development Assistance (SeSTA) to empower women in involved in agriculture-based activities and provide them livelihood trainings to enhance participation and productivity. The project has been implemented in Majuli, Jorhat, Assam. Primarily focused on Arohan’s customers and operational areas, the women members of the communities are being trained on productivity enhancement in agriculture and scientific livestock management for enhanced income. Till date, the project has successfully trained 747 women in the region.

Health and Well-being – Arohan operates in the most financially excluded states of India and its customers belong to communities where access to basic healthcare is inadequate. To address this gap, Arohan organises free health and awareness camps providing access to medical and basic diagnostic services for the women in such communities. Till date, approximately 12,545

beneficiaries have been impacted through health camps providing free general and eye check-up. Arohan also provided the beneficiaries with handwash and free glasses.

Menstrual Hygiene – With the objective of educating and creating awareness on the use of sanitary napkins and providing easy access, Arohan initiated a project in seven schools in Koderma, Jharkhand. Through this project, Arohan will be installing sanitary napkin vending machines along with incinerators in schools to solve the problem of disposal of napkins. The aim is to contribute towards the environment by reducing pollution caused due to non-biodegradable napkins and clogging of public drainage system while reducing the spread of infection due to unhygienic disposal of napkins. Awareness and replenishment programmes will be conducted for the school children, teachers, parents and community members to inculcate this habit for long-term health benefits.

Employee Volunteering - Arohan provides the employees with a sense of purpose by way of giving back to the community, in addition to their work roles. To this effect, the Company encourages employees to volunteer their Time and/or Skill. Employees are encouraged to self-initiate or initiate project-based volunteering. Arohan believes that some of the endless benefits of volunteering as employees include, but are not limited to, gaining new skills and knowledge, boosting job and career prospects, enjoying a sense of achievement and fulfilment, personal development, better physical and mental health, connecting to and better understanding the community and developing team building skills.

Arohan's employees have participated in various volunteering activities to reach out to the beneficiaries supporting the thematic projects by participating and contributing on World Celebration Days, disaster relief initiatives, cloth donation and also by imparting Financial Literacy at one of its Water and Sanitation sites. In response to the conditions of the Financial Year 2020-21, Arohan shifted its volunteering initiatives to a virtual mode by conducting online engagements through activities such as Ecovation, Model Citizens, Health and Wellness, Mental Health, Kitchen Gardening, Virtual Stepathon etc. Going forward, Arohan intends to focus on initiating long-term Individual volunteering opportunities for its employees. Till date, approximately 20,742 volunteers have participated through various activities.

IMPACT ASSESSMENT

Arohan believes that impact study is essential to align social interventions of the Company to the priorities of the communities it operates in.

To this effect, Arohan has initiated a methodology to conduct impact assessment of its CSR projects by way of Need Assessment and Site Visits to understand the project requirement and take inputs from the local inhabitants. The Need Assessment studies are focused on identifying priorities on the ground after undertaking a diagnostic study of the targeted project site to conceptualize relevant projects which are impactful and sustainable. Project monitoring and

progress reports are an integral part of the method that helps draw out the benefits and gaps in the planned intervention. An end-line survey helps comprehend the qualitative and quantitative outcome and impact of the programme, allowing effective planning, execution and scaling of the project in the future.

Additionally, Arohan also conducted a number of surveys with the support of the Customer Insights team to understand the impact of the programmes on the beneficiaries, while also connecting with a few of them through field visits and virtual platforms. Their feedbacks and the report of such surveys helps Arohan in planning its social interventions in the future.

CORPORATE GOVERNANCE

Arohan, as an organisation, has always endeavoured to form a workplace built on its strong Core Values of Employee Engagement, Transparency, Honesty & Integrity, Innovation, Customer Centricity and Shareholder Value Focus, abbreviated as ETHICS. To this effect, Arohan's Board and Committee composition, Audit processes, and Corporate Governance practices strive to be in line with regulations made for equity listed companies.

Arohan understands the importance of adopting technology to scale operational efficiencies. In 2019, we implemented 'Diligent', a comprehensive Corporate Governance software which manages all Board related activities in a paperless, transparent, cost-effective and timely manner.

Some key practices that Arohan follows to ensure and strengthen Corporate Governance are:

- Chairpersons of all Board sub-Committees are Independent Directors
- There is optimum composition of Executive & Non-Executive Directors, including the Chairman, a Non-Executive Director.
- There is a Quarterly Limited Review Report between Company's Statutory Auditors and the Board of Directors, without the presence of Company Management.
- There is a Woman Independent Director on the Board

Arohan was recognised by the Institute of Company Secretaries of India's 20th ICSI National Awards for Excellence in Corporate Governance 2020, for being the Best Governed Company in the Unlisted Segment – Emerging Category.

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, 2021.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The financial performance of the Company is summarized below:

	(INR in Lakhs)		
Year ended March 31,	FY 2021	FY 2020	Change (%)
Total Revenue (A)	1,01,367.52	93,450.60	8.47%
Less: Expenditure (B)	72,760.56	61,104.16	19.08 %
Less: Impairment on financial instruments (C)	50,386.29	15,587.90	223.24%
Profit/(loss) before tax (D)= (A-(B+C))	(21,779.33)	16,758.54	(229.96%)
Pre-Provision Operating Profit Before Tax (E)= (C+D)	28,606.96	32,346.44	(11.56%)
Total tax expense (F)	(5,784.39)	4,078.49	(241.83%)
Profit/(loss) after tax (G)= (D-F)	(15,994.94)	12,680.05	(226.14%)
Other-Comprehensive Income	(1,193.67)	830.52	(243.73%)
Total Comprehensive income for the year	(17,188.61)	13,510.57	(227.22%)
Earnings Per Share (EPS)			
-Basic (in INR)	(14.56)	12.07	(220.63%)
-Diluted (in INR)	(14.56)	12.05	(220.83%)

The operational highlights of the Company are summarized below:

Year ended March 31,	FY 2021	FY 2020	Change (%)
Number of branches	737	711	3.65%
Number of customer (in lakhs)	21	23	(8.70%)
Number of employees	6,790	6,272	8.26%
Gross loan portfolio (in crores)	4,648	4,854	(4.24%)

Embattled by new waves of infections and mutant strains of COVID-19, and with the start of inoculation in several parts of the Country and visceral vaccine protectionism, the domestic outlook has once again turned grim and overcast with extreme uncertainty and downside risks. In view of the above situations the Company reported loss after tax of INR 15,994.94

Lakhs, with stronger Capital/Networth and provision buffers. The Financial year started with the COVID-19 induced lockdown in March'20 to gradual unlocking, an unprecedented RBI loan repayment moratorium of 6 months, opening up in September'20. Needless to add, our clients' livelihoods and incomes were impacted and the same is reflected in their repayment patterns over the last 7 months of previous year.

The major performance ratios such as Opex, Margin, ROA, and CRAR were under control and optimum. The interest margin, qualifying asset and CRAR and debt equity ratio were at an optimal level and were in compliance with the RBI regulations. The ALM and Liquidity risk were under control. The Company has strong liquidity position with INR 1,21,600 Lakhs as usable funds including sanctions in hand, cash and cash reserves to support net loan disbursement and debt repayment. Relationship of the Company with PSU helped the Company in raising debt fund from PSUs, NABARD, MUNDRA and SIDBI as per government partial guarantee scheme.

Key Ratios:	FY 2021	FY 2020
Capital Adequacy Ratio (CRAR)	24.27%	24.80%
Interest Margin	9.92%	9.96%
Debt Equity Ratio	4.61	4.36

The provisions had grown substantially from INR 15,588 Lakhs last year to INR 50,386 Lakhs for the financial year. The Company carried write off INR 2,209 Lakhs in H2 of FY 21 in addition to INR 944 Lakhs in H1 of FY 21 for the clients with the ageing greater than 365 days. The overall AUM, as on March 31, 2021, reported at INR 4,64,800 Lakhs with a Net NPA of 3.96%. Revenue grown by 8.5% despite a challenging year of business. Subdue business had led to marginal growth of revenue, higher provisions led to negative Total Other Comprehensive Income (TOCI).

(INR in Lakhs)

Particulars	As at 31 March 2021			As at 31 March 2020		
	Portfolio Outstanding	Provision as per ECL	Provisions as a % of Portfolio Outstanding	Portfolio outstanding	Provision as per ECL	Provisions as a % of Portfolio Outstanding
Standard assets	4,11,489	35,874	8.72%	4,42,287	7,568	1.71%
Non-performing assets	52,096	35,120	67.41%	11,184	11,184	100.00%
Total	4,63,585	70,994	15.31%	4,53,471	18,752	4.14%

The Company improve gender balance from about 6% in April'20 to over 10.88% during the year end. Recovery CSR (R-CSR) team was strengthened all across, a separate and independent Credit function was established and a Deputy Business Head structure for Operations was brought in. The Company also launched the meraArohan suite of IT modules and the apnaBazaar app for cross sell segment.

As a key achievement, during the year under review, the Company won several noteworthy awards:

4 SKOCH Orders-Of-Merit awards

20th ICSI National Award for Excellence in Corporate Governance, 2020 in the Unlisted Segment, Emerging Category.

Best Chief Financial Officer (CFO) awards

Governance Professional of the year, 2020 to the Company Secretary

Quality recertification of the Internal Audit function

The Company has also been certified as a Great Places to Work by the Great Place To Work® Institute and has been ranked 86th among the 100 Best Companies to Work for in India 2020 and has been identified in the list of top 25 best work places in the BFSI sector. The rank was upgraded to 65th position.

CHANGE IN THE NATURE OF BUSINESS

Last year, the Company decided to hive off its MSME business undertaking as a going concern basis to Ashv Finance Limited (erstwhile known as Jain Sons Finlease Limited) 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. However, because of the COVID 19 pandemic and lockdown thereafter, the transaction was deferred in the preceding financial year. Thus, in the current financial year 2020-21 the Company hived off its MSME business to Ashv Finance Limited (erstwhile known as Jain Sons Finlease Limited) under the terms and conditions stated in the Business Transfer Agreement dated February 10, 2021. Since the transaction with Ashv Finance Limited (erstwhile known as Jain Sons Finlease Limited), was a related party transaction for the Company, the same was approved by the Shareholders of the Company at their meeting dated February 08, 2021 as per Rule 15 of the Companies (Meeting of Board and its Powers) Rules, 2014.

CAPITAL INFUSION

During the year, the Company has preferentially allotted 18,50,000 Equity Shares to Arohan ESOP Trust, 55,30,329 Equity Shares to ASK Financial Holding Private Limited, 4,76,190 Equity Shares to Kiran Vyapar Limited, 9,52,380 Equity Shares to Aavishkaar Venture Management Services Private Limited, and 10,47,430 Equity Shares to Mr. Rajesh Sachdeva on a private placement basis.

Post allotment of Equity Shares as aforesaid, the issued, subscribed and paid-up share capital of the Company stands at INR 1,201,773,030 (Rupees One Hundred and Twenty Crores Seventeen Lakhs Seventy Three Thousand And Thirty Only) comprising of 120,177,303 (Twelve Crores one Lakh Seventy Seven Thousand Three Hundred And Three Only) Equity Shares of INR 10 each as on March 31, 2021. The net worth of the Company as on March 31, 2021 was INR 95,863 Lakhs. During the year, the Company has not raised share capital in any other manner except as mentioned above.

During the year, the Company has also issued 9,750 Secured, Redeemable Non-Convertible Debentures at a face value of INR 10,00,000 aggregating to INR 97,500 Lakhs on a private placement basis to multiple identified Qualified Institutional Buyers (“**QIBs**”) and Foreign Institutional Investors (“**FIIs**”).

INITIAL PUBLIC OFFERING

The Directors are pleased to inform that the Company plans to come out with its proposed Initial Public Offering (“**IPO**”) comprising of Fresh Issue of equity shares aggregating up to INR 85,000 Lakhs and Offer for Sale of up to 2,70,55,893 Equity Shares of face value of INR 10/- (Rupees Ten only) by way of Book Building Process. The Draft Red Herring Prospectus (DRHP) was successfully filed with the Securities and Exchange Board of India (SEBI) on February 14, 2021. The approval of SEBI for opening up the subscription was received on April 23, 2021 and is valid for a period of 12 months from the date of such approval.

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. Kasper Svarrer (DIN 07252475) and Mr. Paul Gratien Robine (DIN 07828525) 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.

During the year, Mr. Manoj Kumar Nambiar, Managing Director, Mr. Milind Ramchandra Nare, Chief Financial Officer, and Mr. Anirudh Singh Thakur, Company Secretary are the Key Managerial ("**KMP**") of the Company under Companies Act, 2013 and;

Mr. Shirish Chandra Panda, Executive Vice President- Head of Operations, Mr. Shailesh Kumar, Vice President and Head – Credit & MSME Lending Business, Mr. Ranjan Das, Chief Risk Officer, Mr. Harshavardhan Patnaik, Senior Vice President – Head of Central Operations and Alliances, Mr. Abin Mukhopadhyay, Vice President –Head of Internal Audit, Mr. Arvind Murarka, Vice President – Head of Information Technology, Mr. Prashant Rai, Vice President – Head of Human Resources, Admin, Training and CSR, and Ms. Reema Mukherjee, Assistant Vice President – Head of Strategic Initiatives & Corporate Communications are the Key Managerial ("**KMP**") of the Company under SEBI (ICDR) Regulations, 2018.

However, Mr. Shirish Panda, Head- Business decided to resign from his position and move on for better opportunity. Consequent to his resignation, the senior management team undergone some changes as stated below:

1. Mr. Harshavardhan Patnaik, Head of Central Operations was made the Head-Business from April 1, 2021 onwards; and
2. Mr. Vinod Pandey, Head- Alliance Business was made the Head- Central Operations and Alliances from April 1, 2021 onwards and appointed as KMP as per SEBI (ICDR) Regulation, 2018.

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, 2021, 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, 2021 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, 2021, the Board consists of 12 members, which includes one Executive Director, four Independent Directors, and Seven Non-Executive 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 Chandiok & 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 20-21.

- (ii) Secretarial Auditors – M/s S. Basu & Associates, Practicing Company Secretary (Certificate of Practice No 14347) were appointed as Secretarial Auditor of the Company to conduct Secretarial Audit of the Company for the Financial Year 2020-21 as required under Section 204 of the Companies Act, 2013 and the rule made thereunder. The Secretarial Audit Report for FY 20-21 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.

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 2020-21 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 at:

<https://www.arohan.in/resources/2019-08-23-14-30-20-Related%20Party%20Transaction%20Policy.pdf>.

AMOUNT TRANSFERRED TO STATUTORY RESERVES

During the year under review the Company have incurred losses and accordingly no amount has been transferred 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, 2021 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 27.36 Lakhs. 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 4, 2021 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 04, 2021.

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, Natural Disaster and COVID 19 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 12 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 24.27% as on March 31, 2021.

The Company has an outstanding on secured and unsecured borrowings of INR 4,415 crores at the end of Financial Year 2020-21.

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, 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.

CREDIT RATING

The Company's Financial discipline and prudence is reflected in the strong credit ratings ascribed by rating agencies as given below:

Instrument	Rating Agency	Rating	Outlook
Bank Instruments	CARE Ratings Limited	A-	Stable
Non-Convertible Debentures	CARE Ratings Limited	A-	Stable

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 of 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)

During the year, the Company amended its ESOP Trust Deed and its ESOP Plan 2010 & 2018 respectively in order to keep the amended trust deed align with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014. The Company also implemented a new employee stock option plan, Arohan ESOP 2021, which was approved by the members on their meeting held on February 8, 2021. Further, Stock Options are granted to eligible employees and KMPs of the Company, under the Arohan ESOP Plans 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 2021	Arohan ESOP 2018 (Grant 2020)	Arohan ESOP 2018 (Grant 2019)	Arohan ESOP 2018 (Grant 2018)
a. Options granted	10,00,000	8,42,858	7,69,528	5,97,264
b. Options vested	Nil	8,42,858	7,69,528	5,97,264
c. Options exercised	Nil	Nil	Nil	Nil
d. The total number of shares arising as a	Nil	Nil	Nil	Nil

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, 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 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

SD/-

SUMANTRA BANERJEE

DIRECTOR

DIN 00075243

SD/-

MANOJ KUMAR NAMBIAR

MANAGING DIRECTOR

DIN 03172919

Date: July 10, 2021

Place: Kolkata



Saurabh Basu

ACS, ACMA, MBA (Fin)
Practising Company Secretary
Insolvency Professional

S BASU & ASSOCIATES

Company Secretaries
Code No.- S2017WB456500
10/6/2 Raja Rammohan Roy Road,
3rd Floor, Kolkata - 700008

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st MARCH 2021

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014

To,
The Members,
AROHAN FINANCIAL SERVICES LIMITED
PTI Building, 4th Floor,
DP-9, Sector-5 ,Salt Lake, Parganas North
Kolkata -700091

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 (CIN: U74140WB1991PLC053189)** (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 **Arohan Financial Services Limited's** books, papers, minute books, forms and returns filed and other records maintained by the Company 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 **31st March 2021 ('Audit Period')** 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, papers, minute books, forms and returns filed and other records maintained by **Arohan Financial Services Limited ("the Company")** for the financial year ended on 31st March 2021 according to the provisions of:

1. The Companies Act, 2013 (the Act) and the Rules made there under;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the Rules made there under; - Not Applicable during the year under review;

The Depositories Act, 1996 and the Regulations and Bye-laws Framed there under;



Continuation Sheet

S BASU & ASSOCIATES

Company Secretaries

Code No.- S2017WB456500

4. Foreign Exchange Management Act, 1999 and the Rules and Regulations made thereunder to extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

5. 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 Audit period**

(b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 to the extent applicable to the Company during the period under review;

Not Applicable during the Audit period;

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.

(d) The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 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 (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

Not Applicable during the Audit period;

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **Not Applicable during the Audit period;**

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **Not Applicable during the Audit period;**

(i) The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 to the extent applicable;

(j) The Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993;

6. We further report that, having regard to the compliance system prevailing in the Company and on examination of the relevant documents and records in pursuance thereof maintained



Continuation Sheet

S BASU & ASSOCIATES

Company Secretaries

Code No.- S2017WB456500

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 :

The Company has complied with the following laws applicable specifically to the Company

- The Reserve Bank of India Act, 1934;
- Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016;
- The other Master Direction, Circular and Notices as applicable to the Company as issued by the Reserve Bank of India;

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, Schemes, Standards, etc. mentioned above.

We further report that:

a) The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There is no change in composition of the Board of Directors during the period under review.

b) 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.

c) 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 March 31, 2021:-

- Issued and allotted 8,50,000 nos. (Eight Lacs Fifty Thousand) of equity shares of the Company through Private Placement at INR 10/- at a premium of INR 160/- each on 12.08.2020;



Continuation Sheet

S BASU & ASSOCIATES

Company Secretaries

Code No.- S2017WB456500

- Issued and allotted 69,58,899 nos. (Sixty Nine Lacs Fifty Eight Thousand Eight Hundred Ninety Nine) of Equity shares of the Company through Private Placement at INR 10/- at a premium of INR 200/- each on 10.02.2021;
- Issued and allotted 20,47,430 nos. (Twenty Lacs Forty Seven Thousand four hundred Thirty) of Equity shares of the Company through Private Placement at INR 10/- at a premium of INR 200/- each on 11.02.2021.

The 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.

This report is to be read with our letter on even date which is annexed as Annexure A and forms an integral part of this report.

For S Basu & Associates

Company Secretaries

Firm Registration No : S2017WB456500

Place: Kolkata

Date: 03.06.2021



Saurabh Basu

Practising Company Secretary

ACS: - 18686; C.P.- 14347

Peer Review No : 1017/2020

UDIN: A018686C000416292

Continuation Sheet

S BASU & ASSOCIATES
Company Secretaries
Code No.- S2017WB456500

Annexure A

To,
The Members,
AROHAN FINANCIAL SERVICES LIMITED
PTI Building, 4th Floor,
DP-9, Sector-5 ,Salt Lake, Parganas North
Kolkata -700091

1. Maintenance of secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on the random test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The Compliance of the provisions of Corporate and other applicable laws, rules, standards is the responsibility of management. Our examination was limited to the verification of procedures on the random test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place: Kolkata
Date: 03.06.2021

For S Basu & Associates
Company Secretaries
Firm Registration No: S2017WB456500



Saurabh Basu
Practising Company Secretary
ACS: - 18686; C.P.- 14347
Peer Review No : 1017/2020
UDIN: A018686C000416292

ANNEXURE -II

1. Brief outline on CSR Policy of the Company.

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 marginalized 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 marginalized 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.

2. Composition of CSR Committee:

The CSR committee of the Board is responsible for overseeing the execution of the Company's CSR Policy. The CSR committee comprises one Independent Directors, two Nominee Directors and the Managing Director as at the end of financial year 2021.

Sl. No.	Name of Director	Designation/ Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1.	Mr. Sumantra Banerjee	Independent Director	2	2
2.	Mr. Anurag Agarwal	Nominee Director	2	2
3.	Mr. Wilhelmus Marthinus Maria Van Der Beek	Nominee Director	2	1
4.	Mr Manoj Kumar Narayan Nambiar	Managing Director	2	2

3. **Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.**

The Composition of CSR Committee, CSR Policy and CSR project as approved by the Board are available on our website, at <https://www.arohan.in/resources/2020-07-03-10-28-47-CSR%20Policy.pdf>

4. **Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report).**

There are no projects undertaken by the Company after the effective date of the aforementioned rules for financial year 2021.

5. **Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any.**

Nil

6. Average net profit of the company as per section 135(5): **INR 1,22,06,60,158**

7. a) Two percent of average net profit of the company as per section 135(5):

INR 2,44,13,203;

b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: **Nil;**

(c) Amount required to be set off for the financial year, if any: **Nil;**

(d) Total CSR obligation for the financial year (7a+7b- 7c): **INR 2,44,13,203**

8. **(a) CSR amount spent or unspent for the financial year:**

Amount Unspent (in Rs.)					
Total Amount Spent for the Financial Year. (in Rs.)	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer

1,93,31,961	50,81,242	April 29, 2021	NA	Nil	NA
-------------	-----------	-------------------	----	-----	----

(b) Details of CSR amount spent against ongoing projects for the financial year:

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the project		Project duration	Amount allocated for the project (in Rs.)	Amount spent in the current financial Year (in Rs.)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in Rs.)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District						Name	CSR Registration number
1	Distribution of Covid relief items	Schedule VII (i) - Promoting health care including preventive health care	Yes	West Bengal, Bihar, Jharkhand, Assam, Odisha, Uttar Pradesh, Madhya Pradesh, Delhi, Uttarakhand and Gurugram	Asansol, Amingoaan, Nalbari, Lucknow, Haldwani, Phulwari Sharif, Danapur, Bihitta, Bongaigaon	6 months	80,69,892	80,69,892	0	Direct and through Implementing agencies	1. Transforming Rural India Foundation 2. Abeers Gramudhyog 3. Excellent Global Endeavors LLP 4. Classic India 5. Nightingale Finvest Private Limited	NA
2	Donation towards Assam Arogya Nidhi	Schedule VII (i) - Promoting health care including preventive health care	Yes	Assam	N.A	One time	5,00,000	5,00,000	0	Direct		NA
3	Disaster Relief	Schedule VII (xii) - Disaster Management	Yes	West Bengal, Bihar, Jharkhand, Assam, Odisha, Uttar Pradesh	Basudev pur, Bhograi, Sahebganj, Kadwa, Khagariya, Kaudi Ram, Uruwa Bazar, Rajkanika	2 month	44,87,517	44,87,517	0	Direct and through Implementing agencies	1. Ulink Agritech Private Limited 2. Avtar Development Foundation 3. Parampara Foundation 4. Gram Utthan	NA
4	Water and Sanitation	Schedule VII (i) - Sanitation	Yes	Jharkhand and Odisha	Balijhari and Borrio	18 month	33,00,660	15,50,723	17,49,938	Implementing Agency	1. Piramal Water Private Limited 2. PK Associates	NA
5	Water Conservation	Schedule VII (iv) - conservation of natural resources and maintaining quality of soil	Yes	Jharkhand	Dumka	12 months	17,17,800	8,58,900	8,58,900	Implementing Agency	Gram Sathi	NA
6	Livelihood Training	Schedule VII (ii) - Promoting employment enhancing vocational skills	Yes	Assam	Majuli	12 months	11,00,800	8,80,640	2,20,160	Implementing Agency	Seven Sisters Development Assistance	NA

7	E-Learning and Mini Science Centre	Schedule VII (ii) - Education	Yes	West Bengal, Uttar Pradesh and Madhya Pradesh	Kolkata	12 months	21,32,200	7,66,100	13,66,100	Implementing Agency	1. Buddy4Study India Foundation 2. Samabhavana	NA
8	Mentrual Hygiene	Schedule VII (i) - Promoting health care including preventive health care	Yes	Jharkhand	Koderma	6 months	13,44,724	6,08,580	7,36,144	Implementing Agency	Veer Jharkhand Vikash Sewa Manch	NA
9	Volunteering Initiatives and Donation	N.A	Yes		N.A	12 months	5,38,950	3,88,950	1,50,000	Implementing Agency	1. Rosy Blue Foundation 2. Bhumi 3. Notun Jibon 4. Calcutta Rescue	NA
TOTAL							2,31,92,542	1,81,11,302	50,81,242			

(c) Details of CSR amount spent against **other than ongoing projects** for the financial year:

Nil

(d) Amount spent in Administrative Overheads: **INR 12,20,660**

(e) Amount spent on Impact Assessment, if applicable: **Not Applicable**

(f) Total amount spent for the Financial Year (8b+8c+8d+8e): **INR 2,44,13,203**

(g) Excess amount for set off, if any: **Nil**

9. (a) Details of Unspent CSR amount for the preceding three financial years:

Sl. No.	Preceding Financial Year.	Amount transferred to Unspent CSR Account under section 135 (6) (in Rs.)	Amount spent in the reporting Financial Year (in Rs.).	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in succeeding financial years. (in Rs.)
				Name of the Fund	Amount (in Rs).	Date of transfer.	
1.	2019-20	3,94,968	-	-	-	-	3,94,968
TOTAL		3,94,968	-	-	-	-	3,94,968

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID.	Name of the Project.	Financial Year in which the project was commenced.	Project duration.	Total amount allocated for the project (in Rs.).	Amount spent on the project in the reporting Financial Year (in Rs.).	Cumulative amount spent at the end of reporting Financial Year. (in Rs.)	Status of the project - Completed /Ongoing.
1.	Nil							

- 10.** In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year: **No capital asset was created/ acquired for financial year ended 2021 through the CSR spend.**
- 11.** Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5).

July 10, 2021
Kolkata

SUMANTRA BANERJEE
CHAIRPERSON, CSR COMMITTEE

MANOJ KUMAR NAMBIAR
MANAGING DIRECTOR

Annexure III

Remuneration details of Directors, KMPs, Employees

Sl. No	Particulars	Disclosures								
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.	72.16:1								
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" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">KMP</th> <th style="text-align: right;">% increase in remuneration</th> </tr> </thead> <tbody> <tr> <td>MD#</td> <td style="text-align: right;">0.02%</td> </tr> <tr> <td>CFO#</td> <td style="text-align: right;">0.17%</td> </tr> <tr> <td>CS#</td> <td style="text-align: right;">0.44%</td> </tr> </tbody> </table> <p># KMP remuneration does not include variable pay component.</p>	KMP	% increase in remuneration	MD#	0.02%	CFO#	0.17%	CS#	0.44%
KMP	% increase in remuneration									
MD#	0.02%									
CFO#	0.17%									
CS#	0.44%									
3	The percentage increase in the median remuneration of employees in the financial year	8.31%								
4	The number of permanent employees on the rolls of the Company	6,790 employees as on March 31, 2021								
5	The explanation on the relationship between average increase in remuneration and company performance	The Company made a degrowth of 227.22% in its Net Profit and increased the remuneration of its employees by an average of 3.91% 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 has grown by 8.47% and Net Profit degrown by (227.22%) in FY 2020-21 in comparison to FY 2019-20.</p> <p>The average increase in remuneration of KMP in the FY 2020-21 was 0.21%.</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 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	<p>As on March 31, 2021, the Company's equity shares were not listed.</p> <p>The Company's net worth has decreased from INR 962.63 Cr as on March 31, 2020 to INR 958.64 Cr as on March 31, 2021 – decreased by 0.42%.</p>								

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 3.91% and the average increase in the managerial remuneration was 280.77%
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/(degrown) by 8.47% and (227.22%) respectively in FY 2020-21 in comparison to FY 2019-20. The average increase in remuneration of KMP in the FY 2020-21 was 0.21%.
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

Sl. No	Particulars	Details
1	Designation	Managing Director
2	Remuneration received	INR 164.49 Lakhs*
3	Nature of employment, whether contractual or otherwise	Permanent
4	Qualification and Experience	Mr. Manoj Kumar Nambiar holds a Bachelor's degree in Engineering (Mechanical branch) from VJTI, Mumbai and a Master's degree in Management Studies from the University of Bombay. He has also completed the 'Strategic Leadership in Microfinance' course from Harvard

		Business School, USA. He has worked with various companies in the fields of business development, consumer banking and microfinance across India and the Middle East. Previously, he has worked with Xerox India Limited (formerly, Modi Xerox Limited), Countrywide Consumer Financial Services Limited, ANZ Grindlays Bank, ABN Amro Bank N.V., National Bank of Oman, Ahli Bank and with Alhamrani Company for Investment in Trade. He has chaired the governing board of MFIN, the self-regulatory organisation for NBFC-MFIs recognised by the RBI, since 2019, having first joined MFIN's board in 2013. He was also the President of MFIN in 2015-16 and currently the Chairman of MFIN.
5	Date of commencement of employment	September 28, 2012
6	Age	55
7	The last employment held	MD & CEO of IntelleCash Microfinance Network Company (P) Limited
8	% of equity shares held	NIL

**includes INR 48.34 Lakhs pertaining commission paid for previous year (amount accrued in previous year)*

- 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 lakhs 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

COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY

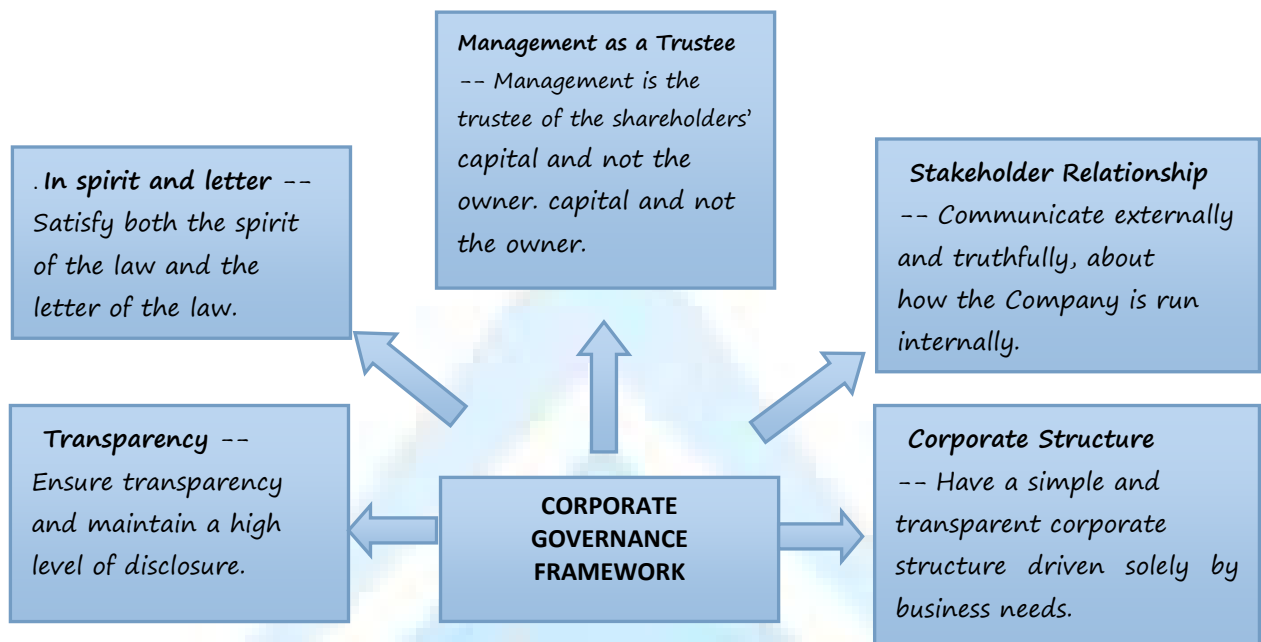
Corporate Governance refers to the way by which corporation is governed, can be said a unique technique by which companies are directed and managed. Corporate Governance can be stated as carrying the business as per the stakeholders' desires and for creating a long term sustainable value for our stakeholders' comprising of employees, regulators, customers, investors, vendors and society at large, through the best drawn ethical and legal practices. 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. Integrity and transparency have always been a key to the Companies corporate governance practices to ensure that the company gain and retain the trust of its stakeholders at all times.

The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and to ensure that the Company evolves and follow not just the stated corporate governance guidelines, but also global 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:

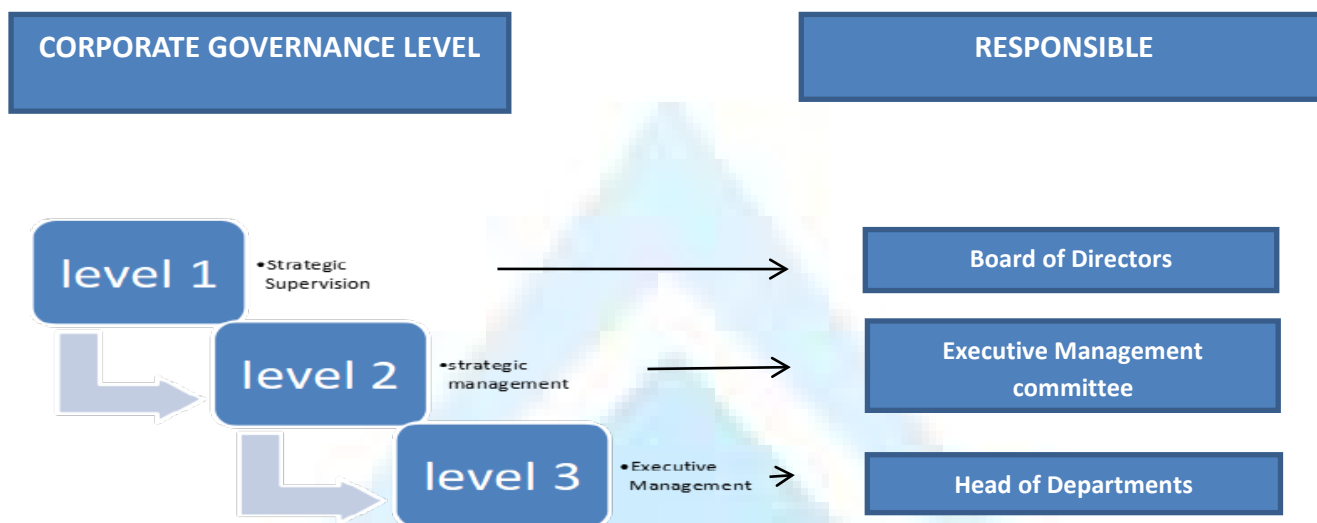
The driving principle of our corporate governance framework are encapsulated in the following diagram



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:



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 an active, well- informed, independent and 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 of Directors (**'the Board'**) is at the very root of companies’ corporate governance practice and oversees and ensures that the Management serves and protects the long-term interest of all our stakeholders. The Board functions either as a

full Board or through various committees constituted to over- see specific operational areas. As on March 31, 2021, the Company’s Board comprised of twelve (12) Directors including, four (4) Non-Executive Independent Directors (out of which includes one (1) Women Independent Director), One (1) Executive Director and Seven (7) Non-Executive Nominee Directors.

During the year under review, the Board met 13 (Thirteen) times on May 21, 2020, June 26, 2020, August 3, 2020, August 12, 2020, November 11, 2020, December 07, 2020, January 15, 2021, February 4, 2021, February 10, 2021, February 12, 2021, February 13, 2021, February 25, 2021 and March 04, 2021. 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 Directors	No. of meetings held in FY 20-21	No. of meetings attended (including through electronic mode in FY (20-21)	Whether attended last AGM	No. of other Director s-ship held in other public companies	No. of other Board Committee Member-ships	No. of Chairma n- ship in other Board	Details of directorshi p held in Listed Entity (including debt listed)	Categor y of Directo rship
1.	Mr. Manoj Kumar Nambiar	Managing Director	13	13	Yes	0	7	Nil	Nil	Nil
2.	Mr. Anurag Agrawal	Nominee Director	13	11	No	1	10	Nil	Nil	Nil
3.	Mr. Vineet Chandra Rai	Nominee Director	13	11	No	1	8	Nil	Nil	Nil
4.	Mr. Dinesh Kumar Mittal	Independ ent Director	13	12	Yes	8	7	Nil	1. Max Ventures and Industries Limited 2. Max Financial Services Limited 3. Trident Limited 4. Balrampur Chini Mills Ltd 5. Bharti	Director

									Airtel Limited	
5.	Mr. Sumantra Banerjee	Independent Director	13	11	Yes	1	3	2	Nil	Nil
6.	Mr. Rajat Mohan Nag	Independent Director	13	11	Yes	0	3	2	Nil	Nil
7.	Ms. Matangi Gowrishankar	Independent Director	13	12	No	4	9	3	1. Cyient Limited 2. Gabriel India Limited 3. Greenlam Industries Limited	Director
8.	Mr. Piyush Goenka	Nominee Director	13	11	Yes	2	6	Nil	1. Shilpa Medicare Limited 2. Safari Industries (India) Limited	Director
9.	Mr. Kasper Svarrer	Nominee Director	13	2	No	Nil	Nil	Nil	Nil	Nil
10.	Mr. Wilhelmus Martinus Maria Van Der Beek	Nominee Director	13	9	Yes	Nil	2	Nil	Nil	Nil
11.	Mr. Paul Gratien Robine	Nominee Director	13	5	Yes	Nil	Nil	Nil	Nil	Nil
12.	Mr. Shri Ram Meena	Nominee Director	13	9	No	5	7	Nil	Nil	Nil

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.
5. Mr. Sumantra Banerjee, Non-Executive Independent Director, holds 10,000 equity shares.

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

Board of Arohan confirms that the independent directors fulfill the conditions specified in the regulations and are independent of the management.

Committee of the Board- Composition as on March 31, 2021.

1. Audit Committee

The primary objective of the Audit Committee is to monitor and provide an effective supervision of the Management's financial reporting process, to ensure accurate and timely disclosures, with the highest levels of transparency, integrity and quality of financial reporting and the committee assists the Board in dissemination of financial information. 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, 2021 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 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 Six (6) times during the year on June 25, 2020, August 11, 2020, November 10, 2020, February 04, 2021, February 10, 2021 and March 03, 2021. 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	6	6
Mr. Sumantra Banerjee	Independent Director	6	6
Ms. Matangi Gowrishankar	Independent Director	6	6
Mr. Piyush Goenka	Nominee Director	6	6
Mr. Anurag Agrawal	Nominee Director	6	6

The Chief Financial Officer, who is responsible for the finance function, the Head of Internal Audit and the representative of the Statutory Auditors, are permanently 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 is very necessary for a rapid growth of a company and this is effectively carried out by the committee and management is briefed on the risks in advance by the committee 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 Committee also assists the Board in fulfilling its corporate governance oversight responsibilities with regard to the identification, evaluation and mitigation of strategic, operational, and external environment risks. The Board is also periodically informed of the business risk and actions taken to manage them. The

company has put 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, 2021 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 June 26, 2020, August 12, 2020, November 11, 2020 and March 04, 2021.

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	4
Ms. Matangi Gowrishankar	Independent Director	4	4
Mr. Piyush Goenka	Nominee Director	4	4
Mr. Wilhelmus Marthinus Maria Van Der Beek	Nominee Director	4	2

3. Corporate Social Responsibility Committee

The primary objective of the Committee is to assist the Board in fulfilling its corporate social responsibility. The Committee has overall responsibility for Identifying the areas of CSR activities and implementing and monitoring the CSR Policy from time to time. The Committee also

Recommends the amount of expenditure to be incurred on the identified CSR activities. 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, 2021 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 June 25, 2020 and November 10, 2020.

Attendance of Director:

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

4. Nomination and Remuneration Committee

The responsibility of the Nomination and Remuneration Committee of the Board is to oversee that the Company’s nomination process including succession planning for the senior management and the Board and specifically to assist the Board by identifying, screening and reviewing individuals qualified to serve as Executive Directors, Non-Executive Directors and Independent Directors so that the directors appointed would have appropriate skills to support the functioning of the Company.

The Committee recommend the appointment and removal of directors, and for approval at the AGM and evaluate the performance of the Board and review the evaluation's implementation and compliance and plans for Leadership development, and also develop and maintain corporate governance policies applicable to the Company. The Committee also 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, 2021 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 five (5) times during the year on June 26, 2020, August 11, 2020, November 11, 2021, February 04, 2021 and March 04, 2021.

Attendance of Director:

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Ms. Matangi Gowrishankar	Independent Director	5	5

Mr. Sumantra Banerjee	Independent Director	5	5
Mr. Rajat Mohan Nag	Independent Director	5	5
Mr. Piyush Goenka	Nominee Director	5	5
Mr. Vineet Chandra Rai	Director	5	5

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, 2021 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 Twelve (12) times during the year on June 19, 2020, July 10, 2020, July 17, 2020, July 29, 2020, August 11, 2020, August 12, 2020, September 24, 2020, November 03,2020, November 19, 2020, December 14,2020, February 11, 2021 and March 30,2021.

Attendance of Director:

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Mr. Manoj Kumar Narayan Nambiar	Managing Director	12	5
Mr. Anurag Agrawal	Director	12	12
Mr. Vineet Chandra Rai	Director	12	9

Mr. Piyush Goenka	Nominee Director	12	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 Thrice (3) times during the year on June 25, 2020, November 10, 2020, and March 03, 2021.

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	3	2
Mr. Sumantra Banerjee	Independent Director	3	3
Mr. Arvind Murarka	Head- IT	3	3
Mr. Piyush Goenka	Nominee Director	3	2

7. Stakeholders Relationship Committee

The Stakeholders Relationship Committee of the Board is responsible for redressal of grievances of investors, shareholders, securities holders, including complaints related to the transfer of shares, non-receipt of annual report and non-receipt of declared dividends and performing such other functions as may be delegated by the Board and/or prescribed under the SEBI Listing Regulations and the Companies Act or other applicable law, is placed before the Committee for their perusal and also to discuss any other matter which the Committee thinks fit.

Composition:

- ❖ Ms. Matangi Gowrishankar, Chairperson
- ❖ Mr. Anurag Agrawal, Member
- ❖ Mr. Manoj Kumar Narayan Nambiar, Member

As on March 31, 2021 the Committee comprised of One (1) Non-Executive Independent Director, Managing Director, one (1) Promoter Directors. The Chief Financial Officer is the permanent invitee to the meetings of the Committee. The other directors are invited to attend the Stakeholders Relationship Committee meetings as when required. The Company Secretary acts as the secretary to the Committee. No investor grievances were reported by the security holders against the Company as on March 31, 2021. The Committee meet once (1) times during the year on March 03, 2021.

Attendance of Director:

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Ms. Matangi Gowrishankar	Independent Director	1	1
Mr. Anurag Agrawal	Promoter Director	1	1
Mr. Manoj Kumar Narayan Nambiar	Managing Director	1	0

8. IPO Committee

The IPO Committee of the Board is responsible for ensuring that all the regulatory compliances and other incidental matters relating to initial public issue of shares should be complied.

Composition:

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

As on March 31, 2021 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 IPO Committee meetings as when required. The Company Secretary acts as the secretary to the Committee. The Committee meet twice (2) times during the year on February 11, 2021 and February 14, 2021.

Attendance of Director:

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

9. Meeting of Independent Directors

Schedule IV of the Companies Act, 2013 and the Rules thereunder mandate that the independent directors of the Company shall hold at least one meeting in a year, without the attendance of non-independent directors and members of the Management. At such meetings, the independent directors discuss, among other matters, the performance of the Company and risks faced by it, the flow of information to the Board, competition, strategy, leadership strengths and weaknesses, governance, compliance, Board movements, human resource matters and performance of the executive members of the Board, including the Chairman. During the year, the independent directors met without the presence of the Management.

General Body Meetings

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

Financial Year	Category	Location	Date	Time
2019-2020	AGM	Registered Office	August 3, 2020	11:30 AM
2018-2019	AGM	Registered Office	August 5, 2019	11:00 AM
2017-2018	AGM	Registered Office	May 15, 2018	2:00 PM

Three (3) Extra Ordinary General Meeting of the Company was held on January 22, 2021, February 08, 2021 and March 03, 2021.

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

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.

FY 2019-20:

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.
5. Approval of Arohan Employee Stock Option Plan 2018 (Grant 2020).

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 (*voluntarily surrendered w.e.f October 15, 2020*)**Scrip Code:** 955550

Annual General Meeting Date, Time and Venue:**Date:** August 5, 2021**Time:** 3:00 PM**Venue:** Registered Office of the Company, through video conferencing**Financial Year:** April 1, 2020 to March 31, 2021**Book closure date:** July 29, 2021 to August 4, 2021 (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, 8th 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
Vaishno Chamber, 5th Floor, Flat Nos. 502 & 503
6, Brabourne Road, Kolkata- 700001
Ph: 033 4004 9728, 033 4073 1698; Mail: 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	25,800	2,58,000	0.02	12	8.39
5,000 to 10,000	40,137	4,01,370	0.03	5	3.50
Above 10,000	120,111,366	1,201,113,660	99.95	126	88.11

Dematerialization of shares and liquidity:

Percentage of shares held in physical form: 0.2748%

Electronic form with NSDL: 95.5044%

Electronic form with CDSL: 4.2213%

Details of Credit Ratings obtained

ICRA Limited: ICRA A- (Outlook Stable)

CARE Ratings Limited: CARE A- (Outlook Stable)

Address for correspondence

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

The Company Secretary

PTI Building, 4th Floor, DP Block, DP-9,

Sector-5, Salt Lake, Kolkata-700091

Email: 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.

Statutory Compliance, Penalties and Strictures

The Company has complied with all the requirements of regulatory authorities. No penalties or strictures were imposed on the Company by Stock Exchanges or SEBI or any statutory authority on any matter related to the activities of the Company

Policy on Dealing with Related Party Transactions.

The Company has formulated a policy on materiality of and dealing with Related Party Transactions pursuant to the provisions of the Act and Regulation 23 of the Listing Regulations, which specify the manner of entering into Related Party Transactions. During the year under review, the Policy was amended to align it in accordance with the changes made in the Listing Regulations with respect to payment towards the brand usage or royalty. The Policy on Related Party Transactions has been hosted on the website of the Company and can be accessed through the web-link at:

<https://www.arohan.in/resources/2019-08-23-14-30-20-Related%20Party%20Transaction%20Policy.pdf>.

Disclosure in relation to recommendation made by Committees of the Board

During the year under review, there were no such recommendations made by any Committee of the Board that were mandatorily required and not accepted by the Board.

Total fees paid to the Statutory Auditors and all entities in the network firm/ entities

The details of total fees for all the services paid by the Company to M/s. Walker Chandiook & Co. LLP, Chartered Accountants, Statutory Auditors are given below:

(INR in Lakhs)

Payment to Statutory Auditor*	F.Y 2020-21
Statutory Audit including Limited Review	38.50
Other Services including reimbursement of expenses	8.35
Total	46.85

*During the year ended March 31, 2021, an additional amount of INR 81.43 Lakhs has been paid as Professional Services fee for Draft Red Herring Prospectus (DRHP) filing.



FORM NO. MGT 9
EXTRACT OF ANNUAL RETURN
as on financial year ended on 31.03.2021
Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

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 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 T: 033 4004 9728, Email: kolkata@linkintime.co.in

II PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the company shall be stated

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

SI No	Name & Address of the Company	CIN/GLN	HOLDING/ SUBSIDIARY/ ASSOCIATE	% OF SHARES HELD
1	Not Applicable			

IV 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	
A. Promoters									
(1) Indian									
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	40283540	0	40283540	36.51	41235920	0	41235920	34.31	-2.20
d) Bank/FI	0	0	0	0	0	0	0	0	0
e) Any other	0	0	0	0	0	0	0	0	0
SUB TOTAL:(A) (1)	40283540	0	40283540	36.51	41235920	0	41235920	34.31	-2.20
(2) Foreign									
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
SUB TOTAL: (A) (2)	0	0	0	0	0	0	0	0	0
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	40283540	0	40283540	36.51	41235920	0	41235920	34.31	-2.20
B. PUBLIC SHAREHOLDING									
(1) Institutions									
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	54.91	60573797	0	60573797	50.40	-4.51
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
SUB TOTAL (B)(1):	60573797	0	60573797	54.91	60573797	0	60573797	50.40	-4.51
(2) Non Institutions									
a) Bodies corporates									
i) Indian	0	0	0	0.00	2020659	0	2020659	1.68	1.68
ii) Overseas	0	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	63603	2334	65937	0.06	0.01
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs	3504863	395724	3900587	3.54	8590751	327707	8918458	7.43	3.89
c) Others (specify)									
Michael & Susun Dell Foundation	3270980	0	3270980	2.96	3270980	0	3270980	2.72	-0.24
Arohan ESOP Trust	1564524	0	1564524	1.42	3414524	0	3414524	2.84	1.42
Shahnaz Memorial Trust	677028	0	677028	0.61	677028	0	677028	0.56	-0.05
SUB TOTAL (B)(2):	9065579	398058	9463637	8.58	18037545	330041	18367586	15.29	6.71
Total Public Shareholding (B)= (B)(1)+(B)(2)	69639376	398058	70037434	63.49	78611342	330041	78941383	65.69	2.20
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0.00
Grand Total (A+B+C)	109922916	398058	110320974	100.00	119847262	330041	120177303	100.00	

(ii) SHARE HOLDING OF PROMOTERS

SI 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	23811394	21.58	0	24763774	20.61	0	-0.97
2	Intellectual Capital Advisory Services Pvt Ltd	16472146	14.93	0	16472146	13.71	0	-1.22
	Total	40283540	36.51	0	41235920	34.31	0	-2.20

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

SI. 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						
	At the beginning of the year	April 1, 2020		23811394	21.58		
	Changes during the year	February 10,2021	Allotment	952380	0.79	24763774	
	At the end of the year	31-Mar-21				24763774	20.61
2	Intellectual Capital Advisory Services Pvt Ltd						
	At the beginning of the year	April 1, 2020		16472146	14.93		
	Changes during the year		No Changes	0	0	16472146	
	At the end of the year	31-Mar-21				16472146	13.71

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

SI. No	For Each of the Top 10 Shareholders	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	Aavishkaar Goodwill India Microfinance Development Company				
	At the beginning of the year	18539529	16.81	18539529	16.81
	Increase/ Decrease	0	-1.38	0	-1.38
	At the end of the year	18539529	15.43	18539529	15.43
2	TANO India Private Equity Fund II				
	At the beginning of the year	16914279	15.33	16914279	15.33
	Increase/ Decrease	0	-1.26	0	-1.26
	At the end of the year	16914279	14.07	16914279	14.07
3	Maj Invest Financial Inclusion Fund II K/S				
	At the beginning of the year	15401267	13.96	15401267	13.96
	Increase/ Decrease	0	-1.14	0	-1.14
	At the end of the year	15401267	12.82	15401267	12.82
4	TR Capital III Mauritius				
	At the beginning of the year	9718722	8.81	9718722	8.81
	Increase/ Decrease	0	-0.72	0	-0.72
	At the end of the year	9718722	8.09	9718722	8.09
5	Rajesh Sachdeva				
	At the beginning of the year	2541866	2.30	2541866	2.30
	Increase/ Decrease	1047430	0.69	1047430	0.69
	At the end of the year	3589296	2.99	3589296	2.99
6	ESOP Trust				
	At the beginning of the year	1564524	1.42	1564524	1.42
	Increase/ Decrease	1850000	1.42	1850000	1.42
	At the end of the year	3414524	2.84	3414524	2.84
7	Michael & Susan Dell Foundation				
	At the beginning of the year	3270980	2.96	3270980	2.96
	Increase/ Decrease	0	-0.24	0	-0.24
	At the end of the year	3270980	2.72	3270980	2.72
8	Shahnaz Memorial Trust				
	At the beginning of the year	677028	0.61	677028	0.61
	Increase/ Decrease	0	-0.05	0	-0.05
	At the end of the year	677028	0.56	677028	0.56
9	Ajay Sharma				
	At the beginning of the year	507000	0.46	507000	0.46
	Increase/ Decrease	0	-0.04	0	-0.04
	At the end of the year	507000	0.42	507000	0.42
10	Kiran Vyapar Ltd				
	At the beginning of the year	0	0.00	0	0.00
	Increase/ Decrease	476190	0.40	476190	0.40
	At the end of the year	476190	0.40	476190	0.40
	Total Equity Shareholding	120177303		120177303	

(v) Shareholding of Directors & KMP

SI. 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	Milind Ramchandra Nare				
	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	Sumantra Banerjee				
	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
Indebtedness at the beginning of the financial year				
i) Principal Amount	39,75,23,88,117.00	2,09,99,99,999.00	-	41,85,23,88,116.00
ii) Interest due but not paid	25,67,11,511.71	1,69,37,614.21	-	27,36,49,125.92
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	40,00,90,99,628.71	2,11,69,37,613.21	-	42,12,60,37,241.92
Change in Indebtedness during the financial year				
Additions	2,15,99,50,353.24	-	-	2,15,99,50,353.24
Reduction	-	-1,62,664.83	-	-1,62,664.83
Net Change	2,15,99,50,353.24	1,62,664.83	-	2,16,01,13,018.07
Indebtedness at the end of the financial year				
i) Principal Amount	41,65,25,78,865.35	2,09,99,99,999.00	-	43,75,25,78,864.35
ii) Interest due but not paid	51,64,71,116.60	1,67,74,949.38	-	53,32,46,065.98
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	42,16,90,49,981.95	2,11,67,74,948.38	-	44,28,58,24,930.33

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	Gross salary	Managing Director- Manoj Kumar Nambiar
	(a) Salary as per provisions contained in section 17(1) of the Income Tax. 1961. (*)	1,64,49,218.00
	(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	1,37,500 Options
3	Sweat Equity	-
4	Commission as % of profit	-
	others (specify)	-
5	Others, please specify	-
	Total (A)	1,64,49,218.00
	Ceiling as per the Act	1,44,04,190.00

(*) Incentive for previous financial year of ₹ 48.34 lakhs included in remuneration for current financial year.

B. Remuneration to other directors:

Sl.No	Particulars of Remuneration	Name of the Directors				Total Amount
		Matangi Gowrishankar	Sumantra Banerjee	Rajat Mohan Nag	Dinesh Kumar Mittal	
1	Independent Directors					
	(a) Fee for attending board committee meetings	8,00,000.00	8,40,000.00	7,40,000.00	4,80,000.00	28,60,000.00
	(b) Commission	-	-	-	-	-
	(c) Others, please specify	-	-	-	-	-
	Total	8,00,000.00	8,40,000.00	7,40,000.00	4,80,000.00	28,60,000.00
	Total Managerial Remuneration					
	Overall Ceiling as per the Act.					

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

Sl. No.	Particulars of Remuneration	Key Managerial Personnel	
		Chief Financial Officer- Milind Ramchandra Nare	Company Secretary - Anirudh Singh G Thakur
1	Gross Salary		
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	99,09,538.00	69,55,691.00
	(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	57,024 Options	42,300 Options
3	Sweat Equity	-	-
4	Commission as % of profit	-	-
5	Others, please specify	-	-
	Total	99,09,538.00	69,55,691.00

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, 2021.

FORM NO. AOC-2

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto
(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

1. Details of contracts or arrangements or transactions not at arm's length basis

There were no contracts or arrangements or transactions entered into during the year ended 31st March, 2021, which were not at arm's length basis.

2. Details of material contracts or arrangement or transactions at arm's length basis

Name of Related Party	Nature of Relationship	Duration of Contract	Date of approval of Board	Salient terms	Amount (INR in Lakhs)				
Loan taken									
1. Aavishkaar Venture Management Services Pvt Ltd	Common Directors	During the FY 2020-21		Since these related party transactions (RPTs) are in the ordinary course of business and are at arms length basis, approval of the Board is not applicable. However, necessary approvals were granted by the Audit committee and the Board from time to time.	The RPTs entered during the year were in the ordinary course of business and on arms length basis.	1,500.00			
Loan repaid									
1. Aavishkaar Venture Management Services Pvt Ltd	Common Directors					1,500.00			
Transfer of MSME Business									
1. Ashv Finance Limited	Common Directors					6,305.16			
Security deposit received									
1. Tribetech Pvt Ltd	Significant Influence					0.12			
Security deposit invoked									
1. Tribetech Pvt. Ltd.	Significant Influence					2.92			
Interest paid									
1. Aavishkaar Venture Management Services Pvt Ltd	Common Directors					20.55			
Professional/ business support fees									
1. Tribetech Pvt. Ltd.	Significant Influence					0.59			
2. Aavishkaar Venture Management Services Pvt Ltd.	Common Directors					34.09			
3. Intellectap Advisory Services Pvt. Ltd.						169.69			
4. Ashv Finance Ltd.						1,703.51			
Reimbursement of expenses paid									
1. Intellectap Advisory Services Private Limited	Common Directors					3.34			
2. Ashv Finance Ltd.						0.14			
Reimbursement of cost received									
1. Ashv Finance Ltd.	Common Directors	22.84							
2. Intellectual Capital Advisory Services Private Limited		1.87							
3. Intellectap Advisory Services Pvt. Ltd.		1.75							
4. Aavishkaar Venture Management Services Pvt Ltd.		0.29							
Commission Income									
1. Ulink Agritech Pvt. Ltd.	Common Directors	28.79							

Date: June 10, 2021

Place: Kolkata

For and on behalf of the Board of Directors

Manoj Kumar Nambiar

Managing Director

DIN 03172919

Walker Chandiook & 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

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 2021**, 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 ('the 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 2021, and its loss (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 61 to the accompanying financial statements, which describes the uncertainty relating to the effects of COVID-19 pandemic on the Company's operations. Our opinion is not modified in respect of this matter.



Key Audit Matter

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 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
<p>Impairment losses on loan assets and implementation of COVID-19 relief measures</p> <p>Refer Note 3(k) for significant accounting policies and Note 40 for credit risk disclosures</p> <p>As at 31 March 2021, the Company has reported gross loan assets of ₹ 463,585.68 lacs against which an impairment loss of ₹ 70,994.15 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>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"> ➤ 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. ➤ 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. ➤ If the loan is credit-impaired, it is then moved to 'Stage 3' i.e. the default in repayment is more than 90 days. <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"> ➤ determining the criteria for a significant increase in credit risk ➤ factoring in future economic assumptions ➤ techniques used to determine probability of default, loss given default and exposure at default. <p>These parameters are derived from the Company's internally developed statistical models and other historical data.</p>	<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"> • 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; • Considered the Company's accounting policies for estimation of expected credit loss on loans and assessing compliance with the policies in terms of Ind AS 109; • 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; • 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 which included the impact of the moratorium and restructuring. Further, understood and challenged the aforesaid assumptions adjusted for COVID-19 pandemic through our understanding of the risk profile of the customers of the Company;



Key audit matter	How our audit addressed the key audit matter
<p>COVID-19</p> <p>During the current year, RBI announced various relief measures for the borrowers which were implemented by the Company such as "COVID 19 Regulatory Package-Asset Classification and Provisioning" announced by the RBI on 17 April 2020 and RBI circular on "Asset Classification and Income Recognition following the expiry of Covid-19 regulatory package" dated 07 April 2021 (collectively referred to as 'the RBI circulars'), and "Resolution Framework for COVID-19 related Stress" (the 'Resolution Framework') dated on 6 August 2020, which have been collectively considered by the management in identification, classification and provisioning of loan assets for impairment.</p> <p>Considering the significance of the above matter to the overall financial statements, additional complexities involved in the current year on account of ongoing impact of COVID-19 and extent of management's estimates and judgements involved, 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 61 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 2021, as the same is fundamental to the understanding of the users of financial statements.</p>	<ul style="list-style-type: none"> • Evaluated the appropriateness of the Company's determination of significant increase in credit risk in accordance with the applicable accounting standard considering the impact of COVID-19 on account of moratorium and restructuring benefit extended by the Company 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. Further, 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); • Ensured that the Company's approved policy in relation to moratorium and restructuring is in accordance with the RBI requirements. On a test check basis, ensured that the restructuring was approved and implemented in accordance with such policy, and the provisions created on such restructured loan assets were in accordance with the Company's policy; • Performed an assessment of the adequacy of the credit losses expected within 12 months by reference to credit losses actually incurred on similar portfolios historically; • Obtained written representations from management and those charged with governance on whether they believe significant assumptions used in calculation of expected credit losses are reasonable; <p>Assessed the appropriateness and adequacy of the related presentation and disclosures of Note 40 "Financial risk management" disclosed in the accompanying financial statements in accordance with the applicable accounting standards and related RBI circulars and Resolution Framework.</p>
<p>Information Technology system for the financial reporting process</p> <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>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"> • 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



Arohan Financial Services Limited
Independent Auditor's Report on the Audit of the Financial Statements

Key audit matter	How our audit addressed the key audit matter
<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 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>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 those changes that had a significant impact on financial reporting;</p> <ul style="list-style-type: none"> • 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; • 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; • Tested the design and operating effectiveness of the Company's IT controls over the IT applications as identified above; • 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; • 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 • Where deficiencies were identified, tested compensating controls or performed alternative procedures.

Page 4 of 12



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 will 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 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.



Arohan Financial Services Limited
Independent Auditor's Report on the Audit of the 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;
 - 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.

Report on Other Legal and Regulatory Requirements

16. 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.
17. 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.



Arohan Financial Services Limited
Independent Auditor's Report on the Audit of the Financial Statements

18. 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:
- 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 2021 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 2021 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 04 June 2021 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 60 to the financial statements, has disclosed the impact of pending litigation on its financial position as at 31 March 2021;
 - 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 2021;
 - 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 2021; 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 Chandio & Co LLP**
Chartered Accountants
Firm's Registration No:001076N/N500013



Manish Gujral
Partner
Membership No:105117

UDIN:21105117AAAACZ2745

Place: Mumbai
Date: 04 June 2021

Page 7 of 12

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 2021

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 property, plant and equipment under which property, plant and equipment 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 a Non-Banking Financial 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 (LLPs) 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 though there has been a slight delay in a few cases. 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.



Annexure A (Contd)

- (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
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 term loans were applied for the purposes for which the loans were obtained.
- (x) According to the information and explanations given to us, we report that no material fraud by the Company or on the Company by its officers or employees has been noticed or reported during the period covered by 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 Ind AS.
- (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/ private placement of fully/partly convertible debentures.



Arohan Financial Services Limited
Independent Auditor's Report on the Audit of the Financial Statements

Annexure A (Contd)

- (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 Chandlok & Co LLP**
Chartered Accountants
Firm's Registration No:001076N/N500013



Manish Gujral
Partner
Membership No:105117

UDIN:21105117AAAACZ2745

Place: Mumbai
Date: 04 June 2021

Arohan Financial Services Limited
Independent Auditor's Report on the Audit of the 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 2021

Independent Auditor's Report on the internal financial controls with reference to the financial statements under Clause (l) 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 (Formerly Arohan Financial Services Private Limited) ('the Company') as at and for the year ended 31 March 2021, 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 ('the Guidance Note') 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 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 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.

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.



Page 11 of 12

Chartered Accountants

Offices in Bangalore, Chandigarh, Chennai, Coimbatore, Hyderabad, Kochi, Kolkata, Mumbai, New Delhi, Noida and Pune

Walker Chandiook & Co LLP is registered with limited liability with identification number AAC-2085 and has its registered office at L-11, Connaught Circus, Outer Circle, New Delhi, 110001, India

Annexure B (Contd)

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 2021, 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 Chandlok & Co LLP**
Chartered Accountants
Firm's Registration No:001076N/N500013



Manish Gujral
Partner
Membership No:105117

UDIN:21105117AAAACZ2745

Place: Mumbai
Date: 04 June 2021

Arohan Financial Services Limited
Balance Sheet as at 31 March 2021
 (All amounts in ₹ lakhs unless otherwise stated)

	Notes	As at 31 March 2021	As at 31 March 2020
ASSETS			
Financial Assets			
Cash and cash equivalents	4	1,15,801.75	68,858.31
Other bank balances	5	19,249.42	15,165.59
Trade receivables	6	113.67	500.26
Loans	7	3,92,590.53	4,34,719.10
Investments	8	-	-
Other financial assets	9	1,051.46	2,154.37
		5,28,806.83	5,21,397.63
Non-financial assets			
Current tax assets (net)	10	635.96	410.66
Deferred tax assets (net)	11	15,896.74	3,527.65
Property, plant and equipment	12	502.28	649.07
Intangible assets under development	13	52.55	4.82
Other intangible assets	13	385.46	538.80
Right of use asset	14	506.76	740.29
Other non-financial assets	15	1,332.10	813.05
		19,311.85	6,684.34
Total assets		5,48,118.68	5,28,081.97
LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities			
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	16	1,00,735.92	-
Borrowings (other than debt securities)	17	3,19,775.64	3,98,340.94
Subordinated liabilities	18	21,008.31	20,970.29
Other financial liabilities	20	6,701.39	9,031.80
		4,48,221.26	4,28,343.03
Non-financial liabilities			
Current tax liabilities (not)	21	-	44.25
Provisions	22	1,788.51	1,422.95
Other non-financial liabilities	23	2,245.38	2,008.70
		4,033.89	3,475.90
Equity			
Equity share capital	24	12,017.73	11,032.10
Other equity	25	83,845.80	85,230.94
		95,863.53	96,263.04
Total liabilities and equity		5,48,118.68	5,28,081.97

Note 1 to 65 form an integral part of these financial statements
 This is the Balance Sheet referred to in our report of even date

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

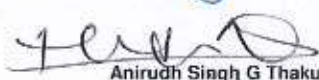

Manish Gujral
 Partner
 Membership No. 105117

Place : Mumbai
 Date: 4 June 2021

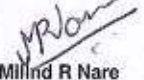


For and on behalf of the Board of Directors of
Arohan Financial Services Limited


Manoj Kumar N Nambiar
 Managing Director
 (DIN: 03172019)
 Place : Mumbai


Anirudh Singh G Thakur
 Company Secretary
 Place: Mumbai
 Date: 4 June 2021


Anurag Agrawal
 Director
 (DIN: 02385780)
 Place : Mumbai


Milind R Nare
 Chief Financial Officer
 Place: Mumbai




Arohan Financial Services Limited
Statement of Profit and Loss for the year ended 31 March 2021
 (All amounts in ₹ lakhs unless otherwise stated)

	Notes	Year ended 31 March 2021	Year ended 31 March 2020
Revenue from operations			
Interest income	27	94,582.42	86,146.25
Fees and commission income	28	2,324.54	2,525.21
Net gain on derecognition of financial instruments	29	1,565.00	3,324.81
Other operating income	30	147.25	183.72
Total Revenue from operations		98,619.21	92,179.99
Other Income	31	2,748.31	1,270.61
Total Income		1,01,367.52	93,450.60
Expenses			
Finance costs	32	46,798.67	38,220.08
Impairment on financial instruments	33	50,386.29	15,587.90
Employee benefits expenses	34	18,897.61	15,700.83
Depreciation, amortisation and impairment	35	668.52	669.61
Other expenses	36	6,395.76	6,513.64
Total Expenses		1,23,146.85	76,692.06
Profit/(loss) before tax		(21,779.33)	16,758.54
Tax expense:			
Current tax		6,213.95	7,520.77
Deferred tax (credit)	38	(12,006.77)	(3,442.28)
Tax expense for earlier years		8.43	-
Total tax expenses		(5,784.39)	4,078.49
Profit/(loss) for the year		(15,994.94)	12,680.05
Other Comprehensive Income			
(A) Items that will not be reclassified to profit or loss			
(i) Remeasurement of post employment benefit obligations		(166.14)	(576.11)
(ii) Equity instruments through other comprehensive income		-	(3.32)
(iii) Income tax relating to these items		41.81	145.83
Subtotal (A)		(124.33)	(433.60)
(B) Items that will be reclassified to profit or loss			
(i) Fair valuation of financial assets		(1,389.86)	1,689.28
(ii) Income tax relating to these items		320.52	(425.16)
Subtotal (B)		(1,069.34)	1,264.12
Total other comprehensive income (A + B)		(1,193.67)	830.52
Total comprehensive income for the year		(17,188.61)	13,510.57
Earnings per equity share			
Basic (₹)	39	(14.56)	12.07
Diluted (₹)		(14.56)	12.05

Note 1 to 65 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 Chandiook & Co LLP
 Chartered Accountants
 Firm Registration No: 001076N/N500013

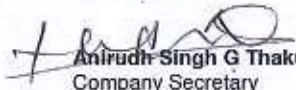

Manish Gujral
 Partner
 Membership No. 105117



Place: Mumbai
 Date: 4 June 2021

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


Manoj Kumar N Nambiar
 Managing Director
 (DIN: 08172919)
 Place: Mumbai


Anirudh Singh G Thakur
 Company Secretary
 Place: Mumbai
 Date: 4 June 2021


Anurag Agrawal
 Director
 (DIN: 02385780)
 Place: Mumbai


Milind R Nare
 Chief Financial Officer
 Place: Mumbai



Arohan Financial Services Limited
Cash Flow Statement for the year ended 31 March 2021
 (All amounts in ₹ lakhs unless otherwise stated)

	Year ended 31 March 2021	Year ended 31 March 2020
(A) Cash flows from operating activities		
Profit/(loss) before tax	(21,779.33)	16,758.54
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation, amortization and impairment	668.52	669.61
Interest on lease liability	71.35	74.26
Impairment on financial instruments	50,386.29	15,587.90
Gain on sale of loan portfolio (including unwinding) through assignment/business transfer	(3,094.19)	(4,073.68)
Expense on employee stock option scheme	334.54	265.45
Effective interest rate adjustment for financial instruments	2,618.82	1,399.50
Unwinding impact on security deposit	0.06	0.44
Operating profit before working capital changes	29,206.06	30,682.02
Changes in working capital		
(Increase) in loans	(9,647.58)	(97,096.08)
Decrease in trade receivables	386.59	34.32
(Increase) in other bank balances	(4,083.83)	(6,346.83)
Decrease in other financial assets	4,203.40	5,574.87
(Increase)/ decrease in other non-financial assets	(525.40)	50.69
(Decrease) in others financial liabilities	(2,110.84)	(1,552.53)
Increase in provisions	199.42	323.15
Increase/ (decrease) in other non-financial liabilities	236.68	(246.82)
Cash generated from/ (used in) operating activities	17,864.50	(68,577.21)
Income taxes paid (net of refunds)	(6,491.93)	(7,563.27)
Net cash generated from/ (used in) operating activities (A)	11,372.57	(76,140.48)
(B) Cash flows from investing activities		
Purchase of property, plant and equipment	(136.30)	(320.08)
Purchase of intangible assets and intangible assets under development	(109.55)	(154.43)
Proceeds from sale of property, plant and equipment	34.47	-
Proceeds from sale of intangible assets	9.73	-
Net cash used in investing activities (B)	(201.65)	(474.51)
(C) Cash flows from financing activities (*)		
Proceeds from issue of equity shares including premium	16,813.29	13,000.00
Share issue expenses	(358.73)	(228.58)
Proceeds from debt securities	97,197.11	-
Repayment of debt securities	-	(6,100.00)
Proceeds from borrowings other than debt securities	4,16,449.73	3,18,642.65
Repayment of borrowings other than debt securities	(4,94,057.02)	(1,99,398.11)
Proceeds from subordinated liabilities	-	2,418.25
Payment of lease liabilities	(271.86)	(261.48)
Net cash generated from financing activities (C)	35,772.52	1,28,072.73
Net increase in cash and cash equivalents (A+B+C)	46,943.44	51,457.74
Cash and cash equivalents as at the beginning of the year	68,858.31	17,400.57
Cash and cash equivalents as at the end of the year	1,15,801.75	68,858.31
Components of cash and cash equivalents:		
Cash on hand	171.55	365.29
Balances and deposits with banks	1,15,630.20	88,493.02
Cash and cash equivalents considered for cash flow	1,15,801.75	68,858.31

(*) Refer Note 19 for reconciliation of liabilities arising from financing activities

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 Chandlok & Co LLP
 Chartered Accountants
 Firm Registration No. 001076N/N500013


Manish Gujral
 Partner
 Membership No. 105117

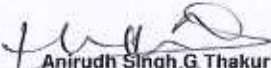


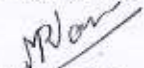
Place: Mumbai
 Date: 4 June 2021

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


Manoj Kumar N Nambiar
 Managing Director
 (DIN: 03112919)
 Place: Mumbai


Anurag Agrawal
 Director
 (DIN: 02385780)
 Place: Mumbai


Anirudh Singh G Thakur
 Company Secretary
 Place: Mumbai
 Date: 4 June 2021


Milind R Nare
 Chief Financial Officer
 Place: Mumbai



Arohan Financial Services Limited
Statement of change in equity for the year ended 31 March 2021

(All amounts in ₹ lakhs unless otherwise stated)

(a) Equity share capital

Particulars	As at 31 March 2021	As at 31 March 2020
Balance at the beginning of the year	11,032.10	10,267.39
Changes in equity share capital during the year	985.63	764.71
Balance at the end of the year	12,017.73	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		
Balance as at 31 March 2019	40,011.44	4,269.77	17,237.67	80.27	129.78	(2,084.85)	(1.09)	(194.78)	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	-	2,536.01	(2,536.01)	-	-	-	-	-	-	
Balance as at 31 March 2020	52,018.15	6,805.78	26,950.59	80.27	395.23	(2,094.85)	(3.57)	1,069.34	85,230.94	
Loss for the year	-	-	(15,994.94)	-	-	-	-	-	(15,994.94)	
Other comprehensive income (net)	-	-	(124.33)	-	-	-	-	(1,069.34)	(1,193.67)	
Share based payment to employees	-	-	-	-	334.54	-	-	-	334.54	
Issue of equity shares	19,372.66	-	-	-	-	-	-	-	19,372.66	
Share issue expense	(358.73)	-	-	-	-	-	-	-	(358.73)	
Issue of shares to trust	-	-	-	-	-	(3,545.00)	-	-	-	
Transfer to Statutory reserve (*)	-	-	-	-	-	-	-	-	-	
Balance as at 31 March 2021	71,032.08	6,805.78	10,831.32	80.27	729.77	(5,629.85)	(3.57)	-	83,845.80	

(*) During the current year the Company have incurred losses and accordingly no amount has been transferred to Statutory reserve.

This is the Statement of Changes in Equity referred to in our report of even date

For **Walker Chandiook & Co LLP**

Chartered Accountants

Firm Registration No. 001076/N/500013


Manish Gujral
Partner

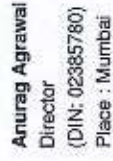
Membership No. 105117



Place : Mumbai
Date : 4 June 2021

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


Manoj Kumar N Nambiar
Managing Director
(DIN: 03172919)
Place : Mumbai


Anurag Agrawal
Director
(DIN: 02385780)
Place : Mumbai


Anirudh Singh G Thakur
Company Secretary
Place : Mumbai
Date : 4 June 2021


Mifind R Nare
Chief Financial Officer
Place : Mumbai

1 Company overview

Arohan Financial Services Limited ('the Company') is incorporated under the provisions of the Companies Act 1956. 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 by the Company 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, 2016 (as amended), the provisions of the Act (to the extent notified and applicable) and other applicable guidelines issued by the RBI.

The financial statements for the year ended 31 March 2021 has been authorised and approved by the Board of Directors in their meeting held on 4 June 2021.

The Guidance Note on Division III - Schedule III to the Companies Act, 2013 issued by the Institute of Chartered Accountants of India ('ICAI') has been followed insofar as they are not inconsistent with any of these Directions.

(ii) Historical cost convention

These 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 Company presents its balance sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in note 43. 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 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 were 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.

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.



3 Significant accounting policies and key account estimates and judgements (cont'd)**c) Property, plant and equipment (cont'd)****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, which is also the management's estimates of useful lives of such assets.

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.

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.

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:

- The development costs can be measured reliably
- The project is technically and commercially feasible
- The company intends to and has sufficient resources to complete the project
- The company has the ability to use or sell such intangible asset
- 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 cost consists of interest and other cost that the Company incurred in connection with the borrowing of funds. 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.



3 Significant accounting policies and key account estimates and judgements (cont'd)**g) Taxation (cont'd)**

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.

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 benefit 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 expected credit loss (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 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:

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.



3 Significant accounting policies and key account estimates and judgements (cont'd)**k) Impairment of financial assets (cont'd)****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

Financial assets are written off either partially or in their entirety to the extent that there is no realistic prospect of recovery. However financial assets that are written off could still be enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any subsequent recoveries made are recognised in the statement of profit and loss.

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 nets 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.

n) Leases**The Company as a lessee**

The Company's lease asset classes primarily consist of leases for office premises. 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 amortised 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

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.

Non performing financial assets are carried at amortised cost in the financial statement.



3 Significant accounting policies and key account estimates and judgements (cont'd)**o) Financial instruments (cont'd)****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.

Investments

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

Investment in equity are measured at fair value to other comprehensive income (FVOCI)

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.

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 equity share

Basic earnings per equity 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 net of treasury shares. 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

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.

t) Events after reporting date

Where events occurring after the balance sheet date provide evidence of conditions that existed at the end of the reporting period, the impact of such events is adjusted within the financial statements. Otherwise, events after the balance sheet date of material size or nature are only disclosed.



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021

(All amounts in ₹ lakhs unless otherwise stated)

Note 4: Cash and cash equivalents	As at 31 March 2021	As at 31 March 2020
Cash on hand	171.55	365.29
Balances with banks		
- Balance with banks in current accounts	9,278.90	64,586.40
- Deposits for original maturity of less than 3 months	1,06,351.30	3,906.62
Total	1,15,801.75	68,858.31

Note 5: Other bank balances	As at 31 March 2021	As at 31 March 2020
Deposits with remaining maturity of more than 3 months but less than 12 months	9.86	401.45
Deposits with remaining maturity of more than 12 months	6.32	-
Balance with banks and financial institutions to the extent held as margin money deposits against borrowings and guarantees [Refer Note (a) below]		
- with maturity less than 3 months	298.66	-
- with maturity more than 3 months but less than 12 months	11,619.67	6,113.79
- with maturity more than 12 months	7,314.91	8,650.35
Total	19,249.42	15,165.59

(a) The deposits are under lien as security against term loans and overdraft facilities availed, assets securitised, business correspondent services, etc as below:

Particulars	As at 31 March 2021	As at 31 March 2020
Term loans from banks and financial Institutions	18,661.50	14,221.17
Overdraft facilities	65.55	53.01
Partnership arrangements (as business correspondent)	506.19	489.96
Total	19,233.24	14,764.14

Note 6: Trade receivables (at amortised cost)	As at 31 March 2021	As at 31 March 2020
Unsecured, considered good	113.67	500.26
Less: Impairment allowance	-	-
Total	113.67	500.26



Note 7: Loans	As at 31 March 2021			As at 31 March 2020		
	At amortised cost	At fair value through other comprehensive income	Total	At amortised cost	At fair value through other comprehensive income	Total
Term loans						
Secured Loans	15,808.73	-	15,808.73	431.73	7,118.54	7,550.27
Unsecured Loans	4,47,775.95	-	4,47,775.95	34,654.91	4,11,266.11	4,45,921.02
Total - Gross	4,63,584.68	-	4,63,584.68	35,086.64	4,18,384.65	4,53,471.29
Less: Impairment allowance (*)	(70,994.15)	-	(70,994.15)	(12,030.21)	(6,721.98)	(18,752.19)
Total - Net	3,92,590.53	-	3,92,590.53	23,056.43	4,11,662.67	4,34,719.10
(i) Secured by tangible assets	-	-	-	-	-	-
(ii) Secured by intangible assets	15,808.73	-	15,808.73	431.73	7,118.54	7,550.27
(iii) Covered by Bank/ Government Guarantees	-	-	-	-	-	-
(iv) Unsecured	4,47,775.95	-	4,47,775.95	34,654.91	4,11,266.11	4,45,921.02
Total - Gross	4,63,584.68	-	4,63,584.68	35,086.64	4,18,384.65	4,53,471.29
Less: Impairment allowance	(70,994.15)	-	(70,994.15)	(12,030.21)	(6,721.98)	(18,752.19)
Total - Net	3,92,590.53	-	3,92,590.53	23,056.43	4,11,662.67	4,34,719.10
Loans in India						
(i) Public Sector	-	-	-	-	-	-
(ii) Others	4,63,584.68	-	4,63,584.68	35,086.64	4,18,384.65	4,53,471.29
Total - Gross	4,63,584.68	-	4,63,584.68	35,086.64	4,18,384.65	4,53,471.29
Less: Impairment allowance	(70,994.15)	-	(70,994.15)	(12,030.21)	(6,721.98)	(18,752.19)
Total - Net	3,92,590.53	-	3,92,590.53	23,056.43	4,11,662.67	4,34,719.10

(*) Impairment allowance includes management overlay of ₹2,126.75 lakhs as at 31 March 2021 (₹4,525.48 lakhs as at 31 March 2020).
 The Company's business model assessment has undergone a change during the year. Accordingly, the Company has reassessed and reclassified its eligible portfolio from fair value through other comprehensive income (FVOCI) into amortised cost category.

Note 8: Investments	As at 31 March 2021			As at 31 March 2020		
	At fair value through profit and loss	At fair value through other comprehensive income	Total	At fair value through profit and loss	At fair value through other comprehensive income	Total
Unquoted						
Equity instruments						
Alpha Micro Finance Consultant Private Limited (50,000 equity shares of ₹ 10 each, fully paid-up)	-	5.00	5.00	-	5.00	5.00
Less: Impairment allowance	-	(5.00)	(5.00)	-	(5.00)	(5.00)
Total - Net	-	-	-	-	-	-
Investments in India	-	5.00	5.00	-	5.00	5.00
Investments outside India	-	-	-	-	-	-
Total - Net	-	5.00	5.00	-	5.00	5.00
Less: Allowance for Impairment Loss	-	(5.00)	(5.00)	-	(5.00)	(5.00)
Total - Net	-	-	-	-	-	-



Note 9: Other financial assets	As at 31 March 2021	As at 31 March 2020
<i>Unsecured, considered good</i>		
Security deposits	268.29	264.59
Receivable on assigned loans	449.35	676.48
Advances recoverable on behalf of business correspondent arrangements	-	106.17
Insurance receivables	125.57	140.71
Unbilled receivables	39.00	31.75
Others	169.25	934.67
Total	1,051.46	2,154.37

Note 10: Current tax assets (net)	As at 31 March 2021	As at 31 March 2020
Advance tax and TDS (net of provisions)	635.96	410.66
Total	635.96	410.66

Note 11: Deferred tax assets (net)	As at 31 March 2021	As at 31 March 2020
Deferred tax asset arising on account of:		
Impairment loss allowance on loan assets	15,435.56	3,659.06
Provision for employee benefits	446.16	378.56
Financial assets measured at amortised cost	3.66	3.57
Fair valuation of financial instruments through other comprehensive income	1.43	1.43
Provision for expense allowed for tax purpose on payment basis	28.65	30.15
Ind AS 116	15.40	10.99
Total deferred tax assets	15,930.85	4,083.76
Deferred tax liability arising on account of:		
Difference in written down value as per books and as per income tax act	1.46	32.68
Fair valuation of financial assets through other comprehensive income	0.01	320.53
Gain on derecognition of financial instruments	-	202.90
Others	32.64	-
Total deferred tax liabilities	34.11	556.11
Net deferred tax asset	15,896.74	3,527.65

Movement in deferred tax assets for the year ended 31 March 2021

Particulars	As at 01 April 2020	Statement of profit and loss	Other comprehensive income	As at 31 March 2021
Deferred tax assets for deductible temporary differences on:				
Impairment loss allowance on loan assets	3,659.06	11,776.50	-	15,435.56
Provision for employee benefits	378.56	25.79	41.81	446.16
Financial assets measured at amortised cost	3.57	0.09	-	3.66
Fair valuation of financial instruments through other comprehensive income	1.43	-	-	1.43
Provision for expense allowed for tax purpose on payment basis	30.15	(1.50)	-	28.65
Ind AS 116	10.99	4.41	-	15.40
Total	4,083.76	11,805.29	41.81	15,930.85
Deferred tax liabilities for taxable temporary differences on:				
Difference in written down value as per books and as per income tax act	32.68	(31.22)	-	1.46
Fair valuation of financial assets through other comprehensive income	320.53	-	(320.52)	0.01
Gain on derecognition of financial instruments	202.90	(202.90)	-	-
Others	-	32.64	-	32.64
Total	556.11	(201.48)	(320.52)	34.11
Deferred tax assets (net)	3,527.65	12,006.77	362.33	15,896.74

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

Particulars	As at 01 April 2019	Statement of profit and loss	Other comprehensive income	As at 01 April 2020
Deferred tax assets for deductible temporary differences on:				
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	-	0.84	1.43
Provision for expense allowed for tax purpose on payment basis	43.94	(13.79)	-	30.15
Ind AS 116	7.15	3.84	-	10.99
Total	1,455.33	2,587.23	41.20	4,083.76
Deferred tax liabilities for taxable temporary differences on:				
Difference in written down value as per books 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
Gain on derecognition of financial instruments	724.85	(521.95)	-	202.90
Total	1,090.63	(855.05)	320.53	556.11
Deferred tax assets (net)	364.70	3,442.28	(279.33)	3,527.65



Note 12: Property, plant and equipment	Furniture and fixtures	Computer and accessories	Office equipment	Total
Gross carrying amount				
Balance as at 31 March 2019	275.73	455.00	123.20	853.93
Additions for the year	57.94	183.95	78.19	320.08
Disposals for the year	-	-	-	-
Balance as at 31 March 2020	333.67	638.95	201.39	1,174.01
Additions for the year	21.95	80.89	33.46	136.30
Disposals for the year	44.22	17.52	4.51	66.25
Balance as at 31 March 2021	311.40	702.32	230.34	1,244.06
Accumulated depreciation				
Up to 31 March 2019	32.77	174.08	46.05	252.90
Depreciation charge for the year	38.84	193.53	39.67	272.04
Adjustment on account of disposal	-	-	-	-
Up to 31 March 2020	71.61	367.61	85.72	524.94
Depreciation charge for the year	40.44	167.05	41.14	248.63
Adjustment on account of disposal	17.25	11.39	3.15	31.79
Up to 31 March 2021	94.80	523.27	123.71	741.78
Net block				
Balance as at 31 March 2020	262.06	271.34	115.67	649.07
Balance as at 31 March 2021	216.60	179.05	106.63	502.28

Refer note 60 on contractual commitments for the acquisition of property, plant and equipment.



Arohan Financial Services Limited
Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021

(All amounts in ₹ lakhs unless otherwise stated)

Note 13 : Intangible assets	Intangible assets	
	Under development	Software
Gross carrying amount		
Balance as at 31 March 2019	5.29	720.99
Additions for the year	61.75	154.90
Disposals for the year	62.22	-
Balance as at 31 March 2020	4.82	875.89
Additions for the year	56.29	53.26
Disposals for the year	8.56	3.30
Balance as at 31 March 2021	52.55	925.85
Accumulated amortisation		
Up to 31 March 2019	-	150.62
Amortisation charge for the year	-	186.47
Adjustment on account of disposal	-	-
Up to 31 March 2020	-	337.09
Amortisation charge for the year	-	205.43
Adjustment on account of disposal	-	2.13
Up to 31 March 2021	-	540.39
Net block		
Balance as at 31 March 2020	4.82	538.80
Balance as at 31 March 2021	52.55	385.46

Refer note 60 on contractual commitments for the development of intangible assets.

Note 14 : Right of use assets	Right of use assets
Gross carrying amount	
Balance as at 31 March 2019	763.33
Additions for the year	443.45
Disposals for the year	(191.81)
Balance as at 31 March 2020	1,014.97
Additions for the year	105.59
Disposals for the year	236.50
Balance as at 31 March 2021	884.06
Accumulated depreciation	
Up to 31 March 2019	117.63
Depreciation for the year	211.10
Adjustment on account of disposal	(54.05)
Up to 31 March 2020	274.68
Depreciation for the year	214.46
Adjustment on account of disposal	111.84
Up to 31 March 2021	377.30
Net block	
Balance as at 31 March 2020	740.29
Balance as at 31 March 2021	506.76

Note 15: Other non-financial assets	As at 31 March 2021	As at 31 March 2020
<i>(Measured at amortised cost)</i>		
Prepaid expenses	153.47	212.07
Advances to employees	198.32	132.64
Balances with government authorities	65.90	115.22
Advance against expenses	148.98	247.33
Others	765.43	105.79
Total	1,332.10	813.05



Note 16: Debt securities	As at	As at
	31 March 2021	31 March 2020
<i>(Measured at amortised cost)</i>		
Non convertible debentures (secured)	1,00,735.92	-
Total	1,00,735.92	-
Debt securities in India	1,00,735.92	-
Debt securities outside India	-	-
Total	1,00,735.92	-

(#) Terms of repayment given in the repayment schedule

Non-convertible debentures (NCDs) issued by the Company are secured by way of first ranking exclusive hypothecation/ charge on the owned portfolio of the Company to the extent of security cover ratio of 1.1:1 in favour of the trustees for the benefit of the debenture holders.

Details of debt securities

Particulars	Repayment Schedule	As at	As at
		31 March 2021	31 March 2020
10.50% Union Bank (Face Value 10 lakhs) - no. of units 1,000 (31 March 2020 - ₹ Nil)	Bullet repayment in January 2022.	10,724.85	-
10.50% Punjab National Bank (Face Value 10 lakhs) - no. of units 500 (31 March 2020 - ₹ Nil)	Bullet repayment in February 2022.	5,317.36	-
10.50% State Bank of India (Face Value 10 lakhs) - no. of units 2500 (31 March 2020 - ₹ Nil)	Repayment in equal quarterly instalments ending at February 2022.	25,342.84	-
10.50% Indian Bank (Face Value 10 lakhs) - no. of units 750 (31 March 2020 - ₹ Nil)	Bullet repayment in March 2022.	7,884.21	-
10.50% Indian Bank (Face Value 10 lakhs) - no. of units 250 (31 March 2020 - ₹ Nil)	Bullet Repayment in May 2022	2,603.26	-
10.40% Punjab National Bank (Face Value 10 lakhs) - no. of units 250 (31 March 2020 - ₹ Nil)	Bullet repayment in May 2022.	2,515.76	-
10.45% Bank of Baroda (Face Value 10 lakhs) - no. of units 1,500 (31 March 2020 - ₹ Nil)	Four equal instalments on August 2021, November 2021, February 2022 and May 2022.	15,142.92	-
11.00% Bank of India (Face Value 10 lakhs) - no. of units 250 (31 March 2020 - ₹ Nil)	Bullet repayment in June, 2023.	2,689.91	-
11.50% Indian Bank (Face Value 10 lakhs) - no. of units 250 (31 March 2020 - ₹ Nil)	Bullet Repayment in July 2023	2,689.35	-
11.00% Bank of Baroda (Face Value 10 lakhs) - no. of units 250 (31 March 2020 - ₹ Nil)	Three annual instalment on July 2021, July 2022 and July 2023.	2,531.08	-
10.25% Bank of India (Face Value 10 lakhs) - no. of units 1,000 (31 March 2020 - ₹ Nil)	Bullet repayment in November 2021.	10,623.75	-
12.06% Blue Orchid (Face Value 10 lakhs) - no. of units - 650 (31 March 2020 - ₹ Nil)	Repayment in three instalments on June 2023, December 2023, June 2024.	6,717.12	-
10.09% CDC Group (Face Value 10 lakhs) - no. of units - 600 (31 March 2020 - Nil)	Redeemed on a pro rata basis and shall be fully redeemed by March 2025.	5,953.51	-
Total		1,00,735.92	-

Note 17: Borrowings (other than debt securities)	As at	As at
	31 March 2021	31 March 2020
<i>(Measured at amortised cost)</i>		
<i>(Secured)</i>		
(a) Term loans [refer note (i) below]		
Term loan from banks	2,12,642.34	2,85,829.35
Term loan from financial institutions	1,06,190.79	1,05,912.91
(b) Loans repayable on demand		
Cash credit from banks [refer note (ii) below]	942.51	5,932.07
(c) Liability against securitisation [refer note (iii) below]	-	666.61
Subtotal	3,19,775.64	3,98,340.94
<i>(Unsecured)</i>		
(a) Term loan from financial institutions	-	-
Subtotal	-	-
Total	3,19,775.64	3,98,340.94
Borrowings in India	3,19,775.64	3,98,340.94
Borrowings outside India	-	-
Total	3,19,775.64	3,98,340.94

(#) Terms of repayment given in the repayment schedule

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 & future, including the designated book debts, loan instalments, 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 & future, including the designated book debts, loan instalments, receivables and underlying assets arising out of finance of the Company.
- (iii) Liabilities against securitisation represents amounts received in respect of securitisation transactions (net of repayments & investment therein) as these transactions do not meet the de-recognition criteria specified under Ind AS 109. These are secured by way of hypothecation of designated assets on finance receivables.



Note 18: Subordinated liabilities	As at 31 March 2021	As at 31 March 2020
<i>(Measured at amortised cost)</i>		
Non-convertible debentures (unsecured)	13,447.83	13,416.64
Term loans from banks	7,560.48	7,553.65
Total	21,008.31	20,970.29
Subordinated liabilities in India	21,008.31	20,970.29
Subordinated liabilities outside India	-	-
Total	21,008.31	20,970.29

(#) Terms of repayment given in the repayment schedule

Details of subordinated liabilities

Particulars	As at 31 March 2021	As at 31 March 2020
(a) Term loans from banks (unsecured)		
Term loan from banks	7,560.48	7,553.66
Subtotal	7,560.48	7,553.66
(b) Non-convertible debentures (unsecured)		
14.25% IFMR Capital Finance Private Limited (Face Value ₹10 lakhs) 100 debentures maturing in September 2022	1,068.70	1,065.29
13.50% Northern Arc Capital Limited (Face Value ₹10 lakhs) 650 debentures; maturing in April 2025	6,473.76	6,464.21
12.85% Karvy Capital Limited (Face Value ₹10 each) 2,50,00,000 debentures; maturing in October 2026	2,434.97	2,423.30
13.50% Northern Arc Capital Limited (Face Value ₹10 each) 3,50,00,000 debentures; maturing in September 2025	3,470.40	3,463.83
Subtotal	13,447.83	13,416.63
Total	21,008.31	20,970.29

Note 19 Reconciliation of liabilities arising from financing activities

The changes in the Company's liabilities arising from financing activities can be classified as follows:

Particulars	Debt securities	Borrowings (other than debt)	Subordinated liabilities	Total
31 March 2019	6,245.89	2,77,587.83	18,515.22	3,02,348.94
<i>Cash flows:</i>				
Proceeds	-	3,18,642.65	2,418.25	3,21,060.90
Repayment	(6,100.00)	(1,99,398.11)	-	(2,05,498.11)
<i>Non cash:</i>				
Amortisation of upfront fees	(145.89)	1,508.57	36.82	1,399.50
31 March 2020	-	3,98,340.94	20,970.29	4,19,311.23
<i>Cash flows:</i>				
Proceeds	97,197.11	4,16,449.73	-	5,13,646.84
Repayment	-	(4,94,057.02)	-	(4,94,057.02)
<i>Non cash:</i>				
Amortisation of upfront fees	3,538.81	(958.01)	38.02	2,618.82
31 March 2021	1,00,735.92	3,19,775.64	21,008.31	4,41,519.87



Arohan Financial Services Limited
Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021
 (All amounts in ₹ lakhs unless otherwise stated)

Terms of repayment of debt securities, other borrowings and subordinated liabilities as on 31 March 2021 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%	40	7,445.00	21	2,979.17	12	1,666.67	-	-	-	-	12,091.84
	9% to 12%	393	84,881.81	166	42,596.43	7	470.96	-	-	-	-	3,27,949.20
	12% to 15%	11	4,583.33	-	-	-	-	-	-	-	-	4,583.33
Bi-monthly	9% to 12%	-	-	-	-	-	-	6	4,500.00	-	-	4,500.00
	Up to 9%	7	8,916.64	1	485.68	-	-	-	-	-	-	9,402.32
Quarterly	9% to 12%	119	1,00,210.43	53	35,424.26	23	10,242.85	4	800.00	4	800.00	1,47,477.54
	9% to 12%	14	13,727.00	10	7,077.00	5	2,780.00	1	750.00	-	-	24,334.00
Semi-annually	12% to 15%	-	-	-	-	2	3,250.00	-	-	-	-	3,250.00
	9% to 12%	1	830.00	1	830.00	2	3,340.00	1	3,250.00	-	-	6,500.00
Annually	Up to 9%	12	3,636.36	12	3,636.36	4	1,212.12	-	-	-	-	5,000.00
	9% to 12%	27	47,665.91	6	5,163.64	3	14,900.00	-	-	-	-	67,729.55
Bullet	12% to 15%	-	-	1	1,000.00	-	-	-	-	4	17,500.00	18,500.00
	Variable rates	-	973.17	-	-	-	-	-	-	-	-	973.17
On demand	-	-	2,72,870.55	-	99,192.54	-	37,862.60	-	9,300.00	-	18,300.00	4,37,525.79
Total												

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% to 15%	12	5,000.00	11	4,583.33	-	-	-	-	-	-	9,583.33
Quarterly	9% to 12%	190	96,061.08	87	44,320.90	25	13,707.55	1	166.68	-	-	1,54,856.19
	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% to 15%	-	-	-	-	1	1,000.00	-	-	4	17,500.00	18,500.00
On demand	Variable rates	-	5,953.93	-	-	-	-	-	-	-	-	5,953.93
	Monthly (*)	8	666.61	-	-	-	-	-	-	-	-	666.61
Total												

(*) This represents securitisation liability. There have been no defaults in repayment of debentures or any installments of term loan taken from banks and others. These are contractual payments (without EIR adjustments)



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021

(All amounts in ₹ lakhs unless otherwise stated)

Note 20: Other financial liabilities	As at 31 March 2021	As at 31 March 2020
<i>(Measured at amortised cost)</i>		
Payable towards assignment	1,791.57	6,793.49
Employees dues	1,282.43	1,017.38
Lease liabilities	565.07	784.64
Capital creditors	-	0.43
Liability for expenses	1,306.13	32.91
Other payables	1,756.19	402.95
Total	6,701.39	9,031.80

Note 21: Current tax Liability (net)	As at 31 March 2021	As at 31 March 2020
Provision for taxes (net of advance tax and TDS)	-	44.25
Total	-	44.25

Note 22: Provisions	As at 31 March 2021	As at 31 March 2020
Provision for gratuity	951.02	789.65
Provision for compensated absences	837.49	633.30
Total	1,788.51	1,422.95

Note 23: Other non-financial liabilities	As at 31 March 2021	As at 31 March 2020
Statutory dues	483.25	375.30
Expenses payable	914.37	1,168.65
Advance from customers	709.49	463.31
Others	138.27	1.44
Total	2,245.38	2,008.70



Note 24: Share capital	As at 31 March 2021		As at 31 March 2020	
	Number	Amount	Number	Amount
Authorised share capital				
Equity shares of ₹ 10 each				
Balance at the end of the year	16,00,00,000	16,000.00	11,24,53,320	11,245.33
	16,00,00,000	16,000.00	11,24,53,320	11,245.33
Issued, subscribed and fully paid up				
Equity shares of ₹ 10 each				
At the beginning of the year	11,03,20,974	11,032.10	10,26,73,916	10,267.39
Additions during the year (refer note (a) below)	98,56,329	985.63	76,47,058	764.71
Balance at the end of the year	12,01,77,303	12,017.73	11,03,20,974	11,032.10

(a) The Company has issued 80,06,329 equity shares of ₹10 each during the year on a private placement basis at a price of ₹210 each including premium of ₹200 each (31 March 2020: 76,47,058 equity shares of ₹10 each on a private placement basis at a price of ₹170 each including premium of ₹160 each). Further, the Company has issued 8,50,000 equity shares of ₹10 each under the Arohan ESOP plan 2018 and 10,00,000 equity shares of ₹10 each under the Arohan ESOP plan 2021.

(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 period 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

Particulars	As at 31 March 2021		As at 31 March 2020	
	Number	%	Number	%
Equity shares of ₹ 10 each				
Aavishkaar Venture Management Services Private Limited	2,47,63,774	20.61%	2,38,11,394	21.58%
Aavishkaar Goodwill India Microfinance Development Company II Limited	1,85,39,529	15.43%	1,85,39,529	16.81%
Tano India Private Equity Fund II	1,69,14,279	14.07%	1,69,14,279	15.33%
Intellectual Capital Advisory Services Private Limited	1,64,72,146	13.71%	1,64,72,146	14.93%
Maj Invest Financial Inclusion Fund II	1,54,01,267	12.82%	1,54,01,267	13.96%
TR Capital III Mauritius	97,18,722	8.09%	97,18,722	8.81%

Note 25: Other equity	As at	
	31 March 2021	31 March 2020
Securities premium	71,032.08	52,018.15
Statutory reserves	6,805.78	6,805.78
Retained earnings	10,831.32	26,950.59
General reserves	80.27	80.27
Share based payment reserve	729.77	395.23
Treasury shares	(5,629.85)	(2,084.85)
Other comprehensive income		
Equity instruments through other comprehensive income	(3.57)	(3.57)
Changes in fair value of loan assets		1,069.34
Total	83,845.80	85,230.94

Nature and purpose of reserves:

Securities premium

The securities premium represents premium received on issue of shares. This amount can be utilised in accordance with the provisions 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 (RBI) Act, 1934. An amount equal to 20% of profits after tax is transferred to this reserve every year. This is a restricted reserve and any appropriation from this reserve can only be made after prior approval from RBI.

Retained earnings

The amount that can be distributed by the Company as dividends to its equity shareholders is determined based on the financial statements of the Company and also considering the requirements of the Companies Act, 2013. Thus, the amounts reported above are not distributable in entirety. Retained earnings is a free reserve, retained from company's profits to meet future obligations.

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

The reserve is used to recognise the fair value of the options issued to the employees of the Company under its 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.



Note 26: 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 shareholders' 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. Employee Stock Option Plan, 2021 has been formulated pursuant to the shareholders' approval in the meeting held on February 08, 2021.

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

- A. ESOP 2017
- B. ESOP 2018 (grant 2018)
- C. ESOP 2018 (grant 2019)
- D. ESOP 2018 (grant 2020)

(i) Employee stock option schemes:

Particulars	ESOP 2017	ESOP 2018 (grant 2018)	ESOP 2018 (grant 2019)	ESOP 2018 (grant 2020)
Date of Grant	29-Aug-17	16-May-18	16-May-19	04-Aug-20
Date of Board approval	19-May-17	27-Apr-18	15-May-19	26-Jun-20
Date of committee meeting where grant of options were approved	19-May-17	27-Apr-18	18-Feb-19	26-Jun-20
Date of shareholders' approval	29-Aug-17	15-May-18	18-Mar-19	03-Aug-20
Number of options granted	2,29,280	5,97,264	7,69,528	8,42,858
Method of settlement	Equity	Equity	Equity	Equity
Vesting conditions	1. Continued employment with the Company on relevant date of vesting 2. Board may specify certain performance criteria	1. Continued employment with the Company on relevant date of vesting 2. Board may specify certain performance criteria	1. Continued employment with the Company on relevant date of vesting 2. Board may specify certain performance criteria	1. Continued employment with the Company on relevant date of vesting 2. Board may specify certain performance criteria
Vesting period	12 months from date of grant of option	36 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	2 years from the date of vesting or Initial Public Offer listing by company, whichever is later	1 year from the date of vesting or Initial Public Offer, whichever is later	For KMP: 1 year from the date of vesting or initial Public Offer listing date plus 4 months, whichever is later For Other than KMP: 1 year from the date of vesting or initial Public Offer listing date plus 3 months, whichever is later	For KMP: 1 year from the date of vesting or initial Public Offer listing date plus 4 months, whichever is later For Other than KMP: 1 year from the date of vesting or initial Public Offer listing date plus 3 months, whichever is later

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

Particulars	ESOP 2017	ESOP 2018 (grant 2018)	ESOP 2018 (grant 2019)	ESOP 2018 (grant 2020)
Number of options granted	2,29,280	5,97,264	7,69,528	8,42,858
Outstanding number of options	1,75,280	5,43,264	7,34,278	8,42,858

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

Employee stock option scheme ('ESOP Scheme')	As at 31 March 2021	As at 31 March 2020
ESOP 2017		
Exercise price	84.70	84.70
Weighted average remaining contractual life (in years)	-	-
ESOP 2018 (grant 2018)		
Exercise price	130.00	130.00
Weighted average remaining contractual life (in years)	0.12	1.12
ESOP 2018 (grant 2019)		
Exercise price	162.80	162.80
Weighted average remaining contractual life (in years)	1.12	2.12
ESOP 2018 (grant 2020)		
Exercise price	170.00	-
Weighted average remaining contractual life (in years)	2.35	-



Note 26: Employee stock option scheme ('ESOP Scheme') (cont'd)

(iv) Reconciliation of stock options:	ESOP 2017	ESOP 2018 (grant 2018)	ESOP 2018 (grant 2019)	ESOP 2018 (grant 2020)
Outstanding as at 01 April 2019	1,75,280	5,43,264	-	-
Stock option issued during the year	-	-	7,69,528	-
Exercised and vested	-	-	-	-
Forfeited/ lapsed	-	-	35,250	-
Outstanding as at 31 March 2020	1,75,280	5,43,264	7,34,278	-
Stock option issued during the year	-	-	-	8,42,858
Exercised and vested	-	-	-	-
Forfeited/ lapsed	-	-	-	-
Outstanding as at 31 March 2021	1,75,280	5,43,264	7,34,278	8,42,858

(v) The Company has recognized share based payment expense of ₹ 334.54 Lakhs (31 March 2020: ₹ 265.45 Lakhs) during the year as proportionate cost.

(vi) Following employees have received a grant in the reporting year of option amounting to 5% or more of total option granted:

Name of Employee	Designation	Number of Options granted
Mr. Milind R Nare	Chief Financial Officer	57,024
Mr. Anirudh Singh G Thakur	Company Secretary	42,300
Mr. Manoj Kumar N Nambiar	Managing Director	1,37,500

Note:

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

(vii) 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 2017	ESOP 2018 (grant 2018)	ESOP 2018 (grant 2019)	ESOP 2018 (grant 2020)
(A) Date of grant of options	29-Aug-17	16-May-18	16-May-19	04-Aug-20
(B) Fair market value of option on the date of grant	14.71	37.61	49.53	56.83
(C) Exercise price	84.70	130.00	162.80	170.00
(D) Expected volatility (%)	35.95	34.25	39.02	47.60
(E) Expected forfeiture percentage on each vesting date	-	-	-	-
(F) Expected option life (weighted average)	1.04	2.50	2.50	2.57
(G) Expected dividends yield	-	-	-	-
(H) Risk free interest rate (%)	6.07%	7.51%	6.75%	4.39%

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



Note 27: Interest Income	Year ended 31 March 2021		
	On financial assets measured at fair value through OCI	On financial assets measured at amortised cost	Total
Interest on loans			
Interest on deposits with banks [refer (a) below]	698.74	91,377.79	92,076.53
Interest income on unwinding of assigned portfolio	-	954.81	954.81
Other interest Income	-	1,529.19	1,529.19
Total	698.74	93,883.68	94,582.42

Note 27: Interest Income (continued)	Year ended 31 March 2020		
	On financial assets measured at fair value through OCI	On financial assets measured at amortised cost	Total
Interest on loans			
Interest on deposits with banks [refer (a) below]	62,163.98	22,562.35	84,726.33
Interest income on unwinding of assigned portfolio	-	655.03	655.03
Other interest Income	-	748.87	748.87
Total	62,163.98	23,982.27	86,146.25

(a) Represents interest on margin money deposits placed to avail term loan from banks and financial institutions.

Note 28: Fees and commission Income	Year ended 31 March 2021	Year ended 31 March 2020
Income from cross sale business	2,308.87	1,344.91
Income from partnership business	8.51	173.36
Income from insurance business	7.16	1,006.94
Total	2,324.54	2,525.21

Note 29: Net gain on derecognition of financial instruments	Year ended 31 March 2021	Year ended 31 March 2020
Gain on sale of loan portfolio through assignment/ transfer (*)	1,565.00	3,324.81
Total	1,565.00	3,324.81

(*) Includes ₹ 1,565.00 lakhs (31 March 2020: ₹ Nil) being gain on transfer of MSME business along with other related assets to Ashv Financials Limited through slump sale.

Note 30: Other operating income	Year ended 31 March 2021	Year ended 31 March 2020
Others	147.25	183.72
Total	147.25	183.72

Note 31: Other income	Year ended 31 March 2021	Year ended 31 March 2020
Interest income on deposits with banks	2,736.06	1,234.18
Miscellaneous income	12.25	36.43
Total	2,748.31	1,270.61

Note 32: Finance costs (Measured at amortised cost)	Year ended 31 March 2021	Year ended 31 March 2020
Interest on debt securities	5,493.42	332.49
Interest on borrowings (other than debt securities)	37,550.22	33,965.69
Interest on subordinated liabilities	2,872.86	2,693.57
Other interest expenses	882.17	1,228.33
Total	46,798.67	38,220.08



Note 33: Impairment on financial instruments	Year ended 31 March 2021		
	On Financial instruments measured at fair value through OCI	On Financial Instruments measured at Amortised Cost	Total
Impairment on loans	(1.82)	48,168.96	48,167.14
Bad debt written off (net of recoveries)*	-	2,219.15	2,219.15
Total	(1.82)	50,388.11	50,386.29

Note 33: Impairment on financial instruments (continued)	Year ended 31 March 2020		
	On Financial instruments measured at fair value through OCI	On Financial Instruments measured at Amortised Cost	Total
Impairment on loans	4,811.81	8,516.42	13,328.23
Bad debt written off (net of recoveries)*	-	2,259.67	2,259.67
Total	4,811.81	10,776.09	15,587.90

* ₹ 936.14 lakhs (31 March 2020: ₹ 524.44 lakhs) of recoveries netted off with bad debt written off.

Note 34: Employee benefits expenses	Year ended 31 March 2021	Year ended 31 March 2020
Salaries and wages	16,342.75	13,702.79
Contribution to provident and other funds	1,549.19	1,159.92
Share based payments to employees	334.54	265.45
Staff welfare expenses	671.13	572.67
Total	18,897.61	15,700.83

Note 35: Depreciation, amortisation and impairment	Year ended 31 March 2021	Year ended 31 March 2020
Depreciation on property, plant and equipment	248.63	272.04
Depreciation on right of use assets	214.46	211.10
Amortisation of intangible assets	205.43	186.47
Total	668.52	669.61

Note 36: Other expenses	Year ended 31 March 2021	Year ended 31 March 2020
Rent [Refer note 59]	1,095.29	1,033.07
Repairs and maintenance	685.43	506.44
Insurance	345.77	261.26
Power and fuel	122.32	89.30
Rates and taxes	25.08	113.37
Office expenses	95.63	202.59
Membership and subscription	68.38	63.99
Office maintenance	200.03	111.19
Printing and stationery	276.37	232.36
Legal and professional expenses	1,212.32	1,614.52
Director's commission [Refer note 45]	-	74.40
Recruitment and induction expenses	53.95	161.42
Communication expenses	96.99	87.68
Travelling and conveyance	1,681.40	1,672.80
Payment to auditors [Refer note (a) below]	48.11	44.93
Corporate social responsibility expenses [Refer note 57]	244.13	159.76
Miscellaneous expenses	144.56	84.56
Total	6,395.76	6,513.64
Note (a) Payments to auditors (excluding applicable taxes)		
Statutory audit including limited reviews	38.50	35.00
Tax audit	1.26	1.26
In other capacity		
Other services (*)	7.46	4.27
Reimbursement of expenses	0.89	4.40
	48.11	44.93

(*) During the year ended 31 March 2021, an amount of ₹ 81.43 lakhs has been paid as professional services for draft red hearing prospectus (DRHP) filing which has been presented under other non financial assets.



Note 37: 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 31 March 2021	Year ended 31 March 2020
Employers contribution to provident and other fund	1,549.19	1,159.92

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 31 March 2021	As at 31 March 2020
Present value of obligation	1,375.75	999.05
Fair value of plan assets	424.73	209.40
Net obligation recognised in balance sheet as provision	951.02	789.65

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

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Current service cost	184.08	68.40
Net interest cost on defined benefit obligation	43.12	13.17
Net impact on profit/ (loss) (before tax)	227.20	81.57

Amount recognised in the other comprehensive income:

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Actuarial losses recognized in OCI	166.14	576.11

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

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Present value of defined benefit obligation as at the beginning of the year	999.05	349.87
Current service cost	184.08	68.40
Interest cost	62.78	24.81
Benefits paid	(36.30)	(20.14)
Actuarial loss/(gain) on obligation		
Actuarial (gain)/loss on arising from change in financial assumption	(43.64)	408.68
Actuarial loss on arising from experience adjustment	209.78	167.43
Present value of defined benefit obligation as at the end of the year	1,375.75	999.05

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

Particulars	As at 31 March 2021	As at 31 March 2020
Funds managed by LIC of India	100%	100%



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

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Fair value of plan assets at beginning of the year	209.40	121.22
Current service cost	19.66	11.64
Employer's contribution	231.97	96.68
Benefits paid	(36.30)	(20.14)
Fair value of plan assets at the end of the year	424.73	209.40

(vi) **Actuarial assumptions**

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Discounting rate	6.60%	6.40%
Future salary increase	8.00%	8.00%
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	16 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 31 March 2021	Year ended 31 March 2020
Impact of the change in discount rate		
Present value of obligation at the end of the year		
- Impact due to increase of 1 %	(190.47)	(138.74)
- Impact due to decrease of 1 %	240.24	175.04
Impact of the change in salary increase		
Present value of obligation at the end of the year		
- Impact due to increase of 1 %	234.42	170.41
- Impact due to decrease of 1 %	(189.92)	(138.09)

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 31 March 2021	As at 31 March 2020
	Amount	Amount
0 to 1 year	139.05	109.44
1 to 2 year	98.23	82.54
2 to 3 year	97.94	60.03
3 to 4 year	70.10	69.87
4 to 5 year	144.67	52.32
5 year onwards	302.87	286.20
Total	852.86	660.40



Note 38: Tax expense

(a) Income tax recognised in the Statement of Profit and Loss:	Year ended 31 March 2021	Year ended 31 March 2020
Current tax	6,213.95	7,520.77
Deferred tax (credit)	(12,006.77)	(3,442.28)
Tax expense for earlier years	8.43	-
	(5,784.39)	4,078.49

(b) Reconciliation of income tax expense and the accounting profit for the year:	Year ended 31 March 2021	Year ended 31 March 2020
Profit/ (loss) before tax	(21,779.33)	16,758.54
Enacted tax rates (%)	25.17%	25.17%
Income tax expense calculated at corporate tax rate	(5,481.42)	4,217.79
Reconciliation items		
Impact of tax relating to earlier years	8.43	-
Impact due to different tax rate	(33.00)	102.03
Tax impact of expenses not deductible	61.46	40.11
Impact on account of deductions claimed under Income Tax Act	(421.31)	(224.34)
Others	81.45	(57.10)
	(5,784.39)	4,078.49

Note 39: Earning per equity share

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
Net profit/ (loss) attributable to equity shareholders	(15,994.94)	12,680.05
Nominal value of equity share (₹)	10.00	10.00
Weighted average number of equity shares for basic earning per share	10,98,50,338	10,50,16,495
Add : Diluting effect of potential equity shares issued as employee stock options	6,37,124	2,46,875
Weighted average number of equity shares for diluted earning per share	11,04,87,461	10,52,63,370
Earnings per share		
- Basic earnings per share (₹)	(14.56)	12.07
- Diluted earnings per share (₹)	(14.56)	12.05

Impact of employee stock options are anti-dilutive and are accordingly not considered in the calculation of diluted earnings per share



Note 40: 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 2021

Particulars	Note	FVTPL	FVTOCI	Amortised Cost	Total
Financial Assets:					
Cash and cash equivalents	4	-	-	1,15,801.75	1,15,801.75
Other bank balances	5	-	-	19,249.42	19,249.42
Trade receivables	6	-	-	113.67	113.67
Loans	7	-	-	3,92,590.53	3,92,590.53
Other financial assets	9	-	-	1,051.46	1,051.46
Total		-	-	5,28,806.83	5,28,806.83
Financial Liabilities:					
Debt securities	16	-	-	1,00,735.92	1,00,735.92
Borrowings (other than debt securities)	17	-	-	3,19,775.64	3,19,775.64
Subordinated liabilities	18	-	-	21,008.31	21,008.31
Others financial liabilities	20	-	-	6,701.39	6,701.39
Total		-	-	4,48,221.26	4,48,221.26

As at 31 March 2020

Particulars	Note	FVTPL	FVTOCI	Amortised Cost	Total
Financial Assets:					
Cash and cash equivalents	4	-	-	68,858.31	68,858.31
Other bank balances	5	-	-	15,165.59	15,165.59
Trade receivables	6	-	-	500.26	500.26
Loans	7	-	4,11,662.67	23,056.43	4,34,719.10
Other financial assets	9	-	-	2,154.37	2,154.37
Total		-	4,11,662.67	1,09,734.96	5,21,397.63
Financial Liabilities:					
Borrowings (other than debt securities)	17	-	-	3,98,340.94	3,98,340.94
Subordinated liabilities	18	-	-	20,970.29	20,970.29
Others financial liabilities	20	-	-	9,031.80	9,031.80
Total		-	-	4,28,343.03	4,28,343.03

(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

As at 31 March 2021	Level 1	Level 2	Level 3
Financial Assets:			
Loans at fair value through other comprehensive income	-	-	-
Total	-	-	-

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

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 2 inputs.

Particulars	As at 31 March 2021		As at 31 March 2020	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	1,15,801.75	1,15,801.75	68,858.31	68,858.31
Other bank balance	19,249.42	19,249.42	15,165.59	15,165.59
Trade receivables	113.67	113.67	500.26	500.26
Loans	3,92,590.53	3,95,536.85	23,056.43	22,924.28
Other financial assets	1,051.46	1,051.46	2,154.37	2,154.37
Total	5,28,806.83	5,31,753.15	1,09,734.96	1,09,602.81
Financial liabilities				
Debt securities	1,00,735.92	1,01,706.58	-	-
Borrowings (other than debt securities)	3,19,775.64	3,20,863.08	3,98,340.94	3,99,549.93
Subordinated liabilities	21,008.31	23,452.28	20,970.29	23,357.85
Other financial liabilities	6,701.39	6,701.39	9,031.80	9,031.80
Total	4,48,221.26	4,52,723.33	4,28,343.03	4,31,939.58

The respective carrying values of certain on-balance sheet financial instruments approximate their fair value. These financial instruments include cash on hand, balances with banks, receivables and certain other financial assets and liabilities. 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 41: 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

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	
	31 March 2021	31 March 2020
(i) Low credit risk		
Cash and cash equivalents (**)	1,15,630.20	68,493.02
Other bank balances	19,249.42	15,165.59
Trade receivables	113.67	500.26
Loans (*)	3,60,257.37	4,30,578.28
Other financial assets	1,051.46	2,154.37
(ii) Moderate credit risk		
Loans (*)	51,230.98	11,709.19
(iii) High credit risk		
Loans (*)	52,096.33	11,183.84

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

(**) Exclude cash in hand balance since there is no credit risk.

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.



Note 41: Financial risk management (cont'd)

a) Credit risk management (cont'd)

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 has 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 balances	Trade receivables	Investments	Other financial assets
Year ended 31 March 2021					
Estimated gross carrying amount	1,15,630.20	19,249.42	113.67	5.00	1,051.46
Less: Expected credit losses	-	-	-	5.00	-
Carrying amount net of impairment allowance	1,15,630.20	19,249.42	113.67	-	1,051.46
Year ended 31 March 2020					
Estimated gross carrying amount	68,493.02	15,165.59	500.26	5.00	2,154.37
Less: Expected credit losses	-	-	-	5.00	-
Carrying amount net of impairment allowance	68,493.02	15,165.59	500.26	-	2,154.37

(*) Exclude cash in hand balance since there is no credit risk.

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
Gross carrying amount as at 01 April 2019			
Assets originated*	3,52,110.23	1,352.34	2,584.95
Net transfer between stages	3,86,399.25	-	-
Transfer to stage 1	-	-	-
Transfer to stage 2	14.11	(4.58)	(9.53)
Transfer to stage 3	(11,063.57)	11,664.66	(1.09)
Assets derecognised or collected (excluding write offs)	(12,582.68)	(193.78)	12,776.46
Write - offs (including death cases)	(2,83,699.08)	(1,109.45)	(1,524.92)
Gross carrying amount as at 31 March 2020			
Assets originated*	4,30,578.26	11,709.19	11,183.84
Net transfer between stages **	2,01,695.99	0.10	11,689.58
Transfer to stage 1	-	-	-
Transfer to stage 2	38.11	(32.59)	(5.51)
Transfer to stage 3	(48,745.89)	48,752.55	(6.66)
Assets derecognised or collected (excluding write offs)	(23,949.07)	(9,917.62)	33,866.69
Write - offs (including death cases)	(1,99,360.03)	719.35	(1,566.25)
Gross carrying amount as at 31 March 2021			
	3,60,257.37	51,230.98	52,096.33

* Assets originated during the year has been presented on net basis i.e. the collections towards fresh loans has been netted off.

** Includes capitalisation of interest on account of moratorium

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

Reconciliation of loss allowance	Stage 1	Stage 2	Stage 3
Loss allowance on 01 April 2019			
Increase of provision due to assets originated during the year	1,452.34	488.59	2,584.95
Net transfer between stages	2,021.95	-	-
Transfer to stage 1	-	-	-
Transfer to stage 2	0.10	(1.54)	(9.59)
Transfer to stage 3	(74.17)	4,757.49	(1.10)
Assets derecognised or collected	(75.95)	(61.43)	12,808.26
Impact of ECL on exposures transferred between stages during the year	(1,497.44)	(391.94)	(1,526.95)
Write - offs (including death cases)	922.96	27.39	(29.70)
Loss allowance on 31 March 2020			
Increase of provision due to assets originated during the year	2,749.79	4,818.56	11,183.84
Net transfer between stages **	8,068.50	0.04	7,742.51
Transfer to stage 1	-	-	-
Transfer to stage 2	1.77	(13.02)	(3.65)
Transfer to stage 3	(1,992.55)	20,287.95	(4.40)
Assets derecognised or collected	(1,045.49)	(3,949.58)	22,455.70
Impact of ECL on exposures transferred between stages during the year	(10,371.78)	(588.87)	(1,836.45)
Write - offs (including death cases)	17,149.99	758.37	(1,351.72)
Loss allowance on 31 March 2021 (#)			
	14,560.23	21,313.45	35,120.47

** Includes interest capitalised on account of moratorium

(#) If the probability of default increases or decreases by 10 basis point the expected credit loss will increase or decrease by ₹241.90 lakhs respectively. Similarly if the loss given default increases or decreases by 100 basis point the expected credit loss will increase or decrease by ₹760.17 lakhs respectively.



Note 41: Financial risk management (cont'd)

a) Credit risk management (cont'd)

(c) Concentration of loans (*)

Particulars	As at	As at
	31 March 2021	31 March 2020
Micro finance loans	4,39,212.67	4,23,839.42
Micro, small and medium enterprise (MSME)	8,563.28	22,081.60
Secured term loans to corporates (#)	15,808.73	7,550.27
Total	4,63,584.68	4,53,471.29

(#) 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 2021	Total facility	Drawn	Undrawn
- Expiring within one year	21,000.00	5,000.00	16,000.00
Total	21,000.00	5,000.00	16,000.00

As at 31 March 2020	Total facility	Drawn	Undrawn
- Expiring within one year	56,500.00	46,000.00	10,500.00
Total	56,500.00	46,000.00	10,500.00

(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:

As at 31 March 2021	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
Financial assets					
Cash and cash equivalents	1,15,921.33	-	-	-	1,15,921.33
Other bank balances	12,052.77	6,400.33	1,277.19	222.83	19,953.12
Trade receivables	113.67	-	-	-	113.67
Loans	3,29,318.61	1,46,641.52	9,167.01	48,307.22	5,33,434.36
Other financial assets	932.78	6.36	41.73	70.59	1,051.46
Total undiscounted financial assets	4,58,339.16	1,53,048.21	10,485.93	48,600.64	6,70,473.94
Financial liabilities					
Debt Securities	77,800.99	12,121.50	11,135.43	8,111.23	1,09,169.15
Borrowings other than debt securities	2,24,218.22	94,654.16	27,384.15	2,556.96	3,48,813.49
Subordinated liabilities	2,827.96	3,725.40	5,032.02	20,688.59	32,273.97
Other financial liabilities	6,319.86	81.80	62.29	237.44	6,701.39
Total undiscounted financial liabilities	3,11,167.03	1,10,582.86	43,613.89	31,594.22	4,96,958.00
Net undiscounted financial assets/ (liabilities)	1,47,172.13	42,465.35	(33,127.96)	17,006.42	1,73,515.94

As at 31 March 2020	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
Financial assets					
Cash and cash equivalents	68,859.86	-	-	-	68,859.86
Other bank balances	6,731.90	6,773.23	2,888.33	60.54	16,454.00
Trade receivables	500.26	-	-	-	500.26
Loans	2,82,938.99	2,48,220.49	20,215.14	10,152.49	5,61,527.11
Other financial assets	1,987.98	29.96	47.27	89.16	2,154.37
Total undiscounted financial assets	3,61,018.99	2,55,023.68	23,150.74	10,302.19	6,49,495.60
Financial liabilities					
Borrowings other than debt securities	2,57,240.57	1,29,780.62	42,745.94	16,453.40	4,46,220.53
Subordinated liabilities	2,837.05	2,836.71	3,734.15	23,203.31	32,611.22
Other financial liabilities	8,441.60	175.02	68.96	346.22	9,031.80
Total undiscounted financial liabilities	2,68,519.22	1,32,792.35	46,549.05	40,002.93	4,87,863.55
Net undiscounted financial assets/ (liabilities)	92,499.77	1,22,231.33	(23,398.31)	(29,700.74)	1,61,632.05



Note 41: Financial risk management (cont'd)

(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 2021, 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 31 March 2021	As at 31 March 2020
Variable rate liabilities		
Borrowings other than debt securities	1,44,706.25	2,50,233.25
Fixed rate liabilities		
Debt securities	97,500.00	-
Borrowings other than debt securities	1,74,319.54	1,46,624.02
Subordinated liabilities	21,000.00	21,000.00
Liability against securitisation	-	666.61
Total	4,37,525.79	4,18,523.88

(*) Figures are presented at principal carrying value for both the years.

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 31 March 2021	Year ended 31 March 2020
Interest sensitivity*		
Interest rates – increase by 0.50%	2,158.88	1,603.91
Interest rates – decrease by 0.50%	(2,158.88)	(1,603.91)

* 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, Key Risk Indicators, BRisk Operation Grading of branches every quarter.
4. Standardised reporting templates, reporting structure and frequency.

The Company has adopted the internationally accepted 3-lines of defense approach to operational risk management.

First line – Field Operations, Central Operation & Product function, Credit and Internal Control & Quality vertical exercise & also evaluate internal compliance and thereby lay down/calibrates processes & policies 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 providing deep analytics insights, influencing 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.



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021
(All amounts in ₹ lakhs unless otherwise stated)

Note 42: 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
- 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	As at
	31 March 2021	31 March 2020
Net debt	4,41,519.87	4,19,311.23
Total equity	95,863.53	96,263.04
Net debt to equity ratio	4.61	4.36

Note 43: 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 2021		As at 31 March 2020	
	Within 12 months	After 12 months	Within 12 months	After 12 months
ASSETS				
Financial assets				
Cash and cash equivalents	1,15,801.75	-	68,858.31	-
Other bank balance	11,928.19	7,321.23	6,515.24	8,650.35
Trade receivables	113.67	-	500.26	-
Loans	2,49,674.21	1,42,916.32	2,19,922.80	2,14,796.30
Other financial assets	932.78	118.68	1,987.97	186.40
	3,78,450.60	1,50,356.23	2,97,784.58	2,23,613.05
Non-financial assets				
Current tax assets (Net)	635.96	-	410.66	-
Deferred tax assets (Net)	-	15,896.74	-	3,527.65
Property, Plant and Equipment	176.97	325.31	230.40	418.67
Intangible assets under development	-	52.55	-	4.82
Other intangible assets	199.58	185.88	196.14	342.66
Right to use asset	178.61	328.15	201.16	539.13
Other non-financial assets	1,328.66	3.44	732.93	80.12
	2,519.78	16,792.07	1,771.29	4,913.05
Total assets	3,80,970.38	1,67,148.30	2,99,555.87	2,28,526.10
LIABILITIES AND EQUITY				
Liabilities				
Financial liabilities				
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	73,230.99	27,505.53	-	-
Borrowings (other than debt securities)	2,03,924.64	1,15,851.00	2,27,678.02	1,70,662.92
Subordinated liabilities	128.10	20,880.21	129.73	20,840.56
Others financial liabilities	6,319.86	381.53	8,441.61	590.19
	2,83,602.99	1,64,618.27	2,36,249.36	1,92,093.67
Non-financial liabilities				
Current tax liabilities (Net)			44.25	-
Current tax liabilities (Net)	-	-	-	-
Provisions	392.09	1,396.42	334.82	1,088.13
Other non-financial liabilities	1,943.94	301.44	1,583.99	424.72
	2,336.03	1,697.86	1,963.06	1,512.85
TOTAL LIABILITIES	2,85,939.02	1,66,316.13	2,38,212.41	1,93,606.52
Net Equity	95,031.36	832.17	61,343.46	34,919.58

Note 44: 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:

Securitisation	As at	As at
	31 March 2021	31 March 2020
Gross carrying amount of securitised assets	-	676.04
Gross carrying amount of associated liabilities	-	666.61
Carrying value and fair value of securitised assets	-	676.04
Carrying value and fair value of associated liabilities	-	666.61
Net position	-	9.43



Note 45: Information on related party transactions as required by Ind AS - 24:

A. List of related parties

Relationship	Name
Key Managerial Personnel (KMP)	Manoj Kumar N Namblar - Managing Director Milind R Nare - Chief Financial Officer Ranjan Das - Chief Risk Officer (w.e.f 01 March 2020) Anirudh Singh G Thakur - Company Secretary
Directors	Dinesh Kumar Mittal (Independent Director) Vineet Chandra Rai (Director) Anurag Agarwal (Director) Matangi Gowrishankar (Independent Director) Rajat Mohan Nag (Independent Director) Sumantra Banerjee (Independent Director)
Entities which are able to exercise control or have significant influence	Aavishkaar Goodwell India Microfinance Development Company-II Limited Tano India Private Equity Fund II
Entities under common control	Ashv Finance Limited (Erstwhile Jain Sons Finance Limited) Aavishkaar Venture Management Services Private Limited Ulink Agritech Private Limited Aavishkaar Capital Advisory LLP Andromeda Sales And Distribution Private Limited (till 01 September 2020) Intellicap Advisory Services Private Limited
Enterprise over which KMP have significant influence or control	Tribetech Private Limited

B. Nature of transactions with related parties:

Name of party with nature of transaction	Year ended 31 March 2021	Year ended 31 March 2020
Issue of equity shares (Including securities premium)		
Aavishkaar Venture Management Services Private Limited	2,000.00	6,000.00
Intellectual Capital Advisory Services Private Limited	-	7,000.00
Loan taken		
Aavishkaar Venture Management Services Private Limited	1,500.00	-
Loan repaid		
Ashv Finance Limited	-	4.50
Aavishkaar Venture Management Services Private Limited	1,500.00	-
Transfer of MSME business		
Ashv Finance Limited	6,305.16	-
Security deposit received		
Tribetech Private Limited	0.12	52.83
Security deposit invoked		
Tribetech Private Limited	2.92	49.69
Interest paid		
Ashv Finance Limited	-	0.07
Aavishkaar Venture Management Services Private Limited	20.55	-
Professional/ business support fees		
Tribetech Private Limited	0.59	21.74
Andromeda Sales And Distribution Private Limited	-	32.32
Aavishkaar Venture Management Services Private Limited	34.09	17.60
Intellicap Advisory Services Private Limited	169.69	37.02
Ashv Finance Limited	1,703.51	-



Arohan Financial Services Limited
Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021

(All amounts in ₹ lakhs unless otherwise stated)

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

<u>Name of party with nature of transaction</u>	<u>Year ended 31 March 2021</u>	<u>Year ended 31 March 2020</u>
Reimbursement of expenses paid		
Tribetech Private Limited	-	0.36
Intellectap Advisory Services Private Limited	3.34	3.34
Ashv Finance Limited	0.14	-
Aavishkaar Venture Management Services Private Limited	-	0.46
Reimbursement of cost received		
Tribetech Private Limited	-	3.91
Ashv Finance Limited	22.84	0.26
Intellectual Capital Advisory Services Private Limited	1.87	1.04
Intellectap Advisory Services Private Limited	1.75	2.96
Aavishkaar Venture Management Services Private Limited	0.29	1.48
Commission Income		
Ulink Agritech Private Limited	28.79	22.02
Director's commission		
Dinesh Kumar Mittal	-	25.00
Matangi Gowrishankar	-	15.00
Rajat Mohan Nag	-	10.00
Sumantra Banerjee	-	10.00
Remuneration		
Manoj Kumar N Namblar (*)	164.49	176.32
Milind R Nare	99.10	103.78
Ranjan Das	62.54	4.16
Anirudh Singh G Thakur	69.56	70.55

(*) Includes an amount of ₹48.34 lakhs (31 March 2020: ₹ 60.20 lakhs) pertaining commission paid for previous year (amount accrued in previous year).

Sitting Fees

Dinesh Kumar Mittal	4.80	2.80
Matangi Gowrishankar	8.00	5.20
Rajat Mohan Nag	7.40	5.00
Sumantra Banerjee	8.40	5.20

C. Short-term employee benefits for Key management personnel

	<u>Year ended 31 March 2021</u>	<u>Year ended 31 March 2020</u>
Short-term employee benefits (including remunerations)	382.91	344.11
Post-employment benefits (*)	12.78	10.70

(*) As provisions for gratuity and leave benefits are made for the Company as a whole, the amount pertaining to key management personnel are not specifically identified and hence are not included above

D. Outstanding balances with related parties:

	<u>As at 31 March 2021</u>	<u>As at 31 March 2020</u>
Other receivables		
Ulink Agritech Private Limited	0.07	8.80
Aavishkaar Venture Management Services Private Limited	0.08	-
Security deposit received		
Tribetech Private Limited	-	2.80
Other payables		
Tribetech Private Limited	-	1.52
Ashv Finance Limited	1,198.14	-
Intellectap Advisory Services Private Limited	107.35	-
Andromeda Sales And Distribution Private Limited	-	12.32
Dinesh Kumar Mittal	-	25.00
Matangi Gowrishankar	-	15.00
Rajat Mohan Nag	-	10.00
Sumantra Banerjee	-	10.00



Note 46: Additional disclosures pursuant to the RBI Master Direction 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 13 March 2020

i) Capital to risk asset ratio (CRAR)	31 March 2021	31 March 2020
Capital to Risk/Weighted Assets Ratio (CRAR) (%)	24.27%	24.80%
CRAR-Tier I Capital (%)	19.36%	19.93%
CRAR-Tier II Capital (%)	4.91%	4.87%
Amount of subordinated debt raised as Tier-II Capital	-	2,500
Amount raised by issue of Perpetual Debt Instruments	-	-

ii) Investments	31 March 2021	31 March 2020
A. Value of Investments		
Gross Value of Investments:		
a) In India	5.00	5.00
b) Outside India	-	-
Provisions for Depreciation:		
a) In India	5.00	5.00
b) Outside India	-	-
Net Value of Investments		
a) In India	-	-
b) Outside India	-	-
B. Movement of provisions held towards depreciation on investments		
Opening Balance	5.00	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	5.00

iii) Derivatives

The Company does not have any derivatives exposure in the current and previous year.

iv) Disclosures relating to Securitisation

A) Securitisation	31 March 2021	31 March 2020
1) No. of SPVs sponsored by the NBFC for securitisation transactions	-	1
2) Total amount of securitised assets as per books of the SPVs sponsored	-	736.91
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
(ii) Others	-	-
b) On-balance sheet exposures		
(i) First loss	-	-
(ii) Others	-	-
4) Amount of exposures to securitisation transactions other than MRR		
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 ₹1,311.69 lakhs is given in the form of corporate guarantee



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 the Company

Particulars	As at	As at
	31 March 2021	31 March 2020
i) Number of accounts	-	2,83,399
ii) Aggregate value (net of provision) of account sold	-	63,439.51
iii) Aggregate consideration	-	63,439.51
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 53.

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 had surrendered its registration number CA0402 dated 1 August 2019 under Insurance Regulatory and Development Authority of India (IRDA) vide letter dated 15 October 2020. The Company is having Corporate Identity Number of U74140WB1991PLC053189 under Ministry of Corporate affairs.

B) Disclosure of penalties imposed by RBI and other regulators

There are no penalties 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 45.

D) Ratings assigned by credit rating agencies and migration of ratings during the year

The details of ratings assigned by Credit Analysis & Research Limited (CARE) vide their report dated 10 November, 2020, ICRA Limited vide their report dated 05 October 2020, and 28 October 2020 and 03 December, 2020 migration of ratings during the period are as follows:

Facilities	Ratings	Remarks
Long-term Bank facilities	CARE A-	Reaffirmed
Long-term Bank facilities	ICRA A-	Assigned
Non-Convertible Debentures	CARE A-	Reaffirmed
Non-Convertible Debentures	ICRA A-	Assigned
Unsecured Subordinated Tier II Debt	CARE A-	Assigned

E) Remuneration including sitting fees of Directors (other than Managing Director) (refer note 45)

Name of Directors	Year ended 31 March 2021	Year ended 31 March 2020
Dinesh Kumar Mittal	4.80	27.80
Malangi Gowrishankar	8.00	20.20
Rajat Mohan Nag	7.40	15.00
Sumantra Banerjee	8.40	15.20



viii) Additional Disclosures

A) Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown under the head Expenditure in Statement of Profit and Loss	Year ended 31 March 2021	Year ended 31 March 2020
Provision towards standard assets	28,207.30	5,558.90
Provision towards non performing assets	19,959.84	7,769.33
Provision made towards Income tax (including for earlier year and deferred tax)	(5,792.82)	4,078.49
Other provisions and contingencies (employee benefits)	365.56	899.26

(*) Provision for doubtful debt of ₹ 98.03 lakhs (31 March 2020: ₹ 38.81 lakhs) included in other expenses (refer note 35)

(**) Provision of ₹ 3,976.78 lakhs (31 March 2020: ₹ 829.56 lakhs) towards accrued Interest on non performing assets charged in the statement of profit and Loss are netted off with interest income on loan.

B) Draw Down from Reserves

There have been no instances of draw down from reserves by the Company during the current and previous year.

C) Concentration of Advances, Exposures and NPAs	Year ended 31 March 2021	Year ended 31 March 2020
a) Concentration of Advances		
Total Advances to twenty largest borrowers	15,277.80	7,741.67
Percentage of Advances to twenty largest borrowers to total Advances	3.26%	1.70%
b) Concentration of Exposures		
Total exposure to twenty largest borrowers/ customers	16,977.80	7,741.67
Percentage of exposures to twenty largest borrowers / customers to total Exposure	3.62%	1.70%
c) Concentration of NPAs		
Total exposure to top four NPA accounts	227.21	186.42

D) Sector-wise NPAs	Percentage of NPAs to total advances in that sector
Agriculture & allied activities	10.25%
MSME	Nil
Corporate borrowers (*)	Nil
Services	45.75%
Unsecured personal loans	20.76%
Auto loans	Nil
Other personal loans	Nil

(*) Corporate borrowers are included in the respective sector.

E) Movement of NPAs	Year ended 31 March 2021	Year ended 31 March 2020
i) Net NPAs to Net Advances (%)	3.96%	0.00%
ii) Movement of NPAs (Gross)		
a) Opening Balance	11,183.84	2,584.95
b) Additions during the year	45,556.27	12,808.26
c) Reductions during the year	(4,643.78)	(4,209.37)
d) Closing balance	52,096.33	11,183.84
iii) Movement of Net NPAs		
a) Opening Balance	-	-
b) Additions during the year	15,358.06	-
c) Reductions during the year	1,617.80	-
d) Closing balance	16,975.86	-
iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening Balance	11,183.84	2,584.95
b) Provisions made during the year	30,198.21	12,808.26
c) Write-off/write-back of excess provisions	(6,261.58)	(4,209.37)
d) Closing balance	35,120.47	11,183.84

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.



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2021

(All amounts in ₹ lakhs unless otherwise stated)

(ix) Disclosure of customer complaints	Year ended 31 March 2021	Year ended 31 March 2020
a) No. of complaints pending at the beginning of the year	20	34
b) No. of complaints received during the year	736	650
c) No. of complaints redressed during the year	696	664
d) No. of complaints pending at the end of the year	60	20

(x) Information on instances of fraud Identified during the year	Year ended 31 March 2021	Year ended 31 March 2020
Nature of fraud		
A. Cash embezzlement		
No. of cases	300	101
Amount of fraud	98.07	210.59
Recovery (*)	45.97	107.63
Amount provided for	52.10	102.96
B. Loans given against fictitious documents		
No. of cases	17	-
Amount of fraud	64.02	-
Recovery (*)	7.36	-
Amount provided for	56.66	-
C. Others (Snatching etc.)		
No. of cases	32	60
Amount of fraud	22.78	71.53
Recovery (*)	13.08	49.41
Amount provided for	9.70	22.12

(*) Includes claims recoverable filed with insurance company.

(xi) Information on net Interest margin (qualifying asset)	Year ended 31 March 2021	Year ended 31 March 2020
Average Interest (a)	20.45%	20.82%
Average effective cost of borrowing (b)	10.53%	10.86%
Net Interest margin (a-b)	9.92%	9.96%



Note 46: Additional disclosures pursuant to Para 19 of Master Directions - 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 2021	
	Amount outstanding	Amount overdue
(a) Debentures		
Secured	1,00,958.62	-
Unsecured	13,587.26	-
(other than falling within the meaning of public deposits)		
(b) Deferred Credits	-	-
(c) Term Loans		
Secured	3,19,758.72	-
Unsecured	7,580.49	-
(d) Inter-corporate loans and borrowing		
(e) Commercial Paper	-	-
(f) Public Deposits	-	-
(g) Other Loans (working capital loan)	973.16	-

(*)The above figure excludes Ind AS adjustment

(2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):	As at 31 March 2021	
	Amount outstanding	Amount overdue
(a) In the form of Unsecured debentures	-	-
(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	-	-
(c) Other public deposits	-	-

Assets side :

(3) Break up of loans and advances:	As at 31 March 2021
a) Secured, gross	15,808.73
b) Unsecured, gross	4,47,775.95
Total	4,63,584.68

Figures of loans and advances also includes accrued interest, unamortised loan processing fees, unamortised acquisition costs and are based on Ind AS numbers.

(4) Break up of leased assets	As at 31 March 2021
(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	-

(5) Breakup of investments	As at 31 March 2021
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	-



Note 46: Additional disclosures pursuant to Para 19 of Master Directions - Non-Banking Financial Company - Systemically Important Non-Deposit taking company and Deposit taking company (Reserve Bank) Directions, 2016 (cont'd)

Long Term investments :	As at 31 March 2021
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 45 (ii) investment has been fully provided.

(6) Borrower group-wise classification of assets financed as in (2) and (3) Category	Net of provision as at 31 March 2021		
	Secured	Unsecured	Total
1. Related parties			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) other related parties	-	-	-
2. Other than related parties	15,710.17	3,76,880.36	3,92,590.53
Total	15,710.17	3,76,880.36	3,92,590.53

(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted) Category	Market value / Breakup or fair value or NAV	Book value (net of provisions)
1. Related parties	-	-
2. Other than related parties	-	-
Total	-	-

(8) Other information	As at 31 March 2021
(i) Gross non-performing assets	
(a) Related parties	-
(b) Other than related parties	52,096.33
(ii) Net non-performing assets	
(a) Related parties	-
(b) Other than related parties	16,975.86
(iii) Assets acquired on satisfaction of debt	-



Note 47: Additional disclosures pursuant to para 25 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	As on 31 March 2021										As on 31 March 2020				
		Asset Classification					Others					Others				
		Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total	Standard	Sub Standard	Doubtful	Loss	Total
1	Restructured Accounts at the beginning of the year (*)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2	Fresh Restructuring during the year	-	47,120	-	-	47,120	-	-	-	-	-	-	-	-	-	-
3	Upgradations to restructured standard category during the FY	-	11,803.50	-	-	11,803.50	-	-	-	-	-	-	-	-	-	-
		-	7,492.69	-	-	7,492.69	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during the FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the FY	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured Accounts at the end of the year (*)	-	45,968	-	-	45,968	-	-	-	-	-	-	-	-	-	-
		-	11,297.03	-	-	11,297.03	-	-	-	-	-	-	-	-	-	-
		-	7,606.46	-	-	7,606.46	-	-	-	-	-	-	-	-	-	-
* 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 2021 is after considering recoveries made during the year.
 2. CDR and SME debt restructuring segments are nil.



Note 48: Disclosures pursuant to Reserve Bank of India notification no. DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 dated 13 March 2020.

Asset Classification as per RBI Norms

As on 31 March 2021

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)
Performing Assets						
Standard	Stage 1	3,60,257.37	14,560.23	3,45,697.14	17,574.18	(3,013.95)
	Stage 2	51,230.98	21,313.45	29,917.53	7,122.60	14,190.85
Subtotal (A)		4,11,488.35	35,873.68	3,75,614.67	24,696.78	11,176.90
Non-Performing Assets (NPA)						
Substandard	Stage 3	52,096.33	35,120.47	16,975.86	15,615.71	19,504.76
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	-	-	-	-	-
Subtotal (B)		52,096.33	35,120.47	16,975.86	15,615.71	19,504.76
Total (A+B)	Stage 1	3,60,257.37	14,560.23	3,45,697.14	17,574.18	(3,013.95)
	Stage 2	51,230.98	21,313.45	29,917.53	7,122.60	14,190.85
	Stage 3	52,096.33	35,120.47	16,975.86	15,615.71	19,504.76
	Total	4,63,584.68	70,994.15	3,92,590.53	40,312.49	30,681.66

As on 31 March 2020

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)
Performing Assets						
Standard	Stage 1	4,30,578.26	2,749.79	4,27,828.47	1,706.88	1,042.91
	Stage 2	11,709.19	4,818.56	6,890.63	43.75	4,774.81
Subtotal (A)		4,42,287.45	7,568.35	4,34,719.10	1,750.63	5,817.72
Non-Performing Assets (NPA)						
Substandard	Stage 3	11,183.84	11,183.84	-	2,722.14	8,461.70
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	-	-	-	-	-
Subtotal (B)		11,183.84	11,183.84	-	2,722.14	8,461.70
Total (A+B)	Stage 1	4,30,578.26	2,749.79	4,27,828.47	1,706.88	1,042.91
	Stage 2	11,709.19	4,818.56	6,890.63	43.75	4,774.81
	Stage 3	11,183.84	11,183.84	-	2,722.14	8,461.70
	Total	4,53,471.29	18,752.19	4,34,719.10	4,472.77	14,279.42

(*) The amount of securitisation portfolio has been considered off book balances for limited purpose of computation provision as per RBI norms.



Note 49: Disclosures pursuant to RBI's notification no. DOR.No.BP.BC.47/21.04.048/2019-20 dated 27 March 2020 and DOR.No.BP.BC.71/21.04.048/2019-20 dated 23 May 2020 on COVID-19 – Regulatory Package

RBI vide its notification DOR.No.BP.BC.47/21.04.048/2019-20 dated 27 March 2020 had allowed NBFCs to grant three month moratorium for the period from 01 March 2020 to 31 May 2020 to its customers which was subsequently extended to additional three months vide notification DOR.No.BP.BC.71/21.04.048/2019-20 dated 23 May 2020.

The Company had extended the relaxation to its borrowers across the loans product offerings in the following manner:

1. For the loans in which customers availed the moratorium, interest accrue at the contractual interest rate during the moratorium period with corresponding increase in the residual tenure.
2. Interest accrued for moratorium period was adjusted over the balance period with EMI recalibration.
3. Rescheduling of payment including interest did 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 1 March 2020 and 31 August, 2020 did not change with effect from 01 March 2020. However, due to EMI repayments post 1 March 2020, if there was a reduction of DPD days, the same was recorded and reported.

Note 50 : Disclosures pursuant to Reserve Bank of India notification no. RBI/2019-20/220 DOR.No.BP.BC.63/21.04.048/2020-21 dated 17 April 2020

Particulars	As at	As at
	31 March 2021	31 March 2020
Amount in SMA/ overdue category where the moratorium deferment was extended to customers	16,113.88	28,106.37
Amount where asset classification benefit is extended	10,662.16	18,027.41
Provision made during last quarter of financial year ended 31 March 2020	-	17,196.88

Note 51 : Disclosure under notification no. RBI/2018-19/100 DBR.No.BP.BC.10/21.04.048/2018-19 (for restructuring of accounts of Micro, Small and Medium Enterprises (MSME) sector

No. of accounts restructured	Amount
336	4,768.68

Note 52 : Disclosures pursuant to RBI's notification no. DOR.No.BP.BC/3/21.04.048/2020-21 dated 06 August 2020 on COVID-19 loan restructure.

Type of borrower	(A) Number of accounts where resolution plan has been implemented under this window	(B) exposure to accounts mentioned at (A) before implementation of the plan	(C) Of aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, including invocation of the plan and implementation	(E) 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

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



Note 53: Asset Liability Management

Maturity pattern of assets and liability as on 31 March 2021

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)	29,776.93	22,587.93	54,965.11	449.20	2,288.07	2,095.12	5,192.34	6,841.63	180.00	-	1,24,376.33
Advances (Micro Portfolio)	4,343.36	7,238.93	17,373.44	22,095.56	22,260.19	64,628.43	1,16,364.27	1,34,862.98	44,230.46	-	4,33,397.62
Advances (Other than Micro Finance)	234.73	391.21	938.91	1,391.69	1,257.81	3,531.99	5,442.15	6,870.90	3,560.42	-	23,619.81
Investments	-	-	-	-	-	-	-	-	-	-	-
Borrowings	5,006.19	9,248.83	13,773.13	22,046.23	20,142.72	67,654.88	1,34,998.66	1,37,055.15	25,100.00	2,500.00	4,37,525.79
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-	-

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	-	253.41	466.10	842.82	641.44	3,865.26	8,177.77	50.00	-	18,369.68
Advances (Micro 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	11,284.40	1,348.89	-	28,998.57
Investments	-	-	-	-	-	-	-	-	-	-	-
Borrowings	7,511.09	2,427.65	4,482.86	8,247.35	20,134.35	65,136.07	1,18,381.03	1,59,112.99	15,590.49	17,500.00	4,18,523.88
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.
4. Advances and borrowings are adjusted for moratorium.



Note 54: Disclosures in terms of RBI/2019-20/88 DOR.NBFC (PD) CC. No.102/03.10.001/2019-20 dated 04 November 2019 have been given below:

(I) Funding Concentration based on significant counterparty on borrowings	As at 31 March 2021	As at 31 March 2020
Number of significant counterparties	24	25
Amount of borrowed funds from significant counterparties	4,07,542.07	3,77,808.33
Percentage of total deposits	Not applicable	Not applicable
Percentage of total liabilities	90.11%	87.50%

Notes:

i) A "Significant counterparty" is defined as a single counterparty or group of connected or affiliated counterparties accounting in aggregate for more than 1% of the NBFC-NDSI's, NBFC-Ds total liabilities and 10% for other non-deposit taking NBFCs.

ii) Total Liabilities has been computed as Total Assets less Equity share capital less Reserve & Surplus and computed basis extant regulatory ALM guidelines.

(ii) Top 20 large deposits (amount in ₹ lakhs and % of total deposits) - Not applicable

(iii) Top 10 borrowings	As at 31 March 2021	As at 31 March 2020
Amount of borrowed funds from top ten significant counterparties (*)	2,88,076.57	2,61,908.02
% of total borrowings (#)	65.84%	62.58%

Note:

(*) Accrued interest on borrowings have not been considered in above calculation.

(#) Total borrowing has been computed as gross total debt basis extant regulatory ALM guidelines.

(iv) Funding Concentration based on significant Instrument / product

Name of the instrument/product	As on 31 March 2021		As on 31 March 2020	
	Amount (**)	% of total liabilities	Amount (**)	% of total liabilities
Debt securities	97,500.00	22.00%	-	-
Borrowings (other than debt securities)	3,19,025.79	70.00%	3,97,523.85	92.07%
Subordinated liabilities	21,000.00	5.00%	21,000.00	4.86%

Note:

(i) A "significant instrument/product" is defined as a single instrument/product of group of similar instruments/products which in aggregate amount to more than 1% of the NBFC-NDSI's, NBFC-Ds total liabilities and 10% for other non-deposit taking NBFCs.

(ii) Total liabilities has been computed as total assets less equity share capital less reserve & surplus and computed basis extant regulatory ALM guidelines.

(**) Figures are based on gross borrowing outstanding and does not includes accrued interest and other Ind AS adjustments.

(V) Stock ratios in percentage	As at 31 March 2021	As at 31 March 2020
1. Commercial papers as a % of total liabilities	Not Applicable	Not Applicable
2. Commercial papers as a % of total assets	Not Applicable	Not Applicable
3. Commercial papers as a % of public fund	Not Applicable	Not Applicable
4. Non-convertible debentures (original maturity of less than one year) as a % of total liabilities	0%	0%
5. Non-convertible debentures (original maturity of less than one year) as a % of total assets	0%	0%
6. Non-convertible debentures (original maturity of less than one year) as a % of public fund	0%	0%
7. Other short-term liabilities as a % of total liabilities	63.23%	55.16%
8. Other short-term liabilities as a % of total assets	52.17%	45.10%
9. Other short-term liabilities as a % of public fund	64.76%	58.80%

(vi) Institutional set-up for Liquidity Risk Management

The Board of Directors of the Company has an overall responsibility and oversight for the management of all the risks, including liquidity risk, to which the Company is exposed to in the course of conducting its business. The Board approves the governance structure, policies, strategy and the risk limits for the management of liquidity risk. The Board of Directors approves the constitution of the Risk Management Committee (RMC) for the effective supervision, evaluation, monitoring and review of various aspects and types of risks, including liquidity risk, faced by the Company. The meetings of RMC are held at quarterly interval. Further, the Board of Directors also approves constitution of Asset Liability Committee (ALCO), which functions as the strategic decision-making body for the asset-liability management of the Company from risk-return perspective and within the risk appetite and guard-rails approved by the Board. The main objective of ALCO is to assist the Board and RMC in effective discharge of the responsibilities of asset liability management, market risk management, liquidity and interest rate risk management and also to ensure adherence to risk tolerance/limits set up by the Board. ALCO provides guidance and directions in terms of interest rate, liquidity, funding sources, and investment of surplus funds. ALCO meetings are held once in a month or more frequently as warranted from time to time. The minutes of ALCO meetings are placed before the RMC and the Board of Directors in its next meeting for its perusal/ approval/ ratification.



Note 55: Disclosures of liquidity coverage ratio (LCR)

Sl No.	Particulars	As on 30 June 2020		As on 30 September 2020		As on 31 December 2020		As on 31 March 2021	
		Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)	Total Unweighted Value (average)	Total Weighted Value (average)
	High Quality Liquid Assets								
1	High Quality Liquid Assets (HQLA)								
(i)	Cash Balance	291.69	291.69	332.35	332.35	196.02	196.02	171.55	171.55
(ii)	Cash on Bank	9,026.44	9,026.44	10,149.49	10,149.49	8,448.15	8,448.15	9,278.90	9,278.90
(iii)	Un encumbered demand deposits with scheduled commercial Bank	45,888.12	45,888.12	1,04,206.00	1,04,206.00	1,19,234.00	1,19,234.00	1,06,310.99	1,06,310.99
	Total High Quality Liquid Assets (HQLA)	55,206.25	55,206.25	1,14,687.84	1,14,687.84	1,27,878.17	1,27,878.17	1,15,761.44	1,15,761.44
2	Cash Outflows	-	-	-	-	-	-	-	-
3	Deposits (for deposit taking companies)	-	-	-	-	-	-	-	-
4	Unsecured wholesale funding	-	-	-	-	-	-	-	-
5	Secured wholesale funding	-	-	-	-	-	-	-	-
6	Additional requirements, of which	-	-	-	-	-	-	-	-
(i)	Outflows related to derivative exposures and other collateral requirements	-	-	-	-	-	-	-	-
(ii)	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
(iii)	Credit and liquidity facilities	-	-	-	-	-	-	-	-
8	Other contractual funding obligations	36,278.41	41,720.18	28,883.36	33,215.86	36,628.59	42,122.88	33,360.60	38,364.69
7	Other contingent funding obligations	4,656.25	5,689.69	5,498.00	5,311.21	5,151.88	5,936.27	3,001.10	3,451.27
8	TOTAL CASH OUTFLOWS	41,234.66	47,419.87	34,371.36	39,527.07	42,040.57	48,346.65	36,961.70	42,160.96
9	Cash inflows	-	-	-	-	-	-	-	-
10	Secured lending	-	-	-	-	-	-	-	-
11	Inflows from fully performing exposures	-	-	42,955.14	32,216.36	21,200.13	15,900.10	33,012.82	24,759.62
12	Other cash inflows	1,103.40	827.55	1,117.80	839.35	1,070.58	802.79	646.07	495.05
12	TOTAL CASH INFLOWS	1,103.40	827.55	44,072.94	33,054.71	22,270.81	16,702.89	33,660.89	25,245.67
13	TOTAL HQLA								
14	TOTAL NET CASH OUTFLOWS								
15	LIQUIDITY COVERAGE RATIO (%)		118%		1161%		404%		684%
			Total Adjusted Value		Total Adjusted Value		Total Adjusted Value		Total Adjusted Value
			55,206.25		1,14,687.84		1,27,878.17		1,15,761.44
			46,592.32		9,881.77		31,643.76		16,915.29



Note 56: Foreign Currency Disclosures

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
(a) Earnings in foreign currency (on accrual basis)		
Sale of accumulated carbon credit	27.36	4.92
	27.36	4.92
(b) Expenditure in foreign currency (on accrual basis)		
Legal Expenses	152.09	-
Professional fees	9.22	1.34
	161.31	1.34

Note 57: 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, CSR expenses have been incurred throughout the year on the activities as specified in schedule VII of the Act.

Particulars	Year ended 31 March 2021	Year ended 31 March 2020
(a) Gross amount required to be spent during the year	244.13	159.76
(b) Amount of expenditure incurred during the year	244.13	159.76
(c) Shortfall at the end of the year	-	-
(d) Total of previous years shortfall	-	-
(e) Reason for shortfall (*)	-	-
(g) Details of related party transactions	-	-
(h) where a provision is made with respect to a liability incurred by entering into a contractual obligation, the movements in the provision during the year shall be shown separately		
At the beginning of the year	-	-
Fresh provision made during the year	35.09	-
Payment made during the year	-	-
At the closing of the year	35.09	-

(*) work was not yet completed as a result the payments were on hold.

Note 58: Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM) of the Company. The CODM is responsible for allocating resources and assessing performance of the operating segments of the Company. The Company is in a single business segment (primary segment) of providing financial services to customers in India. Further, the Company is operating in India which is considered as a single geographical segment.

Note 59: Lease related disclosures

(a) Company as a lessee

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 ₹ 269.18 lakhs (31 March 2020: 281.48 lakhs) and negatively impacted the PBT by ₹ 20.14 lakhs (31 March 2020: 34.05 lakhs)

(b) The table below describes the nature of Company's leasing activities by type of right-of-assets recognised on balance sheet:

As on 31 March 2021

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	8	9 months to 83 months	27 months	8	-	-
Furniture	3	99 months	99 months	3	-	-

As on 31 March 2020

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 31 March 2021	Year ended 31 March 2020
Short term leases	1,095.29	1,033.07

(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 31 March 2021
Lease payments	233.49	117.36	90.29	59.51	59.68	189.86	750.19
Less: Finance cost	49.95	35.56	28.00	23.21	19.20	29.20	185.12
Net present values	183.54	81.80	62.29	36.30	40.48	160.66	565.07

Particulars	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	As at 31 March 2020
Lease payments	266.85	228.16	108.62	89.22	75.08	299.43	1,067.34
Less: Finance cost	72.41	53.14	39.66	33.59	28.30	55.60	282.70
Net present values	194.44	175.02	68.96	55.63	46.78	243.83	784.64

(e) Total cash outflow for leases for the year ended 31 March 2021 was ₹ 271.86 lakhs (31 March 2020; ₹ 261.48 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) As per Ind AS 116 the weighted average incremental borrowing rate applied to lease liabilities recognised was 11%.



Note 60: Contingent liabilities and commitments

Particulars	As at	
	31 March 2021	31 March 2020
(a) Demand for income tax received from income tax authorities in respect of which the Company has gone for appeal. Based on the management assessment, crystallization of liability on these items is not considered probable and hence not acknowledged as debt by the Company.	38.20	38.20
(b) Corporate guarantee provided to IndusInd Bank towards partnership agreement.		
(c) Guarantee for CDC group.	75.00	75.00
(d) Corporate guarantee in the form of credit enhancement provided towards securitisation.	1,080.00	-
(e) Sanctioned loan remaining disbursement	-	1,311.59
(f) Capital commitment for purchase/ development of tangible and intangible asset (net of advances).	1,800.00	650.00
	178.04	13.81

Note 61: 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 conditions. 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.

Note 62: 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 regard, the Company has complied with the asset classification of borrower accounts as per extant RBI instructions/ IFAC norms.

Note 63: 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 ex-grata 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.

Note 64: 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 statements for the year ended 31 March 2021.

Note 65: 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.

This is the summary of significant accounting policies and other explanatory information referred in our report of even dates.

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


 Manish Gujral

Partner
 Membership No 105117

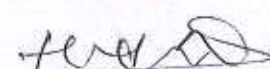


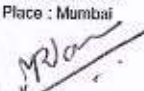
Place: Mumbai
 Date: 4 June 2021

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


 Manoj Kumar N Nambiar
 Managing Director
 (DIN: 03172319)
 Place: Mumbai


 Anurag Agrawal
 Director
 (DIN: 02385780)
 Place: Mumbai


 Anirudh Singh G Thakur
 Company Secretary
 Place: Mumbai
 Date: 4 June 2021


 Mihir R Nare
 Chief Financial Officer
 Place: Mumbai

