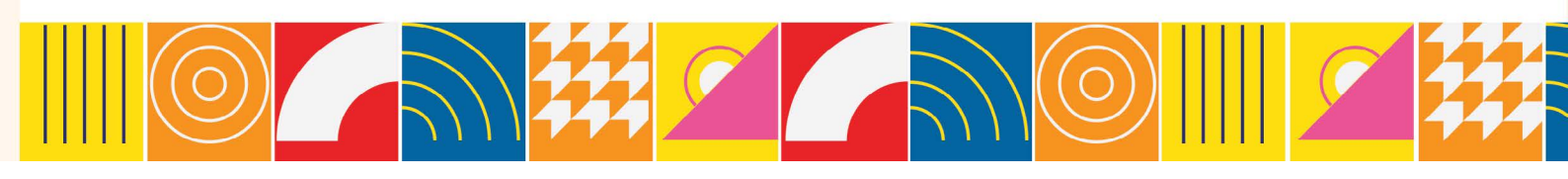


Navigating

TO OUR

NEXT

ANNUAL REPORT 2022-2023





Navigating **TO OUR NEXT** ↗

It is often said that in your journey of reimagining the future, one must pay attention to the smaller pieces - finding your way through the more detailed problems, nuances, and challenges, eventually finding solutions that are not just sustainable but also give shape to a formidable tomorrow – your NEXT.

Our customers are on a constant quest for growth in their journey forward. Like our clients, across rural and semi-urban geographies of India, Arohan too is constantly in a quest for better engagement, better experience, better returns, and better profitability. As navigators of our customers' journey of transformation, Arohan recognises the power of concerted efforts powered by innovative businesses, leveraging artificial intelligence, customer centricity, a non-negotiable approach to quality and intellectual capacity building all with the support of the industry and its ecosystem.

Without losing focus on the results, Arohan's transformation into its next also continues to uphold the core philosophy of the Aavishkaar Group of bridging the opportunity gap and creating a bottom-line impact.

Join us, through this Annual Report, on Arohan's journey of realising the collective potential of its customers, employees, lenders, partners, you, and us that redefines our **'NEXT'**.





Leading NBFC-MFI

WITH A FOCUS ON DRIVING VALUE FOR ALL ITS STAKEHOLDERS

Arohan is a leading, digitally advanced, NBFC-MFI, regulated by the Reserve Bank of India. Headquartered in Kolkata, the Company is present in 17 states spanning rural, semi-urban, and urban geographies in India catering to the bottom of the socio - economic pyramid through a range of financial inclusion products.



The future of customer experience

It is the microfinance industry's constant challenge to determine the changing customer behaviors and trends. At Arohan, we exercise a sharp focus on not just understanding the shifting customer goalposts but also taking advantage of this to quickly realign business strategies and cement competitive advantage. At the core of Arohan's operations lies a deep sense of customer centricity, borne out by its transparency in business practices and a unique design of products and services to meet customer requirements.



Employee Value Proposition

While helping the customers in their journey of transformation into growth, Arohan's own ambitious journey to the next is steered by its employees. Ensuring they are making progress in their career journey and realizing their aspirations is a key driver of our people practice. This in turn drives our employees to be honest, and uphold their integrity in their work life.



A future with purposeful opportunities for all

Arohan is committed to driving value for all its stakeholders, amplifying opportunities with a culture of innovation, and leveraging the power of the cloud and artificial intelligence. As the Company commences on its journey of impacting 20 mn lives by the year 2027, the 'next' looks promising.





What Drives Us?

OUR MISSION, VISION AND VALUES

The culture of an organisation is the outcome of how its people think and behave in response to changes in the ecosystem. At Arohan, we are guided by the Company's Core Values in our everyday work life. Leaders and managers lean on these values to navigate the path forward towards realising our Mission and Vision statements.

MISSION

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

VISION

To impact over 20 million lives by 2027.
To be among the Top 3 MFI players, serving over 5 million households and being a preferred place to work for our employees.



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 in a timely manner and language which clients can understand, so that the 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.





Key Performance Indicators

Solvency & Liquidity



Networth:
INR 1,338 Cr



Funds Drawn:
INR 4,195 Cr



Capital Adequacy Ratio:
28.74%



Cash and Cash Equivalent:
INR 935 Cr

Efficiency Ratios



Credit Rating:
A-
(Stable Outlook)



OPEX:
7.25%



Fee income
(as a % age of Total Income):
9%

ArohanPrivilege Digital Lending



Number of Customers:
6,435



Portfolio:
INR 31 Cr

Impact Numbers



States:
17



Districts:
252



Customer Strength:
2.01 mn

BRANCH:



No. of Branches:
829



Rural branch
percentage:
72%



Disbursement
for FY 23:
INR 5,299 Cr

EMPLOYEES:



No. of
employees:
8,030



Field employee
percentage:
92.80%



Gross Loan
Portfolio:
INR 5,357 Cr

BORROWER'S DEMOGRAPHY:



Rural:
77%



Urban:
23%



Women:
98%



Awards & Recognitions

Arohan's Information Security Management Systems get certified with ISO/IEC 27001:2013 by BSI



Arohan's state-of-the-art technology landscape has been certified with the ISO/IEC 27001:2013 certificate from the British Standards Institution (BSI). This certification is a testimony that Arohan's Information Security and Management Systems comply with the international standards of ISO/IEC 27001:2013 for managing information security, applicable to information assets & processes under operations supported by Human Resources, Admin, Accounts, Finance, Risk, Credit, Internal Audit, Information Technology, Central Hub, Central Operations, and Legal & Compliance.

AMFI Awards, 2023 for Technology Innovations



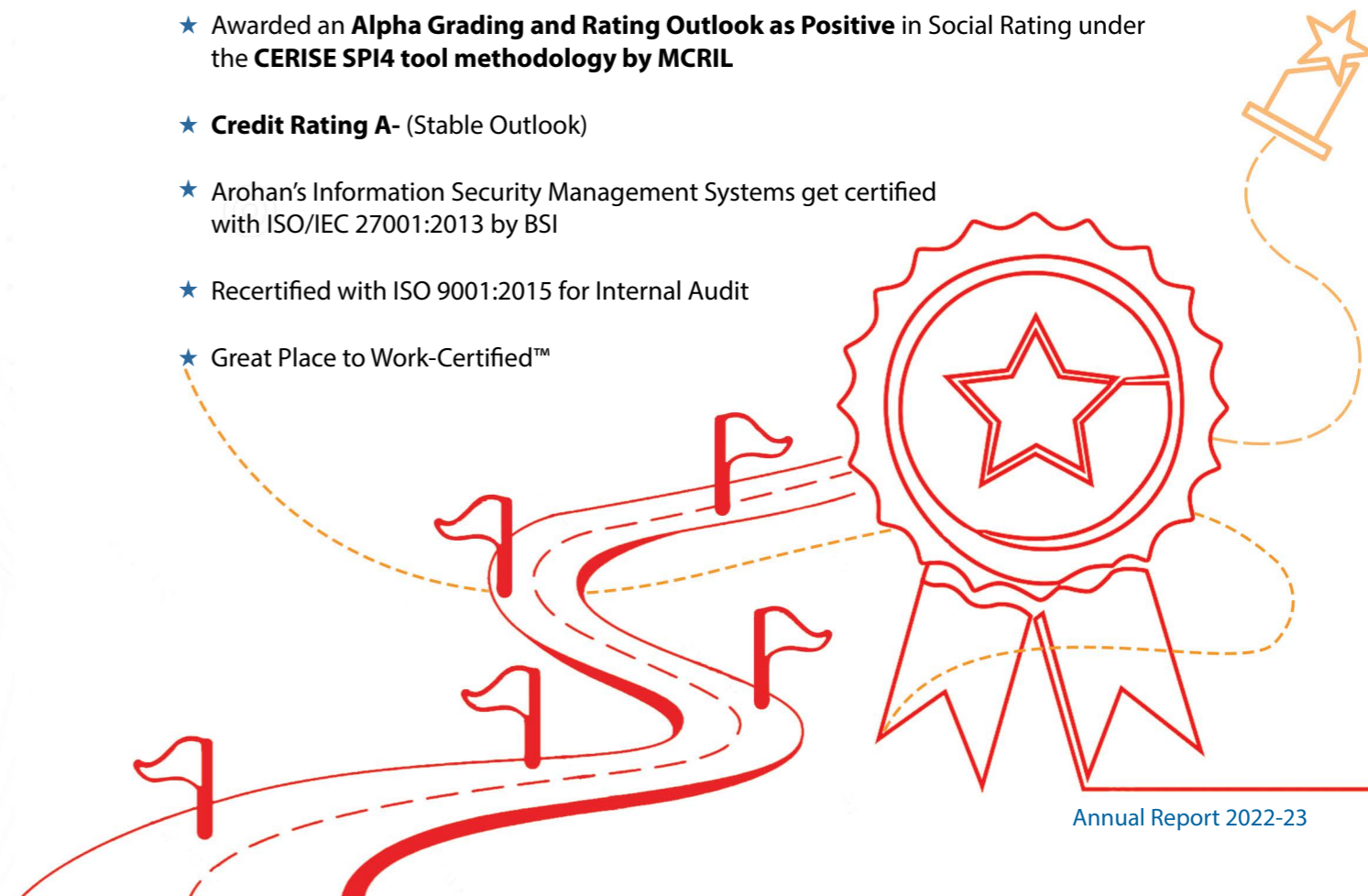
In a significant achievement, Arohan bags the Award for "Technology Innovations to Drive Financial Inclusion" by a large MFI, conferred by the Association of Microfinance Institutions (AMFI), West Bengal. The Award was received by Mr. Manoj Kumar Nambiar, Managing Director, Arohan with the team on January 13, 2023, at the 7th Eastern India Microfinance Summit, 2023 held in Kolkata.

Awards

- ★ 'Microfinance Company of the Year' Award at the 3rd ANNUAL BFSI TECHNOLOGY EXCELLENCE Awards programme, organised by Quantic
- ★ Best Risk Management Initiatives Award by AMFI West Bengal
- ★ AMFI Awards, 2023 for Technology Innovations
- ★ SKOCH Order of Merit Awards for Innovation in Lending (ArohanPrivilege), Solution in Lending (Nirnay), and Solution in Financial Inclusion Programme
- ★ Head of Human Resources, Admin, Training & CSR at Arohan has been awarded for "Outstanding contribution during COVID in motivating staff and client" at UPMA's Vth State Conference
- ★ Two Modern Governance Top 100 Awards in the categories Boards & Governance Innovator and ESG, Diversity & Climate Trailblazer

Rating, Grading & Certifications

- ★ **CARE MFI 1** Grading, highest on an 8-point scale
- ★ **COCA Assessment score of C1** (top grade) indicating "Excellent Performance on COCA Dimensions"
- ★ Awarded an **Alpha Grading and Rating Outlook as Positive** in Social Rating under the **CERISE SPI4 tool methodology by MCRIL**
- ★ **Credit Rating A-** (Stable Outlook)
- ★ Arohan's Information Security Management Systems get certified with ISO/IEC 27001:2013 by BSI
- ★ Recertified with ISO 9001:2015 for Internal Audit
- ★ Great Place to Work-Certified™





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Chairman's Address



Dear Shareholders,

I am delighted to connect with you through the Annual Report of Arohan Financial Services Limited.

The global economic outlook is currently characterised by uncertainties arising from various factors, including financial sector turmoil, high inflation, the ongoing repercussions of Russia's invasion of Ukraine, and the persistent effects of the COVID-19 pandemic. The International Monetary Fund predicts a decline in global economic growth from 3.4% in 2022 to 2.8% in 2023, followed by a moderate recovery to 3.0% in 2024. Advanced economies are expected to experience a more pronounced deceleration, with growth rates dropping from 2.7% in 2022 to 1.3% in 2023. In an alternative scenario with additional financial sector stress, global growth could contract further to around 2.5% in 2023, with advanced economies experiencing growth rates below 1%. Despite a projected decrease in global headline inflation from 8.7% in 2022 to 7.0% in 2023 due to lower commodity prices, underlying or core inflation is likely to decline more slowly. Achieving inflation targets is anticipated to be challenging, with a return to target levels unlikely before 2025 for most economies.

According to the World Bank, India's real GDP is

estimated to have expanded by 6.9% in FY 2023. This growth was driven by strong domestic demand, robust investment activity supported by the government's focus on infrastructure investment, and increased private consumption, especially among higher-income groups. However, the composition of domestic demand underwent changes, with lower government consumption due to fiscal consolidation efforts.

On India's 75th Independence Day, our Honourable Prime Minister Shri Narendra Modi introduced the concept of "Amrit Kaal" or "The Era of Elixir" to the nation. Amrit Kaal represents the Prime Minister's vision for a "New India" by 2047, which aims to fulfil the nation's aspirations. The vision encompasses rapid and profitable economic growth, improved living conditions for all citizens, advancements in infrastructure and technology, and restoring global confidence in India.

India's goal of attaining high-income status by 2047 requires inclusive growth that benefits the entire population. Reforms focused on growth need to be accompanied by the creation of quality jobs that keep up with the influx of new entrants into the labour market. Additionally, efforts will be made to address gaps in economic participation, including promoting greater female workforce participation.

In the past two decades, India has made significant strides in reducing extreme poverty. From 2011 to 2019, the country is estimated to have halved the proportion of the population living in extreme poverty. However, the pace of poverty reduction has slowed in recent years, and key welfare indicators have shown limited improvement. The COVID-19 pandemic initially led to an increase in extreme poverty, but it started to moderate in the last two years.

Over the years, the microfinance sector in our country has witnessed remarkable growth and transformation. It has become a catalyst for economic development by providing accessible and affordable financial services to those who have been traditionally excluded from the formal banking system.

Microfinance institutions, including our organisation, have played a vital role in bridging the financial gap, enabling individuals to start and expand their businesses, meet their household needs, and improve their overall standard of living. Through small loans, savings programmes, and financial literacy initiatives, we have empowered countless individuals, particularly women, to become self-reliant and break the cycle of poverty.

As the Chairman of the Company, I can say that our philosophy has always been to empower the underprivileged section of society, and we have continuously strived towards making financial services available to all. We believe in creating an ecosystem that helps small businesses and individuals to flourish by providing them with financial assistance through micro-credit and other financial services. Our values of Employee Engagement, Transparency, Honesty and Integrity, Innovation, Customer Centricity and Shareholder Value Focus have been the driving force behind our success.

Our mission has always been to empower marginalized communities by providing them with access to credit and financial services. We have been successful in

reaching out to the unbanked population in remote areas, helping them to improve their livelihoods and become financially independent.

During the year, we disbursed loans amounting to approximately INR 5300 Cr, which helped millions of families in starting their own businesses, pay for their children's education, build their own homes, or meet their medical expenses. We also made significant progress in digitalising our operations, which has enabled us to serve our customers more efficiently and securely.

We are committed to maintaining the highest standards of corporate governance and have rolled out the much-awaited 'Nirnay', our credit scoring model, to leverage data analytics and modelling techniques to help assess clients' credit worthiness. We have also expanded our team of experienced professionals, who bring their expertise to bear on our operations in order to enhance our capacity to serve our customers better.

Finally, on behalf of the Board of Directors, I would like to express my gratitude to all our stakeholders, customers, employees and shareholders for their continued support and encouragement. It is their commitment and support that have made our journey successful. We will continue to work towards our goal of uplifting the underprivileged section of society and providing them with financial assistance.

As we move into the next financial year, we are confident that we will continue to achieve our objectives and make a positive impact on society.

Warm Regards,

Dinesh Kumar Mittal
Chairman
Board of Directors





Founder & Group Chairperson's Address



Dear Shareholders, Colleagues and Friends,

We are delighted to share our Annual Report for FY 2023 of Arohan Financial Services Limited, Non-Banking Finance Company – Micro Finance Institution, an Aavishkaar Group company.

Creating sustainable impact has been at the core of our business and operations at Aavishkaar Group, and we launched the Aavishkaar Impact Report 2022, which captures the journey of diverse businesses and the context of their impact, with Arohan playing a significant role. 2022 has been a milestone year for us in many ways as we completed 10 years of Arohan becoming a part of Aavishkaar Group and under the wonderful leadership of Manoj Nambiar and his colleagues, taking forward the vision of building a responsible, respectable microfinance institution that is obsessed about continuous enhancement of customer experience and is willing to go the extra mile in delivering quality to its end clients, across the remotest geographies in India.

The year has also been significant as we were able to invite three reputed and respectable investors TIAA-Nuveen, FMO, and IFU to join us as shareholders.

We expanded operations and entered three new states Rajasthan, Haryana and Uttarakhand. Addressing the credit requirements of the missing middle segment, we launched Micro-Enterprise Loans, under our 'Bazaar' product, for the higher segment customers with ticket sizes ranging from INR 1,05,000 to INR 1,50,000. With a clear focus on pushing our portfolio and enhancing customer connect, our Business & Collection and the Debt Receivable Departments have played key roles in optimising efficiencies and getting our monies back. Reserve Bank of India's historic pricing deregulation and credit harmonisation aptly defines the way forward for the industry and has played a pivotal role in restoring normalcy in business activities in the year 2022-23. These are evidenced by a strong year-on-year growth in the portfolio of the Company recorded in FY 2023 and improvement on all our key metrics in the positive direction.

As I have iterated on many occasions earlier, our long term vision for Arohan is to unleash the potential of the Company technology-enabled financial inclusion entity, that will enable millions of customers to participate in the economy of the future. Therefore, amongst all the developments that the Company



is moving into the future with, what kept me most excited was our continued focus on building products that are technologically advanced but very intuitive and easy to deploy for our clients. We have successfully in-housed most of our quality-assisting portals starting from a very intuitive dashboard, the first-in-the-industry credit scoring model 'Nirnay', our Enterprise Risk Management portal 'Sandesh', the 'Samadhaan' portal that helps resolve all employee operational issues and our in-house Fraud Management system. I was personally pleased with the announcement of the ArohanPrivilege Digital Lending platform, an industry-first, that assists us to serve our best customers in a non-intrusive way. The technology allows us to carry out all verifications remotely and the loan is paid in the

bank account while the repayment is received directly through digital means. Exceptional leadership and imagination demonstrated by our Chief Information Officer, Arvind Murarka and no words of praise are enough for delivering on this complex and challenging vision.

As we look forward to a future filled with opportunities, I would like to extend our warmest wishes to all our shareholders and lenders without whose support we would have not been around.

Our confidence in the resilience and adaptability of our customers is unfailing, and the reality of their successes despite their 'bottom of the pyramid' profile only strengthens our resolve. Before I end, I want to reserve the biggest praise for our borrowers, the millions of these frail yet very strong women from rural and semi-urban India whose commitment to delivering the loan EMIs back to us has made the microfinance revolution possible in India.

With Warm Regards,

Vineet Rai
Founder and Chairman
Aavishkaar Group





Managing Director's Address



Dear Shareholders,

I am delighted to connect with all of you through our Annual Report for the FY 2023.

The year started on a significant note for the microfinance sector with two key changes: harmonisation of credit guidelines across banks and non-banks and the pricing deregulation for NBFC MFIs. This is a paradigm shift and I believe this will ensure two things – discipline on credit underwriting leading to lower delinquency, provisions and write offs and also a viable and sustainable business model for NBFC MFIs. It also places a huge responsibility in the hands of the entities and the discipline on implementing the credit guidelines, and also right pricing of credit in this underserved and vulnerable segment of the population. The role of our Self-Regulatory Organisation (SRO) – Micro Finance Institutions Network (MFIN) also becomes even more critical to ensure implementation in the right spirit across entities. Arohan was able to implement both from April 1, 2022 itself due to the advance preparation, guidance from the board and work done in the last quarter of the previous year.

After over 12 years of litigation, the honorable High

Court of Andhra Pradesh clarified that NBFCs and Banks are to be regulated by the RBI alone under an Act of Indian Parliament. Hence the state government laws, if any on lending would apply only to the ones licensed and regulated by them. This, coupled with the Supreme Court ruling in the FIDC case about State & NBFCs, clearly now lays the ground rules on this matter. This is very positive as it clarifies the ambiguity in relation to the State Money Lending Laws under which the States used to cover NBFC's and Banks as well. This will pave the way for investors' comfort on the matter and also open up the states of Telangana & Andhra Pradesh for BoP segment borrowers to access formal finance by the RBI regulated banks and NBFCs.

In September 2023, we completed 10 glorious years of being a part of the Aavishkaar Group, our institutional promoter as we invested in and took a controlling stake in September 2012. The Group focus on impact as a measure of progress apart from being commercially viable is a key theme imbibed in our thinking, as well as at Arohan as a Group operating company.

Capital raise is key for any growing organisation and we announced the closure of one of the largest fund raises in the sector in April 2023, of INR 730 Cr plus with 4 new

investors reposing confidence in the management and the business model. This has improved our Capital Adequacy ratio to over 32% - good enough for the next phase of growth that we are entering into. We plan to cover the West and also look at possible alliances in the South to spread our presence across the country.

With the pandemic firmly behind, the microfinance sector grew in 2022/23 to almost INR 3.5 lakh Cr in credit outstanding serving 66 million borrowers across India. With the building blocks of the infrastructure in place as we traverse through the "Amrit Kaal" of our independence, one can visualise a strong & robust growth of microfinance and increased access to formal finance at the BoP. Arohan also got back to growth with new states of Rajasthan, Haryana and Uttarakhand, and registering over 30% growth from the previous year - I am particularly pleased with the 2.8% GNPA and a 0.21% NNPA that we reported in March 2023, closer to the Net NPA zero position we would like to move to soon. We launched a first in the sector digital lending vertical now called ArohanPrivilege which seeks to provide special status and low touch services to the Top 1% of our MFI borrowers. With our IT platform, this is done through ApnaArohan the customer application and seeks to give the borrowers a "privilege" feel – applying at the comfort of her home/shop, getting approved online, e-signing of documents, credit into her bank account within minutes, cashback/loyalty points, special pricing and cashless repayments amongst others.

Our focus on Quality continues: Credit Department played a key role in implementing the new RBI guidelines on Household Income assessment, updated underwriting norms and also the focus on early delinquency with a close field interaction especially on the exception ones. The Risk Management Department has launched a first-in-the-sector, fully in-house developed Enterprise Risk Management platform called 'Sandesh' to track and manage risks across the business. It also led the work on our Credit Scoring model, and I am happy to inform you -that we are the first-in-the-sector to have a risk-based pricing model starting with the lowest decile on applications being processed. Credit & Risk also led the work on relooking at concentration limits – we now have a district-based

approach which soon will move to a very granular pincode-based one. Internal Audit has always been the overseer of process & policy adherence on the field and continues to push the envelope on a risk-based audit approach keeping in mind the changing reality and scale and size. The ISO 9001 recertification, the in-housing of the platform, the online Fraud Management System are examples of Internal Audit moving to the next level. The 3 quality and control functions do a formal Portfolio Quality Review (PQR) every month with the business team as a best practice.

With millions of borrowers and millions of transactions on a daily basis, it is but inevitable to have a strong and robust IT platform for growth. Our investments and efforts on this aspect have led us to have one of the best IT platforms in the microfinance industry – the Core Banking System, the Credit Scoring model, the 'Sanjaya' field management tracker, 'meraArohan' field officer application, 'apnaArohan' customer application amongst others are clear examples of this. We acquired the ISO/IEC 27001:2013 certification on Arohan's Information Security and Management Systems last year apart from the regular IT audits from a specialised external expert. "Vishleshan" our in-house dashboard continuously adds new data and analysis to empower our field management with deep insights for action.

Our Central Operations unit which manages our product, process & Customer Insights teams have added value by the right interventions to ensure a right balance between Quality & Quantity. Times have changed post the pandemic and we undertook a full Business Process Review (BPR) of all the field related process and procedures to update it for the current reality and prepare for the future. Our Cross Sell team crossed a milestone on the initiative last year as we seek to strengthen our relationship with our borrowers with product and services.

Given the ground reality, we probably are one of the few to have a clear Business & Collections and a Debt Receivable Department seeking to optimise the outcomes on both new business productivity and collections/recovery efficiency. The results on this have been very encouraging with door to door follow ups, extraordinary centre meetings, legal notices, Lok



PE Investors Infuse ₹730 crore into Arohan Financial
Equity fundraising to help microlender cross AUM of ₹10,000 crore by FY25; plans IPO launch in next two years

Atmadip.Ray@timesgroup.com

Kolkata: Microfinance company Arohan Financial Services has raised ₹730 crore in a share sale to private equity investors in one of the largest fundraises by an NBFC-MFI in India in the post-Covid era. American asset manager Nuveen and Dutch development bank FMO have put in ₹165 crore each in Arohan while Piramal Alternatives and a European development financial institution invested ₹200 crore each. The investment is in the form of compulsorily convertible preference shares (CCPS). Arohan managing director Manoj Kumar Nambiar told ET in an interview.

CCPS helps promoters to raise funds without diluting the ownership immediately. Therefore, the promoter Aavishkaar Group, which holds about 33% stake in Arohan, would continue to retain its holding without any dilution for about a year until conversion or any new fundraising. "The conversion will take place after a newly priced round latest by March 2024," Nambiar said. This is Arohan's second equity raise after the pandemic. It mobilised ₹168 crore in February 2021. The MFI with ₹5,357 crore assets under management at the end of March plans to enter Gujarat, Haryana and Maharashtra this year, besides expanding its footprint in Madhya Pradesh and Uttar Pradesh. The lender has 835 branches across 15 states.

MANOJ K NAMBIAR
MD, Arohan Financial Services

As a business we have always taken an additional overlay on provisions and will seek to be a net zero NPA company soon

"We would look at acquisition opportunities, especially in new geographies," Nambiar said. With this fundraising, the microlender expects to cross ₹10,000 crore of AUM by March 2025 and expects to renew the initial public offer plan over the next 24 months. The lender had been contemplating an IPO since 2019. It had received approval in April 2021 but aborted the plan due to a volatile market. According to people who follow the microfinance sector closely, the asset quality stress was another reason why several micro lenders including small finance banks had received a tepid response and lower than-expected valuations for their proposed IPOs, prompting them to shelve their plans eventually. Arohan has written off ₹380 crore of bad loans in FY23, helping it to reduce gross non-performing assets to below 3% at the end of March, Nambiar said. Net NPA would be 0.25%, he said. "As a business, we have always taken an additional overlay on provisions and will seek to be a net zero NPA company soon," he added. The company developed its own credit scoring model with a credit bureau database to implement risk-based pricing. It offers loans to women in rural and semi-urban localities under the joint liability of lenders model at interest rates ranging from 23% to 26%, based on borrowers' risk profiles.

Adalats and OTS (One Time Settlements) across the geographies.

Microfinance is an employee intensive business and post the pandemic, retention and productivity of frontline workforce has emerged as a challenge in the financial services sector. Our focus on HR practices continues and we got recertified as a Great Place to Work (GPTW) – third year in a row. Diversity is a focus and while last year has been challenging, we expect the HR initiatives rolled out to help deliver better results this year. Our various portals like Samadhan, Saheli etc. allow for field issues to be escalated and handled by respective function on priority. Learning & Development continues to improve on the induction and refresher training process apart from playing a key role through Management Development programmes for the middle level and the Performance Improvement Plan (PIP) process at the frontline. An innovative introduction is "Pragati – Unnati ki Oor", a session every working Saturday morning for an hour reaching out to the last mile at the branches to cover the field officers. Work atmosphere safety and hygiene, especially in a mixed workforce reality, has been the focus for our Administration team, which also piloted a move away from a home-office branch system of the past in newer geographies. Our Corporate Social Responsibility unit is working very closely with the Aavishkaar Foundation at the Group level in synergising the efforts and has also finalised a new ESG policy for the business.

Assam went through a difficult period in H1 with incessant rains and flooding since April 2022 and hence the implementation of the AMFIRS 2021, Assam

State's Microfinance Incentive & Relief Scheme got delayed with Cat 2 (OD borrowers) ending in Q4. Cat 3 (NPA customers) is expected to start in Q1 of this year, and the Steering Committee of the Lenders are in touch with the State Government to expedite the last category and close the scheme for normalcy to return.

Our Accounts unit focused on cost control, financial metrics and working closely with the statutory auditors to complete the quarterly and yearly financials on time. Debt raising has always been a strong area and we focused on new relationships, on/off balance sheet transactions, while ensuring a low landed cost of funds for the business. Our Legal & Compliance Department ensured work on Corporate Governance and disclosure, and proper reporting to the many regulators we deal with.

We held our 'Shubh Aarambh', preparation for the new business year meetings all across zones and regions in March 2023, and as we gear up for the next phase of growth, we have 4 engines to make it happen: The Organic channel, the Inorganic vertical, the Digital Lending platform and the Merger & Acquisition play.

The Strategic Initiatives unit at the Corporate Office is the custodian of our rolling 5-year strategic plan, internal consulting and coordinating the equity raise efforts. Our Corporate Communications unit unveiled a new website and also launched a new Arohan Anthem (<https://youtu.be/USaVLC7Cexw>) celebrating the resilience of our two key stakeholders: Our borrowers and our employees.

The many awards and recognitions that we earned in FY 2023 are a testimony of our commitment to continue serving our customers with the best experience and quality. Some notable ones include the 'Microfinance Company of the Year' Award at the 3rd Annual BFSI Technology Excellence Awards programme, the Best Risk Management Initiatives Award, and the Best in Technology Innovations Award by the Association of Microfinance Institutions, West Bengal. While our Internal Audit function continues to be an ISO 9001:2015 certified quality vertical, we have also acquired the ISO/IEC 27001:2013 certification on Arohan's Information Security and Management Systems in FY 2023.

I would like to profusely thank the union government for their growth focus, the Reserve Bank of India, our regulator for their attention to the microfinance sector, our investors for their vote of confidence in us, the lenders for the leverage to grow the business, our employees for their hard work and dedication, our esteemed Board for their continued guidance, our Promoter Group for their strong support, key associates such as our Auditor, Rating Agencies for their value additions, MFIN, our sector SRO for their advocacy and oversight and last but certainly not the least, millions of our borrowers for giving us the opportunity to serve them.

Warm Regards,

Manoj Kumar Nambiar
Managing Director





Corporate Information

INDEPENDENT AND 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. Wilhelmus Marthinus Maria Van Der Beek
Nominee Director

Mr. Shree Ram Meena*
Nominee Director

Mr. Aditya Mohan*
Additional Director

Mr. Vemuru Chandramouli*
Nominee Director

Mr. Nitish Chawla*
Additional Director

Mr. Paul Gratien Robine*
Nominee Director

Mr. Manoj Kumar Narayan Nambiar
Managing Director

Mr. David Arturo Paradiso
Nominee Director

Mr. Stephen Dongwon Lee#
Additional 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. Arvind Murarka
Chief Information Officer

Ms. Indrani Banerjee
Head of HR, Admin, CSR & Training

Mr. Abin Mukhopadhyay
Head of Internal Audit

Mr. Shailesh Kumar
Head of Credit

Ms. Reema Mukherjee
Head of Digital Growth

Mr. Ketan Agrawal
Head of Accounts

Mr. Vinod Pandey
Deputy Business Head

Mr. Joyanta Bakali
Deputy Business Head

Mr. Pradip Kumar Nath
Head of Microfinance Audit

Mr. Debarshi Chaudhuri
Assistant Vice President - Accounts & Taxation

**Appointed as an Additional Director w.e.f. December 01, 2022*

** Note: Mr. Shri Ram Meena and Mr. Paul Gratien Robine have resigned w.e.f. May 12, 2023. Mr. Aditya Mohan has been appointed as an Additional Director and Mr. Vemuru Chandramouli has been appointed as Nominee Director w.e.f. May 12, 2023. Further, Mr. Nitish Chawla has been appointed as an Additional Director w.e.f. May 31, 2023.*

REGISTERED AND CORPORATE OFFICE

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

AUDITORS

MSKA & Associates Chartered Accountants

(Registration No-105047W)
602, 6th Floor, Raheja Titanium,
Western Express Highway,
Geetanjali Railway Colony,
Ram Nagar, Goregaon (E),
Mumbai – 400063,
Maharashtra, India

CORPORATE IDENTIFICATION NUMBER

U74140WB1991PLC053189

REGISTRAR AND 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



Engines of Growth

Amidst a rapidly changing economic landscape, Arohan is leveraging opportunities for process and operational re-innovations, ably supported by automation and AI. The Company has defined for itself the **four Engines of Growth**, navigating its journey into its Vision for 2027 – forming future-ready business channels and models, that promises to accelerate its growth, as it commences on its ambitious 5-year plan of impacting 20 mn lives by the year 2027.



Organic Business Vertical

This is the primary business vertical of Arohan, that offers micro credit services to people from the bottom half of the socio-economic pyramid in a joint liability group model. Customers are offered financial and other services, with ticket sizes ranging from INR 25,000 to INR 75,000 best suited for their socio-economic growth.



Inorganic Business Vertical

Arohan has been a forerunner in the industry to have a focused Inorganic business model, optimising its non-qualifying space. From offering Term Loan Services of up to INR 25 Cr to partnering for a Sourcing & Collection relationship with smaller microfinance entities, or through Direct Assignment & Securitizations, and even engaging in microfinance through loans specific to the business enterprise segment operating out of specified markets, this vertical allows the Company sustainable market advantage.



Digital Lending

In FY 2023, in a landmark achievement, Arohan launched Indian Microfinance Industry's first-in-class Digital Lending platform for MFI Customers, named ArohanPrivilege. Through this channel, Arohan empowers gold-standard MFI customers to apply for and service their loans by themselves through the proprietary apnaArohan app. Customers will receive loan money in their accounts within minutes of a successful loan application – all from the comfort of their homes. This is a significant step towards the realisation of Arohan's Vision of impacting 20 mn lives by the year 2027.



Alliances & Acquisitions

Arohan is focused on expanding to geographies across India. While it keeps deepening its footprints in the States that show a high degree of financial exclusion, identified by CRISIL Inclusix 2018 (a composite index measuring financial inclusion), it is also focused on entering other states, especially in the South for alliances to work together through Alliances & Acquisition opportunities, thus strengthening its portfolio, maximizing operational leverage, building new core competencies and scaling its reach.



Product & Services Offerings

Arohan offers a broad range of credit and non-credit products and financial inclusion services to its growing customer base. While Arohan's credit products include income generating loans and other loan products for various household purposes, its non-credit products include Life and Non-Life covers, issued and underwritten by leading Indian insurance companies with whom the Company has entered into partnerships, along with facilitation for various lifestyle improvement products like mobile phones, refrigerators, pressure cooker, television, mixer grinder, induction cooktop, inverter bulbs, etc.

Through its inorganic business vertical, Arohan also offers term loans to small Micro-Finance Institutions for onward lending to customers. In FY 2023, the Company has also introduced working capital loans for Micro Enterprises with ticket sizes starting from INR 1,05,000 from its pilot branch in Kolkata, West Bengal.

CORE PRODUCTS

Name	Customer Profile	Loan Size	Loan Tenure
Saral	Catering to women residing in low income areas, generally involved in trade & services.	INR 25,000 - 75,000	18 - 30 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 25,000 - 1,00,000	18 - 24 months
	Micro Enterprise Loans	INR 1,05,000 - 1,50,000	18 - 24 months

SECONDARY PRODUCTS

Name	Maximum Amount Of Loan / Credit Limit / Insurance Coverage	Loan Tenure
Cross Sell Products	Upto value of active Primary Loan Disbursement amount associated with customer, in any given cycle	03-24 Months

OTHER PRODUCTS

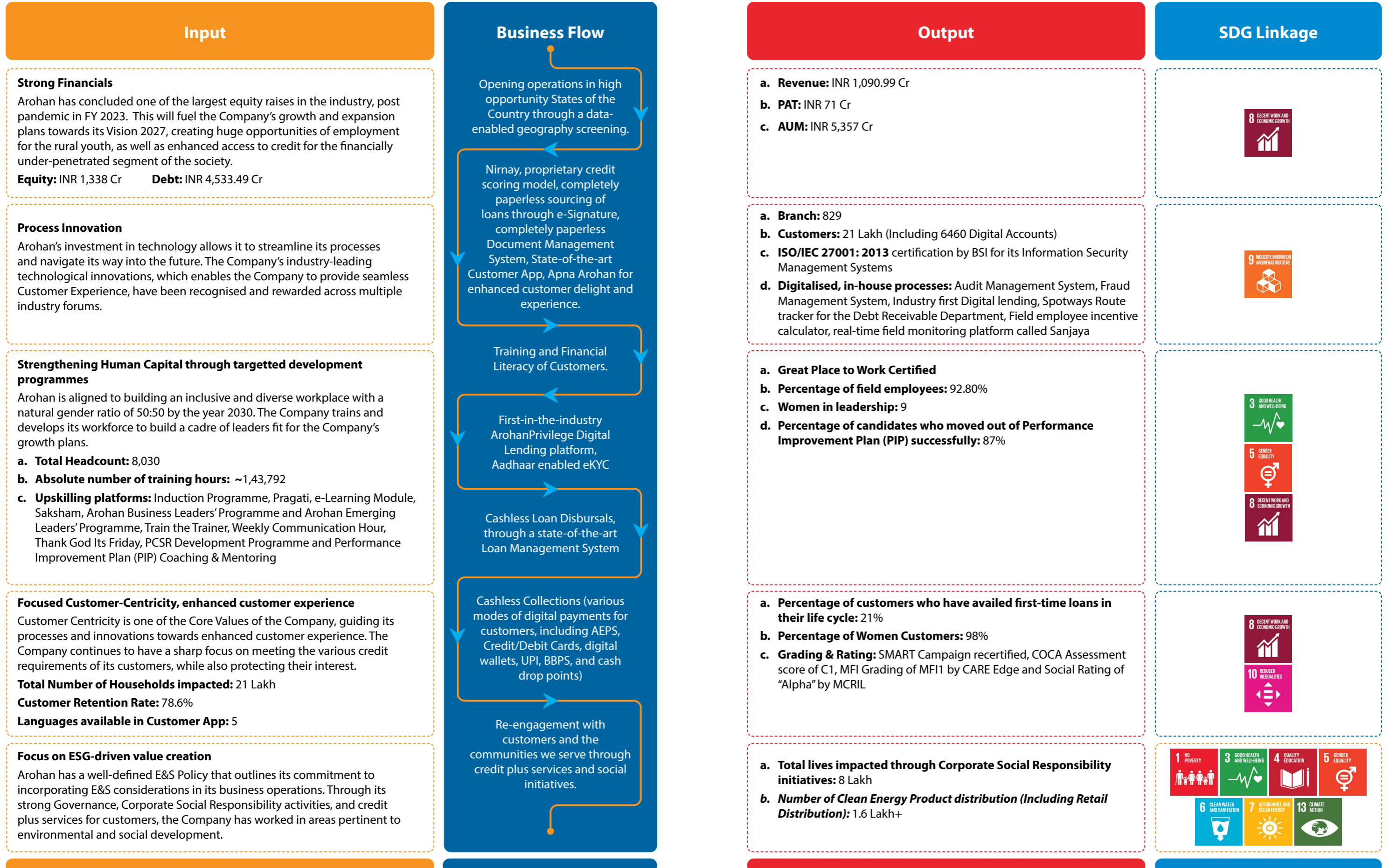
Product Category	Name of Loan/ Product	Maximum Amount of Loan / Credit Limit / Insurance Coverage	Term (Months/Week)
Insurance (offered through tie-ups with certain Indian insurance companies)	Term Life Insurance	Coverage is equal to loan amount disbursed to customer.	Loan Term + 2 Months
Insurance (offered through tie-ups with certain Indian insurance companies)	Health Insurance	INR 500/ INR 1,000/ INR 1,500 per day for normal hospitalisation up to 30 days and INR1,000/ INR 2,000/ INR 3,000 day for ICU hospitalisation up to 20 days in a year. Riders include Critical Illness benefit of INR 50,000 and Personal Accident benefit of INR 100,000 or INR 200,000.	12/24 Months
Insurance (offered through tie-ups with certain Indian insurance companies)	Dwelling Insurance	Upto INR 1 lakh depending on extent of damage caused to the house	12 Months
Loans to Small MFIs	Term Loans	INR 25 Cr	12-36 Months

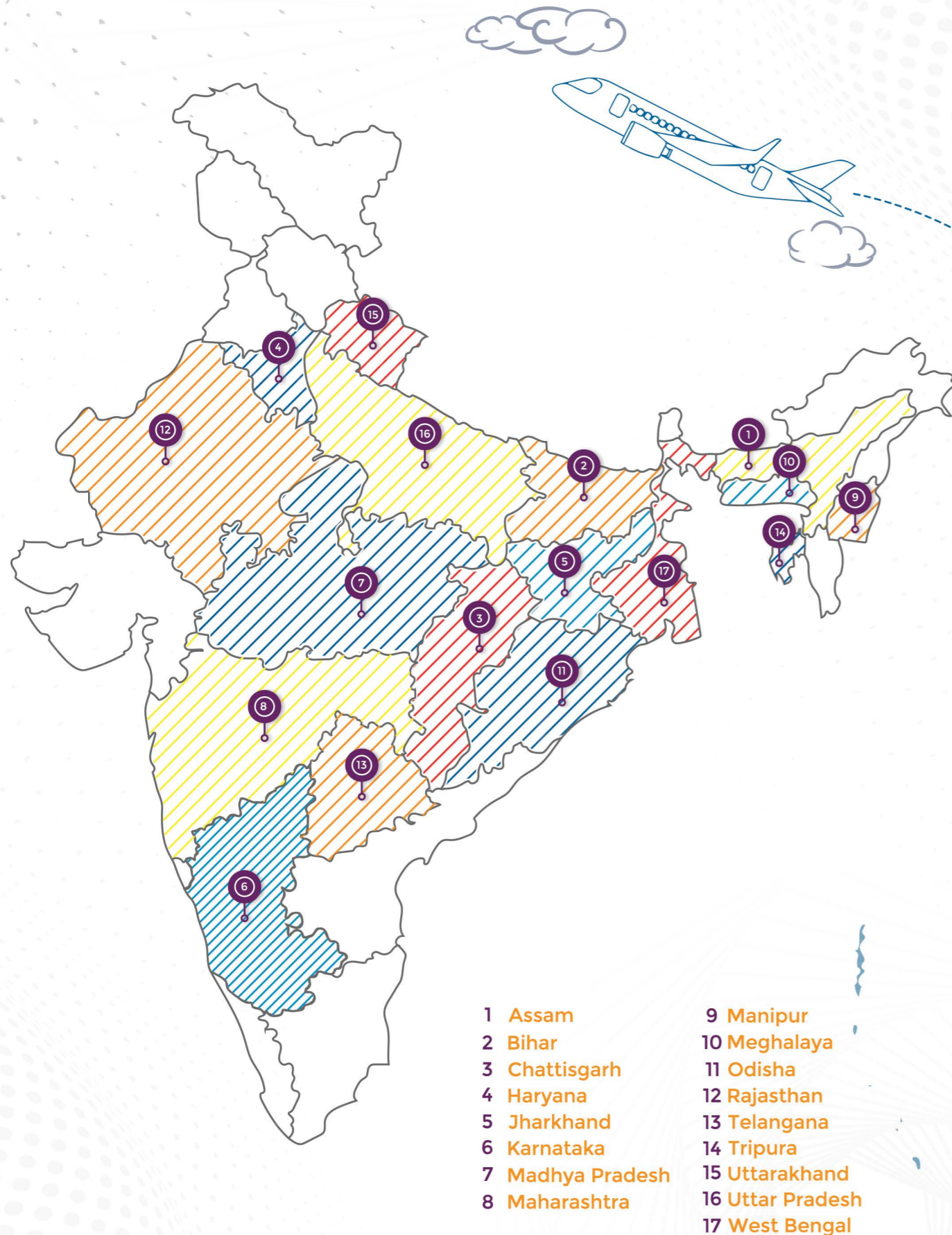
DIFFERENTIATOR SERVICE

Name	Customer Profile	Loan Size	Loan Tenure
ArohanPrivilege Digital Lending	Gold standard Microfinance customers	INR 5,000 - 75,000	05 - 24 months



Value Creation



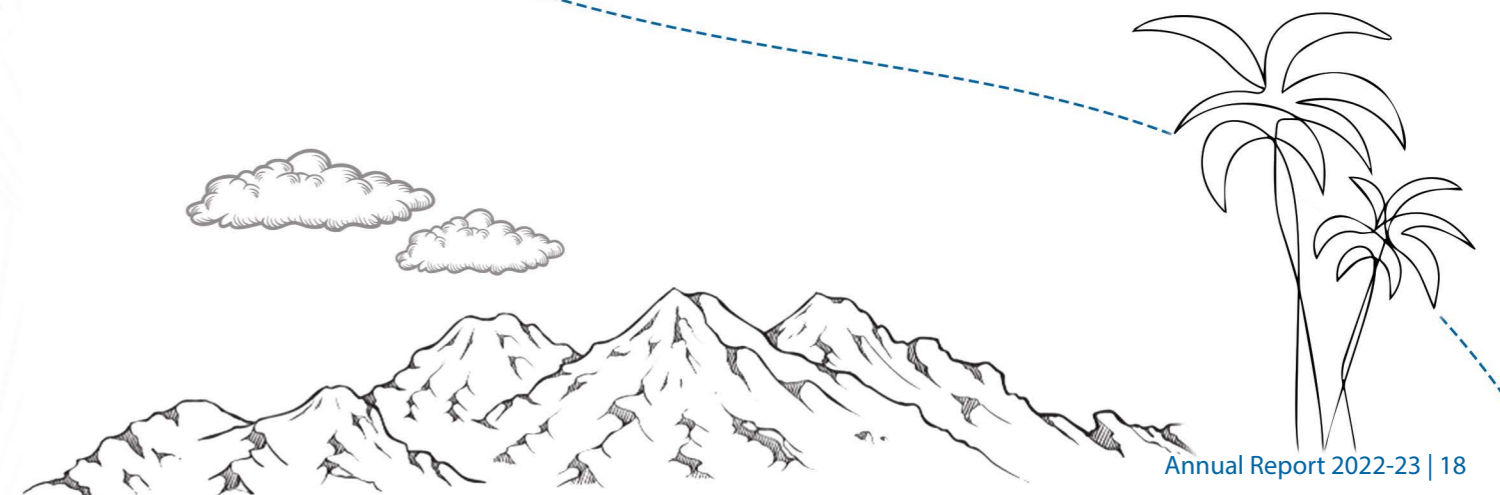


Our Growing Geographic Presence

Ambitious expansion plans fuelled by one of the largest fundraises by an NBFC-MFI in India in the post-COVID era.

Guided by its strategic plan to expand and further deepen its penetration in low-income states, Arohan, over the years, has been able to cater to customers even in the most remote geographies of the country with award-winning processes and services. As of March 31, 2023, the Company is present in 17 states with Haryana, Rajasthan and Uttarakhand as the newest additions along with Assam, Bihar, Chhattisgarh, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Odisha, Telangana, Tripura, Uttar Pradesh and West Bengal.

In FY 2023, the Company opened nearly 100 new branches across locations taking the total branch count to 829 as of March 31, 2023. As the Company commences its ambitious growth plan of impacting 20 mn lives by 2027, Arohan intends to enter into the states of Gujarat and Maharashtra with its microfinance product and service offerings, by opening new branches in operationally contiguous regions. Additionally, Arohan also plans to expand inorganically by partnering with other local MFIs and by focusing on Merger & Acquisition opportunities, strengthening the Company's portfolio, while allowing product and geographic diversification.





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 the University of Allahabad. He joined the Indian Administrative Services in July 1977 and has previously served with the Government of India as Secretary – Ministry of Finance, Secretary – Department of Financial Services and the Ministry of Corporate Affairs and as an 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. He has also served in the capacity of Managing Director of Uttar Pradesh Land Development Corporation, Vice Chairman of the Ghaziabad Development Authority and Special Secretary and Additional Director – Industries. He is an Independent Director on the Boards of Bharti Airtel, Max Financial Services, HSBC MF AMC.



MANOJ KUMAR NAMBIAR

Manoj Kumar Nambiar is the Managing Director of Arohan. He has been a Director since October 2012, when he was appointed as the Managing Director of Arohan with effect from October 3, 2012. He holds a Bachelor's degree in mechanical engineering from VJTI and a Master's degree in management studies from JBIMS, University of Bombay. He has also completed the 'Strategic Leadership in Microfinance' course from Harvard Business School, USA, "Strategy meets Leadership" course from INSEAD, Fontainebleau, France & "Leading for Impact" from IMD Lausanne,

Switzerland. He has worked with various companies in the fields of business development, consumer banking & finance and microfinance across India and the Middle East. His previous employers include 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 Alhamrani Company for Investment in Trade. He is the Vice Chairperson of the Group Executive Council at Aavishkaar, the holding company. He has served on the governing board of MFIN, the microfinance sector SRO recognised by the RBI for 6 years from 2013 including as its President from July 2015 to June 2016 and then as Chairman twice from July 2019 to June 2021. He is currently the Lead of the Steering Committee of the 37 MFI lenders in Assam liaising with the state government on the AMFIRS'21, the microfinance incentive & relief scheme 2021.



VINEET CHANDRA RAI

Vineet Chandra Rai is a Non-Executive Promoter Nominee Director of the Company. 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 the Company. She has been a Director since August 22, 2016. She holds a Bachelor's degree in Sociology from the University of Madras, Chennai and an Honours Diploma in Industrial Relations and Welfare from Xavier Labour Relations Institute (XLRI), Jamshedpur. She has worked with organisations like Standard Chartered Bank, Reebok, Cummins Inc. and most recently the British Oil Major BP plc, both in India and overseas. In her last role with British Petroleum she was the Director of their Global Leadership Academy. She is also a Non-Executive Independent Director on the Boards of other companies in India.



SUMANTRA BANERJEE

Sumantra Banerjee is a Non-Executive Independent Director of the Company. He has been a Director since April 29, 2014. He holds a Bachelor's degree in Chemical Engineering from the Indian Institute of Technology, Kharagpur, a Master's degree in Polymer 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 RPG Group Supervisory Board.



RAJAT MOHAN NAG

Rajat Mohan Nag is a Non-Executive Independent Director of the Company. He has been a Director since January 31, 2015. He holds a Bachelor's degree in Electrical Engineering from the Indian Institute of Technology, Delhi, a Master's degree in

Science, 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 non-profit 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 the Company. 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 is the Founder of Goodwell Investments BV, and also manages the Aavishkaar Goodwell India Microfinance Development Company I Ltd. and AG II.



ANURAG AGRAWAL

Anurag Agrawal is a Non-Executive Promoter Nominee Director of the Company. 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 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 the Company. 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.



DAVID ARTURO PARADISO

David Arturo Paradiso is a Director of the company since May 2022. He was nominated to Arohan's Board of Directors by Maj Invest. He holds an MBA

focused on finance, international business and venture capital/private equity from Brigham Young University (US) and Strategic Leadership on Inclusive Finance from Harvard University. He has more than 16 years of international experience managing finance operations, private equity and venture capital in the US, Asia and Latin America. He has been with the Maj Invest group since 2015 and is the Partner, Financial Inclusion, at Maj Invest Equity International focusing on Asia and Africa.



SHRI RAM MEENA

Shri Ram Meena is a Non-Executive Nominee Director of the Company. 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 CAIB examination of the institute. He joined SIDBI in December 1996 as an Assistant Manager and is presently the General Manager heading the New Delhi Regional Office of SIDBI.



STEPHEN DONGWON LEE

Stephen Dongwon Lee is a Non-Executive Nominee Director of Arohan. He was nominated to our Board of Directors by Teachers Insurance And Annuity Association Of America.

Stephen is a director on the Private Equity Impact Team at Nuveen. Prior to joining the firm in 2014, Stephen worked as director of access to finance for Building Markets, a social enterprise based in New York that supports local businesses in post-conflict and developing countries. He has also held various positions at J.P. Morgan, Accenture and ATX Communications. Stephen graduated with a B.A. in Economics from the University of Pennsylvania, an M.B.A. from Georgetown University's McDonough School of Business and an M.S. in Foreign Service with a concentration in International Development from Georgetown University's Edmund A. Walsh School of Foreign Service. He is also a former Fulbright Scholar in Egypt.



PAUL GRATIEN ROBINE

Paul Gratien Robine is a Non-Executive Nominee Director of the Company. 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.



DEMURU CHANDRAMOULI

Vemuru Chandramouli is a Non-Executive Nominee Director of the Company. He was nominated to Arohan's Board of Directors by SIDBI. He has been a Director since

May 12, 2023. He is a graduate in Electrical Engineering. He is currently working as a General Manager of SIDBI and has an overall experience of 30 years. He has also served as COO at TREDIS/RXIL.



ADITYA MOHAN

Aditya Mohan is a Non-Executive Nominee Director of the Company. Aditya Mohan has over a decade's experience in impact investing in Emerging Markets. He has managed equity and debt investment

portfolios across financial institutions, agri-enterprises and renewable energy. He is currently a Private Equity Investment Officer at FMO and was earlier associated Triodos Investment Management and Blue Orchard Finance. He holds a Masters in Business Administration from Erasmus University, Rotterdam School of Management. He has served on the Board of Sonata Finance Pvt Ltd in the past, and currently serves on the Boards of Aavishkaar Venture Management Services Pvt Ltd and Intellectual Capital Advisory Services Pvt Ltd in India.



NITISH CHAWLA

Nitish Chawla is a Non-Executive Nominee Director of the Company. Nitish is a Senior Investment Manager at IFU, the Danish development finance institution. Prior to joining IFU in 2020,

Nitish has worked as an investment manager at a single family office where he managed the family's investments in various businesses across logistics, renewable energy and water solutions, hospitality

and real estate sectors. He started his career as a buy side equity research analyst, tracking the financial services and pharmaceutical sectors in India. Nitish is a graduate in Computer Science and an MBA from Indian Institute of Management Indore. He has also cleared all three levels of the CFA examination.

Note: Mr. Shri Ram Meena and Mr. Paul Gratien Robine have resigned w.e.f. May 12, 2023. Mr. Aditya Mohan has been appointed as an Additional Director and Mr. Vemuru Chandramouli has been appointed as Nominee Director w.e.f May 12, 2023. Further, Mr. Nitish Chawla has been appointed as an Additional Director w.e.f. May 31, 2023.



Management's Profile



MANOJ KUMAR NAMBIAR

Manoj Kumar Nambiar is the Managing Director of Arohan. He has been a Director since October 2012, when he was appointed as the Managing Director of Arohan with

effect from October 3, 2012. He holds a Bachelor's degree in Mechanical Engineering from VJTI and a Master's degree in Management Studies from JBIMS, University of Bombay. He has also completed the 'Strategic Leadership in Microfinance' course from Harvard Business School, USA, "Strategy meets Leadership" course from INSEAD, Fontainebleau, France & "Leading for Impact" from IMD Lausanne, Switzerland. He has worked with various companies in the fields of business development, consumer banking & finance and microfinance across India and the Middle East. His previous employers include 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 Alhamrani Company for Investment in Trade. He is the Vice Chairperson of the Group Executive Council at Aavishkaar, the holding company. He has served on the governing board of MFIN, the microfinance sector SRO recognised by the RBI for 6 years from 2013 including as its President from July 2015 to June 2016 and then as Chairman twice from July 2019 to June 2021. He is currently the Lead of the Steering Committee of the 37 MFI lenders in Assam liaising with the state government on the AMFIRS'21, the microfinance incentive & relief scheme 2021.



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 has over 29 years of experience in finance. He heads the finance team of the Company and 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 and 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 and has been associated with the Company since July 1, 2017. He holds a Master's degree in Business Management from the University of Calcutta. He has over 27

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



ABIN MUKHOPADHYAY

Abin Mukhopadhyay is the Head of Internal Audit and has been associated with the Company since July 1, 2015. 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 22 years of experience in audit, accounting and management. He is responsible for giving assurance on the internal control arrangements and promoting good corporate governance in the Company. Prior to joining the Company, he has worked with Eveready Industries India Limited, ITC Limited, Colgate-Palmolive (India) Limited, Hindustan Motors Limited and Gumason Rubber-Tec GmbH.



ARVIND MURARKA

Arvind Murarka is the Chief Information Officer and has been associated with the Company since August 12, 2015. He holds a Master's degree in Business Administration

from the Institute of Chartered Financial Analysts of India University, Sikkim and has completed an Advance Programme in Leadership in Digital Era from IIM-Lucknow. He has an experience of over 30 years across multiple industries including information technology consulting, healthcare, infrastructure, food processing, and retail. He is responsible for overseeing the digital lending, IT infrastructure, IT application platforms including Core Banking System, and manage the information technology team to achieve goals, meet quotas, eliminate security risks and increase user satisfaction. 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.



SHAILESH KUMAR

Shailesh Kumar is the Head of Credit and Inorganic Business. He has been working with Arohan since April 1, 2018. He holds an Honours in Economics and English and is a '99 batch

SBI PO. He has 24 years of experience in lending. He is responsible for formulating credit policies for all businesses, monitors portfolio quality and keeps the credit committee updated on all portfolio quality related developments. He is also handling additional responsibility of working as a business head of the inorganic business of Arohan. He has extensive experience of handling all facets of banking. Prior to joining the Company, he was working with Intellicash as a business head after having a long banking career with the top banks in India - SBI and ICICI Bank.



INDRANI BANERJEE

Indrani Banerjee is the Head of Human Resources, Administration, Training, and Corporate Social Responsibility and has been associated with the Company since April 4,

2023. She is an MBA with a specialization in Personnel Management from IISWBM, a Master Practitioner of Neuro-Linguistic Programming, a Certified Life Coach, and a Certified Assessment Centre Analyst. Indrani is an HR professional with 27+ years of industry experience spanning the entire spectrum of HR from strategy to operations across diverse sectors like IT, Manufacturing, Engineering, Automobile, etc. She has spearheaded leading OD interventions like change management & organisation transformation, PCMM assessment, advisory & implementation, Malcolm Baldrige Framework of Performance Excellence, employee engagement survey, compensation survey and pay rationalisation, 360-degree evaluation, staff rationalisation, communication survey, etc. Prior to joining the Company, she worked with leading organisations such as Group Manjushree (B.K Birla) as the Group CHRO, McNally Bharat Engineering Company Limited, Infosys Technologies Limited and RS Software.



ANIRUDH SINGH G. THAKUR

Anirudh Singh G. Thakur is the Head – Legal, Compliance and Company Secretary 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 27 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. He has been chosen in the successive year of 2021 and 2022 as Risk and Compliance, and Boards and Governance Innovator respectively, by Diligent Modern Governance 100, a community of exceptional professionals in audit, governance, compliance, ESG and risk.



JOYANTA BAKALI

Joyanta Bakali is a Deputy Business Head and has been associated with the Company since June 2007. Joyanta holds a Post Graduate Diploma in Business Management

from IMT Ghaziabad. He is a microfinance veteran and has over 17 years of working experience in the sector. He is in charge of Circle 1, Arohan's biggest Circle in terms of portfolio and customer base. Circle 1 comprises of Zone 2 of Bihar, Zone 3 of Assam, Tripura & Meghalaya, Zone 4 of Odisha & Chhattisgarh, and Zone 8 of Jharkhand and some parts of West Bengal, Arohan's operational geographies.



VINOD PANDEY

Vinod Pandey is the Deputy Business Head and has been associated with the Company since August 2015. Vinod has completed his Post Graduate Diploma in Rural Management

Advance Diploma in Business Management, ICFAI. He is a seasoned professional with 20 years of diverse experience in Microfinance Industry, Livelihood Development, Rural Marketing & Life Insurance. He is in charge of Circle 2 of Arohan's operational geographies. Prior to joining the Company, he has worked with reputed organisations such as International Development Enterprise (India), Max New York Life, Kotak Life and L&T Finance.



KETAN AGRAWAL

Ketan Agrawal is the Head of Accounts and has been associated with the Company since June 2018. Ketan is a Chartered Accountant and an Information & System

Auditor. He has over 20 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. Prior to joining the Company, he has worked with organisations such as 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.



REEMA MUKHERJEE

Reema Mukherjee is the Head of Digital Growth at Arohan, and previously the Head of Strategic Initiatives & Corporate Communications and has been associated with

Arohan since March 2020. Reema is currently spearheading Arohan's Digital Lending vertical for microfinance customers, an industry-first initiative in India. Previously, as Head of Strategic Initiatives & Corporate Communications, Reema was responsible for all strategic initiatives - including capital raise, investor relations, inorganic growth opportunities and corporate communications, along with other projects of strategic importance in line with the Company's growth plans. 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 varied work experience across strategy, operations, finance and business development across multiple industries. Prior to joining the Company, she has worked with Amazon Web Services and Ingram Micro, both based out of the US. She has also worked with Dhandho Holdings, Vellvette Lifestyle (parent company of Sugar Cosmetics), and Hitachi Data Systems (as a consultant) across India, as well as in Barclays Investment Bank (previously Barclays Capital) in Hong Kong, Asia.



PRADIP KUMAR NATH

Pradip Kumar Nath is the Head of Microfinance Audit and has been associated with the Company since May 2019. He is a Chartered Accountant, Certified Internal Auditor

(USA) and Qualified Information System Auditor. He has over 22 years of experience in the field of Audit and Risk Assurance. Pradip has in-depth knowledge and expertise in Internal Audits, Risk Assurance, Compliance, and Controls in Business Process & Information System. Prior to joining the Company, he worked with Bandhan Bank Limited where he was DVP & Head of Micro Banking Audit for more than five years and with Deloitte for over a decade in Audit & Enterprise Risk Services (AERS).



DEBARSHI CHAUDHURI

Debarshi Chaudhuri is an Assistant Vice President - Accounts & Taxation, and currently handles the financial discipline, internal financial control, taxation and other

statutory compliances of the organisation and has been associated with the Company since January 2015. Debarshi is a Chartered Accountant and a qualified Company Secretary. He also holds a Post Graduate Diploma in Management (PGDM) in Finance from Symbiosis, Pune. He has approximately 21 years of post-qualification experiences in Finance, Accounts, Taxation, Audit, MIS, Budgeting, Statutory Compliances, Financial Due Diligence and Merger activities. Prior to joining the Company, he has worked with organisations such as SREI Infrastructure Finance Limited, JK Files (India) Limited, Amrit Group, BPL Telecom Ltd and Stadmed Pvt. Ltd.



Investors' 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 bn across Equity and Credit, with 8,000+ 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 mn. 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 12 bn under management, providing services in asset management and private equity. With headquarters in Copenhagen, Denmark, the company employs approximately 100 highly skilled professionals worldwide. Maj Invest was founded more than 18 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, finance, 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 leading secondary private equity investor in the Asia Pacific region.

TR Capital provides liquidity solutions to owners of private equity assets through single asset and portfolio transactions. The firm makes significant investments in innovative leaders in the Technology, Next-Generation Consumer and Healthcare sectors across Asia. TR Capital is an active investor.

Since its inception in 2007, TR Capital has closed four flagship funds, managed total capital commitments of USD 1.2 bn and completed 40 secondary investments. TR Capital's sophisticated investor base includes sovereign wealth funds, pension funds, asset management firms, entrepreneurs, and family offices.

The firm's 27 professionals are based in offices across Hong Kong, Shanghai, Shenzhen, Mumbai and Singapore. The firm is management owned and independent.



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.



Teachers Insurance and Annuity Association of America (TIAA)

TIAA was chartered in 1918 as a stock life insurance company, domiciled in New York State, to provide employees of nonprofit education and research institutions with the means to enhance their future

financial security. The Carnegie Corporation had provided TIAA's initial USD 1 mn capital, and as sole owner of TIAA, it held all the stock: five hundred shares.

For TIAA's first twenty years, the Carnegie Corporation paid the organisation's business expenses. However, in 1937, The Carnegie Corporation formed a new nonprofit company to hold the shares of stock in TIAA to enable the organisation to be governed on its own. Named Trustees of T.I.A.A. Stock, it was incorporated by a Special Act of the New York State legislature. The Carnegie Corporation then turned over ownership of TIAA to the new company.

In 1989, Trustees of T.I.A.A. Stock was renamed TIAA Board of Overseers and again renamed in 2021 to be called the TIAA Board of Governors. TIAA Board of Governors normally consists of seven members, each of whom serves a seven-year term. The members do not directly supervise TIAA management, but they elect the members of the TIAA Board of Trustees, which does exercise such supervision. They also approve amendments to TIAA's Charter and Bylaws. TIAA Board of Governors meets at least twice a year.

TIAA is regulated principally by the New York Department of Financial Services.



Entrepreneurial Development Bank

Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO)

FMO is the Dutch entrepreneurial development bank. As a leading impact investor, FMO supports sustainable private sector growth in developing countries and emerging markets by investing in ambitious projects and entrepreneurs. FMO believes that a strong private sector leads to economic and social development and has a 50+ year proven track-record in empowering entrepreneurs to make local economies more inclusive, productive, resilient and sustainable. FMO focuses on three sectors that have high development impact: Agribusiness, Food & Water, Energy, and Financial Institutions. With a total committed portfolio of EUR ~13 bn spanning over 85 countries, FMO is one of the larger bilateral private sector development banks globally. For more information: please visit www.fmo.nl.



Navigating the Sky **Cruising growth in the rapidly changing landscape of the industry**

The evolution of the microfinance industry in India over the years, especially after the global pandemic has been exceptional and inspiring. It is slowly taking centre stage in boosting the USD 5 trillion economy dream of the country. With the enabling efforts of the industry, the Government of India, as well as, the Reserve Bank of India, Arohan too has evolved stronger since the pandemic, leveraging opportunities and leading transformation in the industry landscape, thus shaping up its 'next'.

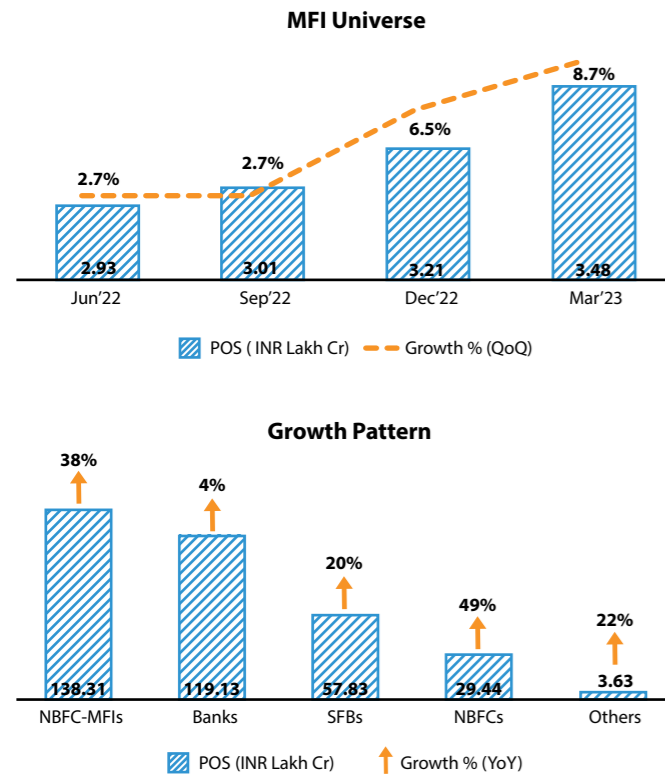
India's microfinance industry has grown rapidly over the last two decades, providing affordable and accessible financial services to millions of people. The sector has been instrumental in empowering low-income individuals, providing them with access to capital, and helping them create livelihoods for themselves. With the enabling support of the Reserve Bank of India (RBI), the Indian microfinance sector's role outshone especially

during the difficult two-year span of the global pandemic, in addressing the issue of financial exclusion and has, over the years, helped bridge the gap between the rich and the poor. With the government's continued support and the increasing use of technology and digitalisation, the sector is poised for sustained growth, widespread financial inclusion, and positive social outcomes.



Industry Overview:

The FY 2023 was the first normal year, since the pandemic in FY 2020 which opened up a domino effect of events starting with the lockdown, six months of the moratorium, various natural calamities in operationally active geographies for the microfinance industry followed by wave 2 and 3 of COVID-19. The microfinance industry gradually restored normalcy and scaled growth to record, as on March 31, 2023, a total loan portfolio (MFI universe) of INR 3,48,339 Cr, a total number of active loan accounts of 13.0 Cr with 6.6 Cr unique borrowers. A total of 82 NBFC-MFIs have emerged as the largest provider of micro-credit with a total loan amount outstanding of INR 1,38,310 Cr, accounting for 40% of the total industry portfolio. 13 Banks hold the second largest share of the portfolio in micro-credit with a total loan outstanding of INR 1,19,133 Cr, which is 34% of the total micro-credit universe. While SFBs have a total loan amount outstanding of INR 57,828 Cr with a total share of 17%, NBFCs account for another 8% and other MFIs account for 1.0% of the microcredit universe.



Key industry highlights of FY 2023

1) **Master Direction – Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022:** Effective April 1, 2022, the Reserve Bank of India released a set of new guidelines for microfinance lending, called “Master Direction –

Reserve Bank of India (Regulatory Framework for Microfinance Loans) Directions, 2022”, applicable to all lending entities involved in microfinance activities including Banks, SFBs and all NBFCs. A paradigm shift from the earlier microfinance guidelines, the new Master Direction revised the pricing guidelines, indebtedness, and income limits for microfinance loans. The new guidelines, which were to be implemented by lending institutions earliest on best effort basis, but no later than October 1, 2022, over a period of time, will help reduce the probability of over-indebtedness of microfinance borrowers with a mandate to derive the household income (capped at INR 3 lakhs per annum) and ensure that the total EMI burden across all loans (no restriction on loan usage) for the household is under 50% of income assessed.

2) **Recognition of Non-Performing Assets (NPAs):** With reference to the Master Circular on Prudential norms on Income Recognition, Asset Classification, and Provisioning pertaining to Advances (IRACP norms) dated October 1, 2021, and the subsequent communication issued by the Reserve Bank of India ‘Prudential norms on Income Recognition, Asset Classification, and Provisioning vide circular DOR.STR.REC.68/21.04.048/2021-22’ dated November 12, 2021, it was clarified that loan accounts classified as NPAs may be upgraded as ‘standard’ assets only if entire arrears of interest and principal are paid by the borrower. With regard to this, the RBI in its circular DOR.STR.REC.85/21.04.048/2021- 22 dated February 15, 2022, clarified that “NBFCs shall have time till September 30, 2022, to put in place the necessary systems to implement this provision. All other instructions of the Circular shall continue to be applicable as per the timelines specified therein.” This further emphasizes the importance of credit repayment discipline for all the borrowers of the financial inclusion landscape.

3) **Data Submission to Credit Information Companies (CICs):** According to the letter DOR.SIG.FIN.No./20.16.042/2022-23 dated June 7, 2022, the Reserve Bank of India had notified the modifications in the data format for furnishing of customer information to Credit Information Companies. The necessary changes in the UCRF (Uniform Credit Reporting Format) for the MFI segment were incorporated by the CICs and communicated to the CIs. Further, an additional notification with effect from October 1, 2022, specified that erroneous or non-submission of data in the modified fields will lead to the rejection of the records by the CICs.

4) **The Assam Microfinance Incentive and Relief Scheme (AMFIRS) 2021:** Earlier in June 2021, the Government of Assam announced a historic Assam Microfinance Incentive and Relief Scheme (AMFIRS) with the objective to strengthen the long-term view of ensuring the continuity of micro-finance in supporting the economic activities of low income and poor households in the state. In FY 2023, Cat 1 and 2 were successfully rolled out.

Overview of Financial Year 2023 for Arohan

The FY 2023 was a year of action and growth for Arohan, as the Company restored normalcy, post the ensuing impact of the pandemic. The Company grew by 30% on its Gross Loan Portfolio. While ensuring the reactivation of customers, Arohan also focused on helping customers get back to the centres and restore centre discipline through various initiatives, curing repayment and credit health.

To this effect the Company structured out a Debt Receivable Department (the erstwhile Recovery Vertical) with an additional focus on recoveries from the PAR61-90 customers, along with the existing/usual NPA portfolio, thereby optimising productivities of its resources in sync with the Business & Collections vertical that focuses on sourcing new business and collections from customers under the 60 days’ delinquency. In FY 2023, Arohan focused on the credit requirements of existing customers rather than acquiring new customers. All these efforts have put the Company with one of the best NNPA in the industry of 0.21%, as of March 2023. Our efforts are further recognised with our dual credit rating of A- from both CARE and ICRA (upgraded to Stable Outlook). The Company expanded operations to the states of Rajasthan, Haryana and Uttarakhand, and is present in 17 states with 829 branches, catering to 2.01 mn customers primarily in rural areas, as on March 31, 2023.

Arohan continued to maintain a sharp focus on leveraging technology as one of the key pillars of its growth strategy. Some key highlights are:

1. Arohan launched the industry’s first Digital Lending platform for microfinance customers, “ArohanPrivilege”. Through this service, customers with exceptional credit discipline will get the benefit of receiving a loan within minutes of a successful application, through Arohan’s proprietary apnaArohan app from the comfort of their homes.
2. The Company has also launched a fully automated

“Fraud Management System”, developed in-house for faster reporting, tracking, and closure of fraud cases in the business, providing a “Report to Resolution (R2R)” facility with real-time tracking and a dashboard of all fraud cases.

3. Arohan launched “Sandesh”, a first-in-the-industry, in-house developed Enterprise Risk Management (ERM) application to manage the risk of a growing business. This platform will enable the teams to monitor and manage risks that are related to the strategic goals of the Company in an efficient and robust manner.
4. Arohan deployed the microfinance industry’s first-in-the-sector credit acquisition scorecard, ‘NIRNAY’ during the year. With this, the Company now offers differentiated Credit Risk pricing to higher-risk customer segments, in line with the Credit Risk Pricing decision that came into effect on April 1, 2022, per the revised guidelines of the Reserve Bank of India.

With the view of revamping its Bazaar loan product, which is specific to the male segment, Arohan announced the launch of a new business vertical, the Micro Enterprise Loans (MEL) with the aim of fulfilling the working capital needs of micro & small businesses.

Arohan continues its focus on strengthening its connect with its stakeholders. To this effect, the Company launched its new website in FY 2023, which is in line with its Vision of becoming a preferred, digitally advanced financial inclusion institution for its customers, a preferred place to work for all employees, and a preferred partner for all investors and lenders. The new website is designed to be user-friendly with easy-to-access tabs on the latest uploads, Investor Relations, Newsroom, Careers, and the Company’s Environmental, Social, and Governance focus for quick information.

The financial year also earned many recognitions for the Company. Some notable ones include the ‘Microfinance Company of the Year’ Award at the 3rd Annual BFSI Technology Excellence Awards programme, organised by Quantic, the Best Risk Management Initiatives Award, and the Best in Technology Innovations Award by the Association of Microfinance Institutions, West Bengal. Our commitment to best-in-class and future-ready technology interventions was further reinstated with the landmark ISO/IEC 27001:2013 certification on Arohan’s Information Security and Management Systems received from the British Standards Institution (BSI), while our Internal Audit function continues to be an ISO 9001:2015 certified quality vertical.



Way forward for FY 2024

Arohan has developed a new strategic plan for growth in order to achieve transformation in its preparation for the future. The Company intends to continue its efforts of mainstreaming financial inclusion and providing affordable credit and non-credit services to customers in the lower half of the socio-economic pyramid. Arohan aims to create value for its customers, employees, and shareholders, by expanding operations in existing areas, expanding to newer geographies through organic, as well as inorganic opportunities, and exploring new ways in its journey to the 'next'.

Arohan is poised for significant growth this year with a strong balance sheet and steadfast operational processes. The Company plans to expand its reach to additional low-income states and serve over 2.6 mn customers by the end of FY 2024. Additionally, Arohan seeks to improve its product offerings, reduce pricing, and promote digital financial inclusion for its customers while aiming to surpass INR 7000 Cr in Assets Under Management. The company's focus this year centres on implementing more efficient processes, expanding its suite of products, and increasing its outreach, all in line with its strategic vision.

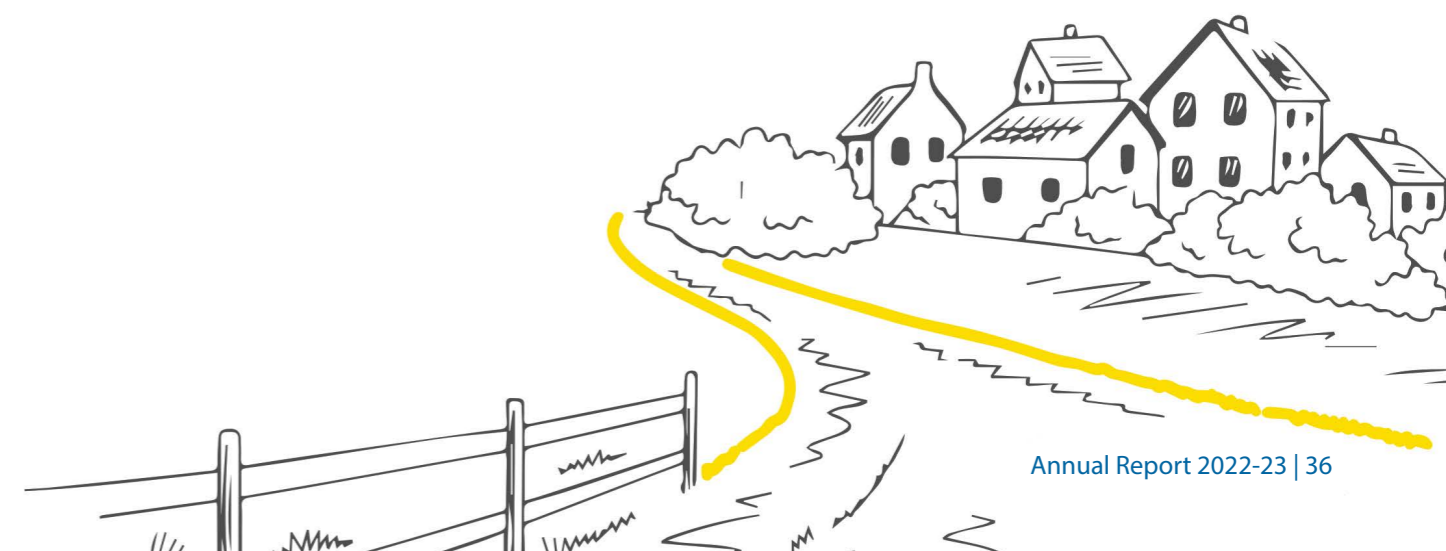


Navigating the Roads **Cementing customer relationships through better connectivity**

Arohan has structured its business processes and services to determine for itself a differentiated market advantage. This is laid on the foundation of its Vision, driven by a well-diversified business model that ensures better customer connect. Driven by its Organic, and Inorganic business lines, as well as innovative differentiator services such as the first-in-the-industry ArohanPrivilege Digital Lending, Arohan is set to establish new milestones of customer delight and experience, worthy of the 'next'.

The FY 2023 has been significant for Arohan in turning key innovations fuelling its diversified growth strategy. Various key process developments and milestone initiatives allow the Company to be well-poised to match the ambitions of its Vision Statement. Arohan closed March 31, 2023, with a portfolio outstanding of INR 5,357 Cr across 2.01mn borrowers, served by 8,030 employees, from 829 branches in 17 states.

Arohan has unlearned and learned from the rapidly evolving global environment and has leveraged opportunities for scale. In FY 2023, the Company focused on ascending growth through expansion, process innovation, and enhanced customer experience, while determining its path to a worthy future.





Valued-Added Product Lines

Over the years, the Company has transformed its existing product range by strengthening the existing product dynamics, with the help of digitalisation, focused on customer experience and increasing the tenure of the customer lifecycle with Arohan.

Core loan products

Saral Suite of Products: Arohan's flagship product, 'Saral', which caters to women who are residing in low-income areas generally involved in trade and services, continues to hold a dominant share in the Company's portfolio. Arohan predominantly provides loans to groups consisting of three to five women, 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.

Additionally, if a customer has repaid a minimum of 14 EMIs under her existing loan and she has a good attendance record at centre meetings, the customer becomes eligible for '**Saral Repeat**', which provides access to larger loan amounts for a longer tenure under a Joint Liability Centre (JLC), which consists of all the women in that customer's centre, the number ranges typically between 25 to 30 women. This product offers loan sizes from INR 25,000 to INR 75,000.

Overall, the Saral loan amounts range from INR 25,000 to INR 75,000 (including Saral New to Credit, Saral Use to Credit and Saral Repeat) and typically have a term of 18 to 30 months.

Bazaar: Arohan's 'Bazaar' product is a loan product offered to address the working capital needs of small businesses operating out of authorised marketplaces or clusters of shops organised under local Traders' Associations. Bazaar loan borrowers are predominantly men involved in small trading and micro-enterprises. Arohan is among the pioneers in the industry to diversify into a product for male customers. The Bazaar loan amounts generally range from INR 25,000 to INR 1,00,000 and have a term of 12 to 24 months.

Micro-Enterprise Loans: In FY 2023, Arohan launched Micro-enterprise loans for the higher segment customers with ticket sizes ranging from INR 1,05,000 to INR 1,50,000.



These loans target to meet the working capital needs of micro and small enterprises. In the month of January 2023, Arohan inaugurated its first Micro-Enterprise Loan Branch, exclusively dealing in Bazaar and Micro-enterprise loan products. Arohan is the first NBFC-MFI to launch an exclusive branch for its business loan vertical and plans to open more such branches going forward.

Secondary Loan Products

The Secondary Loan Product vertical of Arohan has, over the years, emerged as a strong platform for establishing multiple touchpoints with the customer and her family. In FY 2023, the vertical scaled its business significantly by increasing its partnerships to cater to the needs of its customers for both financial products such as life and non-life insurance, as well as, non-financial products via Cross Sell. Cross Sell plays a key role in increasing customers' access to a range of financial inclusion products and helps Arohan in improving credit relationships and engagement with its customers.

Cross Selling Process: Arohan's Cross Sell business model allows the Company to increase touchpoints with its customers while also helping its customers improve their standard of living. Arohan believes that this diversifies its operational risk by providing new revenue streams and generating additional sources of income for the Company.

Arohan uses the scheduled meeting slots of its Customer Service Representatives with its customers to also talk about and highlight new products. Cross selling at Arohan is facilitated through an in-house technology platform called "ApnaBazaar", on which various products are made available to the company's field employees on mobile or tablet devices, for them to, in turn, make it available to the customers. Over the years, Arohan has been able to successfully establish multiple linkages and



engagements with the customer and her family, in as much as they are found to have requirements for both, financial inclusion products as well as non-financial products under the Cross Sell portfolio.

1. Financial Products

Under the Financial products, onboarding customers (and/or their co-borrowers) onto insurance policies is done in a fully paperless mode. Certificate of Insurance (CoI) in the form of SMS (with compressed URL of CoI) is provided to each customer on-boarded to a policy. Although any claim raised is handled by the associated Insurance Firm, Arohan supports the nominees of affected customer families by ensuring a smooth handover of the required information to enable the successful closure of claim cases. The process to raise claims via an IT-based Portal further ensures minimisation of information loss and reduced TAT on the processing of claims.

Arohan's suite of financial Cross Sell products include Financial Safety Net Products. In order to ensure a financial safety net for its customers, Arohan offers life and health insurance products that are issued and underwritten by certain Insurance Companies with whom the Company has entered into tie-ups. The financial safety net products are highlighted below:

- **Group Term Life Insurance:** With insurance coverage of the loan amount of the customer, in the unfortunate event of the death of the policyholder, the insurance allows the nominee to obtain a sum insured under the policy minus the amount outstanding under the loan agreement at the time of death of insured. This ensures that the nominee is not burdened with the fulfilment of the outstanding loan amount. To safeguard the customer's family in such an unfortunate event, it is mandatory for Arohan's customers to obtain insurance coverage on the loan amount.
- **General Insurance:** Under these policies, Arohan's customers are entitled to receive a hospital cash benefit, in the form of cash compensation against wage loss for each continuous and completed period of 24 hours of hospitalisation at any registered hospital due to sickness, for a maximum of 30 days per annum in a non-ICU bed (or for a maximum of 20 days per annum in an ICU bed). In the event of accidental death, the nominee receives an additional amount of INR 100,000 / INR 200,000 and in the event of diagnosis of critical illness, the person receives an additional amount of INR 50,000.

- **Dwelling Insurance:** Arohan initiated the Dwelling Insurance Cover which provides protection to 'Kuccha' and 'Pucca' houses against several types of natural calamities and damages. The coverage is valid for two years up to a Sum Assured of INR 1 Lakh.

2. Non-Financial Products

To its customers, Arohan offers a range of utility products from renowned brands at affordable costs. These products may also be financed by Arohan through secondary loans for eligible customers. Products offered to customers are those that provide value to the customer's life or livelihood, enhancing her and her family's quality of life in the process. Current products available under the non-financial category include, but are not limited to home and kitchen appliances, electronics, consumer durables, and bicycles.

Additionally, Arohan has defined for itself various models of sourcing and delivering orders for Non-Financial products, dependent on individual Third-Party Business Partners:

- **Stockist Model:** Through this model, an agent of the Business Partner ("Stockist") takes the responsibility of handing over the product to Arohan's customers at the point of demand generation.
- **Last-Mile Delivery Model:** Through this model, large consumer durables, and small home, and kitchen appliance orders are delivered directly to the customer's doorstep at no extra charge.
- **Mela Model:** Through this model, small home and kitchen appliance orders are delivered in bulk to an assigned spot, like a fair gathering, near relevant branches associated with the customers on an assigned date and time.

Over the period of years, the ApnaBazaar platform has been made significantly more seamless and efficient with new features such as the auto-fetching of customer's KYC documents and eSignature, the ease of the process of placing an order, the approving of eligible loan applications and the managing of orders with auto-authentication methods such as OTP-based delivery confirmation of Non-Financial products. The platform is getting further streamlined, as Arohan is currently deploying end-to-end system-based policy validations, thus ensuring alignment of policies and processes between Primary and Secondary Loan Products.



In FY 2023, Arohan added new services such as the **Dwelling Insurance** product and the **Telemedicine Rider** on the Hospicash product, to the thriving bouquet of products catering to the varied needs of a customer. The Company is attempting to capture the right product demand of the right customer during the right phase of her journey with Arohan. Through enhanced customer experience and service processes, Arohan is focused on reducing customer delinquency and increasing customer retention.

Arohan is engaged with leading brands in the financial, as well as non-financial Cross Sell space to ensure that its customers get access to a wide variety of products. This besides, renowned brands also ensure best-in-class post-sale service and claim settlement experience. To this effect, Arohan is engaged with brands such as Bajaj Allianz Life Insurance, Kotak Mahindra Life Insurance, HDFC Life, Future Generali, and Care Health Insurance in the financial space and finances products of Samsung, Vivo, Prestige, Maharaja, Crompton, Hero, d.light and other leading brands in the non-financial space.

Going forward, Arohan, through its Cross Sell business, aims to focus on onboarding more customers and further improving customer experience. To this effect, the business will focus on capturing active and latent demand of ArohanPrivilege customers (the industry's first Digital Lending platform for microfinance customers, by Arohan), offering financial and non-financial Cross Sell portfolio to potential customers of Arohan who do not have an active Primary Loan with the Company, offering financing facility to customers on e-commerce platforms and reducing manual operational dependencies by introducing more system-driven interventions.

Inorganic Business

Arohan is one of the few NBFC-MFIs which extend loans to other smaller MFIs for the creation of microfinance portfolios in low-income states. Term loans range from INR 1 Cr to INR 25 Cr.

Arohan also enters into exclusive Sourcing & Collection ("S&C") arrangements with other microfinance institutions to help them grow their portfolio off-book. Under the S&C arrangement, the partner sets up exclusive branches for Arohan to extend microfinance loans and collects repayment. The loan is written on the books of Arohan and the partner gets a share in the collection of interest.

S&C helps small and mid-size MFIs to grow their books without any capital allocation, thus creating a win-win situation.

Through this vertical, Arohan works with over 20 partners across its areas of operations benefiting not just customers who are situated in remote geographies, lacking access to interventions diversified credit products, get continued access to credit, but also grass-root level institutions in getting financial, as well as technological and operational support through focused consultation and training interventions from Arohan. Arohan has been an industry thought leader in driving this vertical, while creating a differentiator growth model for itself, well-suited for its journey ahead.

Differentiator Models

ArohanPrivilege Digital Lending

Arohan is focused on driving innovation and differentiation through its products and processes with an aim to expand its outreach while serving customers better. In FY 2023, Arohan has steered the launch of a historic, first-in-the industry Digital Lending platform for microfinance customers – ArohanPrivilege.



Arohan has been quick to adapt to the rapidly changing customer behaviour, post the pandemic, where it was challenging to bring them back to a centre discipline. ArohanPrivilege Digital Lending is an alternate channel to address this issue, while also a vehicle to achieve Arohan's Vision 2027. This service is specific to gold standard microfinance customers.

ArohanPrivilege is a unique first-in-the-industry initiative that gives such customers the facility of receiving and serving their loans through 100% digital and cashless means, through Arohan's proprietary apnaArohan app from the comfort of their homes.

The benefits for ArohanPrivilege Customers are as follows:

- Money in the account within minutes of a successful loan application
- Unparalleled user experience with easy-to-use

interfaces

- Customer can apply from the comfort of her / his home
- No group formation and no center meetings
- No loss of daily wages for coming to the branch office or center
- Flexibility to choose suitable loan amount and tenure
- Flexibility to choose a suitable repayment schedule

The ticket size of ArohanPrivilege loans ranges from INR 5,000 to INR 75,000. The facility is currently available for Privilege customers in the states of Bihar, Chhattisgarh, Jharkhand, Madhya Pradesh, Odisha, Uttar Pradesh, and West Bengal.

Cashless Back-End

Arohan has successfully established a completely cashless back-end in tune with the national agenda of a cashless economy, helping the Company turn around its services to its customers in a faster, more secure environment. Over the years, Arohan has steadily transformed its disbursement and collection processes to better its customer service and experience and has a consistent appetite to better its best.

Arohan continues with a 100% cashless disbursement system as of March 31, 2023. This process is enabled through the centralised Loan Management System, Profile by FIS, which facilitates the initiation of NEFT transactions directly to customers' accounts. For Cashless Collections, Arohan introduced a cash-drop facility for its customers at the Banking Outlet points during the pandemic, which is easily accessible across geographies. The Company is live on most of the 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. Additionally, the Company has introduced UPI AutoPay (2nd in the Microfinance industry), WhatsApp payment services, and Payment through the "Apna Arohan" Customer app.

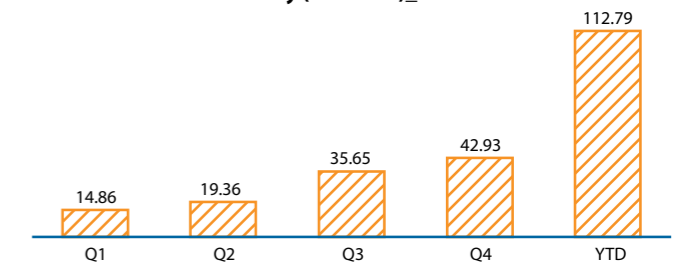
Debt Receivable Department

In order to ensure optimization of productivity, leaving ample bandwidth to achieve the Vision Statement, Arohan firmed up a Debt Receivable Department to take a measured approach to curing overdue accounts.

Back in FY 2022, Arohan strengthened its recovery efforts and established a dedicated frontline cadre of Recovery-CSRs (RCSR) monitored centrally for the management of NPA customers. September 2022 onwards, these RCSRs were re-christened to Receivable Executives (RE), their role and responsibilities including follow-ups, activations, and recoveries from PAR60 customers, along with the NPA pool.

With a supervisory structure formed at Cluster, leading up to Divisional levels, to drive on-field teams, along with a Central Strategy Team together manage over 900 REs ensure efficient and effective management of NPA accounts. In FY 2023, Arohan successfully recovered a total of INR 112 Cr from such microfinance customers (including 100 Cr+ from NPA customers).

Recovery (in INR Cr)_FY 2023



To achieve such numbers, Arohan put into practice the following broad strategies and initiatives to connect with customers and ensure recoveries:

Field Strategy

- **Customer Household Visit and Promise to Pay (PTP):** Arohan's cadre of Receivable Executives is focused on establishing connect with the identified pool of customers, educating them on the importance of good credit discipline and collecting repayment, or ensuring payment commitments through Promise to Pay (PTP) dates.

Consistent customer calls and visits are prioritized with the aid of customer-level Recovery Scorecards which have been developed on the basis of collection trails, payment history, delinquency, and the on-us & off-us performances of our customers.

- **Legal Strategy - Soft Reminder Letter and Legal Notices:** Soft Reminder Letters are also handed over to certain customers as a soft warning to them to repay to avoid any legal action in the future. In case of no response from the customers, Legal Notices through Advocates are also sent. Lok Adalat is another dispute redressal mechanism, Arohan is using to ensure recoveries through settlements from Local and National Lok Adalat



drives. Through these efforts, the Company has recovered INR 1 Cr+ through legal interventions alone in FY 2023.

Other Key Recovery Initiatives:

- Sandhi Settlement Scheme:** To maximize recoveries from written-off accounts, Arohan launched the Sandhi Scheme in February 2021, offering such customers a one-time settlement (OTS) opportunity on the basis of a pre-defined settlement matrix. Recovery through Sandhi stood at INR 6 Cr as on March 31, 2023, compared to INR 1.30 Cr as on March 31, 2022, and INR 22 lakh, as of FY 2020-21.
- OTS Scheme for Special Pool:** To maximize recoveries from a certain re-structured pool basis their repayment behaviour and DPD days, Arohan launched the Samunnati OTS Scheme in October 2022, offering such customers a one-time settlement opportunity on the basis of a pre-defined settlement matrix. Recovery through this OTS Scheme stood at INR 2 Cr as on March 31, 2023.
- Customer Connect:** Regular connect through calling initiatives were also established for dormant customers and Sandhi-eligible customers through the in-house Customer Care team to understand their perspective and gauge their willingness to repay.
- IVR-based Messaging:** IVR-based Voice Blasts for a select pool of customers had been initiated in November 2022, through an external service provider. This was undertaken to address any probable bucket flow from the lower vintage pools of customers through important reminders and information sharing, and also, to capture the intention of NPA customers to repay.
- Use of SpotWays, Route Tracking Software:** Arohan partnered with Infologitech Systems in December 2021, to implement their route-tracking software, SpotWays which has been instrumental in helping the REs maintain trails and reach the difficult customers conveniently, thus aiding recovery efforts in a big way. The software supported the field team in expanding its coverage of the allotted customer pool.
- Use of Collection Agency:** January 2023 onwards, Arohan has been exploring the services of Collection Agencies to take care of a certain part of its portfolio for the internal team to be able to focus more effectively on the less delinquent and

contactable customer pool.

UNWAVERING CUSTOMER CENTRICITY

Determining the changing customer behaviour and trends, and realigning processes and services to address their needs is pertinent to Arohan's core value of Customer Centricity. For Arohan, safeguarding and protecting the interest of the customer is paramount and one of the key strategies for sustainable growth.

Connecting with customers through financial awareness



Jingle, Bhuban Badyakar style - It is a constant focus for Arohan to educate customers and make them financially informed and independent. To this effect, in FY 2023, Arohan roped in social media

sensation Bhuban Badyakar of "Kaccha Badaam" fame for a new jingle aimed at creating financial awareness in rural belts. Mr. Badyakar engaged with Arohan to generate and enhance financial awareness in rural areas through a simple and relatable narrative, in his innovative style of singing. The engagement was in view of encouraging the customers to be aware of the importance of timely repayment of EMIs to help maintain a good credit bureau record for their future.



Championing Awareness Campaign on RBI Ombudsman Scheme in West Bengal - In FY 2023, Arohan was selected as a torchbearer in West Bengal for the Reserve Bank of India's nationwide awareness programme on the Ombudsman Scheme. The campaign was held across the month of November 2022 and was run in digital mode with an informative

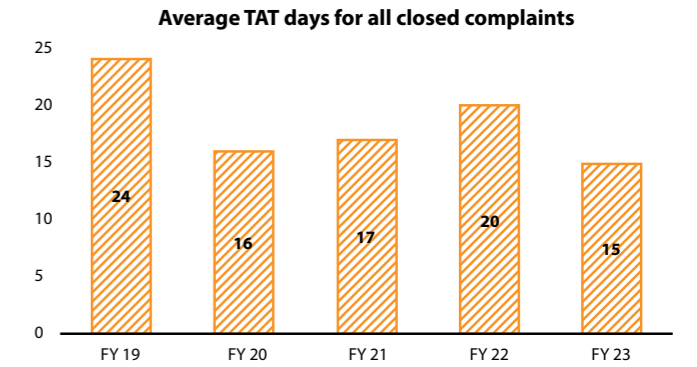
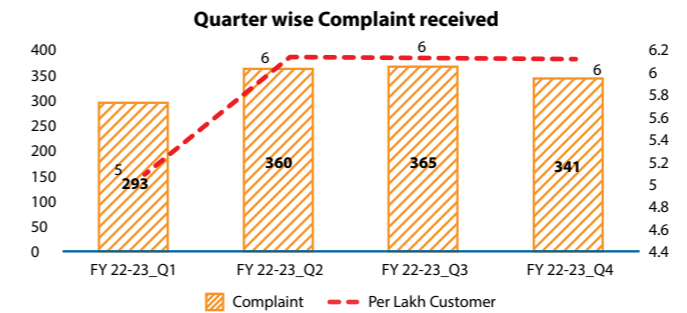
video made available to customers in vernacular language. The contents of the programme comprised Safe Banking Practices, Charter of Customer Rights, Internal Grievance Redressal, Alternate Grievance Redressal, Dos & Don'ts while carrying out digital transactions, and Modus operandi of frauds.

Supporting customers through valuable Insights

The Company harnesses the power of the cloud to fetch key insights on customer satisfaction through its Customer Insights function which acts as a one-stop point for the resolution of all customer queries and concerns. The cloud-based Customer Relationship Management (CRM) system helps route and address queries and concerns within a stipulated timeline. As the custodian of Arohan's Customer Grievance Redressal mechanism, in compliance with the Microfinance Institutions Network, the Self-Regulatory Organisation, and the Reserve Bank of India's guidelines, it is a constant focus of the function to ensure enhanced Customer eXperience (CX).

Grievance Redressal Mechanism

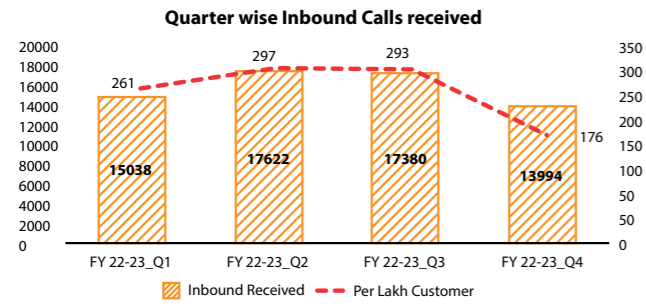
Arohan's Customer Grievance Redressal Mechanism has been further streamlined with the introduction of a Directly Responsible Individual (DRI) assigned to each grievance received thus, reducing the average Turn Around Time from 20 working days in FY2021-22 to 15 working days in FY2022-23. Arohan has also introduced Escalation levels 1 and 2 which indicate that any complaint if not resolved by a DRI within the stipulated timeframe, will move into escalation for priority resolution.



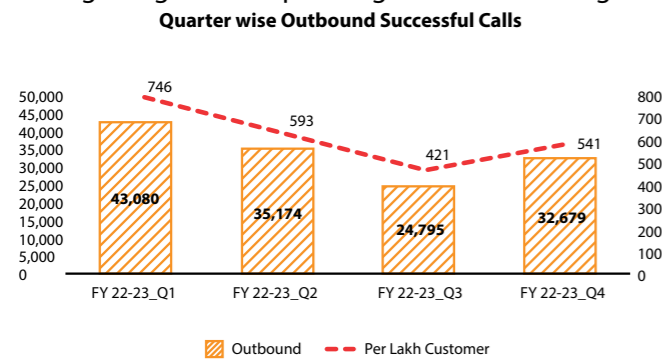
The key principles of Arohan's Grievance Redressal Mechanism are:

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

Inbound Process: The Inbound Process is the cornerstone of Arohan's Customer Grievance Redressal Mechanism and is a robust platform to address customer grievances on priority within a designated turnaround time. Arohan offers multilingual Customer Care Service to customers. Any complaint or query received from a customer is primarily addressed by the Customer Service Representative or the Branch Head. If the complaint cannot be resolved by them, the customer has the option of escalating the same to Arohan's Customer Care Helpdesk by dialing the toll-free number 1800 103 2375, from wherein an escalation matrix is followed up to the Grievance Redressal Officer, and an integrated workflow based routing of cases enables prompt follow-up action and resolution.



Outbound Process: Through the Outbound Process, Arohan’s Customer Insights vertical directly reaches out to customers to understand their needs, while maintaining the 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.



Through its outbound process, Arohan also reaches out to customers who have missed their repayment dates and helps them generate a ‘Promise to Pay’ (P2P) date, for the field team to visit the customer for the collection of EMIs on the promised date. This has helped boost the collection efficiencies of the Company as well in FY 2022-23.

Integrated two-way connect using WhatsApp Chatbot Service

Adding to its suite of inbound processes, Arohan has further transformed its Customer Support Engine to enhance CX, with the use of WhatsApp Business Account. The integrated WhatsApp Chatbot service helps respond to multiple customers at the same time, thus addressing various customer queries at a go.

In addition, the platform is also used to send reminders, alerts, notifications, and updates to customers, thus keeping them informed and strengthening customer delight.

RATINGS & GRADINGS

The following rating and grading upgrades in FY 2023 reinstate Arohan’s stance taking its business approach of a sustainable and scalable operational model from strength to strength.

CARE MFI 1 Grading: Arohan retains the highest-rated MFI 1 grading from CARE Ratings for the sixth consecutive year. The grading is assigned on an 8-point scale with MFI 1 being the highest, enabling Arohan to retain its position among the choicest MFIs in India.

Code of Conduct Assessment (COCA): Arohan retains the highest-rated C1 grading from M-CRIL for the fifth consecutive year. Arohan has been awarded a score of 95 out of 100 in its assessment held in FY 2023. The scores and grading are earned on indicators concerning Transparency, Client Protection, Governance, Recruitment, Client Education, Feedback & Grievance Redressal, and Data Sharing.

Social Rating: Arohan has been awarded an Alpha Grading and Rating Outlook as Positive in its Social Rating under the CERISE SPI4 tool methodology by MCRIL, based on an assessment conducted in the month of June 2022. The grading is assigned on an 8-point scale with a score of 89%. Valid for two years, the grading reflects Arohan’s “Strong social commitment, very good systems, evidence for good adherence to social mission and values” as per the report. This is the first time that Arohan has conducted its Social Rating through the CERISE SPI4 tool (International Standard), which is a social performance audit tool to help financial service providers achieve their social mission.





Navigating the Mountains

Scalable technology-enabled infrastructure, fostering innovation

Arohan's data-driven and agile technology influence has positioned the company to effortlessly scale and sustain based on predictive systems and AI-driven automation. Arohan's prudent investment in technology, over the years, sets the foundation of the building blocks that promise to add value as the Company approaches its 'next'.

Arohan, through its focus on technology-enabled financial inclusion, stands out in the industry with its implementation of a state-of-the-art technology infrastructure. This has allowed the Company to remain ahead of the curve in terms of growth, efficiency, and innovation. Arohan has earned multiple recognitions in the industry for its innovative use of technology, and in FY 2023, was awarded the "Microfinance Company of the Year" award in the 3rd Annual BFSI Technology Excellence Awards, 2022.

improve efficiency and/or optimize operational costs directly or indirectly.



Further, in FY 2023, Arohan's state-of-the-art technology landscape has been certified with the ISO/IEC 27001:2013 certificate from the British Standards Institution (BSI). This certification is a testimony that Arohan's Information Security and Management Systems comply with the international standards of ISO/IEC 27001:2013 for managing information security, applicable to information assets & processes under operations supported by Human Resources, Admin, Accounts, Finance, Risk, Credit, Internal Audit, Information Technology, Central Hub, Central Operations, and Legal & Compliance.

Quality Certification

Technology at Arohan is an indispensable tool for achieving and maintaining premier standards of customer service and efficiency, while also protecting and effectively assessing data to leverage it for better and safer processes. With this as the background, the key agenda in FY 2023 has been continuous improvement in the existing systems and automation of related business processes to



Digitalised operational processes

In its business of catering to the credit needs of 2.1 mn customers, Arohan's IT system currently captures over 300 different data points per customer and facilitates over 20 lakh transactions every single day through the company's steady Loan Management System.

To facilitate data-driven decision-making, Arohan has created a Data Warehouse for business intelligence and data analytics. This has enabled the generation of data-rich dashboards and reports for consumption by all field staff and management, enhancing operational efficiency and informed decision-making.

One of the key measures through which Arohan has implemented a mobile-first approach is by equipping all field employees with mobile or tablet devices. This has enabled employees to be in touch with customers virtually, irrespective of external environments. Arohan has also implemented a Bring Your Own Device (BYOD) guideline, allowing employees to use their own mobile devices for work.

Arohan has prudently invested in its information technology systems to introduce a range of automated and digitalised technology platforms and tools to make its operational processes more efficient and effective. Extensive use of cloud technologies helps Arohan maintain customer connect and drive employee productivity. **Some of the key tools and platforms that Arohan has implemented over the years, and those that form the bedrock of the future that the Company is navigating towards include:**

- **Profile:** A Core Banking System from FIS to manage the overall lending business and strengthen the company's back-end systems. Being the first NBFC-MFI to be on a Core Banking System, as dynamic as Profile, enables Arohan to undertake and manage volume like no other in the industry.
- **MeraArohan:** A proprietary all-in-one suite of mobile applications, in line with the vision of 'Digital Arohan,' which enables all core business functions and other non-core activities to be digitally executed. MeraArohan covers all facets of Loan Origination, Repayments and Recoveries, Cross Sell marketplace, Internal Audit system, Field Monitoring application, Document Management System, and many more modules spanning every aspect of operations and business support.
- **ApnaArohan:** In FY 2023, Arohan enhanced the capabilities of its customer-facing mobile app, ApnaArohan. As an industry-first initiative, the

app facilitates for a select group of customers - ArohanPrivilege, the facility of getting a loan within 10 minutes after a successful loan application on the mobile app. Apart from digital lending capabilities, the app is equipped with regional language facilities for millions of customers across geographies and allows the customer to view information on their loan ledger, and check eligibility for more loans, products, insurance details, etc. The app also provides them with access to the various Cross Sell products, offers an additional platform for grievance redressal, and connect with our field officers using voice or text-based features.

- **Prismatic:** Arohan uses CRIF High Mark's "Prismatic" data analytics for its area selection process when expanding into new geographies.
- **Diligent:** A comprehensive corporate governance software that manages all board-related activities in a paperless, transparent, and timely manner. This has led to reduced usage of and dependence on physical documents, ultimately increasing security and reducing turn-around time as well as costs.
- **Nirnay:** A credit scoring model, in partnership with CRIF's digital decisioning platform, "StrategyOne," which is customizable and supports streamlining lending processes and controlling credit risk.

With the help of selected technology vendors, the company has built a technology platform that helps it maintain consistent levels of customer service, enhance operational efficiencies and create sustainable advantages for the organisation.

Completely paperless customer lifecycle management

Arohan's continuous adoption of digital service delivery mechanisms makes the Company not just future-ready but also more efficient, undertaking even more reliable data analytics, resulting in target customer profiling and customized products with risk-based pricing to deliver greater customer satisfaction. The technology platform has been integrated into the loan lifecycle of the Company, from branch area selection to loan origination, data validation, quality check, and repayment monitoring.

- To begin with, when entering into new geographies, the Company uses analytics from CRIF High Mark to analyze various business factors such as portfolio quality and competition.

- This is followed by Loan Origination, which is done through 'meraArohan,' which facilitates real-time credit bureau checks for customer indebtedness, providing automatic advice on the maximum loan size, and enabling the upload of customers' KYC documents. The 'meraArohan' platform is also used for Group Recognition Tests of customers, a critical step prior to successful onboarding.
- The sourced files and digital documents undergo Quality Check at the 'Central Hub' of the Company.
- Once approved at the Central Hub, a penny-drop test is performed to verify the active status of the customer's bank account and authenticate the same.
- Customers initiate KYC authentication through the e-signature facility, a significant integration that Arohan has enabled for its onboarding process. The e-signed loan documents along with geo-tagging of customer locations and liveness image checks, ensure a legally compliant audit-trail document. This not only saves time but also optimises cost and efficiency to a large extent.
- Post cashless disbursement of loans, the Loan Utilization Check is done by the field employees of Arohan, once again through the 'meraArohan' platform.
- The entire loan cycle is then managed using 'Profile,' Arohan's Core Banking System from FIS, a global Fortune 500 company.
- Real-time repayment and customer attendance monitoring at centre meetings are done through the 'meraArohan' app. The collection module uses facial recognition to mark customer attendance through a group photograph taken at the center. This has eliminated the need for maintaining a manual attendance register, enabling a more seamless and efficient process.
- Digital repayments are facilitated using facilities from various banks and fintech institutions. Arohan has also partnered with Airtel Payments Bank Limited and Spice Money Limited for customers to repay their loans in cash at the nearest merchant outlets. Arohan has implemented various modes of digital payments for customers, including AEPS, Credit/Debit Cards, digital wallets, UPI, BBPS, and cash drop points. This has enabled customers to make repayments conveniently and securely, without the need for physical currency.

Another major step towards digitalization has been the transition to a cloud-based Customer Relationship Management (CRM) system. This has enabled Arohan's Customer Care unit to be completely operational during lockdowns, addressing customer queries and supporting them within stipulated timelines. The system also routes all queries automatically to employees handling them in the customer's language, improving the overall customer experience.

Responsible Technology Practices

Arohan encourages engaging with technology safely, respectfully, and ethically. Further, Arohan is responsible for ensuring environment-friendly recycling and disposal of their end-of-life digital products. To this effect, the Company is committed to environmentally safe practices, disposing of scrapped IT assets in line with the Pollution Control Board guidelines for e-waste disposal.

Going forward, Arohan plans to continue enhancing its digital capabilities by improving customer experience and leveraging technology to scale operational efficiency. Arohan has been at the forefront of digital transformation in the microfinance industry. Through its mobile-first approach, cloud-based CRM system, cashless transactions, data warehouse, e-signature facility, customer facial recognition, and environmentally responsible practices, Arohan has enhanced customer experience and operational efficiency. This allows the organisation to be well-poised for its transition into the future maker.



Navigating the Horizon

Strong financials, warranting steadiness through liquidity

Arohan's strong liquidity and capitalization allow the Company to be steady, and gain the confidence of its stakeholders. With this, Arohan is well positioned to steer its Vision 2027 to realisation, both operationally and financially.

Post the COVID-19 wave 2 in April-May 2021 and wave 3 in January 2022, the FY 2023 has been a year of growth for the microfinance industry. The industry witnessed significant growth of ~22% in its portfolio (YOY) as of March 31, 2023. Accordingly, there were significant changes in the borrowing profile of microfinance companies.

With the new RBI guidelines released on March 14, 2022, and the deteriorating threat of COVID-19 with over 90% of the population vaccinated in India, the lenders' appetite to lend to microfinance also improved significantly. The debt-to-equity ratio for the microfinance industry increased from 3.5 at the end of FY 2021 to 3.7 at the end of FY 2023. The outstanding borrowing for the industry has also increased to INR 97,420 Cr at a YOY growth rate of 30%.

In accordance, FY 2023 has been a significant year for Arohan with total assets and gross portfolio at INR 6,018 Cr and INR 5,357 Cr respectively.

Arohan closed the business year with the following key financial results:

- The Total Revenue stands at INR 1,091 Cr.
- The Pre-Provisions Profit Before Taxes stands at INR 329 Cr. This bears testimony to Arohan's strong fundamentals and business model.
- CCPS infusion of ~INR 248 Cr by new investors was significant with increased Equity Capital base and accordingly improved CRAR at 28.74%
- The Equity stood at INR 1,338 Cr.

Arohan focused on rapid expansion in FY 2023, in line with its Vision 2027. In tune with the same, Arohan's branch network grew from 740 in FY 2022 to 829 in FY 2023. The employee strength of the Company grew by 15%, from 7,160 in FY 2021-22 to 8,030 in FY 2023. The company has ensured a comfortable fund position throughout the year to support its business. As on March 2023, the borrowing outstanding was close to INR 4,527 Cr.

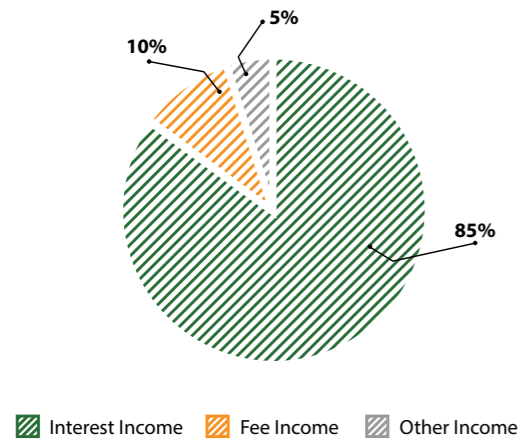


An analysis of the Company's financial performance for FY 2023, as compared to the previous year, is given below:

INCOME STATEMENT ANALYSIS

Revenue

Break-up of Revenue for FY 2023



FY 2023 observed a growth in the average AUM during the previous financial year, thus resulting in the Revenue growing by 19% from FY 2022 to FY 2023.

Expenditure

Interest expenses have increased by 8.7% y-o-y in line with an increase in borrowings. With the employee count increasing from 7,160 in FY 2022 to 8,030 in FY 2023, the employee costs also increased from INR 210 Cr in FY 2022 to INR 246 Cr in FY 2023 showing a 17% increase over the previous year. The administrative costs have increased marginally by 4%, from the previous year mainly due to expansion of branch network.

Ratios	FY 22-23	FY 21-22	Variance
Yield	20.38%	19.65%	3.72%
Finance cost	11.62%	10.69%	8.70%
Qualifying assets	78.76%*	90.21%	(12.69%)
Opex	7.25%	6.88%	5.38%
CRAR	28.74%	34.58%	(16.89%)
Leverage	3.39	4.03	(15.88%)

*New Norms of Qualifying Asset was effective from April 01, 2022.

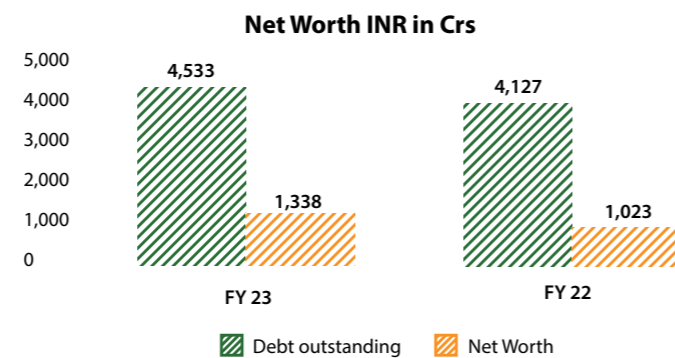
The Opex ratio has increased primarily due to expansion of branch network.

BALANCE SHEET ANALYSIS

Loan Portfolio

Arohan recorded a 30% growth in the Gross Loan Portfolio from the previous year and crossed the INR 5,357 Cr mark. This was a result of the growth in business in the second half of FY 2023.

Net Worth



The Outstanding Borrowing and Net Worth have increased by 10% and 31% respectively in FY 2023 over FY 2022 due to the growth in business and CCPS infusion by new investors for INR 248 Cr.

MANAGING LIQUIDITY AT AROHAN DURING THE YEAR

With the improvement in the macro-environment during FY 2023, the Company also leveraged its capital position. The company raised INR 4,195 Cr in FY23 as compared to INR 3,051 Cr in FY22 across all financial instruments. The Company has raised funds through structured debts to maintain its Cost of Borrowing while not compromising on liquidity.

The key underlying principle of fundraising activity is to leverage the company's financial and operational position to maintain sufficient funds and to lower the cost of borrowings. In this respect, the Company struck a fine balance between carrying high liquidity in the books and reducing the drag of negative carry on such liquid assets, as well as maintaining the qualifying asset ratio under the regulatory threshold of 75% as per the new RBI guideline. Arohan is one of the few NBFC-MFIs in the country, that has maintained its qualifying asset ratio as per the RBI threshold throughout the financial year. Arohan's Cash and Cash Equivalent as of March 31, 2023, was INR 935 Cr, excluding the undrawn sanctions

limit of INR 409 Cr. Further, the Liquidity Coverage Ratio (LCR) as of the financial year end was reported at 415%.

RAISING FUNDS DURING THE YEAR THROUGH STRUCTURED FINANCE

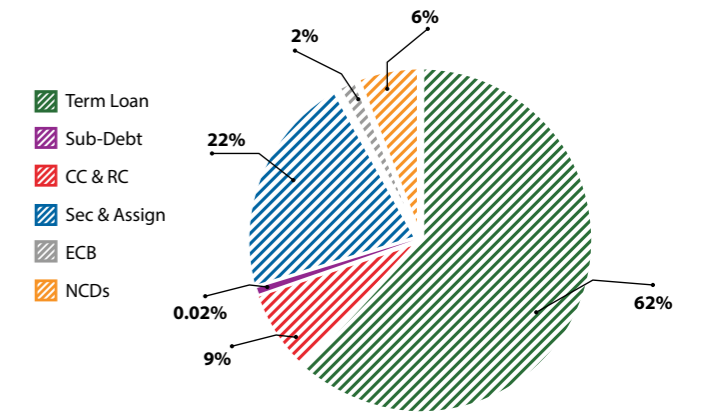
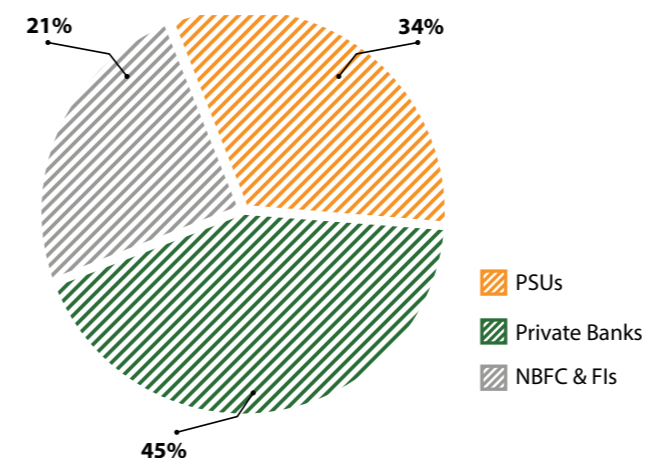
The appetite for Microfinance loans changed during the FY 2023, post the RBI harmonization, and the evolving macro-economic situation as the further spread of COVID-19 reduced. This led to a growth in Non-Recourse Transactions (DA) in the business year, across the microfinance industry along with Partial Recourse Transactions (PTC). Accordingly, multiple Partial Recourse Transactions were executed during the financial year. The Company has raised over INR 1,531 Cr in the FY 2023 through these two modes i.e. PTC (INR 985.11 Cr) and DA (INR 545.90 Cr).

Arohan raised INR 115 Cr of subordinated debt in the form of Non-Convertible Debentures and INR 248 Cr in equity through CCPS in this financial year. The Company has reported a healthy Capital Adequacy Ratio of 28.74% as on March 2023.

The Company preferred to retain its diversified lender base and borrowed from various lenders and ensured to remain liquid while maintaining a low Cost of Borrowing. Currently, Arohan has active relationships with 40 lenders. Some of the prominent lender relationships are with the International Finance Corporation, State Bank of India, Bank of Baroda, Indian Bank and IDFC First Bank along with Development Financial Institutions such as SIDBI and NABARD.

During the financial year, Arohan successfully established new lender relationships with a few more institutions including IndusInd bank, Mahindra Finance, Manapuram Finance and Credit Saison.

The graph below depicts our borrowing mix as of March 31, 2023.



CREDIT RATING

Arohan is a dual credit-rated organisation. During FY 2023, both CARE and ICRA have reaffirmed the Company's rating as "A-", while ICRA has revised the outlook to Stable outlook from earlier the negative outlook. The Company has obtained the highest grading of MFI-1 from CARE Advisory Limited. This grading is a testimony of Arohan's commitment to continue operating with a high degree of transparency while maintaining financial and operational sustainability and scalable processes.

Way forward in FY 2024

To ensure healthy growth and support its expansion plans, the Company expects to raise ~INR 6000 Cr in debt through multiple instruments including Term Loan, External Commercial Borrowings (ECB), Direct Assignment, and Securitization. The Company will also expect to diversify its lender base to include new lenders from the domestic, as well as international markets while also reducing the cost of borrowing.



Statement of Profit & Loss (INR in Cr)	Audited	
	FY 2023	FY 2022
Revenue		
Revenue from operations	1,069	902
Other Income	22	18
Total Revenue	1,091	920
Expenses		
Finance costs	469	402
Impairment on financial instruments	192	136
Employee benefits expenses	246	210
Depreciation, amortisation and impairment	5	5
Other expenses	89	84
Total Expenses	1,001	837
Profit before tax	90	83
Total tax expenses	19	22
Profit for the year	71	61
Other Comprehensive Income	(3)	(2)
Total comprehensive income	68	59

Balance Sheet (INR in Cr)	Audited	
	FY 2023	FY 2022
ASSETS		
Financial Assets		
Cash and cash equivalents	556	954
Other bank balances	378	354
Trade receivables	15	2
Loans	4,782	3,710
Investment	79	0
Other financial assets	28	5
	5,838	5,025
Non-Financial Assets		
Current tax assets (net)	43	48
Deferred tax assets (net)	118	138
Property, plant and equipment	5	4
Intangible assets under development	1	0
Other intangible assets	2	3
Right of use asset	5	4
Other non-financial assets	6	7
	180	204
Total Assets	6,018	5,229
LIABILITIES AND EQUITY		
Liabilities		
Financial liabilities		
Payables		
Debt securities	301	283
Borrowings (other than debt securities)	3,809	3,411
Subordinated liabilities	424	433
Other financial liabilities	99	37
	4,633	4,164
Non-financial liabilities		
Provisions	25	21
Other non-financial liabilities	22	21
	47	42
Equity		
Equity share capital	150	120
Other equity	1,188	903
	1,338	1,023
Total liabilities and equity	6,018	5,229



Navigating the Sea

Perfecting the waves of the future, surely and securely

Arohan's agenda of Quality over Quantity forms the cornerstone for its quality trinity of Credit-underwriting, Risk Management, and Internal Audit. These core quality gatekeepers allow the company to traverse the challenges of an evolving macro and micro industry environment while ensuring next-level operational excellence.

CREDIT UNDERWRITING

Arohan's Independent Credit function strengthens underwriting processes with its abiding focus on quality till the last mile. The Credit function of the Company manages the credit quality of a diversified business model including Organic and Inorganic verticals.

Organic Credit

The Organic Credit function at Arohan operates with the vital objective of minimising the cost of credit. To this effect, it has adopted a four-pronged approach:

1. Credit Policy Formulation:

Arohan's Credit Policy is designed to standardize lending decisions in accordance with the Company's risk appetite. Credit Policies are structured based on a calculated risk approach that takes into account individual customer behaviour such as loan absorption capacity, repayment discipline, etc, the risk associated

with different customer segments, and the performance of industry portfolios in different operational geographies (PIN level data of microfinance industry).

2. Credit Administration: Credit Policies are administered at three levels:

- **Customer Level:** Arohan uses data-based system validation including KYC, Credit Bureau checks, and mandates by the Reserve Bank of India. With Arohan initiating its industry-first credit scoring model, 'NIRNAY', policies are also determined using data on borrowers and pricing decisions. In addition to these, there are various internal credit policies that are also instrumentalized. In a few cases, exceptional approvals are taken centrally based on alternative documentary proofs.



- **Branch Level:** These underwritings are based on checks that are inbuilt into the sourcing processes, such as verification, Compulsory Group Trainings (CGTs) and Group Recognition Tests (GRTs). Branch grades and other risk profiling also play a key role in the specific allowance of products and thresholds for the underwriting, specific to the branch.

- **Geographic Level:** Arohan ensures adequate measures to administer credit policies in accordance with geographic risks. These include a strategic approach to new and existing geography penetration and credit underwriting based on concentration. Additionally, ring-fencing measures are also implemented for identified challenges such as ring leaders, negative areas, etc.

3. Mitigation of Geographic Risks: Arohan's Credit Team is an indispensable part in the decision-making of expansion to new geographies or opening of new branches in the existing geographies. Geographical risks are attributed to three factors – i) industry penetration, ii) Arohan's portfolio concentration, and iii) behaviour of Arohan's portfolio vis-à-vis that of the industry. Higher risks are mitigated by higher levels of credit checks. Besides, portfolio concentration beyond the approved tolerance level is mitigated by continuous scanning of the district and state-level concentration of the portfolio and by developing balancing measures in discussion with the business team.

4. Mitigation of Underwriting Challenges: With the help of Early Delinquency traction, the outlier branches are identified and taken into a three-month-long mentorship programme. The concerned branch teams are guided to render improved quality of underwriting.

Inorganic Credit

The Inorganic Credit function of Arohan has an established credit appraisal procedure in line with the inorganic loan policy. The policies outline appraisal norms include assessment of quantitative and qualitative parameters along with guidelines for various products (Term loan and Sourcing & Collection). Arohan has a Credit Committee which helps formulate overarching credit policies which are

put into practice by the Inorganic Credit Team with the help of underwriting, field, and relationship teams.

The borrower risk is evaluated by considering the following:

- The risks and prospects associated with the industry
- The financial position of the borrower by analysing the quality of its financial statements, its past financial performance, its financial flexibility in terms of ability to raise capital, and its cash flow adequacy
- Geo-concentration of the borrower
- PAR movements & quality evaluation using key delinquency metrics
- Collection efficiency movement & validation with bank statement
- The borrower's relative market position and operating efficiency
- The quality of management by analysing their track record, payment record, and financial conservatism.

RISK MANAGEMENT

The Risk Management function at Arohan continues to play an enhanced role in risk mitigation across all functions in the Company, in the light of the changing business and economic environment, as well as expectations from Stakeholders and Regulators. The Business & Risk strategies that were deployed appropriately, enabled Arohan to remain well-prepared for facing and mitigating challenges throughout the financial year of FY 2023.

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.

Coming out of the trailing impact of COVID-19, Arohan has strategically calibrated and strengthened its risk management framework around the evolving new normal. The favourable harmonisation guidelines from the Reserve Bank of India for the Microfinance Sector was put into practice from the very first working day of the FY 2023, marking a positive start to the business year. One of the most important

feature of the RBI guidelines, Risk based pricing, was implemented in true letter & spirit given that Risk planning and preparedness was already in place. This was a fundamental and favourable shift for long-term sustainability and the overall health of microfinance institutions, such as Arohan.

Capital raise(s) from marquee investors, Credit Risk pricing and strategic planning deployed for spreading out the financial impact of the pandemic across the three financial years, within the regulatory and statutory domains, have ensured that Arohan emerged in much better health by the end of FY 2023.

As a direct outcome of the revised Guidelines, the metamorphosis of the microfinance sector into retail lending has been hastened. Risk strategies implemented has the potential of establishing Arohan as one of the leading, profitable and well governed MFIs in the country.

Risk Analytics & Practices

In FY 2023, Arohan worked on further strengthening its Incisive Risk Analytics, enhancing capabilities using various statistical tools, large data processing software, and visual analytic tools such as Python, R, and Tableau. This reinforces the position of Arohan's risk management unit to provide sector-leading, critical, rationale-driven business intelligence inputs to the management and the stakeholders. Such inputs and insights enhance the Company's strategic planning capabilities and provide key actionable for the Management.

Credit Risk Management

Arohan deployed the microfinance industry's first-in-the-sector credit acquisition scorecard, 'NIRNAY' during the year. The scoring results have aided the essential and timely deployment of the Credit Risk Pricing decision that came into effect on April 1, 2022, in line with the revised guidelines of the Reserve Bank of India. With this Arohan now offers differentiated Credit Risk pricing to higher-risk customer segments. The revised Credit Risk benchmarks along with the business monitoring & expansion tools have ensured that risk-taking is optimised and backed by solid rationale and numbers.

Operational Risk Management

Arohan's proprietary Branch Risk (BRisk) assessment algorithm refreshed during the year, continued to proactively provide visibility of operational risks to the

business team for effectively assessing operational risk all the way to the frontlines' operating unit, the branches. The BRisk Grading of the entire Company at all levels up from the Branches provided the Business 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.

Enterprise Risk Management

Arohan has been proactively working on the microfinance sector-specific ERM structure for a while now. That foresight started bearing fruits in FY 2023, with the Reserve Bank of India actively encouraging systemically important NBFCs, during their regular audits and in their specifically curated CRO Workshop, for the deployment of Enterprise Risk Management (ERM) systems. ERM is a globally well-established framework for effectively optimising Risk vis-à-vis Return, and providing accurate and insightful visibility on all risks inherent during the functioning of an organisation. As a mandate for the Risk unit, Arohan initiated the implementation of the Enterprise Risk Management (ERM) project using the COSO framework. Christened SANDESH, the project has made significant progress with the platform that was completely developed in-house. The platform is already operational with the respective Risk Owners approving the risk registers along with their controls and thresholds. Arohan is again the first in the sector for the development of ERM in true letter and spirit.

Business Continuity Policy (BCP)

In the early part of 2022, Arohan's BCP deployment and practice, which was led and anchored by the Risk unit, got audited by the Reserve Bank of India and was found to be satisfactory. The implementation of the Business Continuity Policy and Plan of the Company has led to a well-established BCP process backed by well-trained BCP committees and stakeholders. The company continues to be 'Business as Usual' with the least disruptions during events of calamities and other disorders during the year. The Risk unit will continue to strengthen and anchor this important regulatory requirement for the Company.

New Risk Initiatives

After the successful deployment of the sector-leading credit acquisition scorecard, 'NIRNAY', Arohan's Risk unit is now actively working on the next level of harnessing of its Data-Information Stack using Large



Data Analytics and Machine Learning. The capabilities built meticulously over the years and the strong domain expertise allows Arohan to move seamlessly into its next phase of growth, while remaining amongst the best-in-class, on risk modeling and adoption of future-fit approaches using machine learning tools and platforms.

INTERNAL AUDIT MANAGEMENT

Arohan's Internal Audit function continues to provide independent assurance and advice on the processes and systems of internal control and risk management of the Company. Internal Audit, as a consulting body, provides high-quality counsel and precise insights to the management on the efficacy of internal control, process adherence, risk management, and governance across the Company. The function is an ISO 9001:2015 accredited quality vertical. In FY 2020, the British Standards Institution (BSI) certified the function for compliance with the standards and necessary requirements for conducting Internal Audit. This certification is a testimony of the Company's commitment to excellence in quality management functions and its focus on scaling it further to ensure business precision. In FY 2023, BSI further re-certified the same for three more years after a detailed surveillance.



Internal Audit at Arohan functions as an independent department under the supervision of the Audit Committee of Board. The Audit Committee reviews the structure of the Internal Audit department, Annual Audit Plan, and Staffing while ensuring an effective and independent review process.

Arohan has adopted a Risk-based Supervision (RBS) approach in line with the guidelines of the Reserve Bank of India. The function is compliant with all the provisions of the Reserve Bank of India circular dated February 3, 2021, on "Risk Based Internal Audit (RBI) for all non-deposit taking NBFCs with asset size of INR 5000 Cr and above." Additionally, the function also

adheres to the relevant guidelines as prescribed by the Companies Act, 2013 and rules thereunder and the standards of internal audits issued by the Institute of Chartered Accountants of India (ICAI), which ensures credibility, resilience, and transparency in governance processes.

Infrastructure

Internal Audit in the microfinance industry is a specialised function that requires a combination of field knowledge and specialised auditing skills. In Arohan, the Internal Audit team is structured in a way to combine the essence of both - field auditors from seasoned field personnel and also professionally qualified auditors. Additionally, Arohan continuously invests time and effort to upskill, as well as enhance the knowledge of its employees including the Audit team members through regular training and development programmes.

The Internal Audit team at Arohan comprises 3 Chartered Accountants, 2 Qualified Information System Auditors (CISA & DISA), 1 Certified Internal Audit (CIA), and six MBAs spanning the Head Office level and field, which gives extra mileage in the professional outlook of the team. In line with Arohan's stance on gender diversity, the team also has 6 female members who, rare in this industry, are in the forefront as leaders handling field audits on the ground. In total, the team comprises 149 skilled auditors.

In FY 2023, the department has successfully audited 750 plus active branches on a quarterly basis, spanning microfinance, digital lending, and inorganic operations. The microfinance and inorganic branch audit coverage rate is 100% in all the quarters of FY 2023.

Audit Management System (AMS)

In FY 2023, Arohan moved its Audit Management System (AMS) in-house, supported and developed by its robust technology infrastructure. The real-time AMS is a web-based system that enables seamless audits and is programmed to successfully capture audit findings in a structured and scheduled manner. The platform enables real-time tracking of audit progress, allowing quick escalation of significant issues and monitoring closures with optimised working efficiency, all within a measured time frame.

Fraud Management System (FMS)

In FY 2023, Arohan rolled out a fully digital Fraud

Management System (FMS) for faster reporting, tracking and closure of fraud cases in the business. The platform is integrated into its in-house mobile application, meraArohan. It is a completely in-house developed platform that provides a "Report to Resolution (R2R)" facility with real-time tracking and a dashboard of all fraud cases. This platform also enables the teams to create a database of the types, geography, branch, and employee-wise database for future ready reference.

The Data Analytic team, in the Internal Audit function, continuously endeavours to provide insightful leads to the management, along with various audit inputs for field audit verification, enabling quicker and more accurate decision-making.

Methodology and Reporting

The Internal Audit function at Arohan conducts an audit of all operative branches once every quarter. The audit is focused on a three-pronged approach namely:

- **Field Processes:** The Field Process includes an audit of the logs and practices of business operations including verification, collection, and disbursements to name a few.
- **Back-End Activity:** The Back-End Activity approach is designed to screen for deviation in any documentation and administration-related activities that drive business continuity.
- **Customer Contact:** Through the Customer Contact process, the vertical cross-checks all systems and processes that result in customer interaction and business or behavioural transactions.

Each of the approaches mentioned above is assigned appropriate weightage within a dynamic range, to reflect the final audit score of each branch, having undergone an audit every quarter which contributes to a significant share of the performance appraisal programme of all concerned parties. Additionally, Snap Audit covers the highly important aspects of the full audit process and is undertaken by a senior audit resource to ensure in-depth exploration and analysis of high-risk areas, with a much shorter Turn Around Time.

Branches are covered under regular audits and snap audits alternatively on a half-yearly basis. Support functions, including Compliance, Human Resources,

Administration, Information Technology, Central Operations, Finance, and Accounts are also audited at least twice a year. Formal reporting is done to the Audit Committee once every quarter.

Vigilance

In the business of microfinance, Vigilance plays a key role in helping an organisation ensure clean business transactions, proficiency, effective output, and transparent practices. Internal Audit in Arohan is ably supported by its Vigilance Department, headed by an ex-serviceman, with requisite experience and training in the relevant area. The function acts as an ombudsman to curtail any possibility of fraud and is entrusted with the responsibility to deep-dive large frauds and effective liaising with the local government agencies for any support as and when required.

Going forward, Internal Audit at Arohan will continue to impress high emphasis on monitoring adherence to compliance and regulatory requirements as prescribed for NBFC-MFIs under different statutes, while playing a key role in the quality assurance of the Company.

Navigating the Desert

Transforming the landscape through intellectual capacity building, and ESG-driven value focus

Arohan's strength in human capitalization allows the Company the advantage of catering to its ambitious goals. Arohan is focused on strengthening the intellectual capacity of its formidable workforce, upskilling them while also creating value and supporting the communities it operates in with a sharp focus on its 'environmental' and 'social' impressions.

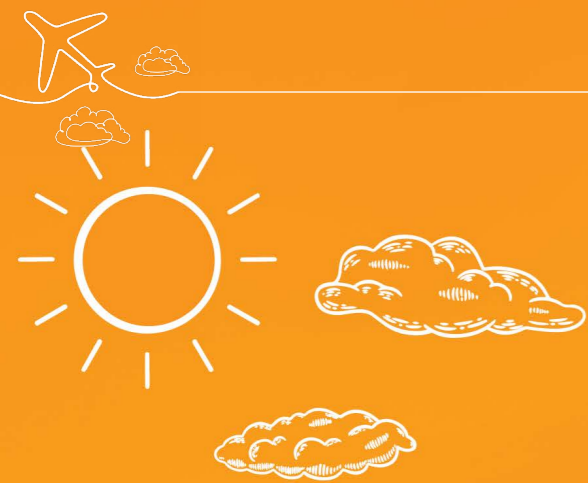
PEOPLE FOCUS

FY 2023 has been the first year, since the global pandemic, where Arohan resumed its journey of expansion to newer geographies viz. Rajasthan and Haryana through the opening of additional branches, summing its branch count to 829, across 17 states. On the human capacitisation front, Arohan undertook substantial onboarding during the year and closed the business year with a headcount of 8,030 employees, with a growth of 12.15% on a YoY basis and serving 2.01 mn customers Pan India. Arohan has been consistent in keeping its employees engaged and motivated through various Employee Value Proposition programmes and by driving a culture of high trust, that creates a sense of pride amongst the employees of the Company. This in turn helps create the right proposition for attracting,

developing, and retaining the best talent in the industry and sector.

HR Policy and Processes

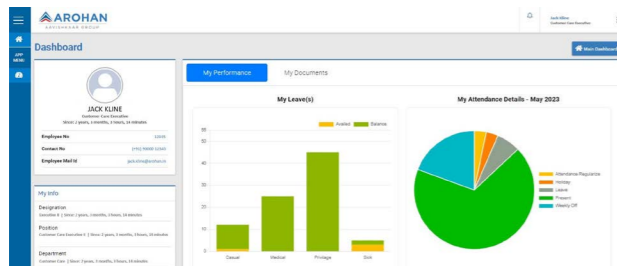
In FY 2023, Arohan in its efforts of building strong processes and policies for its people, standardised all people-centric policies & processes in line with industry best practices and information protection clauses. As part of this initiative policies including Recruitment & Selection, Onboarding, Transfer, Refer-a-Friend, and several others were relaunched with a standardized approach and detailed process manuals, ensuring the same is adequately communicated to all internal stakeholders. With this initiative, the organisation offers a culture of fairness in its practices and ensures a uniform operating platform all across.





Automation of HR Processes

- **Employee Movement:** In FY 2023, Arohan completed the end-to-end automation of all categories of employee movements across locations and departments. This also includes necessary communication flows with notification alerts to all concerned stakeholders.
- **Employee Dashboard:** Arohan's one-stop employee dashboard allows its employees to get access to information pertaining to their employment lifecycle at a touch of a button. This module in Arohan's proprietary Mera Arohan portal enables all the employees to access their service-related information, such as attendance, leave, performance evaluations, and promotion records, on a real-time basis and through a single sign-in.



- **Employee Communication module:** In FY 2023, Arohan introduced an Employee Communication Module in the meraArohan App to make employees aware of policies, processes, benefits, and new initiatives taken by the Company toward employee welfare. The module is also backed by an assessment, which is circulated in regional languages, to capture the awareness levels of the field employees pertaining to such employee value propositions while ensuring the effectiveness of the communication.
- **Samadhaan:** As part of its automation journey, Samadhaan, the grievance redressal platform of Arohan, has been fully automated in FY 2023. Through this platform, employees can now register their complaints or issues related to salary, leave, employment-related documents, movements, etc. On raising a complaint or query, a ticket is generated, initiating the resolution process, which is ensured to close within the defined TAT through a defined matrix.

HR PRACTICES

Hiring

Arohan, as an equal opportunity employer, considers the candidature of all submitted job applications irrespective of their age, sex, marital status, disability, nationality, or religion and accordingly shortlists potential employees. Employment is offered only to suitable applicants on the basis of their merit from the pool of referrals, direct applicants, and internal employees.

External Hiring: Arohan has taken a conscious approach to include more women in its field workforce and has undertaken a diversity charter with specific annual targets on gender diversity to be achieved over the next three financial years. The Company has also identified certain roles across departments with specific preferences for female hiring only. In its hiring strategy, the Company is focused on the principle of "Equality to be brought through equity."

Arohan also encourages its employees to come out of sabbatical for their second innings in their careers with focused efforts and programmes. Arohan believes that with such opportunities, the Company will not only enable the employees to rebuild their careers but also create a lasting impact on their lives. Moreover, the Company will also benefit from their expertise.

Arohan ensures to recruit high-quality hires for industry-specific roles by defining a pool of candidates from its competitors. Arohan recognizes the domain knowledge, experience, and expertise each prospective employee brings and the value they add by inviting different perspectives which are diverse in nature.

In addition, Arohan also provides an 'Employee Referral' scheme to encourage its employees to refer their contacts and suitable candidates for relevant roles and get rewarded for successful onboarding.

Internal Hiring: Arohan prioritises providing its employees with equal cross-functional growth opportunities. To this effect, Internal Job Postings (IJP) are announced through the system for the eligible candidate pool irrespective of their departments. Arohan has a well-defined IJP policy, which provides a framework for job rotation, multi-skill development, career progression for fast-trackers, cross-functional/locational exposure, and optimum utilization of the internal talent pool, allowing employees to grow and scale within the organisation. In FY 2023, 42% of positions were closed through IJPs.

Employee onboarding

- **Aashirwaad:** The Aashirwaad programme is a key component of Arohan's field onboarding process. Of the total field force of the Company, more than 65% are between the age group of 21–27 years. Hence, it is construed that, more often than not, the job offered to them is their first job. Through Aashirwaad, family members of the probationary field officers are made a part of their onboarding journey, helping them develop an emotional bond with the Company, while ensuring better engagement and retention.
- **Employee Selection Process:** Arohan uses a mix of methods to evaluate the right candidate for the right role. Arohan has its own Competency Framework based on which different psychometric tools are used for behavioural assessment, ensuring that all mid-level and senior-level positions are interviewed by a panel comprising of different department heads to get a holistic view of the candidate. An online aptitude test is conducted for junior candidates, and for all non-field candidates, a one-day field visit and report submission is mandatory. Much as the candidates are evaluated, they too are encouraged to evaluate the sector and the Company. Only when the candidates find themselves aligned to the purpose of the Company in tune with their own the onboarding process is initiated. This helps Arohan manage its drop-out rates.

Performance Driven Culture

At Arohan, it is ensured that employees earn their promotions through a performance-driven work culture. Employees go through a rigorous assessment for their next higher role and, based on their performance and maturity, are promoted to the next level. Arohan also encourages its employees to apply for higher positions through Internal Job Postings within the Company because such movements provide encouragement and motivation to the employees.

ADDRESSING THE UNIQUE NEEDS OF EMPLOYEES

Employee Benefits

- **Compensation:** Arohan has adopted a three-pronged approach for its compensation structure to cater to the unique needs of the different groups of employees:

1. **For entry-level employees,** the approach focuses on ensuring more 'cash in hand' to meet their day-to-day expenditures, encouraging performance-linked incentive schemes
2. **For middle management level employees,** the focus is on balancing the aspects of long-term Retirement benefits and cash-in-hand to meet their immediate requirements
3. **For senior leaders,** the focus is on value creation through Employee Stock Option Plans and other tax-saving benefit schemes and variable pay, where the pay-out is dependent on the Company's profit

- **Employee Advances, Loans, and Grants:** To mitigate the needs of certain short-term financial support, Arohan offers its employees advances, loans, and grants.

1. Advances are given to address the immediate financial needs of the employees, which can be paid back within a stipulated timeline.
2. Loans are of two categories – Personal and Educational, which relatively is a large amount provided to employees and for a longer duration.
3. Grant is a special category of Education loan, which takes care of financing any professional course or certification programme relevant to the job the person is undertaking.

- **Long-Service Recognition:** Arohan recognises the strong commitment of its employees who have been associated with the Company for 5 and 10 years and have played a key role in the growth of the Company. To this effect, Long Service Awards & Recognitions are organised for eligible employees.

- **Work from Home:** With Arohan being home to a diverse workforce and the new hybrid work culture that employees prefer in today's scenario, the Company offers Work From Home (WFH) facility to those employees who have the necessary infrastructure and whose jobs allow them to operate from home, while ensuring that employees perform to the organisation's work expectations from the role.

- **Child Care Leave:** Being a mother can sometimes require a woman employee to take a few days off from their work in order to care for her child's needs. As working from home is not an option for female employees in the field, Arohan has introduced a Child Care Leave only for women employees in



the field. A Child Care Leave (CCL) is granted for the specific purpose of taking care of a minor child for rearing or looking after its needs, including examination, sickness, etc.

- **Flexi Working Hours:** Non-field employees at Arohan are provided the privilege of flexi-timing with the employee clocking in the desired number of productive hours (i.e., 8 hours of working and 1 hour of lunch break).

Employee Health and Safety

- **Arohan Avalamban Yojana:** Arohan is committed to the well-being and safety of not just its employees but also their families. 'Arohan Avalamban Yojana,' a death in harness scheme, was launched with the objective of providing support to the families of the employees who lost their lives while in service at Arohan or have suffered permanent disabilities resulting in loss of ability to work.
- **Arohan Swasth Paraamarsh:** This health-first programme was launched to encourage and support employees in remaining fit both physically and emotionally. Under this programme, various tips and awareness sessions, including interaction with doctors, are conducted through the digital platform. The platform "Being Fit" was also launched under this banner, wherein employees share their journey and practices of remaining fit, through a video format.
- **Safety at Workplace:** Arohan adopted a gender-neutral POSH Policy and instituted the POSH Committee in the year 2016. Every new joiner at Arohan, irrespective of their bands, designations, and locations, undergoes mandatory POSH training as a part of their induction schedule. Regular Refresher Training is also conducted for all stakeholders at least once a year. Central and Regional Internal Committees are created, along with the mandatory presence of an External Member, across locations.
- **Field Employees' Road Safety:** Arohan's field employees travel to customers on their two-wheelers. In order to ensure that employees understand the value of their lives and adhere to road safety norms, Arohan promotes Road Safety Guidelines among its employees through a campaign, #YourLifeisPrecious. Road Safety Guidelines, published in vernacular languages, as well as an interview feature on the monthly internal newsletter, Srishti, of field employees on road safety practices, is carried out as a part of this campaign.

- **Safety at Branch:** With the increasing number of women employees joining the Company, Arohan has ensured to take special care in selecting the right kind of premises for the safety of women, with CCTV cameras installed in every all-women or mixed-employee branch.

DRIVING GENDER DIVERSITY

Since the majority of Arohan's customers are women, it is desirable for a majority of Arohan's field employees also to be women to enable a better understanding of the customers' business cash flow needs and establish higher customer connections.

Having identified the business linkage, Arohan is focused on having greater gender diversity in the Company with a clear roadmap in terms of attaining a natural diversity ratio of 50% by the year 2030, in line with the Aavishkaar Group's Vision on the agenda. Arohan, being a key contributor to the Group, has set for itself a defined roadmap for the next five years in terms of reaching the desired gender diversity index.

The Diversity Council of Arohan has curated focused programmes and engagements to introduce women-friendly policies and processes. We have improved our Gender Diversity ratio of Arohan from 4.9% in April 2019 to 14.32% in FY 2023. This has been made possible due to the introduction of various initiatives and policy changes included not only at the Head office or Regional office levels but also at the field levels. Arohan has categorically opened branches in several states that employ only female staff members. This has resulted in Arohan having many women-only branches where the entire business is driven by women employees of the Company.

Arohan has adopted the following strategies to foster women hiring as a key activity of its Diversity & Inclusion initiatives:

Women Hiring

The hiring criteria for field women employees have been revised for them to join in early or even join back after a break in their career. This has been done to encourage those women employees who would want to continue with their career after a break as may be needed for family reasons.

- **Home Location Posting:** The Diversity Council of Arohan conducted Focused Group Discussions to gain insights from employees through feedback and suggestions pertaining to women at work.

In response to the insights received, Arohan introduced the facility of Work from Home Location for women field employees in FY 2022. With the introduction of this facility, women employees from rural and semi-urban geographies now find an opportunity to build their careers with a growing organisation, while also managing their homes.

- **Travel for Women:** To ensure the complete safety of women during their travel, all female employees at Arohan are eligible to claim a minimum of one notch-up travel reimbursement. Also, all women employees, who may need to work late in the office, have been made eligible for cab services arranged by the Company, to drop them off at their home locations.

Samataa - Gender Sensitization Programme

Considering the outcomes of the several Focused Group Discussions, Employee Pulse Surveys, and Feedback sessions that the Diversity Council of Arohan had organised for its employees, Arohan launched Samataa – A Gender Sensitization Initiative. Through this initiative, a programme was designed to address gender-related issues by way of emphasizing the need for greater diversity at Arohan and how the same will help us in our business, encouraging healthy interaction with colleagues representing the other gender, mentoring 'People Managers' to promote a gender-neutral, positive and cordial work culture within and across their teams, and while highlighting good workplace practices also address discriminatory practices and policies that calls for immediate attention and redressal.

Under this programme, identified 'Change Agents' have been trained to achieve the following objectives:

- Drafting the Roadmap for Arohan's Journey of Diversity & Inclusion in line with the organisational goals
- Identifying and Eliminating Gender Bias in the Workplace
- Developing a positive and gender-intelligent organisational culture
- Establishing lower levels of gender-based conflicts and harassment
- Creating a balanced male-female ratio
- Fostering higher employee morale and greater retention

Women-centric Grievance Redressal Platforms

Arohan has created unique Grievance Redressal Platforms, especially for its women employees across the field. These platforms are specially designed to handle high-priority grievances with the utmost confidentiality.

- **Saheli:** This is a unique helpline number to address the queries and grievances of women employees who seek any sort of HR-related guidance and assistance.
- **Prevention of Sexual Harassment (POSH) at the Workplace:** Arohan has adopted a gender-neutral POSH Policy. The POSH helpline and structure at Arohan is one of the key grievance redressal mechanisms that seek to protect employees from sexual harassment at their place of work.
- **Arohan Code of Conduct (ACOC):** The Arohan Code of Conduct and discipline rules have been formulated to maintain the standard of business conduct and to prevent any wrongdoing by employees while promoting good work ethics, culture, and discipline.

TRAINING & DEVELOPMENT

Arohan exercises a sharp focus on upskilling and developing its employees in order to create a pool of high-potential successors and leaders in preparation for the Company's Vision 2027. With changing dynamics of the industry ecosystem, Arohan has proactively reimagined its entire approach to developing talent in the Company.

The Company believes that to sustain in a rapidly evolving VUCA (volatility, uncertainty, complexity, and ambiguity) world, the practice of learning, unlearning, and relearning is the key to success. The dimensions of the industry demand that employees are constantly developed to stay ahead of the learning curve. With this as the cornerstone, Arohan has devised training models to reskill and upskill employees across verticals.

Induction Programmes

Arohan focuses on conducting well-rounded induction programmes for its field, as well as non-field functions. The induction programmes for all the different levels of field employees are designed to develop their functional and behavioural competencies. A total of 570+ such programmes were conducted in FY 2023



with an effectiveness score of ~88.90%.

Knowledge Management

Arohan has adopted a well-defined approach for its knowledge management in order to capture, organize and share knowledge within the employee cadres. As a part of its knowledge management initiative, Arohan has launched a host of programmes, such as the following:

- **Saksham:** A certification programme for the critical roles spanning the field and enabling functions to upgrade their knowledge of the policies, processes, and industry in line with the shifting landscape.
- **Weekly Communication Hour:** A dedicated hour every week where the field managers communicate with their teams on updates pertaining to processes and policies, along with key strategies in line with business goals. Special training for Area Managers, Branch Heads, and Associate Branch Heads is also conducted through these forums in a 'Train the Trainer' format, where the participants are later expected to impart the training to their respective teams.
- **Thank God It's Friday!** A development initiative for the Trainer cadre of the Company. This Friday platform encourages learnings about new state-of-the-art training initiatives that help develop the capabilities of the trainers. Going forward, this platform will be extended for other key enabling functions as well.
- **Refresher Training Programmes:** These are specialized business training conducted for the field team on a monthly basis, ensuring last-mile connectivity aligned with the business goals.
- **Pragati:** These are bi-weekly morning training facilitated by the Training & Development function for the field teams by their line managers. Through this platform, relevant topics pertaining to the current business scenario are covered to ensure improvement in business and other productivity metrics.
- **Vridhhi:** A capability-building programme for Area Managers who are struggling to keep up with the rest of the organization. This intervention ensures that we are able to train one of our most critical roles in the organisation, and bring them up to speed.
- **E-Learning:** A revolutionary move in the microfinance industry, with nugget-sized self-

learning modules for the entire field employee on extremely pressing topics available to be consumed at their own pace. This helps the Company disseminate information faster with almost 100% coverage.

Some other key training interventions are listed below:

Corporate Training

Strengthening the skill and behavioural competencies of employees in the support function, Arohan initiated the 'Corporate Training' programme conducted at regular intervals throughout the year. The intervention covers most of the support functions across the 8 Zonal Offices, as well as the Head Office.

Managerial Development Programme

This programme is targeted to impact two cadres of employees of the Company. First are the Business Leaders who run the business across the country, and the second is the Senior Leaders who are the emerging leaders of the organisation, and will be the successors to the next leadership roles.

Automation of Training

Arohan has continued to evolve its learning strategy to match the requirement of the millennials and socialised 'Learning Management System.' To this effect, the Company instituted courses targeted to build the capabilities of its 5700+ field team members on their functional competencies through weekly intervention and monthly assessments.

Customer Service Programme

This is a targeted training intervention for the Arohan Customer Service Team on customer management, handling conflict, and other service-related topics. Here, specific mentoring sessions are conducted for employees who have been identified for a low customer-centric approach.

Upskilling Intervention

In FY 2023, Arohan launched a unique intervention for its Customer Service Representatives to develop their capabilities of handling difficult customers in the form of a 'Role Play' based approach. Specific scripts were designed for different situations, and the same was enacted through role-play training sessions. As an impact of the programme, it was observed that 91.3%

of the field employees have transitioned into 'Experts' and 'Proficient', among the categories of Expert, Proficient, and Novice, as defined by Arohan's Training & Development Team.

Assessment Centre

Arohan has a defined and structured mechanism of succession planning where developing an internal talent pool for the next role is a critical component. To this effect, employees get an equal opportunity to showcase their functional and behavioural competency readiness for the next role. Post this, employees are selected, basis their performance, behaviour, and knowledge scores, and are placed in an Assessment Centre where their competency is tested, followed by a panel interview.

ESG-DRIVEN VALUE CREATION

Arohan, through its processes and business operations, takes cognizance of the actions of its customers and their implications and influence on the Environment and Society (E&S), either negatively or favourably. The Company understands the need to manage these E&S risks and mitigate them in a structured manner. To this effect, the Company has implemented adequate measures and initiatives in order to realise its Vision of being a preferred financial inclusion entity.

In FY 2023, Arohan has put in place a well-defined E&S Policy that outlines its commitment to incorporating E&S considerations in its business operations. The E&S Policy has been created in accordance with the applicable E&S Good International Industry Practices, National Environment & Social Laws, and Regulations.

Through its strong Governance and Corporate Social Responsibility activities, Arohan has initiated activities in areas pertinent to social development, in tune with key government priorities, supporting and empowering the women of communities where access to quality healthcare, basic education, water, and sanitation is restricted. Through such dedicated activities for women and communities, Arohan has impacted over 8 Lakh lives so far.

Environmental Initiatives

Eco sustainability (Safe Drinking Water & Sanitation)

The triple-bottom-line approach of People, Planet, and Profit forms the cornerstone for Arohan's stance on sustainability for the communities in which the

Company operates. The Company's integrated water and sanitation programme addresses the gaps in implementation and strategic management in Water and Sanitation, and Hygiene sectors by assuring investment efficacy, linking revenue returns to social benefits, and allowing common partnership.

Water Conservation

Arohan aims to create conditions conducive to higher agricultural productivity for its customers while also contributing to the conservation of natural resources. To this effect, the Company invested in water conservation projects as a mode for increasing agricultural production in rain-fed and semi-arid areas. Arohan's interventions aim to help improve the management of soil and vegetation in such areas.

Disaster Relief

Natural calamities like floods and cyclones are common in the geographies that Arohan operates in. Disaster Relief is one of the key focus areas where Arohan, as a part of its Corporate Social Responsibility commitment, provides aid and support to those affected by natural disasters. Arohan contributes towards disaster relief efforts by not just providing supplies and relief materials but also by way of volunteering time and engagement of its human resources. These efforts not only help those in need but also demonstrates the Company's commitment to the safety and well-being of the communities.

Arohan takes adequate measures of prevention and preparedness in line with its Business Continuity Policy. With the help of local communities, Arohan develops emergency plans to mitigate the ensuing impact of the disaster. In addition to the immediate relief efforts, Arohan also supports long-term recovery and rebuilding efforts of the impacted communities through various community development initiatives.

With the best interest of safeguarding and protecting the well-being of its beneficiaries, especially in times of need, Arohan and its employees have provided disaster relief materials to over 49,000 beneficiaries during times of floods and cyclones. In FY 2023, Arohan distributed dry ration kits and hygiene kits to approximately 2,000 beneficiaries.

Social Initiatives

Arohan is on a continuous quest to identify opportunities of impact, address social issues, and promote positive change in the lives of the customers it serves and communities it caters to. In FY 2023, as a



part of its social responsibility commitments, Arohan undertook the following initiatives:

1. Education and Child Development

- **STEM Mini Science Centres:** Arohan, with its implementing partner Samabhavana has established STEM (Science, technology, engineering, and mathematics) Mini Science centers in schools of West Bengal and Rajasthan catering to around 3200 students. Each science lab has 80 plug & play models, which helps students to learn using modern scientific methods. Also, in order to cater to the needs of specially-abled students, Arohan has installed additional STEM models at the Calcutta Deaf and Dumb School.
- **Hearing Screening & Intervention for Early Identification of hearing loss:** Arohan has partnered with Vaani Deaf Children's Foundation for screening and early detection of hearing impairment. Through this programme, Arohan has helped 1600 newborns in the Shrirampur area of Hooghly District in West Bengal, with early detection of hearing loss. The parents of the newborns have also been provided with proper counseling with respect to their child's hearing impairment.

2. Capacity Building & Livelihood Promotion

- Arohan emphasizes on the holistic development of rural communities and has initiated ways to improve their standard of living through income-generation activities. Arohan, with its implementation partner Gram Jagat, a non-governmental organisation has capacitated around 150 rural women of Banka District, Bihar, with skills in making chips, badi, and pickles. With a forward linkage on income generation, this programme has also helped in getting their end products sold in the local markets.
- Another such project that helps create an additional source of income through agriculture and backyard poultry-based livelihood generation has been launched by Arohan, along with Gram Jagat, in Mayurakshi and Rampurhat blocks of Birbhum District in West Bengal. The programme focuses on training interventions pertaining to agriculture and poultry-based livelihood in farm and non-farm sectors. Training on SRI paddy cultivation, duck farming, vermicompost, and vegetable cultivation ensures the beneficiaries are well adept with the necessary knowledge. Through this intervention,

Arohan has impacted 3200 people directly.

3. Promoting Healthcare

- **Menstrual Hygiene:** Continuing its efforts to educate and raise awareness about the usage of sanitary napkins while also making them easily accessible in rural pockets, Arohan has installed sanitary napkin vending machines and incinerators at 7 Government Girls' Colleges (Kasturba Gandhi Balika Vidyalyaya) in Ramgarh, Jharkhand. The initiative also helps in lessening environmental pollution brought about by non-biodegradable napkins and the blockage of public drainage systems, which in turn causes the spread of diseases. To promote good hygiene practices for long-term health advantages, awareness sessions for school children, teachers, parents, and community members have also been held through this programme. Arohan has effectively influenced more than 2800 girls through this endeavour.

- **Health camps**

Arohan operates in deep pockets of rural India where health facilities are not adequate. To this effect, Arohan, with its implementing partner, Doctors for You, organised health camps in identified rural areas in Assam and Uttar Pradesh, where patients were diagnosed and treated appropriately. Around 1300 patients were treated through this programme in FY 2023.

4. Employee Volunteering

Arohan provides its employees with a sense of fulfillment and purpose, beyond everyday work, by encouraging them to give back to the community. Arohan encourages employees to give their time and/or skills in this regard for project-based volunteerism. There are countless advantages to volunteering for an employee, including learning of new skills and knowledge, improving job and career prospects, experiencing a sense of accomplishment and fulfillment, personal development, improving physical and mental health, establishing better connect with the community, and fostering teamwork.

Employees at Arohan have taken part in a variety of volunteering activities to connect with beneficiaries in line with causes including the promotion of education, disaster relief efforts, clothing drives, and Mental Health well-being.



CAUTIONARY STATEMENT

This document contains statements about expected future events, financial and operating results of Arohan, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is a significant risk that the assumptions, predictions, and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results, and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications, and risk factors referred to in the management's discussion and analysis of Arohan's Annual Report, FY 2023.





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, 2023. In compliance with the applicable provisions of The Companies Act, 2013, (including any statutory modification(s) or re-enactment(s) thereof, for time being in force) ("Act") and The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), this report covers the financial results and other developments during the financial year ended March 31, 2023.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The financial performance of the Company is summarized below:

(INR in Crores)			
Year ended March 31	FY 2023	FY 2022	Change (%)
Total Revenue (A)	1090.99	920.43	18.53
Less: Expenditure (B)	808.39	701.82	15.18
Less: Impairment on financial instruments (C)	192.65	135.67	42.00
Profit/(loss) before tax (D)= (A-(B+C))	89.95	82.94	8.45
Total tax expense (E)	19.24	21.99	(12.51)
Profit/(loss) after tax (F)= (D-E)	70.72	60.95	16.03
Other-Comprehensive Income	(2.63)	(1.63)	(61.35)
Total Comprehensive income for the year	68.09	59.32	14.78
Earnings Per Share (EPS)			
- Basic (in INR)	6.05	5.22	15.90
- Diluted (in INR)	5.84	5.20	12.31

The operational highlights of the Company are summarized below:

Year ended March 31	FY 2023	FY 2022	Change (%)
Number of branches	829	740	12.03
Number of customer (in lakhs)	20	19	5.26
Number of employees	8030	7160	12.15
Gross loan portfolio (in crores)	5357	4122	29.96

Last year has been very crucial, considering many significant developments like expansion of the business to new geographies, increased disbursement and recovery, investments from foreign investors, etc. The business of the Company has seen an improvement, due to various factors like borrower activation levels, employee productivity, better credit environment since COVID-19 pandemic, etc.

The Company has achieved new heights of success in comparison with previous years: crossed the mark of INR 5000 Crores of outstanding portfolio, bagged the ISO 9001 quality certification on security, cross sell department crossing a landmark figure of INR 100 Crores in fee revenue, new CSR activities focusing on ESG approach. Arohan has launched a new segment- Arohan Privilege, first-in-class digital lending vertical,

which has an outstanding portfolio of approximately INR 31 Crores as on March 31, 2023. The newly created recovery vertical has helped in enhancing recovery along with minimizing the write-off provisions.

The Company has witnessed one of the biggest funds raise in the MFI sector by augmenting a capital raise of about INR 430 Crores including funds from TIAA and FMO, which has helped in the sustained growth of the business throughout the year. In this regard, the Company has received approval from the RBI on March 23, 2023 pursuant to RBI Directions for change in capital structure and composition of the Board of the Company. The Company has reported Operational Revenue of about INR 1,069.45 Crores and net profit of INR 70.72 Crores. The Other Income of the Company grew by 15.19% in comparison with previous year. However, Net worth had increased from the previous financial year ended March 31, 2022 due to retained earnings and capital infusion, the net worth of the Company for the financial year stood at INR 1,338.03 Crores.

Borrowings has increased to INR 4,535 Crores for the financial year ended March 31, 2023 in comparison to that of INR 4,127 Crores reported in the previous financial year ended March 31, 2022.

The OPEX ratio of the Company was marginally increased year on year, primarily due to the base impact. The total comprehensive income (TCI) of the Company stood for the financial year 2022-23 at INR 68.09 Crores against a TCI of INR 59.32 Crores for the Financial Year 2021-22. In terms of gross AUM, the Company had grown from INR 4,122 Crores to INR 5,357 Crores. The major focus during the year was on disbursement, expansion, collection and recovery.

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

- Microfinance Company of the Year' Award at the 3rd ANNUAL BFSI TECHNOLOGY EXCELLENCE Awards programme, organised by Quantic;
- Best Risk Management Initiatives Award by AMFI West Bengal;
- AMFI Awards, 2023 for Technology Innovations;
- Erstwhile Head of Human Resources, Admin,

Training & CSR at Arohan has been awarded for "Outstanding contribution during COVID in motivating staff and client" at UPMA's Vth State Conference;

- Two Modern Governance Top 100 Awards in the categories Boards & Governance Innovator and ESG, Diversity & Climate Trailblazer.

The Company has received several noteworthy Certifications:

- CARE MFI 1 Grading, highest on an 8-point scale;
- COCA Assessment score of C1 (top grade) indicating "Excellent Performance on COCA Dimensions";
- Awarded an Alpha Grading and Rating Outlook as Positive in Social Rating under the CERISE SPI4 tool methodology by MCRIL;
- Arohan's Information Security Management Systems get certified with ISO/IEC 27001:2013 by BSI;
- Recertified with ISO 9001:2015 for Internal Audit;
- Great Place to Work-Certified™.

CHANGE IN THE NATURE OF BUSINESS

During the year under review, there was no change in the nature of the business of the Company.

CAPITAL INFUSION

During the year, the Company has issued 1150 Secured, Rated, Listed, Redeemable, Transferable Non-Convertible Debentures at a coupon rate of 11.8647% at a face value of INR 10,00,000 each aggregating to INR 115 Crores on a private placement basis to Blue Orchard Microfinance Fund.

Further during the year, the Company has allotted 10,00,000 Equity Shares to Arohan ESOP Trust on preferential basis and allotted 1,85,00,412 and 1,07,10,765 Cumulative Compulsory Convertible Preference Shares to Teachers Insurance And Annuity Association Of America (TIAA) and Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) respectively on preferential basis.



Furthermore, the Company has allotted 77,89,648 Cumulative Compulsory Convertible Preference Shares to Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) on April 27, 2023 on preferential basis, which was approved by the shareholders in their Extra Ordinary General Meeting held on March 29, 2023. Post allotment of Equity Shares for ESOP and Cumulative Compulsory Convertible Preference Shares as aforesaid, the issued, subscribed and paid-up share capital of the Company stands at INR 1,58,17,81,280 (Rupees One Hundred and Fifty Eight Crores Seventeen Lakhs Eighty One Thousand Two Hundred And Eighty Only) comprising of 15,81,78,128 (Fifteen Crores Eighty One Lakh Seventy Eight Thousand One Hundred And Twenty Eight Only) Equity Shares of INR 10 each.

The shareholders of the Company at their Extra Ordinary general Meeting held on November 18, 2022 has approved the increase in Authorized Share Capital from INR 1,60,00,00,000 (Indian Rupees One Hundred and Sixty Crores Only) consisting of 16,00,00,000 (Sixteen Crores) Equity Shares of INR 10/- (Indian Rupees Ten only) each divided into 13,50,00,000 (Thirteen Crore Fifty Lakh) Equity shares of INR 10/- (Indian Rupees Ten only) each, and 2,50,00,000 (Two Crore Fifty Lakh) Compulsorily Convertible Preference Shares of INR 10/- (Indian Rupees Ten only) each to INR 2,25,00,00,000/- (Indian Rupees Two Hundred Twenty Five Crore only) consisting of 22,50,00,000 (Twenty Two Crore Fifty Lakhs) shares of INR 10/- (Indian Rupees ten only) each divided into 18,00,00,000 (Eighteen Crore) Equity shares of INR 10/- (Indian Rupees ten only) each, and 4,50,00,000 (Four Crore Fifty Lakh) Compulsorily Convertible Preference Shares of INR 10/- (Indian Rupees Ten only) each and at their Extra Ordinary General Meeting held on March 29, 2023* has approved the reclassification of authorized share capital of the Company. Post increase in Authorized Share Capital and reclassification of authorized share capital, the authorised capital of the Company stands as 14,50,00,000 Equity shares for a face value of INR 10/-each (Rupees ten only), and INR 80,00,00,000 (Rupees Eighty Crores Only) divided into 8,00,00,000 Compulsory Convertible Preference Shares for a face

value of INR 10/-each (Rupees ten only).

*Approval of MCA was awaited for reclassification of authorised share capital till the date of this report.

DIVIDEND

The Board of Directors do not recommend any Dividend to the Equity Shareholders of the Company for the year under review.

Further, in respect of the payment of dividend on the Cumulative Compulsory Convertible Preference Shares issued during the year, the Board decided to pay the dividend on a cumulative basis in the next financial year or at the time of conversion, if any.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Mr. Anurag Agrawal (DIN: 02385780) being Nominee Director 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 the director under section 164 (2) of the Companies Act, 2013 had been received stating he is not disqualified from being appointed as the Director. Mr. Dinesh Kumar Mittal (DIN: 00040000), has been reappointed as an Independent Director w.e.f., May 15, 2023 for a further period of 5 years.

Mr. Paul Gratien Robine and Mr. Shri Ram Meena had resigned from their directorship w.e.f May 12, 2023. Mr. David Arturo Paradiso was appointed as an Additional Director w.e.f. May 11, 2022 and was thereafter appointed as a Nominee Director w.e.f August 11, 2022. Further. Mr. Stephen Dongwon Lee and Mr. Aditya Mohan were appointed as an Additional Director w.e.f. December 01, 2022 and May 12, 2023 respectively and Mr. Vemuru Chandramouli has been appointed as a Nominee Director w.e.f, May 12, 2023.

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

Apart from the above, Company has appointed Mr. Ranjan Das as Chief Risk Officer and Mr. Arvind Murarka as Chief Information Officer of the Company. During the year Mr. Bharat Sondur, Chief Business Officer has separated from the Company due to personal reason.

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 The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

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:

- In the preparation of the annual accounts for the year ended March 31, 2023, 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;
- 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, 2023 and of the Profit and loss of the Company for the year ended on that date;
- 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;

- The Directors have prepared the annual accounts on a 'going concern' basis;
- 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
- 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, 2023, the Board consists of 13 members, which includes one Executive Director, four Independent Directors, and Eight 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;

- 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** – MSKA & Associates, (Firm Registration Number – 105047W), Chartered Accountants were appointed as statutory auditors of the Company in the Extra Ordinary General Meeting held on December 30, 2021 for a term up to three years, i.e. till the FY 2023-24 to fill casual vacancy which has occurred w.r.t RBI Guidelines. They have confirmed their eligibility under section 141 of the Companies Act, 2013 to carry out the audit for the FY 22-23.
- ii) **Secretarial Auditors** – M/s S. Basu & Associates, Practising Company Secretary (Certificate of Practice No 14347) were reappointed as Secretarial Auditor of the Company to conduct Secretarial Audit of the Company for the Financial Year 2022-23 as required under Section 204 of the Companies Act, 2013 and the rule made thereunder. The Secretarial Audit Report for FY 22-23 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 usual 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, were 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 2022-23 are disclosed in note of the financial statements.

There were no materially significant related party transactions entered into by the Company which may have potential conflict with the interest of the Company except as disclosed in note of the financial statements. All contracts/ arrangements/ transactions entered by the Company during the Financial Year 2022-23, with its related parties, were in the ordinary course of business and on an arm's length basis and were reviewed and approved by the Audit Committee of the Board. Further, during the Financial Year, the Company has not entered into any contract/ arrangement/ transaction with related parties which could be considered material in accordance with the Company's policy of Materiality of Related Party Transactions except those provided in Form AOC-2, annexed hereto, marked as **Annexure II**. Further, suitable disclosure as required by the Accounting Standards has been made in the Notes to 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/wp-content/themes/arohan/resources/related-party-transactions-policy.pdf>

AMOUNT TRANSFERRED TO STATUTORY RESERVES

During the year under review the Company had incurred profit and accordingly during the year the Company has transferred an amount of INR 14.14 Crores to Statutory Reserve as required (20% of Profit after Tax) under Section 45-IC of The 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, 2023 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 0.06 Crores. 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 May 12, 2023 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 detailed report on the director's performance evaluation as generated from diligent software, was placed before the Board and Committee in their meeting dated May 12, 2023.

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 organization. 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 Health Care and Women Empowerment, Disaster Relief, Installation of Vending Machine, Training and Awareness, Skill Development, Livelihood Trainings, etc. 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 III** 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 calendar year 12 (Twelve) cases were reported and all were effectively closed.

INTERNAL FINANCIAL CONTROLS

The Company has in place adequate and effective 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

The 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 (15), which was 28.74% as on March 31, 2023.

The Company has an outstanding secured and unsecured borrowings of INR 4,533.49 Crores at the end of Financial Year 2022-23.

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-	Negative
Non-Convertible Debentures	CARE Ratings Limited	A-	Negative
Bank Instruments	ICRA Limited	A-	Stable
Non-Convertible Debentures	ICRA 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 IV** 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 and 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 V**.

EMPLOYEE STOCK OPTION PLAN (ESOP)

The Company currently had implemented the three plans, viz. Arohan Employee Stock Option Plan 2010 ("ESOP 2010"/"Plan"), Arohan Employee Stock Option Plan 2018 ("ESOP 2018"/"Plan") and Arohan Employee Stock Option Plan 2021 ("ESOP 2021"/"Plan"). 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 is appended as **Annexure VI**.

EXTRACT OF ANNUAL RETURN

Pursuant to Section 92(3) read with Section 134(3)(a) of the Act, the draft Annual Return as on March 31, 2023 in e-form MGT 7 is available on the Company's website at the link <https://www.arohan.in/wp-content/themes/arohan/document/mgt-7-22-23.pdf>.

ACKNOWLEDGEMENT

Your Directors express their sincere appreciation of the co-operation and assistance received from customers, Reserve Bank of India, MFIN, 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

VINEET CHANDRA RAI DIRECTOR DIN: 00606290	MANOJ KUMAR NARAYAN NAMBIAR MANAGING DIRECTOR DIN: 03172919
--	--

Date: May 12, 2023

Place: Kolkata

ANNEXURE - I SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2023

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration of Managerial 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** 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, 2023 ('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, 2023** according to the provisions of:

1. The Companies Act, 2013 (the Act) and the rules made thereunder;
2. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

3. The Depositories Act, 1996 and the Regulations and Bye-laws Framed thereunder;
4. The 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;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018; **Not Applicable during the year under review;**
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999; **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; **to the extent applicable to the Company during the period under review;**

- (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021; **Not Applicable during the Audit period;**
- (h) The Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018; **Not Applicable during the Audit period.**

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 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

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, Standards, etc. mentioned above.

Place: Kolkata
Date: 09.05.2023

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. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.
- 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, 2023:-**

- Amended the Memorandum of Association and Article of Association of 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

Saurabh Basu
Practising Company Secretary
ACS: - 18686; C.P.- 14347
Peer Review No: 1017/2020
UDIN: A018686E000278121

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.

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

Place: Kolkata
Date: 09.05.2023

Saurabh Basu
Practising Company Secretary
ACS: - 18686; C.P.- 14347
Peer Review No: 1017/2020
UDIN: A018686E000278121



ANNEXURE - II

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 March 31, 2023, 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)
Reimbursement of income Ashv Finance Limited	Common Directors or Significant Influence	During the FY 2022-23	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.	7.92
Business Support fees Aavishkaar Venture Management Services Private Limited					43.31
Intellectap Advisory Services Private Limited					13.30
Ashv Finance Limited					0.47
Remittance from Business transfer agreement Ashv Finance Limited					3.20
Loan availed Shivalik Small Finance Bank					1,000.00
Loan repaid Shivalik Small Finance Bank					141.31
Loan processing charges on loan availed (gross) Shivalik Small Finance Bank					2.73
Interest on fixed deposit (gross) Shivalik Small Finance Bank					70.65
Fixed deposit Shivalik Small Finance Bank					283.15
Accrued finance cost on loan availed (gross) Shivalik Small Finance Bank					8.38
Corporate Social Responsibility Aavishkaar Foundation					47.20

For and on behalf of the Board of Directors

Manoj Kumar Narayan Nambiar
Managing Director
(DIN: 03172919)

Date: May 12, 2023

Place: Kolkata

ANNEXURE-III

ANNUAL REPORT ON CSR ACTIVITIES

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 towards 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:

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	1
2.	Mr. Anurag Agarwal	Promoter Nominee Director	2	2
3.	Mr. Wilhelmus Marthinus Maria Van Der Beek	Nominee Director	2	0
4.	Mr. Manoj Kumar Narayan Nambiar	Managing Director	2	2

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

CSR Policy:

<https://www.arohan.in/wp-content/themes/arohan/resources/corporate-social-responsibility-policy.pdf>

CSR Committee Composition:

<https://www.arohan.in/arohan-story/board-committees/>

CSR Projects approved:

https://www.arohan.in/wp-content/themes/arohan/document/proposed-project_22-23.pdf

4. Provide the executive summary along with web-link(s) 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. – **NA**



5. (a) Average net profit of the company as per sub-section (5) of section 135 – **INR 10,91,32,681**
 (b) Two percent of average net profit of the company as per sub-section (5) section 135 – **INR 21,82,654**
 (c) Surplus arising out of the CSR projects or programmes or activities of the previous financial years. – **NA**
 (d) Amount required to be set off for the financial year, if any. – **NA**
 (e) Total CSR obligation for the financial year [(b)+(c)-(d)] – **INR 21,82,654**
6. (a) Amount spent on CSR Projects (both Ongoing Project and other than Ongoing Project). – **INR 20,75,251**
 (b) Amount spent in Administrative Overheads. – **INR 1,07,403**
 (c) Amount spent on Impact Assessment, if applicable. – **NA**
 (d) Total amount spent for the Financial Year [(a)+(b)+(c)]. – **INR 21,82,654**
 (e) **CSR amount spent or unspent for the financial year:**

Total Amount Spent for the Financial Year. (in Rs.)	Amount Unspent (in Rs.)				
	Total Amount transferred to Unspent CSR Account as per sub-section (6) of section 135		Amount transferred to any fund specified under Schedule VII as per sub-section (5) of section 135		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
20,32,654	1,50,000	April 26, 2023	NA	Nil	NA

(f) **Excess amount for set-off, if any:**

Sl. No.	Particular	Amount (in Rs.)
(1)	(2)	(3)
(i)	Two percent of average net profit of the company as per sub-section (5) of section 135	21,82,654
(ii)	Total amount spent for the Financial Year	20,32,654
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Nil
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous Financial Years, if any	Nil
(v)	Amount available for set off in succeeding Financial Years [(iii)-(iv)]	Nil

7. (a) **Details of Unspent Corporate Social Responsibility amount for the preceding three Financial Years:**

Sl. No.	Preceding Financial Year(s).	Amount transferred to Unspent CSR Account under sub-section (6) of section 135. (in Rs.)	Balance Amount in Unspent CSR Account under sub-section (6) of section 135 (in Rs.)	Amount spent in the reporting Financial Year (in Rs.)	Amount transferred to a Fund as specified under Schedule VII as per second proviso to sub-section (5) of section 135, if any.		Amount remaining to be spent in succeeding Financial Years. (in Rs.)	Deficiency, if any
					Amount (in Rs)	Date of transfer		
1	2021-22	5,45,160	0	5,45,160	-	-	-	
2	2020-21	50,81,242	4,43,202	46,38,040	-	-	4,43,202	
3	2019-20	3,94,968	0	3,94,968	-	-	-	

8. **Whether any capital assets have been created or acquired through Corporate Social Responsibility amount spent in the Financial Year:**

YES	NO
	√

If Yes, enter the number of Capital assets created/ acquired

Furnish the details relating to such asset(s) so created or acquired through Corporate Social Responsibility amount spent in the Financial Year:

Sl. No.	Short particulars of the property or asset(s) [including complete address and location of the property]	Pincode of the property or asset(s)	Date of Creation	Amount of CSR amount spent	Details of entity/ Authority/ beneficiary of the registered owner		
(1)	(2)	(3)	(4)	(5)	(6)		
					CSR Registration Number, if applicable	Name	Registered address
NA							

(All the fields should be captured as appearing in the revenue record, flat no, house no, Municipal Office/Municipal Corporation/ Gram panchayat are to be specified and also the area of the immovable property as well as boundaries)

9. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5). – **NA**

Sumantra Banerjee
Chairperson, CSR Committee
DIN: 00075243

Manoj Kumar Narayan Nambiar
Managing Director
DIN: 03172919

Date: May 12, 2023
Place: Kolkata



ANNEXURE - IV

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.	75.83 : 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"> <thead> <tr> <th>KMP (#)</th> <th>% increase in remuneration</th> </tr> </thead> <tbody> <tr> <td>MD</td> <td>21.31%</td> </tr> <tr> <td>CFO</td> <td>13.26%</td> </tr> <tr> <td>CS</td> <td>13.57%</td> </tr> </tbody> </table> (#) KMP remuneration does not include variable pay component.	KMP (#)	% increase in remuneration	MD	21.31%	CFO	13.26%	CS	13.57%
KMP (#)	% increase in remuneration									
MD	21.31%									
CFO	13.26%									
CS	13.57%									
3.	The percentage increase in the median remuneration of employees in the financial year	10.44%								
4.	The number of permanent employees on the rolls of the Company	8,030 employees as on March 31, 2023.								
5.	The explanation on the relationship between average increase in remuneration and company performance	The Company had a growth of 14.78% in its Total Comprehensive Income and increased the remuneration of its employees by an average of 10.25% based on the recommendation of the NRC Committee.								
6.	Comparison of the remuneration of the Key Managerial Personnel against the performance of the company	The Company's total comprehensive income has grown by 14.78% and revenue has grown by 18.53% in FY 2022-23 in comparison to FY 2021-22. The average increase in remuneration of KMP in the FY 2022-23 was 16.05%.								
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	As on March 31, 2023, the Company's equity shares were not listed. The Company's equity has increased from INR 1023.48 crores as on March 31, 2022 to INR 1338.03 crores as on March 31, 2023 – increased by 30.73%.								
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 10.25% and the average increase in the managerial remuneration was 21.31%.								
9.	Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Company	The Company's total comprehensive income has grown by 14.78% and revenue has grown by 18.53% in FY 2022-23 in comparison to FY 2021-22. The average increase in remuneration of KMP in the FY 2022-23 was 16.05%								
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.								

Sl. No	Particulars	Disclosures
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 230.62 Lakhs
3	Nature of employment, whether contractual or otherwise	Permanent
4	Qualification and Experience	Manoj Kumar Nambiar is the Managing Director of Arohan. He has been a Director since October 2012, when he was appointed as the Managing Director of Arohan with effect from October 3, 2012. He holds a bachelor's degree in mechanical engineering from VJTI and a master's degree in management studies from JBIMS, University of Bombay. He has also completed the 'Strategic Leadership in Microfinance' course from Harvard Business School, USA, "Strategy meets Leadership" course from INSEAD, Fontainebleau, France & "Leading for Impact" from IMD Lausanne, Switzerland. He has worked with various companies in the fields of business development, consumer banking & finance and microfinance across India and the Middle East. His previous employers include 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 Alhamrani Company for Investment in Trade. He is the Vice Chairperson of the Group Executive Council at Aavishkaar, the holding company. He has served on the governing board of MFIN, the microfinance sector SRO recognised by the RBI for 6 years from 2013 including as its President from July 2015 to June 2016 and then as Chairman twice from July 2019 to June 2021. He is currently the Lead of the Steering Committee of the 37 MFI lenders in Assam liaising with the state government on the AMFIRS'21, the microfinance incentive & relief scheme 2021.
5	Date of commencement of employment	September 28, 2012
6	Age	57
7	The last employment held	MD & CEO of IntelleCash Microfinance Network Company (P) Limited
8	% of equity shares held	Nil

- 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**



ANNEXURE- V

CORPORATE GOVERNANCE REPORT

COMPANY'S CORPORATE GOVERNANCE PHILOSOPHY

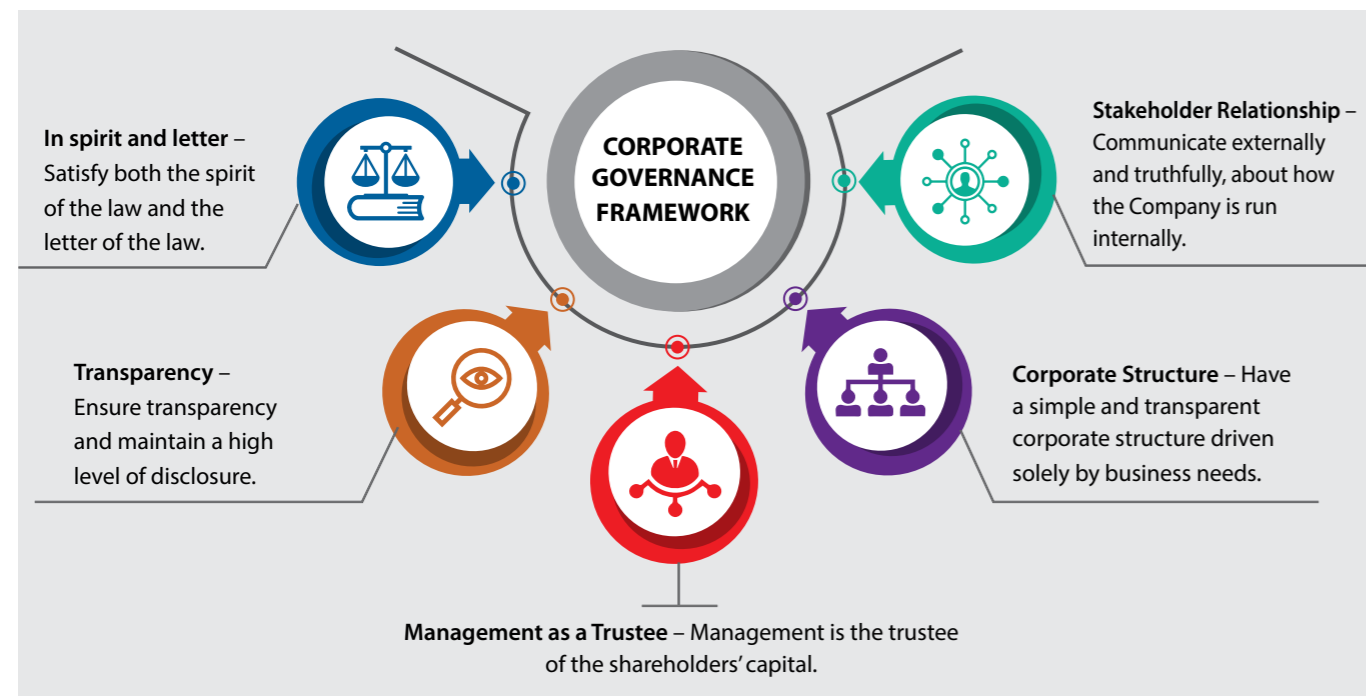
Corporate Governance refers to the way by which corporation is governed, can be said a unique technique by which companies are directed and managed. Corporate Governance can be stated as carrying the business as per the stakeholders' desires and for creating a long term sustainable value for our stakeholders' 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 Company's 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 The 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:

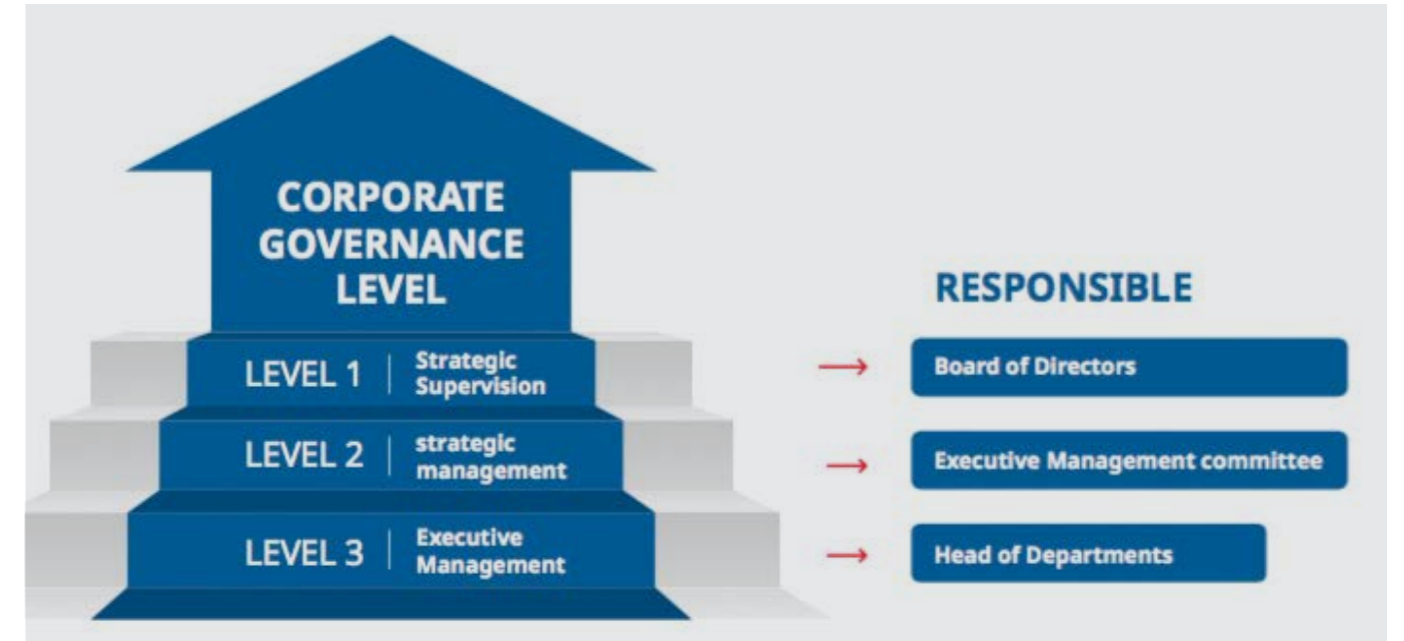
The driving principle of our corporate governance framework are encapsulated in the following diagram.



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, The Companies Act, 2013, The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 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 Company's 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 oversee specific operational areas. As on March 31, 2023, the Company's Board comprised of thirteen (13) Directors including, four (4) Non-Executive Independent Directors (out of which includes one (1) Women Independent Director), One (1) Executive Director and Eight (8) Non-Executive Nominee Directors.

During the year under review, the Board met 10(ten) times on May 11, 2022, June 17, 2022, August 12, 2022, August 26, 2022, November 11, 2022, November 23, 2022, December 01, 2022, December 22, 2022, February 14, 2023 and March 23, 2023. 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 2022-23	No. of meetings attended (including through electronic mode in FY2022-23)	Whether attended last AGM	No. of other Directorships held in other public companies	No. of other Board Committee Memberships/ Chairmanship*	Details of directorship held other in Listed Entity (including debt listed)	Category of Directorship
1.	Mr. Manoj Kumar Narayan Nambiar	Managing Director	10	10	Yes	0	Nil	Nil	Nil
2.	Mr. Anurag Agrawal	Promoter Nominee Director	10	10	No	1	1	1. Ashv Finance Limited	Director
3.	Mr. Vineet Chandra Rai	Promoter Nominee Director	10	7	No	1	0	1. Ashv Finance Limited	Director
4.	Mr. Dinesh Kumar Mittal	Independent Director (Chairman)	10	10	No	7	7 (including 5 as a Chairman)	1. Max Ventures and Industries Limited 2. Max Financial Services Limited 3. Balrampur Chini Mills Ltd 4. Bharti Airtel Limited	Non Executive Independent Director
5.	Mr. Sumantra Banerjee	Independent Director	10	7	Yes	1	Nil	Nil	Nil
6.	Mr. Rajat Mohan Nag	Independent Director	10	7	Yes	Nil	Nil	Nil	Nil

Sl. No.	Name of the Director	Category of Directors	No. of meetings held in FY 2022-23	No. of meetings attended (including through electronic mode in FY2022-23)	Whether attended last AGM	No. of other Directorships held in other public companies	No. of other Board Committee Memberships/ Chairmanship*	Details of directorship held other in Listed Entity (including debt listed)	Category of Directorship
7.	Ms. Matangi Gowrishankar	Independent Director	10	10	Yes	6	3	1. Cyient Limited 2. Gabriel India Limited 3. Greenlam Industries Limited 4. Ashv Finance Limited 5. Gujarat Pipavav Port Limited	1, 2 and 3 Non-Executive - Independent Director 4 Director 5 Non-Executive - Independent Director
8.	Mr. Piyush Goenka	Nominee Director	10	8	No	3	2	1. Safari Industries (India) Limited	Non-Executive - Non Independent Director
9.	Mr. Wilhelmus Marthinus Maria Van Der Beek	Nominee Director	10	4	No	Nil	Nil	Nil	Nil
10.	Mr. Paul Gratien Robine**	Nominee Director	10	1	No	1	Nil	1. Sapphire Foods India Limited	Non-Executive - Nominee Director
11.	Mr. Shri Ram Meena**	Nominee Director	10	2	No	1	Nil	Nil	Nil
12.	Mr. David Arturo Paradiso**	Nominee Director	9**	6	No	2	3	1. Belstar Micro Finance Limited	Director
13.	Mr. Stephen Dongwon Lee**	Additional Director	3**	2	No	Nil	Nil	1. Kinara Capital Private Limited	Director
14.	Mr. Aditya Mohan**	Additional Director	0**	0	No	Nil	Nil	Nil	Nil
15.	Mr. Vemuru Chandramouli**	Nominee Director	0**	0	No	Nil	Nil	Nil	Nil

- None of the Directors held directorships in more than ten (10) public limited companies;
- None of the Directors is related to any Director or is a member of an extended family;
- None of the employees of the Company is related to any of the Directors in terms the Companies Act, 2013;
- None of the Directors has received any loans or advances from the Company during the year.
- Mr. Sumantra Banerjee, Non-Executive Independent Director, holds 10,000 equity shares.

* Only covers Membership/ Chairmanship of Audit Committee and Stakeholders' Relationship Committee of other Public Limited Companies.

** Mr. Paul Gratien Robine and Mr. Shri Ram Meena had resigned from their directorship w.e.f May 12, 2023. Mr. David Arturo Paradiso was appointed as an Additional Director w.e.f. May 11, 2022 and was thereafter was appointed as a Nominee Director w.e.f August 11, 2022. Further. Mr. Stephen Dongwon Lee and Mr. Aditya Mohan were appointed as an Additional Director w.e.f. December 01, 2022 and May 12, 2023 respectively and Mr. Vemuru Chandramouli has been appointed as a Nominee Director w.e.f, May 12, 2023.

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, 2023.

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. Dinesh Kumar Mittal, Member
- Mr. Sumantra Banerjee, Member
- Ms. Matangi Gowrishankar, Member
- Mr. Piyush Goenka, Member

The Board reconstituted the Audit Committee vide Circular Resolution passed with majority on November 10, 2022 and thereby Mr. Dinesh Kumar Mittal was appointed as a member of the Audit Committee. As on March 31, 2023 the Committee comprised of Four (4) Independent Directors and one (1) Nominee Director, all of whom are financially literate and have relevant finance exposure. The Managing Director, the Chief Financial Officer and other Executive Committee Members are 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 May 10, 2022, August 11, 2022, November 10, 2022, November 23, 2022, February 13, 2023 and March 23, 2023. 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	4
Ms. Matangi Gowrishankar	Independent Director	6	5
Mr. Dinesh Kumar Mittal*	Independent Director	4	3
Mr. Piyush Goenka	Nominee Director	6	5

* Mr. Dinesh Kumar Mittal is a member of the Committee w.e.f November 10, 2022.

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. Further, the Secretarial Auditor is invited once in a financial year for the discussion of the Secretarial Audit Report. 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, 2023 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 and observers 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 May 11, 2022, August 12, 2022, November 11, 2022 and February 14, 2023.

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	3
Ms. Matangi Gowrishankar	Independent Director	4	4
Mr. Piyush Goenka	Nominee Director	4	3
Mr. Wilhelmus Marthinus Maria Van Der Beek	Nominee Director	4	Nil

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, 2023, 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 are permanent invitees 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 May 10, 2022 and November 10, 2022.

Attendance of Directors:

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



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 The 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
- Mr. Dinesh Kumar Mittal, Member

The Board reconstituted the Nomination and Remuneration Committee at the Board Meeting held on May 12, 2023 and thereby Mr. Dinesh Kumar Mittal was appointed as a member of the Nomination and Remuneration Committee. As on March 31, 2023 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 are permanent invitees to the meetings of the Committee. The other directors and observers are invited to attend the 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 May 11, 2022, August 12, 2022, November 11, 2022, December 01, 2022 and February 14, 2023.

Attendance of Directors:

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	3
Mr. Rajat Mohan Nag	Independent Director	5	4
Mr. Piyush Goenka	Nominee Director	5	4
Mr. Vineet Chandra Rai	Promoter Nominee Director	5	3

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, 2023 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 met five (5) times during the year on April 11, 2022, June 29, 2022, August 12, 2022, November 30, 2022 and February 21, 2023.

Attendance of Directors:

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Mr. Manoj Kumar Narayan Nambiar	Managing Director	5	4
Mr. Anurag Agrawal	Promoter Nominee Director	5	5
Mr. Vineet Chandra Rai	Promoter Nominee Director	5	4
Mr. Piyush Goenka	Nominee Director	5	5

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
- Mr. Rajat Mohan Nag, Member

The Board reconstituted the Committee vide Circular Resolution passed with majority on November 10, 2022 and thereby Mr. Rajat Mohan Nag was appointed as a member of the Committee. The Committee comprised of two (2) Independent directors, one (1) Nominee Director, Managing Director and the Chief Information Officer. 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 Twice (2) times during the year on August 11, 2022 and November 10, 2022.

Attendance of Directors & Chief Information Officer:

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Mr. Manoj Kumar Nambiar	Managing Director	2	2
Mr. Sumantra Banerjee	Independent Director	2	1
Mr. Rajat Mohan Nag*	Independent Director	1	1
Mr. Arvind Murarka	Chief Information Officer	2	2
Mr. Piyush Goenka	Nominee Director	2	1

* Mr. Rajat Mohan Nag is a member of the Committee w.e.f November 10, 2022.

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, 2023 the Committee comprised of One (1) Non-Executive Independent Director, Managing Director, one (1) Promoter Director. 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, 2023. The Committee met once (1) time during the year on February 13, 2023.

Attendance of Directors:

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

8. Asset-Liability Management Committee (ALCO)

The ALCO is responsible for ensuring adherence to the risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy of the Company. The role of the ALCO with respect to liquidity risk includes, inter alia, decision on desired maturity profile and mix of incremental assets and liabilities, sale of assets as a source of funding, the structure, responsibilities and controls for managing

liquidity risk, and overseeing the liquidity positions of all branches.

Composition:

- Mr. Manoj Kumar Narayan Nambiar, Chairperson
- Mr. Milind Ramchandra Nare, Member
- Mr. Shailesh Kumar, Member
- Mr. Ranjan Das, Member
- Mr. Vishal Wadhwa, Member
- Mr. Anirudh Singh G. Thakur, Member

As on March 31, 2023, the Committee comprised of Managing Director, Chief Financial Officer, SVP-Credit, Chief Risk Officer, Head of Business and the Company Secretary. AVP-Accounts, DGM-Funding, DGM-Funding, DVP-Accounts, GM-Risk, GM-Product Management, AGM-Product Management, AGM-Legal & Compliance are permanent invitee to the meetings of the Committee. The Committee met every month on April 26, 2022, May 17, 2022, June 15, 2022, July 14, 2022, August 24, 2022, September 17, 2022, October 17, 2022, November 17, 2022, December 14, 2022, January 16, 2023, February 23, 2023 and March 22, 2023 during the year.

Attendance of Members:

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Mr. Manoj Kumar Narayan Nambiar	Managing Director	12	12
Mr. Milind Ramchandra Nare	Chief Financial Officer	12	12
Mr. Shailesh Kumar	SVP-Credit	12	9
Mr. Ranjan Das	Chief Risk Officer	12	9
Mr. Vishal Wadhwa**	Head of Business	2	2
Mr. Anirudh Singh G. Thakur	Company Secretary	12	11

**Mr. Vishal Wadhwa was member of the Committee w.e.f February, 2023.

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 on May 10, 2022 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
2021-2022	AGM	It was held through Video Conferencing ('VC')/Other Audio-Visual Means ('OAVM'), deemed location is Registered Office	August 11, 2022	02:00 PM
2020-2021	AGM	It was held through Video Conferencing ('VC')/Other Audio-Visual Means ('OAVM'), deemed location is Registered Office	August 05, 2021	3:00 PM
2019-2020	AGM	It was held through Video Conferencing ('VC')/Other Audio-Visual Means ('OAVM'), deemed location is Registered Office	August 03, 2020	11:30 AM

Six (6) Extra Ordinary General Meetings of the Company were held on September 26, 2022, November 18, 2022, November 26, 2022, December 12, 2022, March 15, 2023 and March 29, 2023.

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

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).

FY 2020-21:

1. Increase the borrowing power of the Company;
2. Creation of charge and providing security;
3. To issue non-convertible debentures;
4. Reappointment of Ms. Matangi Gowrishankar, Independent Director;
5. Reappointment of Mr. Manoj Kumar Nambiar as Managing Director of the Company.

FY 2021-22:

1. Increase in borrowing power of the Company;
2. Creation of charge and to provide security;
3. Issue of Non-Convertible Debentures;
4. Payment of commission to the Independent Directors of the Company;
5. Amendment in the 'AROHAN EMPLOYEE STOCK OPTION PLAN 2010' ("ESOP 2010"/"PLAN");
6. Amendment in the "AROHAN EMPLOYEE STOCK OPTION PLAN 2018" ("ESOP 2018"/"PLAN");
7. Amendment in the "AROHAN EMPLOYEE STOCK OPTION PLAN 2021" ("ESOP 2021"/"PLAN");
8. Issue of shares w.r.t Arohan Employee Stock Option Plan 2021.

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 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.

General Shareholders Information

Company Registration details:

The Company is based in Kolkata and operates in seventeen geographies at present, Assam, Bihar, Chattisgarh, Haryana, Jharkhand, Karnataka, Madhya Pradesh, Maharashtra, Manipur, Meghalaya, Odisha, Rajasthan, Telangana, Tripura, Uttarakhand, Uttar Pradesh and West Bengal.

CIN: U74140WB1991PLC053189

RBI registration no.: B.05.02932

Scrip Code: 955550

Annual General Meeting Date, Time and Venue:

Date: Time: August 07, 2023, at 3:00 p.m.

Venue: Vedic Village, Kolkata, through video conferencing

Financial Year: April 1, 2022 to March 31, 2023

Book closure date: July 31, 2023 to August 06, 2023 (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

GR FLR, Universal Insurance Bldg
Sir Phirozshah Mehta Rd.,
Fort Mumbai – 400001

Catalyst Trusteeship Limited

Windsor, 6th Floor, Office No. 604,
C.S.T. Road, Kalina, Santacruz (East),
Mumbai – 400098

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; E-Mail: kolkata@linkintime.co.in

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.

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	1,00,016	10,00,160	0.08	164	54.13
Above 5,000 to 10,000	69,312	6,93,120	0.06	9	2.97
Above 10,000	12,10,07,975	1,21,00,79,750	99.86	130	42.90

Dematerialization of shares and liquidity:

Percentage of shares held in physical form: 0.02%

Electronic form with NSDL: 95.82%

Electronic form with CDSL: 4.16%

Details of Credit Ratings obtained

ICRA Limited: A- Stable Outlook

CARE Ratings Limited: A- Negative Outlook

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 financial results of the Company are published in the leading newspapers viz. The Financial Express as per the Regulation 52 (8), read with Regulation 52 (4) of the SEBI (LODR) Regulation, 2015.

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 except a penalty of INR 0.05 Lakhs was levied for delay in filing of monthly reporting of actual transactions (ECB 2) for the month of July, 2022 and an amount of INR 0.16 lakhs has been paid to Reserve Bank of India towards late submission fees of FC_TRS under The Foreign Exchange Management Act, 1999.

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 in accordance with the Listing



Regulations. 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/wp-content/themes/arohan/resources/related-party-transactions-policy.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. MSKA & Associates, Chartered Accountants, Statutory Auditors are given below are given below:

(INR in Lakhs)	
Payment to Statutory Auditor	F.Y 2022-23
Statutory Audit including Limited Review	70.00
Other Services including reimbursement of expenses	11.70
Total	81.70

Note: The Certificate from the MD and CFO under Regulation 17 (8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, will form part of this report.

CERTIFICATE OF MD & CFO

To
The Board of Directors
Arohan Financial Services Limited

Dear members of the Board,

Sub: Certification by Managing Director and Chief Financial Officer in terms of Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

- We, the undersigned, in our respective capacities as the Managing Director and Chief Financial Officer of Arohan Financial Services Limited ("the Company"), in terms of Regulation 17(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, hereby certify that:
We have reviewed the Financial Statements, including the Cash Flow Statement, of the Company for the Financial Year ended March 31, 2023 and to the best of our knowledge and belief, we state that:
 - These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- To the best of our knowledge and belief, there are no transactions entered into by the Company during the year, which are fraudulent, illegal, or in violation of the Company's Code of Conduct.
- We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the Auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- We have indicated to the Auditors and the Audit Committee:
 - significant changes in internal control over financial reporting during the year;
 - significant changes in accounting policies during the year and that the same have been disclosed in the Notes to the Financial Statements; and
 - instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Yours Sincerely

Manoj Kumar Narayan Nambiar
Managing Director
DIN: 03172919

Milind Nare
Chief Financial Officer

Place: Kolkata
Date: May 12, 2023



Arohan Financial Services Limited

Independent Auditors' Report of even date on the financial statements of Arohan Financial Services Limited for the year ended March 31, 2023 (cont'd)

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
1	<p>Measurement of Impairment on Financial Assets - Loans</p> <p>Refer Note 3(k) for significant accounting policies and Note 41 for credit risk disclosures.</p> <p>The Company has reported gross loan assets of INR 5,06,686.12 lacs against which an impairment loss of INR 28,464.17 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 the application of significant management judgement and the use of different modelling techniques and assumptions which are uncertain and 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>Assessed 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 assessed the compliance with the policies in terms of Ind AS 109. Tested the design and operating effectiveness of key financial controls over the 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.

Arohan Financial Services Limited

Independent Auditors' Report of even date on the financial statements of Arohan Financial Services Limited for the year ended March 31, 2023 (cont'd)

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
	<p>The Expected Credit Loss 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>In view of the above, the measurement of impairment loss on loans was determined to be a Key Audit Matter in our audit of the financial statements.</p>	<ul style="list-style-type: none"> Understood and challenged the aforesaid assumptions through our understanding of the risk profile of the customers of the Company. Reconciled the total financial assets considered for ECL estimation with the books of account to ensure the completeness. Verified, on test check basis, whether appropriate staging of assets have been performed basis their days past due. Further, performed an overall assessment of the ECL provision levels at each stage. Verified assets in stage 1, 2 and 3 on sample basis and tested that they were allocated to the appropriate stage. For samples of exposure, verified the appropriateness of determining Exposure at Default (EAD), PD and LGD. Assessed the adequacy and appropriateness of disclosures in compliance with the Ind AS 107 in relation to ECL especially in relation to judgements used in estimation of ECL provision.
2	<p>Information Technology ("IT") Systems and Controls</p> <p>The Company has a complex IT system to support its recording of customer's operational data, business processes, ensuring complete and accurate processing of financial transactions and supporting the overall internal control framework.</p> <p>In particular, the IT system 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>Our audit procedures with respect to this matter include, but were not limited to the following:</p> <ul style="list-style-type: none"> Involved IT specialists as part of the audit for the purpose of testing the IT general controls and application controls (automated and semi-automated controls) to determine the accuracy of the information produced by the Company's IT systems. Obtained a comprehensive understanding of IT applications landscape implemented at the Company. It was followed by process understanding, mapping of applications to the same and understanding financial risks posed by people-process and technology.



Arohan Financial Services Limited

Independent Auditors' Report of even date on the financial statements of Arohan Financial Services Limited for the year ended March 31, 2023 (cont'd)

Sr. No	Key Audit Matter	How the Key Audit Matter was addressed in our audit
	<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 reliability and security of IT systems play a key role in the business operation. 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, we have identified 'IT systems and controls' as key audit matter because of the high level automation, significant number of systems being used by the management and the complexity of the IT architecture and its impact on the financial reporting system.</p>	<ul style="list-style-type: none"> Key IT audit procedures includes testing design and operating effectiveness of key controls operating over user access management (which includes user access provisioning, de-provisioning, access review, password configuration review, segregation of duties and privilege access), change management (which include change release in production environment are compliant to the defined procedures and segregation of environment is ensured), program development (which include review of data migration activity), computer operations (which includes testing of key controls pertaining to, backup, Batch processing (including interface testing), incident management and data centre security), System interface controls. This included testing that requests for access to systems were appropriately logged, reviewed, and authorized. In addition to the above, the design and operating effectiveness of certain automated controls, that were considered as key internal system controls over financial reporting were tested. Using various techniques such as inquiry, review of documentation / record / reports, observation, and re-performance. Tested compensating controls and performed alternate procedures, where necessary. In addition, understood where relevant, changes made to the IT landscape during the audit period.

Arohan Financial Services Limited

Independent Auditors' Report of even date on the financial statements of Arohan Financial Services Limited for the year ended March 31, 2023 (cont'd)

Information Other than the Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the other information. The other information comprises 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 under SA 720 'The Auditor's responsibilities Relating to Other Information'.

Responsibilities of Management and Those Charged with Governance / Board of Directors for the Financial Statements

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, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards 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 statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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 SAs 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 Auditors' Report of even date on the financial statements of Arohan Financial Services Limited for the year ended March 31, 2023 (cont'd)

As part of an audit in accordance with SAs, 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.

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.

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.

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 for the year ended March 31, 2023 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

- As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
- As required by Section 143(3) of the Act, we report that:

Arohan Financial Services Limited

Independent Auditors' Report of even date on the financial statements of Arohan Financial Services Limited for the year ended March 31, 2023 (cont'd)

- We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- 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.
- The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flow dealt with by this Report are in agreement with the books of account.
- In our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act.
- On the basis of the written representations received from the directors as on March 31, 2023 taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2023 from being appointed as a director in terms of Section 164 (2) of the Act.
- With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- 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, in our opinion and to the best of our information and according to the explanations given to us:
 - The Company has disclosed the impact of pending litigations on its financial position in its financial statements – Refer Note 58 to the financial statements;

- The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
-
- (1) The Management has represented that, to the best of its knowledge and belief, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
- (2) The Management has represented, that, to the best of its knowledge and belief, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities (Funding Parties), with the understanding, whether recorded in writing or otherwise, as on the date of this audit report, that the Company shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;



Arohan Financial Services Limited

Independent Auditors' Report of even date on the financial statements of Arohan Financial Services Limited for the year ended March 31, 2023 (cont'd)

- (3) Based on the audit procedures performed that have been considered reasonable and appropriate in the circumstances, and according to the information and explanations provided to us by the Management in this regard nothing has come to our notice that has caused us to believe that the representations under sub-clause (i) and (ii) of Rule 11(e) as provided under (1) and (2) above, contain any material mis-statement.
- v. The Company has neither declared nor paid any dividend during the year.
- vi. As proviso to rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable for the company only w.e.f. April 1, 2023, reporting under this clause is not applicable.
3. In our opinion, according to information, explanations given to us, the remuneration paid by the Company to its directors is within the limits laid prescribed under Section 197 of the Act and the rules thereunder.

For M S K A & Associates

Chartered Accountants
ICAI Firm Registration No. 105047W

Tushar Kurani

Partner
Membership No. 118580
UDIN: 23118580BGXRQD9097

Mumbai
May 12, 2023

Arohan Financial Services Limited

Annexure A to Independent Auditors' Report of even date on the Financial Statements of Arohan Financial Services Limited for the year ended March 31, 2023.

- [Referred to in paragraph 1 under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report]
- i.
- (a) A. The Company has maintained proper records showing full particulars including quantitative details and situation of Property, Plant and Equipment, and relevant details of right-of-use assets.
- B. The Company has maintained proper records showing full particulars of intangible assets.
- (b) All the Property, Plant and Equipment and right of use assets were physically verified by the management in the previous year in accordance with a planned programme of verifying them once in 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) According to the information and explanations given to us, there are no immovable properties, and accordingly, the requirements under paragraph 3(i)(c) of the Order are not applicable to the Company.
- (d) According to the information and explanations given to us, the Company has not revalued its property, plant and Equipment (including Right of Use assets) during the year. Accordingly, the requirements under paragraph 3(i)(d) of the Order are not applicable to the Company.
- (e) According to the information and explanations given to us, no proceeding has been initiated or pending against the Company for holding benami property under the Benami Transactions (Prohibition) Act, 1988, as amended and rules made thereunder. Accordingly, the provisions stated in paragraph 3(i) (e) of the Order are not applicable to the Company.
- ii.
- (a) The Company is involved in the business of rendering services. Accordingly, the provisions stated in paragraph 3(ii) (a) of the Order are not applicable to the Company.
- (b) During the year the Company has been sanctioned working capital limits in excess of Rs. 5 crores in aggregate from Banks/financial institutions on the basis of security of current assets. Quarterly returns / statements filed with such Banks/ financial institutions are in agreement with the books of account.
- iii.
- (a) The Company is involved in the Business of giving loans. Accordingly, the requirements under paragraph 3(iii)(a) of the Order are not applicable to the Company.
- (b) According to the information and explanations given to us and based on the audit procedures performed by us, we are of the opinion that the terms and conditions in relation to investments made, guarantees provided, securities given and / or grant of all loans and advances in the nature of loans and guarantees are not prejudicial to the interest of the Company.
- (c) In respect of the [aforesaid] loans/ advances in nature of loan, the schedule of repayment of principal and payment of interest has been stipulated by the Company. Considering that the Company is a non-banking financial company engaged in the business of micro finance lending [to small individual borrowers], the borrower-wise details of the amount, due date for payment and extent of delay (that has been suggested in the Guidance Note on CARO 2020 issued by the Institute of Chartered Accountants of India for reporting under this clause) have not been reported because it is not practicable to furnish such details owing to the voluminous nature of data generated in the normal course of the



Arohan Financial Services Limited

Annexure A to Independent Auditors' Report of even date on the Financial Statements of Arohan Financial Services Limited for the year ended March 31, 2023. (cont'd)

Company's business. Further, except for the instances where there are delays or defaults in repayment of principal and/ or interest and in respect of which the Company has recognized necessary provisions in accordance with the principles of Indian Accounting Standards (Ind AS) and the guidelines issued by the Reserve Bank of India ("RBI") for Income Recognition and Asset Classification (which has been disclosed by the Company in Note 7 to the financial statements), the parties are repaying the principal amounts, as stipulated, and are also regular in payment of interest, as applicable.

- (d) In respect of the loans/ advances in nature of loans, the total amount overdue for more than ninety days as at March 31, 2023 is INR 6,791.10 lakhs. In such instances, in our opinion, based on information and explanations provided to us, reasonable steps have been taken by the Company for the recovery of the principal amounts and the interest thereon. Refer Note 48 in the financial statements for details of number of cases and the amount of principal and interest overdue as at March 31, 2023.
- (e) The Company is involved in the Business of giving loans. Accordingly, the requirements under paragraph 3(iii)(e) of the Order are not applicable to the Company.
- (f) According to the information explanation provided to us, the Company has granted loans and / or advances in the nature of loans during the year. These are not repayable on demand / have stipulated the schedule for repayment of principal and interest. Hence, the requirements under paragraph 3(iii)(f) of the Order are not applicable to the Company.
- iv. According to the information and explanations given to us, the Company has neither, directly or

indirectly, granted any loan, or provided guarantee or security to any of its directors or to any other person in whom the director is interested, in accordance with the provisions of Section 185 of the Act nor made investments through more than two layers of investment companies in accordance with the provisions of Section 186 of the Act. Accordingly, provisions stated in paragraph 3(iv) of the Order are not applicable to the Company.

- v. According to the information and explanations given to us, the Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the rules framed there under.
- vi. The provisions of sub-Section (1) of Section 148 of the Act are not applicable to the Company as the Central Government of India has not specified the maintenance of cost records for any of the products of the Company. Accordingly, the provisions stated in paragraph 3 (vi) of the Order are not applicable to the Company.
- vii.
- (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, undisputed statutory dues including Goods and Services tax, provident fund, employees' state insurance, income-tax and other statutory dues have generally been regularly deposited with the appropriate authorities though there has been a slight delay in a few cases.
- (b) According to the information and explanation given to us and examination of records of the Company, details of statutory dues referred to in sub Clause (a) above which have not been deposited as on March 31, 2023 on account of any dispute, are as follows:

Arohan Financial Services Limited

Annexure A to Independent Auditors' Report of even date on the Financial Statements of Arohan Financial Services Limited for the year ended March 31, 2023. (cont'd)

Name of the statute	Nature of dues	Amount Demanded Rs. (in Lakhs)	Amount Paid Rs. (in Lakhs)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Income Tax	6.18	-	AY 2012-13	Income Tax Appellate Tribunal
Income Tax Act, 1961	Income Tax	22.89	22.88	AY 2014-15	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	9.13	1.85	AY 2017-18	Commissioner of Income Tax (Appeals)
Income Tax Act, 1961	Income Tax	3.10	-	AY 2022-23	Commissioner of Income Tax (Appeals)

viii. According to the information and explanations given to us, there are no transactions which are not accounted in the books of account which have been surrendered or disclosed as income during the year in Tax Assessment of the Company. Also, there are no previously unrecorded income which has been now recorded in the books of account. Hence, the provision stated in paragraph 3(viii) of the Order is not applicable to the Company.

ix.

- (a) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of loans or borrowings or in payment of interest thereon to any lender.
- (b) According to the information and explanations given to us and on the basis of our audit procedures, we report that the Company has not been declared willful defaulter by any bank or financial institution or government or any government authority.
- (c) In our opinion and according to the information explanation provided to us, money raised by way of term loans during the year have been applied for the purpose for which they were raised.
- (d) According to the information and explanations given to us, and the procedures performed by

us, and on an overall examination of the financial statements of the Company, we report that no funds raised on short-term basis have been used for long-term purposes by the Company.

- (e) According to the information explanation given to us and on an overall examination of the financial statements of the Company, we report that the Company has not taken any funds from an any entity or person on account of or to meet the obligations of its subsidiaries, associates, or joint ventures.
- (f) According to the information and explanations given to us and procedures performed by us, we report that the Company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies. Hence, reporting under the Clause 3(ix) (f) of the order is not applicable to the Company.
- x.
- (a) In our opinion and according to the information explanation given to us, the Company did not raise any money by way of initial public offer or further public offer (including debt instruments) during the year. Hence, the provisions stated in paragraph 3 (x)(a) of the Order are not applicable to the Company.



Arohan Financial Services Limited

Annexure A to Independent Auditors' Report of even date on the Financial Statements of Arohan Financial Services Limited for the year ended March 31, 2023. (cont'd)

- (b) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has made private placement of cumulative convertible preference shares during the year and the requirements of Section 42 and Section 62 of the Act have been complied with. The amount raised has been used for the purposes for which they were raised.
- xi.
- (a) Based on our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we report that no material fraud by the Company nor on the Company has been noticed or reported during the course of our audit.
- (b) We have not come across of any instance of material fraud by the Company or on the Company during the course of audit of the financial statement for the year ended March 31, 2023, accordingly the provisions stated in paragraph (xi)(b) of the Order is not applicable to the Company.
- (c) We have taken into consideration the whistle blower complaints received by the Company during the year while determining the nature, timing, and extent of audit procedures.
- xii. The Company is not a Nidhi Company. Accordingly, the provisions stated in paragraph 3(xii) (a) to (c) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- xiv.
- (a) In our opinion and based on our examination, the Company has an internal audit system commensurate with the size and nature of its business.
- (b) We have considered internal audit reports of the Company issued till date, for the year under audit.
- xv. According to the information and explanations given to us, in our opinion, during the year the Company has not entered into non-cash transactions with directors or persons connected with its directors and hence, provisions of Section 192 of the Act are not applicable to Company.
- xvi.
- (a) The Company is required to and has been registered under Section 45-IA of the Reserve Bank of India Act, 1934 as a non deposit taking non-banking financial institution.
- (b) The Company has not conducted any Non-Banking Financial activities without any valid Certificate of Registration from Reserve Bank of India. Hence, the reporting under paragraph 3 (xvi)(b) of the Order are not applicable to the Company.
- (c) The Company is not a Core investment Company (CIC) as defined in the regulations made by Reserve Bank of India. Hence, the reporting under paragraph 3 (xvi)(c) of the Order are not applicable to the Company.
- (d) The Group does not have any CIC as part of its group. Hence the provisions stated in paragraph 3(xvi) (d) of the order are not applicable to the Company.
- xvii. Based on the overall review of financial statements, the Company has incurred cash losses in the current financial year amounting to INR 92,317.98 lakhs but has not incurred any cash losses during the immediately preceding financial year.

Arohan Financial Services Limited

Annexure A to Independent Auditors' Report of even date on the Financial Statements of Arohan Financial Services Limited for the year ended March 31, 2023. (cont'd)

- xviii. There has been no resignation of the statutory auditors during the year. Hence, the provisions stated in paragraph 3 (xviii) of the Order are not applicable to the Company.
- xix. According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- xx.
- (a) In respect of other than ongoing projects, the Company has transferred unspent amount to a Fund specified in schedule VII of the Act within a period of six months of the expiry of the financial year in compliance second proviso to sub-Section (5) of Section 135 of the Act.
- (b) There are no ongoing projects and accordingly reporting under Clause 3(xx)(b) of order is not applicable to the Company.
- xxi. According to the information and explanations given to us, the Company does not have any Subsidiary, Associate or Joint Venture. Accordingly, reporting under Clause 3(xxi) of the Order is not applicable.

For M S K A & Associates

Chartered Accountants
ICAI Firm Registration No. 105047W

Tushar Kurani

Partner
Membership No. 118580
UDIN: 23118580BGXRQD9097

Mumbai
May 12, 2023



Arohan Financial Services Limited

Annexure B to the Independent Auditor's Report of even date on the Financial Statements of Arohan Financial Services Limited for the year ended March 31, 2023.

[Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditors' Report of even date to the Members of Arohan Financial Services Limited on the Financial Statements for the year ended March 31, 2023]

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

Opinion

We have audited the internal financial controls with reference to financial statements of Arohan Financial Services Limited ("the Company") as of March 31, 2023 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, an adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2023, based on the internal control 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 issued by the Institute of Chartered Accountants of India (ICAI) (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. 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 its business, including adherence to 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.

Auditors' Responsibility

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 Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. 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 was established and maintained and if such controls operated effectively in all material respects.

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 included obtaining an understanding of internal financial controls with reference to financial statements, 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.

We believe that the audit evidence we have obtained

Arohan Financial Services Limited

Annexure B to the Independent Auditor's Report of even date on the Financial Statements of Arohan Financial Services Limited for the year ended March 31, 2023. (cont'd)

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

A Company's internal financial control 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 control with reference to financial statements includes 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 authorizations of

management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls With reference to financial statements

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 control 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.

For M S K A & Associates

Chartered Accountants
ICAI Firm Registration No. 105047W

Tushar Kurani

Partner
Membership No. 118580
UDIN: 23118580BGXRQD9097

Mumbai
May 12, 2023



Arohan Financial Services Limited

Balance Sheet as at 31 March 2023

(All amounts in ₹ lakhs unless otherwise stated)

	Notes	As at 31 March 2023	As at 31 March 2022
ASSETS			
Financial Assets			
Cash and cash equivalents	4	55,656.06	95,362.92
Other bank balances	5	37,800.09	35,372.38
Trade receivables	6	1,537.64	200.59
Loans	7	4,78,221.95	3,71,019.93
Investments	8	7,877.00	5.00
Other financial assets	9	2,757.32	547.14
		5,83,850.06	5,02,507.96
Non-financial assets			
Current tax assets (net)	10	4,268.74	4,820.31
Deferred tax assets (net)	11	11,846.91	13,773.52
Property, plant and equipment	12	530.80	400.71
Intangible assets under development	13	44.06	45.04
Other intangible assets	13	215.05	269.47
Right of use asset	14	490.05	393.43
Other non-financial assets	15	571.12	749.01
		17,966.73	20,451.49
Total assets		6,01,816.79	5,22,959.45
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	30,084.77	28,338.42
Borrowings (other than debt securities)	17	3,80,936.33	3,41,078.35
Subordinated liabilities	18	42,327.83	43,309.37
Other financial liabilities	20	9,946.14	3,713.27
		4,63,295.07	4,16,439.41
Non-financial liabilities			
Provisions	21	2,468.29	2,099.70
Other non-financial liabilities	22	2,250.92	2,072.25
		4,719.21	4,171.95
Equity			
Equity share capital	23	15,038.85	12,017.73
Other equity	24	1,18,763.66	90,330.36
		1,33,802.51	1,02,348.09
Total liabilities and equity		6,01,816.79	5,22,959.45

Note 1 to 61 form an integral part of these Financial Statements

This is the Balance Sheet referred to in our report of even date

For **M S K A & Associates**
Chartered Accountants
Firm Registration No. 105047W

Tushar Kurani
Partner
Membership No. 118580

Place: Mumbai
Date: 12 May 2023

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

Manoj Kumar N Nambiar
Managing Director
DIN: 03172919
Place: Kolkata

Anirudh Singh G Thakur
Company Secretary
Place: Kolkata
Date: 12 May 2023

Vineet Chandra Rai
Director
DIN: 00606290
Place: Kolkata

Milind R Nare
Chief Financial Officer
Place: Kolkata

Arohan Financial Services Limited

Statement of Profit and Loss for the year ended 31 March 2023

(All amounts in ₹ lakhs unless otherwise stated)

	Notes	Year ended 31 March 2023	Year ended 31 March 2022
Revenue from operations			
Interest income	26	93,096.90	85,872.70
Dividend income	27	-	3.50
Fees and commission income	28	10,209.69	4,172.35
Net gain on derecognition of financial instruments	29	3,586.49	-
Other operating income	30	52.30	124.02
Total revenue from operations		1,06,945.38	90,172.57
Other income	31	2,154.14	1,870.03
Total Income		1,09,099.52	92,042.60
Expenses			
Finance costs	32	46,864.42	40,176.34
Impairment on financial instruments	33	19,264.99	13,566.80
Employee benefits expenses	34	24,614.80	21,039.10
Depreciation and amortization	35	476.24	586.07
Other expenses	36	8,883.71	8,380.19
Total Expenses		1,00,104.16	83,748.50
Profit before tax		8,995.36	8,294.10
Tax expense:	38		
Current tax		1.96	8.93
Deferred tax expense		2,014.95	2,178.62
Tax expense for earlier years		(93.18)	11.52
Total tax expenses		1,923.73	2,199.07
Profit/ (loss) for the year		7,071.63	6,095.03
Other Comprehensive Income			
(A) Items that will not be reclassified to profit or loss			
(i) Remeasurement of post employment benefit obligations		(350.99)	(223.42)
(ii) Equity instruments through other comprehensive income		-	5.00
(iii) Income tax relating to these items		88.34	55.40
Subtotal (A)		(262.65)	(163.02)
(B) Items that will be reclassified to profit or loss			
(i) Fair valuation of financial assets		-	-
(ii) Income tax relating to these items		-	-
Subtotal (B)		-	-
Total other comprehensive income (A + B)		(262.65)	(163.02)
Total comprehensive income for the year		6,808.98	5,932.01
Earnings per equity share			
Nominal value per share	39	10.00	10.00
Basic (₹)		6.05	5.22
Diluted (₹)		5.84	5.20

Note 1 to 61 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 **M S K A & Associates**
Chartered Accountants
Firm Registration No. 105047W

Tushar Kurani
Partner
Membership No. 118580

Place: Mumbai
Date: 12 May 2023

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

Manoj Kumar N Nambiar
Managing Director
DIN: 03172919
Place: Kolkata

Anirudh Singh G Thakur
Company Secretary
Place: Kolkata
Date: 12 May 2023

Vineet Chandra Rai
Director
DIN: 00606290
Place: Kolkata

Milind R Nare
Chief Financial Officer
Place: Kolkata



Arohan Financial Services Limited

Statement of change in equity for the Year ended 31 March 2023

(All amounts in ₹ lakhs unless otherwise stated)

(a) Equity share capital

Particulars	As at 31 March 2023	As at 31 March 2022
Balance at the beginning of the year	12,017.73	12,017.73
Changes in equity share capital during the year	100.00	-
Balance at the end of the year	12,117.73	12,017.73

(b) Convertible preference share capital

Particulars	As at 31 March 2023	As at 31 March 2022
Balance at the beginning of the year	-	-
Changes in compulsorily convertible preference shares capital during the year	2,921.12	-
Balance at the end of the year	2,921.12	-

(c) Other equity

Particulars	Reserves and Surplus						Other Comprehensive Income through other comprehensive income	Total other equity
	Securities premium	Statutory reserves	Retained Earnings	General reserve	Share option outstanding account	Treasury shares		
Balance as at March 31, 2021	71,032.08	6,805.78	10,831.32	80.27	729.77	(5,629.85)	(3.57)	83,845.80
Profit for the year	-	-	6,095.03	-	-	-	-	6,095.03
Other comprehensive income (net)	-	-	(166.59)	-	-	-	3.57	(163.02)
Share based payments to employees	29.38	-	-	-	425.31	122.17	-	576.86
Adjustment of loan to ESOP trust	(24.31)	-	-	-	-	-	-	(24.31)
Transfer to Statutory reserve (*)	-	1,219.01	(1,219.01)	-	-	-	-	-
Balance as at March 31, 2022	71,037.15	8,024.79	15,540.75	80.27	1,155.08	(5,507.68)	-	90,330.36
Profit for the year	-	-	7,071.63	-	-	-	-	7,071.63
Other comprehensive income (net)	-	-	(262.65)	-	-	-	-	(262.65)
Share based payments to employees	4.77	-	-	-	277.99	5.65	-	288.41
Issue of equity shares to ESOP trust	1,439.40	-	-	-	-	(1,539.40)	-	(100.00)
Issue of compulsorily convertible preference shares	21,908.38	-	-	-	-	-	-	21,908.38
Share issue expenses	(472.47)	-	-	-	-	-	-	(472.47)
Transfer to Statutory reserve (*)	-	1,414.33	(1,414.33)	-	-	-	-	-
Balance as at March 31, 2023	93,917.23	9,439.12	20,935.40	80.27	1,433.07	(7,041.43)	-	1,18,763.66

Note: The Company proposes a dividend @ 0.001% on compulsory convertible preference shares which is recommended by the Board of Directors for approval by the Shareholders in the ensuring Annual General meeting.

(*) The Company has transferred 20% of profits after tax to Statutory reserve pursuant to Section 45-IC of the Reserve Bank of India Act, 1934.

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

For **M S K A & Associates**
Chartered Accountants
Firm Registration No. 105047W

Tushar Kurani
Partner
Membership No. 118580

Place: Mumbai
Date: 12 May 2023

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

Manoj Kumar N Nambiar
Managing Director
DIN: 03172919
Place: Kolkata

Anirudh Singh G Thakur
Company Secretary
Place: Kolkata
Date: 12 May 2023

Vineet Chandra Rai
Director
DIN: 00606290
Place: Kolkata

Milind R Nare
Chief Financial Officer
Place: Kolkata

Arohan Financial Services Limited

Statement of Cash Flow for the year ended 31 March 2023

(All amounts in ₹ lakhs unless otherwise stated)

	Year ended 31 March 2023	Year ended 31 March 2022
(A) Cash flows from operating activities		
Profit before tax	8,995.36	8,294.10
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortization	476.24	586.07
Interest on lease liability (net)	45.78	53.09
Impairment on financial instruments	19,117.55	13,566.80
Impairment on trade receivables	147.44	-
Net gain on derecognition of financial instruments	(3,586.49)	-
Interest income on unwinding of assigned portfolio	(294.45)	(352.92)
Adjustment of loan to ESOP trust	-	(24.31)
Expense on employee stock option scheme	282.76	454.69
Effective interest rate adjustment for financial instruments (*)	1,475.82	(2,310.11)
Unwinding impact on security deposit	0.21	0.34
Operating profit before working capital changes	26,660.22	20,267.75
Working capital adjustments		
(Increase)/ decrease in assets		
Loans	(1,26,319.57)	8,003.80
Trade receivables	(1,484.49)	(86.92)
Other financial assets	1,675.25	862.65
Other non-financial assets	173.19	614.67
Increase/ (decrease) in liabilities		
Others financial liabilities	6,138.36	(2,911.19)
Provisions	17.60	87.77
Other non-financial liabilities	178.67	(173.13)
Cash (used in)/ generated from operating activities	(92,960.77)	26,665.40
Income taxes paid (net of refunds)	642.79	(4,204.80)
Net cash (used in)/ generated from operating activities (A)	(92,317.98)	22,460.60
(B) Cash flows from investing activities		
Purchase of property, plant and equipment	(301.69)	(97.76)
Investment in fixed deposits	(2,427.71)	(16,122.96)
Purchase of investments	(7,872.00)	-
Purchase of intangible assets	(34.41)	(5.96)
Purchase of intangible assets under development	(46.30)	(70.72)
Proceeds from sale of property, plant and equipment	0.44	2.63
Net cash used in investing activities (B)	(10,681.67)	(16,294.77)
(C) Cash flows from financing activities		
Proceeds from issue of equity shares (including premium)	5.65	122.17
Proceeds from Issue of compulsorily convertible preference shares (including premium)	24,829.50	-
Share issue expenses	(472.47)	-
Proceeds from debt securities (*)	11,462.43	-
Repayment of debt securities (*)	(9,940.00)	(69,977.67)
Proceeds from borrowings (other than debt securities) (*)	6,44,169.00	4,67,025.59
Repayment of borrowings (other than debt securities) (*)	(6,05,544.46)	(4,45,766.13)
Proceeds from subordinated liabilities (*)	-	22,234.60
Repayment of subordinated liabilities (*)	(1,000.00)	-
Payment of lease liabilities	(216.86)	(243.22)
Net cash generated/ (used in) financing activities (C)	63,292.79	(26,604.66)
Net increase/ (decrease) in cash and cash equivalents (A+B+C)	(39,706.86)	(20,438.83)
Cash and cash equivalents as at the beginning of the year	95,362.92	1,15,801.75
Cash and cash equivalents as at the end of the year	55,656.06	95,362.92
Components of cash and cash equivalents: [Refer Note 4]		
Cash on hand	36.05	55.57
Balances and deposits with banks	55,620.01	95,307.35
Cash and cash equivalents considered for cash flow	55,656.06	95,362.92

(*) 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 **M S K A & Associates**
Chartered Accountants
Firm Registration No. 105047W

Tushar Kurani
Partner
Membership No. 118580

Place: Mumbai
Date: 12 May 2023

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

Manoj Kumar N Nambiar
Managing Director
DIN: 03172919
Place: Kolkata

Anirudh Singh G Thakur
Company Secretary
Place: Kolkata
Date: 12 May 2023

Vineet Chandra Rai
Director
DIN: 00606290
Place: Kolkata

Milind R Nare
Chief Financial Officer
Place: Kolkata



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023

1 Corporate informatories

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 Standard) Rules, 2015 as amended by the Companies (Indian Accounting Standards) Amendment 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 2023 has been authorised and approved by the Board of Directors in their meeting held on 12 May 2023.

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 in so far 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.

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

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 actions, uncertainty about these assumptions and estimates could result in the outcomes requiring adjustment to the carrying amounts of assets or liabilities in future periods.

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



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

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 the statement of profit and loss.

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 straight line 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
Motor vehicle	8 years
Furniture and fixtures	10 years

Depreciation is calculated on pro rata basis from the date on which the asset is ready for use till useful life or the date the asset is sold/ disposed, whichever is earlier. 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. 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.

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

Capital work-in-progress

Capital work-in-progress are carried at cost, comprising direct cost and related incidental expenses incurred to 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.



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

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 an establishes provisions where appropriate.

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 the Statement of Profit and Loss comprises the sum of deferred tax, current tax and tax expense for earlier years, 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.

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

Post-employment benefit plans are classified into defined benefits plans and defined contribution plans as under:

Defined contribution plans

The company has a defined contribution plans like provident 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 and pension fund, defined benefit plan covering eligible employees. Under the defined benefit plans, the amount that an employee will receive 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.



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

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** (0-30 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.

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

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

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.

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.



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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

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 amortized 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 termination option.

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 :

- The asset is held within a business model whose objective is to hold assets for collecting contractual cashflows, and
- 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.

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:

- The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows and selling financial assets
- 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.

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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

Investments

Investment in mutual funds and security receipts 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. 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 segment.

r) Government grants

Grants and subsidies from the government are recognised when there is reasonable assurance



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

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.

u) Dividend payment

Interim dividend declared to equity/preference shareholders, if any, is recognized as liability in the period in which the said dividend is declared by the Board of Directors. Final dividend declared, if any, is recognized in the year in which the said dividend is approved by the Shareholders. Dividend payable is recognized directly in equity.

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 4: Cash and cash equivalents	As at 31 March 2023	As at 31 March 2022
Cash on hand	36.05	55.57
Balances with banks		
- Balance with banks in current accounts	1,549.67	9,747.32
- Deposits for original maturity of less than 3 months	54,070.34	85,560.03
Total	55,656.06	95,362.92

Note 5: Other bank balances	As at 31 March 2023	As at 31 March 2022
Deposits with remaining maturity of less than 3 months	2,479.40	1.02
Deposits with remaining maturity of more than 3 months but less than 12 months	2,774.19	-
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	2,032.37	5,020.14
- with maturity more than 3 months but less than 12 months	11,899.22	7,622.19
- with maturity more than 12 months	18,614.91	22,729.03
Total	37,800.09	35,372.38

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

Particulars	As at 31 March 2023	As at 31 March 2022
Term loans from banks and financial Institutions	18,140.32	20,957.61
Overdraft facilities	45.29	53.75
Collateral against securitisations	14,161.49	14,170.19
Secured non convertible debenture	199.40	189.81
Total	32,546.50	35,371.36



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 6: Trade receivables (at amortised cost)	As at 31 March 2023	As at 31 March 2022
Considered good - unsecured (*)	1,537.64	200.59
Undisputed trade receivables – credit impaired (*)	147.44	-
	1,685.08	200.59
Less: Impairment allowance	(147.44)	-
Total - Net	1,537.64	200.59

(*) Unbilled dues are not included [Refer note 9].

Trade receivable outstanding from the due date of payment/ date of transaction

As at March 31, 2023

Trade receivables aging schedule		Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	Total
(i)	Undisputed trade receivables – considered good (#)	1,537.64	-	-	-	-	1,537.64
(ii)	Undisputed trade receivables – credit impaired (#)	144.16	3.28	-	-	-	147.44
(iii)	Disputed trade receivables – considered good	-	-	-	-	-	-
(iv)	Disputed trade receivables – credit impaired	-	-	-	-	-	-
Total		1,681.80	3.28	-	-	-	1,685.08

As at March 31, 2022

Trade receivables aging schedule		Less than 6 months	6 months -1 year	1-2 years	2-3 years	More than 3 years	Total
(i)	Undisputed trade receivables – considered good (#)	200.59	-	-	-	-	200.59
(ii)	Undisputed trade receivables – credit impaired	-	-	-	-	-	-
(iii)	Disputed trade receivables – considered good	-	-	-	-	-	-
(iv)	Disputed trade receivables – credit impaired	-	-	-	-	-	-
Total		200.59	-	-	-	-	200.59

(#) Outstanding are from the due date of payment. Where no due date of payment specified in that case ageing is done from the transaction date.

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 7: Loans	As at 31 March 2023			As at 31 March 2022		
	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	854.79	-	854.79	9,405.09	-	9,405.09
Unsecured Loans	5,05,831.33	-	5,05,831.33	4,05,431.73	-	4,05,431.73
Total - Gross	5,06,686.12	-	5,06,686.12	4,14,836.82	-	4,14,836.82
Less: Impairment allowance (#)	(28,464.17)	-	(28,464.17)	(43,816.89)	-	(43,816.89)
Total - Net	4,78,221.95	-	4,78,221.95	3,71,019.93	-	3,71,019.93
(i) Secured by tangible assets (*)	854.79	-	854.79	9,405.09	-	9,405.09
(ii) Secured by intangible assets	-	-	-	-	-	-
(iii) Covered by Bank/ Government Guarantees	-	-	-	-	-	-
(iv) Unsecured	5,05,831.33	-	5,05,831.33	4,05,431.73	-	4,05,431.73
Total - Gross	5,06,686.12	-	5,06,686.12	4,14,836.82	-	4,14,836.82
Less: Impairment allowance (#)	(28,464.17)	-	(28,464.17)	(43,816.89)	-	(43,816.89)
Total - Net	4,78,221.95	-	4,78,221.95	3,71,019.93	-	3,71,019.93
Loans in India						
(i) Public Sector	-	-	-	-	-	-
(ii) Others	5,06,686.12	-	5,06,686.12	4,14,836.82	-	4,14,836.82
Total - Gross	5,06,686.12	-	5,06,686.12	4,14,836.82	-	4,14,836.82
Less: Impairment allowance (#)	(28,464.17)	-	(28,464.17)	(43,816.89)	-	(43,816.89)
Total - Net	4,78,221.95	-	4,78,221.95	3,71,019.93	-	3,71,019.93

(*) Includes advance against book debts.

(#) Impairment allowance includes management overlay of ₹ 5,517.37 lakhs as on March 31, 2023 (March 31, 2022 : ₹ 719.81 lakhs).



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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

	As at 31 March 2023		As at 31 March 2022	
	At fair value through profit and loss	At fair value through other comprehensive income	At fair value through profit and loss	At fair value through other comprehensive income
Note 8: Investments				
Unquoted equity instruments				
Alpha Micro Finance Consultant Private Limited (50,000 equity shares of ₹10 each, fully paid-up)	-	5.00	-	5.00
Security receipts				
Security receipts from Phoenix (8,00,000 security receipts of face value ₹984/- each)	7,872.00	-	7,872.00	-
Total - Gross	7,872.00	5.00	7,877.00	5.00
Less: Impairment allowance	-	-	-	-
Total - Net	7,872.00	5.00	7,877.00	5.00
Investments in India	7,872.00	5.00	7,877.00	5.00
Investments outside India	-	-	-	-
Total - Gross	7,872.00	5.00	7,877.00	5.00
Less: Impairment allowance	-	-	-	-
Total - Net	7,872.00	5.00	7,877.00	5.00

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 9: Other financial assets	As at 31 March 2023	As at 31 March 2022
<i>Unsecured, considered good</i>		
Security deposits	261.81	249.29
Receivable on assigned loans	2,259.72	8.26
Insurance receivables	85.13	105.43
Unbilled receivables	87.04	40.31
Others	148.75	220.36
	2,842.45	623.65
Less: Impairment allowance on insurance receivables	(85.13)	(76.51)
Total	2,757.32	547.14

Note 10: Current tax assets (net)	As at 31 March 2023	As at 31 March 2022
Advance tax and TDS (net of provisions)	4,268.74	4,820.31
Total	4,268.74	4,820.31

Note 11: Deferred tax assets (net)	As at 31 March 2023	As at 31 March 2022
Deferred tax assets for deductible temporary differences on:		
Impairment loss allowance on loan assets	6,586.17	10,217.96
Provision for employee benefits	621.20	528.43
Financial assets measured at amortised cost	539.78	384.38
Fair valuation of financial instruments through other comprehensive income	-	0.17
Provision for expense allowed for tax purpose on payment basis	27.15	27.15
Other adjustments	4,341.63	2,588.46
	12,115.93	13,746.55
Deferred tax liabilities for taxable temporary differences on:		
Difference in written down value as per books and as per income tax act	(32.19)	(26.97)
Other adjustments	301.21	-
	269.02	(26.97)
Net deferred tax assets	11,846.91	13,773.52



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Movement in deferred tax assets for the year ended March 31, 2023

Particulars	As at 01 April 2022	Statement of profit and loss	Other comprehensive income	As at 31 March 2023
Deferred tax assets for deductible temporary differences on:				
Impairment loss allowance on loan assets	10,217.96	(3,631.79)	-	6,586.17
Provision for employee benefits	528.43	4.43	88.34	621.20
Financial assets measured at amortised cost	384.38	155.40	-	539.78
Fair valuation of financial instruments through other comprehensive income	0.17	(0.17)	-	-
Provision for expense allowed for tax purpose on payment basis	27.15	-	-	27.15
Other adjustments	2,588.46	1,753.17	-	4,341.63
Total	13,746.55	(1,718.96)	88.34	12,115.93
Deferred tax liabilities for taxable temporary differences on:				
Difference in written down value as per books and as per income tax act	(26.97)	(5.22)	-	(32.19)
Other adjustments	-	301.21	-	301.21
Total	(26.97)	295.99	-	269.02
Deferred tax assets (net)	13,773.52	(2,014.95)	88.34	11,846.91

Movement in deferred tax assets for the year ended March 31, 2022

Particulars	As at 01 April 2021	Statement of profit and loss	Other comprehensive income	As at 31 March 2022
Deferred tax assets for deductible temporary differences on:				
Impairment loss allowance on loan assets	15,435.56	(5,217.60)	-	10,217.96
Provision for employee benefits	446.16	25.61	56.66	528.43
Financial assets measured at amortised cost	3.65	380.73	-	384.38
Fair valuation of financial instruments through other comprehensive income	1.43	-	(1.26)	0.17
Provision for expense allowed for tax purpose on payment basis	28.65	(1.50)	-	27.15
Other adjustments	15.40	2,573.06	-	2,588.46
Total	15,930.85	(2,239.70)	55.40	13,746.55
Deferred tax liabilities for taxable temporary differences on:				
Difference in written down value as per books and as per income tax act	1.46	(28.43)	-	(26.97)
Financial assets measured at amortised cost	0.01	(0.01)	-	-
Other adjustments	32.64	(32.64)	-	-
Total	34.11	(61.08)	-	(26.97)
Deferred tax assets (net)	15,896.74	(2,178.62)	55.40	13,773.52

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 12: Property, plant and equipment	Furniture and fixtures	Computer and accessories	Office equipment	Total
Gross carrying amount				
Balance as at March 31, 2021	311.40	702.32	230.34	1,244.06
Additions for the year	27.24	36.88	33.64	97.76
Disposals for the year	0.67	13.10	9.90	23.67
Balance as at March 31, 2022	337.97	726.10	254.08	1,318.15
Additions for the year	55.40	189.90	56.39	301.69
Disposals for the year	-	10.20	2.86	13.06
Balance as at March, 31 2023	393.37	905.80	307.61	1,606.78
Accumulated depreciation				
Up to March 31, 2021	94.80	523.27	123.71	741.78
Depreciation charge for the year	39.15	110.51	47.04	196.70
Adjustment on account of disposal	0.67	12.80	7.57	21.04
Up to March 31, 2022	133.28	620.98	163.18	917.44
Depreciation charge for the year	37.45	85.27	48.44	171.16
Adjustment on account of disposal	-	10.21	2.41	12.62
Up to March 31, 2023	170.73	696.04	209.21	1,075.98
Net block				
Balance as at March 31, 2022	204.69	105.12	90.90	400.71
Balance as at March, 31 2023	222.64	209.76	98.39	530.80

Refer note 58 on contractual commitments for the acquisition of property, plant and equipment.

Note 13 : Intangible assets	Intangible assets	
	Under development	Others
Gross carrying amount		
Balance as at March 31, 2021	52.55	925.85
Additions for the year	70.72	84.19
Disposals for the year	78.23	-
Balance as at March 31, 2022	45.04	1,010.04
Additions for the year	46.30	81.69
Disposals for the year	47.28	-
Balance as at March, 31 2023	44.06	1,091.73
Accumulated amortisation		
Up to March 31, 2021	-	540.39
Amortisation charge for the year	-	200.18
Adjustment on account of disposal	-	-
Up to March 31, 2022	-	740.57
Amortisation charge for the year	-	136.11
Adjustment on account of disposal	-	-
Up to March 31, 2023	-	876.68
Net block		
Balance as at March 31, 2022	45.04	269.47
Balance as at March, 31 2023	44.06	215.05

Refer note 58 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 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 13: Intangible assets (Contd.)

Ageing schedule of intangible assets under development

As at March 31, 2023

Intangible assets under development	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	44.06	-	-	-	44.06
Projects temporarily suspended	-	-	-	-	-
Total	44.06	-	-	-	44.06

As at March 31, 2022

Intangible assets under development	Amount in CWIP for a period of				Total
	Less than 1 year	1-2 years	2-3 years	More than 3 years	
Projects in progress	45.04	-	-	-	45.04
Projects temporarily suspended	-	-	-	-	-
Total	45.04	-	-	-	45.04

There are no continuing projects where completion date are overdue or cost of project exceeded compared to original plan.

Note 14 : Right of use assets	Right of use assets
Gross carrying amount	
Balance as at March 31, 2021	884.06
Additions for the year	84.36
Disposals for the year	142.27
Balance as at March 31, 2022	826.15
Additions for the year	269.38
Disposals for the year	7.06
Balance as at March, 31 2023	1,088.47
Accumulated depreciation	
Up to March 31, 2021	377.30
Depreciation for the year	189.19
Adjustment on account of disposal	133.77
Up to March 31, 2022	432.72
Depreciation for the year	168.97
Adjustment on account of disposal	3.27
Up to March, 31 2023	598.42
Net block	
Balance as at March 31, 2022	393.43
Balance as at March, 31 2023	490.05

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 15: Other non-financial assets	As at 31 March 2023	As at 31 March 2022
<i>(Measured at amortised cost)</i>		
Prepaid expenses	263.24	265.34
Advances to employees	189.93	214.86
Balances with government authorities	19.97	112.51
Advance against expenses	69.14	145.62
Others	28.84	10.68
Total	571.12	749.01

Note 16: Debt securities	As at 31 March 2023	As at 31 March 2022
<i>(Measured at amortised cost)</i>		
Non convertible debentures (secured)	30,084.77	28,338.42
Total	30,084.77	28,338.42
Debt securities in India	30,084.77	28,338.42
Debt securities outside India	-	-
Total	30,084.77	28,338.42

(#) Terms of repayment given in the repayment schedule

Non convertible debentures ("NCDs") issued by the Company are secured by way of an exclusive charge on identified receivables to the extent of at least 100% of outstanding secured NCDs and pursuant to the terms of respective information memorandum.

Other terms and conditions:

Particulars	Repayment Schedule	As at 31 March 2023	As at 31 March 2022
10.50% Indian Bank (Face Value ₹10 lakhs) - no. of units Nil (March 31, 2022 - 250 units)	Bullet repayment in May 2022	-	2,697.52
10.40% Punjab National Bank (Face Value ₹10 lakhs) - no. of units Nil (March 31, 2022 - 250 units)	Bullet repayment in May 2022	-	2,527.03
10.45% Bank of Baroda (Face Value ₹10 lakhs) - no. of units Nil (March 31, 2022 - 1,500 units)	Four equal instalments on August 2021, November 2021, February 2022 and May 2022	-	3,791.73
11.00% Bank of India (Face Value ₹10 lakhs) - no. of units 250 (March 31, 2022 - 250 units)	Bullet repayment in June, 2023	2,713.11	2,701.89
11.50% Indian Bank (Face Value ₹10 lakhs) - no. of units 250 (March 31, 2022 - 250 units)	Bullet Repayment in July 2023	2,705.70	2,606.19
11.00% Bank of Baroda (Face Value ₹10 lakhs) - no. of units 250 (March 31, 2022 - 250 units)	Three annual instalment on July 2021, July 2022 and July 2023	854.21	1,694.50
11.86% Blue Orchard Microfinance Fund (Face Value ₹10 lakhs) - no. of units - 1,150 (March 31, 2022 - nil units)	Bullet repayment in July 2027	11,843.91	-
12.06% Japanese ASEAN Women Empowerment Fund (Face Value ₹10 lakhs) - no. of units - 650 (March 31, 2022 - 650 units)	Repayment in three instalments on June 2023, December 2023 and June 2024	6,717.22	6,717.22
10.09% CDC Group (Face Value ₹10 lakhs) - no. of units - 600 (March 31, 2022 - 600 units)	Redeemed on a pro rata basis and shall be fully redeemed by March 2025	5,250.62	5,602.34
Total		30,084.77	28,338.42



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 17: Borrowings (other than debt securities)	As at 31 March 2023	As at 31 March 2022
<i>(Measured at amortised cost)</i>		
<i>(Secured)</i>		
(a) Term loans [refer note (i) below]		
Term loan from banks	2,16,074.41	1,27,561.53
Term loan from financial institutions	91,648.82	94,339.66
Term Loan from related party	892.80	-
(b) Loans repayable on demand		
Cash credit from banks [refer note (ii) below]	90.42	9,349.54
(c) Liability against securitisation [refer note (iii) below]	72,229.88	1,09,827.62
Total	3,80,936.33	3,41,078.35
Borrowings in India	3,80,936.33	3,41,078.35
Borrowings outside India	-	-
Total	3,80,936.33	3,41,078.35

(#) Terms of repayment given in the repayment schedule

Nature of Security:

- All term loans from banks and financial institutions are secured by way of first and exclusive charge, both present & future, over the eligible designated current assets, eligible designated book debts, loan instalments, receivables and underlying assets arising out of finance of the Company.
- Cash credit facilities and working capital demand loans from banks are secured by way of first and exclusive charge, both present & future, over the eligible designated current assets, eligible designated book debts, loan instalments, receivables and underlying assets arising out of finance of the Company.
- 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 2023	As at 31 March 2022
<i>(Measured at amortised cost)</i>		
<i>(Unsecured)</i>		
Non-convertible debentures	32,242.61	33,238.59
Term loans from banks	7,580.47	7,570.57
Term loans from financial institution	2,504.75	2,500.21
Total	42,327.83	43,309.37
Subordinated liabilities in India	42,327.83	43,309.37
Subordinated liabilities outside India	-	-
Total	42,327.83	43,309.37

(#) Terms of repayment given in the repayment schedule

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 18: Subordinated liabilities (Contd.)

Details of subordinated liabilities

Particulars	As at 31 March 2023	As at 31 March 2022
(a) Term loans from banks (unsecured)		
Term loan from banks	7,580.47	7,570.57
Term Loan from financial institutions	2,504.75	2,500.21
Subtotal	10,085.22	10,070.78
(b) Non-convertible debentures (unsecured)		
14.25% IFMR Capital Finance Private Limited (Face Value ₹10 lakhs) nil debentures maturing in September 2022 (March 31, 2022 - 100 units)	-	1,073.07
13.50% Northern Arc Capital Limited (Face Value ₹10 lakhs) 650 debentures; maturing in April 2025 (March 31, 2022 - 650 units)	6,492.38	6,470.61
12.85% Karvy Capital Limited (Face Value ₹10 each) 2,50,00,000 debentures, maturing in October 2026 (March 31, 2022 - 2,50,00,000 units)	2,459.40	2,447.22
13.50% Northern Arc Capital Limited (Face Value ₹10 each) 3,50,00,000 debentures; maturing in September 2025 (March 31, 2022 - 3,50,00,000 units)	3,483.54	3,485.84
13.65% Piramal Structured Credit Opportunity Fund (Face Value ₹100 lakhs) 200 debentures; maturing in June 2027 (March 31, 2022 - 200 units)	19,807.29	19,761.85
Subtotal	32,242.61	33,238.59
Total (a+b)	42,327.83	43,309.37

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
As on March 31, 2021	1,00,735.92	3,19,775.64	21,008.31	4,41,519.87
<i>Cash flows:</i>				
Proceeds	-	4,67,025.59	22,234.59	4,89,260.18
Repayment	(69,977.67)	(4,45,766.13)	-	(5,15,743.80)
<i>Non cash:</i>				
Amortisation of upfront fees and interest accrual	(2,419.83)	43.25	66.47	(2,310.11)
As on March 31, 2022	28,338.42	3,41,078.35	43,309.37	4,12,726.14
<i>Cash flows:</i>				
Proceeds	11,462.43	6,44,169.00	-	6,55,631.43
Repayment	(9,940.00)	(6,05,544.46)	(1,000.00)	(6,16,484.46)
<i>Non cash:</i>				
Amortisation of upfront fees and interest accrual	223.92	1,233.44	18.46	1,475.82
As on March 31, 2023	30,084.77	3,80,936.33	42,327.83	4,53,348.93



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

(#) Terms of repayment of debt securities, other borrowings and subordinated liabilities as on March 31, 2023 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 instalments	Amount	No. of instalments	Amount	No. of instalments	Amount	No. of instalments	Amount	No. of instalments	Amount	
Monthly	Up to 9%	40	6,697.03	24	3,818.07	-	-	-	-	-	-	10,515.10
	9% to 12%	277	68,016.50	149	43,823.18	34	10,844.53	-	-	-	-	1,22,684.21
	12% to 15%	24	11,034.59	17	8,283.80	-	-	-	-	1	2,500.00	21,818.39
Bi-monthly	9% to 12%	-	-	6	4,500.00	-	-	-	-	-	-	4,500.00
	9% to 12%	125	56,876.03	106	53,151.60	29	15,184.88	-	-	-	-	1,25,212.51
Quarterly	12% to 15%	13	17,798.67	4	666.64	-	-	-	-	-	-	18,465.31
	9% to 12%	5	2,780.00	1	750.00	-	-	-	-	-	-	3,530.00
Semi-annually	12% to 15%	2	3,250.00	1	3,250.00	-	-	-	-	-	-	6,500.00
	9% to 12%	2	3,340.00	-	-	-	-	-	-	-	-	3,340.00
Annually	9% to 12%	2	12,400.00	-	-	-	-	-	-	-	-	12,400.00
	12% to 15%	1	2,500.00	-	-	3	15,000.00	1	2,500.00	2	31,500.00	51,500.00
On demand	Variable rates	-	95.46	-	-	-	-	-	-	-	-	95.46
	9% to 12%	135	72,116.94	1	23.04	-	-	-	-	-	-	72,139.98
Total			2,56,905.22		1,18,266.33		41,029.41		2,500.00		34,000.00	4,52,700.96

(#) Terms of repayment of debt securities, other borrowings and subordinated liabilities as on March 31, 2022 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 instalments	Amount	No. of instalments	Amount	No. of instalments	Amount	No. of instalments	Amount	No. of instalments	Amount	
Monthly	Up to 9%	53	19,979.21	28	4,697.03	12	1,818.08	-	-	-	-	26,494.32
	9% to 12%	261	64,567.56	102	23,242.59	29	9,333.33	-	-	-	-	97,143.48
	12% to 15%	-	-	-	-	-	-	-	-	1	2,500.00	2,500.00
Bi-monthly	9% to 12%	-	-	-	-	6	4,500.00	-	-	-	-	4,500.00
	Up to 9%	2	485.68	-	-	-	-	-	-	-	-	485.68
Quarterly	9% to 12%	65	48,451.70	41	30,647.31	12	1,966.64	4	800.00	-	-	81,865.65
	9% to 12%	10	7,077.00	5	2,780.00	1	750.00	-	-	-	-	10,607.00
Semi-annually	12% to 15%	-	-	2	3,250.00	1	3,250.00	-	-	-	-	6,500.00
	9% to 12%	1	830.00	2	3,340.00	-	-	-	-	-	-	4,170.00
Annually	Up to 9%	6	5,163.64	3	14,900.35	-	-	-	-	-	-	20,063.99
	9% to 12%	1	1,000.00	-	-	-	-	3	15,000.00	2	22,500.00	38,500.00
On demand	Variable rates	-	9,358.26	-	-	-	-	-	-	-	-	9,358.26
	10%	146	1,00,206.30	28	9,616.33	-	-	-	-	-	-	1,09,822.63
Total			2,57,119.35		92,473.61		21,618.05		15,800.00		25,000.00	4,12,011.01

(*) This represents securitised liability.

Notes: All the above repayments disclosed as per the contractual maturities of debt securities, borrowings other than debt securities and subordinate liabilities as gross carrying value. There have been no defaults in repayment of debentures or any instalments of term loan taken from banks and others.

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 20: Other financial liabilities	As at 31 March 2023	As at 31 March 2022
<i>(Measured at amortised cost)</i>		
Payable towards assignment transactions	5,567.49	50.66
Employees dues	2,368.26	1,724.57
Lease liabilities	545.33	450.82
Liability for expenses	140.05	128.97
Other payables	1,325.01	1,358.25
Total	9,946.14	3,713.27

Note 21: Provisions (*)	As at 31 March 2023	As at 31 March 2022
Provision for gratuity	1,368.70	959.25
Provision for pension fund	35.31	168.73
Provision for compensated absences	1,064.28	971.72
Total	2,468.29	2,099.70

(*) Refer note 37 on actuarial valuation

Note 22: Other non-financial liabilities	As at 31 March 2023	As at 31 March 2022
Statutory dues	797.39	497.83
Expenses payable	1,181.29	1,016.11
Advance from customers	90.35	477.89
Others	181.89	80.42
Total	2,250.92	2,072.25

Note 23: Share capital	As at 31 March 2023		As at 31 March 2022	
	Number	Amount	Number	Amount
Authorised share capital (*)				
Equity shares of ₹10 each	18,00,00,000	18,000.00	13,50,00,000	13,500.00
Compulsorily convertible preference shares of ₹10 each	4,50,00,000	4,500.00	2,50,00,000	2,500.00
Balance at the end of the year	22,50,00,000	22,500.00	16,00,00,000	16,000.00

(*) The shareholders of the Company at their extraordinary general meeting held on November 18, 2022 had approved the increase of authorised share capital of the Company.

The shareholders of the Company at their extraordinary general meeting held on March 29, 2023 had approved the reclassification of authorised share capital of the Company to 14,50,00,000 equity shares and 8,00,00,000 compulsorily convertible preference shares, the Company has done necessary filing and is awaiting the approval from Ministry of Corporate Affairs (MCA).



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 23: Share capital (Contd.)

(A) Equity shares capital

Particulars	As at 31 March 2023		As at 31 March 2022	
	Number	Amount	Number	Amount
Issued, subscribed and fully paid up equity shares				
<i>Equity shares of ₹ 10 each</i>				
At the beginning of the year	12,01,77,303	12,017.73	12,01,77,303	12,017.73
Additions during the year (*)	10,00,000	100.00	-	-
Balance at the end of the year	12,11,77,303	12,117.73	12,01,77,303	12,017.73

(*) Additions made in equity shares during the year	As at 31 March 2023		As at 31 March 2022	
	Number	Amount	Number	Amount
Arohan ESOP Trust	10,00,000	100.00	-	-
Total additions during the year	10,00,000	100.00	-	-

(a) Reconciliation of number of equity shares issued to ESOP Trust outstanding at the beginning and at the end of the year

Reconciliation of equity share capital	As at 31 March 2023		As at 31 March 2022	
	Number	Amount	Number	Amount
Balance at the beginning of the year	33,15,395	331.54	34,14,524	341.45
Add: Shares issued to ESOP trust (*)	10,00,000	1,539.40	-	-
Less: Allotted to employees during the period (**)	17,280	5.65	99,129	9.91
Outstanding at the end of the year	42,98,115	1,865.29	33,15,395	331.54

(*) During the year ended March 31, 2023, the Company has issued 10,00,000 (March 31, 2022 : Nil) equity shares of ₹10/- each under the Arohan ESOP plan 2021 (grant 2022) aggregating to ₹1,539.40 lakhs (including premium).

(**) During the year ended March 31, 2023, Arohan ESOP Trust has transferred 17,280 equity shares at ₹32.69/- to Mr. Harshvardhan patnaik under ESOP 2017 schemes of Arohan Financial Services Limited (March 31, 2022: Arohan ESOP Trust has transferred 30,000 equity shares at ₹84.70/-, 10,000 shares at ₹130/- to Mr. Arvind Murarka, 33,254 shares at ₹130.00/- & 15,200 shares at ₹162.80/- to Mr. Sirish Panda and 6,675 shares at ₹162.80/- & 4,000 shares at ₹170.00/- to Mr. Anirban Sinha under various ESOP schemes of Arohan Financial Services Limited).

(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 financial year the Company has not proposed/ declared any dividend on equity shares except on compulsorily convertible preference shares.

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 financial year. Further, none of the shares were bought back by the Company during the financial year.

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 23: Share capital (Contd.)

(d) Shareholding of promoters

Shares held by promoters at the end of the year

Promoter name	As at 31 March 2023		As at 31 March 2022		% change during the year
	No. of shares	% of total shares	No. of shares	% of total shares	
1. Aavishkaar Venture Management Services Private Limited	2,40,95,182	19.88%	2,47,63,774	20.61%	(0.72%)
2. Intellectual Capital Advisory Services Private Limited	1,64,72,146	13.59%	1,64,72,146	13.71%	(0.11%)

(e) Details of shareholders holding more than 5% shares

Particulars	As at 31 March 2023		As at 31 March 2022	
	Number	%	Number	%
Equity shares of ₹10 each				
Aavishkaar Venture Management Services Private Limited	2,40,95,182	19.88%	2,47,63,774	20.61%
Aavishkaar Goodwell India Microfinance Development Company II Limited	1,85,39,529	15.30%	1,85,39,529	15.43%
Tano India Private Equity Fund II	1,66,87,029	13.77%	1,69,14,279	14.07%
Intellectual Capital Advisory Services Private Limited	1,64,72,146	13.59%	1,64,72,146	13.71%
Maj Invest Financial Inclusion Fund II	1,54,01,267	12.71%	1,54,01,267	12.82%
TR Capital III Mauritius	97,18,722	8.02%	97,18,722	8.09%

(B) Compulsorily convertible preference shares

Particulars	As at 31 March 2023		As at 31 March 2022	
	Number	Amount	Number	Amount
Issued, subscribed and fully paid up compulsorily convertible preference shares				
<i>Compulsorily convertible preference shares of ₹10 each</i>				
At the beginning of the year	-	-	-	-
Additions during the year (**)	2,92,11,177	2,921.12	-	-
Balance at the end of the year	2,92,11,177	2,921.12	-	-

(**) Additions made in compulsorily convertible preference shares during the year	As at 31 March 2023		As at 31 March 2022	
	Number	Amount	Number	Amount
Teachers Insurance and Annuity Association of America (TIAA) (#)	1,85,00,412	1,850.04	-	-
Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) (#)	1,07,10,765	1,071.08	-	-
Total additions during the year	2,92,11,177	2,921.12	-	-

Note: Subsequent to the reporting date the Company have further allotted 77,89,648 compulsorily convertible preference shares of ₹10/- each to Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (FMO) at a price of ₹85/- (including securities premium of ₹75/- per share) aggregating to ₹6,621.20 Lakhs.

(#) The Company proposes a dividend @ 0.001% on compulsory convertible preference shares which is recommended by the Board of Directors for approval by the Shareholders in the ensuing Annual General meeting.



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 23: Share capital (Contd.)

(B) Compulsorily convertible preference shares (Contd.)

Terms and rights attached to Compulsorily convertible preference shares:

The Company has only one class of Compulsorily convertible preference shares (CCPS) which shall rank pari-passu with other preference shares. The CCPS shall carry a dividend of 0.001% payable annually. The Company declares and pays dividend in Indian rupees. Any dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting. The holder of CCPS shall not be entitled to any voting rights in the Company. The conversion of the CCPS into equity shares of the Company shall be triggered and the CCPS shall be converted into equity shares, in case of (i) Scenario 1, in no event later than 7 (seven) days from the date on which the applicable conditions set out in Scenario 1 below are satisfied ("Scenario 1 Trigger Date"); (ii) Scenario 2, within 30 (thirty) days from the date on which the applicable conditions set out in Scenario 2 below are satisfied; and (iii) Scenario 3, within 7 (seven) days from March 31, 2024, at such conversion price and on such terms as set out below:

- Scenario 1:** Occurrence of the full equity infusion that includes a Qualified Investment Raise (as defined below) at a priced round/ pre-determined valuation for the Company, by March 31, 2024;
- Scenario 2:** Occurrence of the full equity infusion without the Qualified Investment Raise (as defined below) by March 31, 2024; and
- Scenario 3:** Full equity infusion not having occurred by March 31, 2024.

"Qualified Investment Raise" shall mean a single external investment (that could include a secondary purchase of securities of the Company from its existing shareholders) from not more than 1 (one) external institutional investor (along with its affiliates) of an aggregate amount that is the INR equivalent of USD 25 million (calculated at the Exchange Rate) or more into the Company at a priced round/ pre-determined valuation for the Company, by March 31, 2024.

Conversion Terms:

- Upon occurrence of Scenario 1, the CCPS shall be compulsorily converted into such number of equity shares of the Company so as to provide an extended internal rate of return (XIRR) of 25% per annum (twenty five percent per annum) calculated in INR from the date of the infusion of the investment amount and until the Scenario 1 Trigger Date ("Scenario 1 Conversion Price"). Provided that, the conversion of the CCPS shall be subject to a minimum pre-money valuation floor of ₹1,500 crores and a maximum pre-money valuation cap of ₹2,000 crores.
- Upon occurrence of Scenario 2, the CCPS shall be compulsorily converted into equity shares at the higher of: (i) pre-money valuation of ₹1,500 crores; or (ii) 1.8x of the book value of the Company as of March 31, 2023 (which shall be calculated by excluding any equity raise undertaken by the Company during FY 22-23, but including the impact from proceeds received pursuant to 'Assam write-back until September 30, 2023, tax affected' minus adjustments required pursuant to 'Deloitte's analysis' as of March 31, 2023), subject to a maximum pre-money valuation cap of ₹2,000 crores ("Scenario 2 Conversion Price").
- Upon occurrence of Scenario 3, subject to applicable law, the CCPS shall be compulsorily converted into equity shares of the Company at the floor of 1x of the book value of the Company as of September 30, 2022, as certified by the statutory auditor of the Company (including a confirmation on the ECL amount by the statutory auditor) ("Scenario 3 Conversion Price").

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 24: Other equity	As at 31 March 2023	As at 31 March 2022
Securities premium	93,917.23	71,037.15
Statutory reserves	9,439.12	8,024.79
Retained earnings	20,935.40	15,540.75
General reserves	80.27	80.27
Share option outstanding account	1,433.07	1,155.08
Treasury shares	(7,041.43)	(5,507.68)
Other comprehensive income	-	-
Equity instruments through other comprehensive income	-	-
Changes in fair value of loan assets	-	-
Total	1,18,763.66	90,330.36

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 provision 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 recognised 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.

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.

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.



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 25: Employee stock option scheme ('ESOP Scheme')

Arohan ESOP Trust ('ESOP Trust') was formed on March 19, 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 March 15, 2010 and April 27, 2018 (empowering the Board and Nomination and Remuneration Committee (NRC) to take any further decisions with regard to the ESOP schemes), the Board and Nomination and Remuneration Committee (NRC) has been authorized to issue employee stock options, that are exercisable into not more than 53,00,000 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.

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)
- E. ESOP 2021 (grant 2021)
- F. ESOP 2021 (grant 2022)

(i) Employee stock option schemes:

Particulars	ESOP 2017	ESOP 2018 (grant 2018)	ESOP 2018 (grant 2019)	ESOP 2018 (grant 2020)	ESOP 2021 (Grant 21)	ESOP 2021 (Grant 22)
Date of Grant	29-Aug-17	16-May-18	16-May-19	04-Aug-20	05-Jun-21	19-Aug-22
Date of Board approval	19-May-17	27-Apr-18	15-May-19	26-Jun-20	04-Jun-21	11-May-22
Date of committee meeting where grant of options were approved	19-May-17	27-Apr-18	18-Feb-19	26-Jun-20	04-Jun-21	11-May-22
Date of shareholders' approval	29-Aug-17	15-May-18	18-Mar-19	03-Aug-20	08-Feb-21	11-Aug-22
Number of options granted	2,29,280	5,97,264	7,69,528	8,42,858	9,82,867	9,97,942
Method of settlement	Equity	Equity	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	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	36 months from date of grant of option	36 months from date of grant of option
Exercise period	For KMP and others: 10 year from the date of vesting	For KMP and others: 10 year from the date of vesting	For KMP and others: 10 year from the date of vesting	For KMP and others: 10 year from the date of vesting	For KMP and others: 10 year from the date of vesting	For KMP and others: 10 year from the date of vesting

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 25: Employee stock option scheme ('ESOP Scheme') (Contd.)

(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)	ESOP 2021 (Grant 2021)	ESOP 2021 (Grant 2022)
Number of options granted	2,29,280	5,97,264	7,69,528	8,42,858	9,82,867	9,97,942
Outstanding number of options as on March 31, 2023	1,28,000	4,12,824	5,43,908	6,06,349	7,86,591	8,75,650

(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 2023	As at 31 March 2022
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)	-	-
ESOP 2018 (grant 2019)		
Exercise price	162.80	162.80
Weighted average remaining contractual life (in years)	-	0.12
ESOP 2018 (grant 2020)		
Exercise price	170.00	170.00
Weighted average remaining contractual life (in years)	0.35	1.35
ESOP 2021 (grant 2021)		
Exercise price	210.00	210.00
Weighted average remaining contractual life (in years)	1.18	2.18
ESOP 2021 (grant 2022)		
Exercise price	153.94	-
Weighted average remaining contractual life (in years)	2.39	-

(iv) Reconciliation of stock options:

Particulars	ESOP 2017	ESOP 2018 (grant 2018)	ESOP 2018 (grant 2019)	ESOP 2018 (grant 2020)	ESOP 2021 (Grant 2021)	ESOP 2021 (Grant 2022)
Outstanding as at March 31, 2021	1,75,280	5,43,264	7,34,278	8,42,858	-	-
Stock option issued during the year	-	-	-	-	9,82,867	-
Exercised and vested	30,000	43,254	21,875	4,000	-	-
Forfeited/ lapsed	-	52,626	1,16,655	1,40,949	55,744	-
Outstanding as at March 31, 2022	1,45,280	4,47,384	5,95,748	6,97,909	9,27,123	-
Stock option issued during the period	-	-	-	-	-	9,97,942
Exercised and vested	17,280	-	-	-	-	-
Forfeited/ lapsed	-	34,560	51,840	91,560	1,40,532	1,22,292
Outstanding as at March 31, 2023	1,28,000	4,12,824	5,43,908	6,06,349	7,86,591	8,75,650

(v) The Company has recognized share based payment expense of ₹282.76 Lakhs (March 31, 2022: ₹454.69 Lakhs) during the period as proportionate cost.



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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 25: Employee stock option scheme ('ESOP Scheme') (Contd.)

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

Name of Employee	Designation	Number of Options granted
Manoj Kumar N Nambiar	Managing Director	2,00,000
Milind R Nare	Chief Financial Officer	68,999
Ranjan Das	Chief Risk Officer	56,454
Anirudh Singh G Thakur	Company Secretary	56,301

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)	ESOP 2021 (Grant 2021)	ESOP 2021 (Grant 2022)
(A) Date of grant of options	29-Aug-17	16-May-18	16-May-19	04-Aug-20	05-Jun-21	19-Aug-22
(B) Fair market value of option on the date of grant	14.71	37.61	49.53	56.83	75.94	47.26
(C) Exercise price	84.70	130.00	162.80	170.00	210.00	153.94
(D) Expected volatility (%)	35.95	34.25	39.02	47.60	46.31	51.08
(E) Expected forfeiture percentage on each vesting date	-	-	-	-	-	-
(F) Expected option life (weighted average)	1.04	2.50	2.50	2.57	3.00	2.50
(G) Expected dividends yield	-	-	-	-	-	-
(H) Risk free interest rate (%)	6.07%	7.51%	6.75%	4.39%	4.95%	6.57%

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

Note 26: Interest Income	Year ended 31 March 2023		
	On Financial assets measured at fair value through OCI	On financial assets measured at amortised cost	Total
Interest on loans	-	91,059.35	91,059.35
Interest on deposits with banks [refer note (a) below]	-	1,719.11	1,719.11
Interest income on unwinding of assigned portfolio	-	294.45	294.45
Other interest Income	-	23.99	23.99
Total	-	93,096.90	93,096.90

Note 26: Interest Income (contd.)	Year ended 31 March 2022		
	On Financial assets measured at fair value through OCI	On financial assets measured at amortised cost	Total
Interest on loans	-	84,396.54	84,396.54
Interest on deposits with banks [refer note (a) below]	-	1,095.37	1,095.37
Interest income on unwinding of assigned portfolio	-	352.92	352.92
Other interest Income	-	27.87	27.87
Total	-	85,872.70	85,872.70

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

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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 27: Dividend income	Year ended 31 March 2023	Year ended 31 March 2022
Dividend Income	-	3.50
Total	-	3.50

Note 28: Fees and commission income	Year ended 31 March 2023	Year ended 31 March 2022
Income from cross sale business	10,209.69	4,172.35
Total	10,209.69	4,172.35

Note 29: Net gain on derecognition of financial instruments	Year ended 31 March 2023	Year ended 31 March 2022
Gain on sale of loan portfolio through assignment	3,586.49	-
Total	3,586.49	-

Note 30: Other operating income	Year ended 31 March 2023	Year ended 31 March 2022
Other operating income	52.30	124.02
Total	52.30	124.02

Note 31: Other income	Year ended 31 March 2023	Year ended 31 March 2022
Interest income on deposits with banks	1,807.90	1,836.15
Miscellaneous income	346.24	33.88
Total	2,154.14	1,870.03

Note 32: Finance costs	Year ended 31 March 2023	Year ended 31 March 2022
<i>(Measured at amortised cost)</i>		
Interest on debt securities	3,339.47	8,008.75
Interest on borrowings (other than debt securities)	34,750.83	28,289.38
Interest on subordinated liabilities	7,305.37	2,868.82
Interest on leasing arrangements	59.70	54.50
Other interest expenses	1,409.05	954.89
Total	46,864.42	40,176.34



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 33: Impairment on financial instruments (Amortised cost)	Year ended 31 March 2023	Year ended 31 March 2022
Impairment on loans	(14,577.65)	(24,959.65)
Impairment on trade receivables	147.44	-
Bad debt written off (net of recoveries) (*)	33,695.20	38,526.45
Total	19,264.99	13,566.80

(*) ₹3,949.17 lakhs (March 31, 2022: ₹1,357.86 lakhs) of recoveries netted off with bad debt written off.

Note 34: Employee benefits expenses	Year ended 31 March 2023	Year ended 31 March 2022
Salaries and wages	21,585.98	17,892.00
Contribution to provident and other funds	2,170.43	2,102.71
Share based payments to employees	282.76	454.69
Staff welfare expenses	575.63	589.70
Total	24,614.80	21,039.10

Note 35: Depreciation and amortization	Year ended 31 March 2023	Year ended 31 March 2022
Depreciation on property, plant and equipment	171.16	196.70
Depreciation on right of use assets	168.97	189.19
Amortisation of intangible assets	136.11	200.18
Total	476.24	586.07

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 36: Other expenses	Year ended 31 March 2023	Year ended 31 March 2022
Rent [Refer note 57]	1,286.03	1,110.51
Repairs and maintenance	1,230.65	873.38
Insurance	472.28	438.28
Power and fuel	159.73	162.92
Rates and taxes	68.23	49.05
Office expenses	202.62	152.10
Membership and subscription	77.05	85.54
Office maintenance	346.83	253.04
Printing and stationery	238.82	327.79
Legal and professional expenses	1,453.13	1,904.70
Director's commission [Refer note 45]	68.13	65.40
Recruitment and induction expenses	171.02	93.97
Communication expenses	105.71	91.50
Travelling and conveyance	2,765.24	2,284.64
Payment to auditors [Refer note (a) below]	83.20	87.77
Corporate social responsibility expenses [Refer note 55]	21.83	68.67
Miscellaneous expenses	133.21	330.93
Total	8,883.71	8,380.19
Note (a) Payments to auditors (excluding applicable taxes)		
Statutory audit including limited reviews	70.00	74.00
Tax audit (other than statutory auditors)	1.50	1.50
In other capacity		
Other services	10.03	11.44
Reimbursement of expenses	1.67	0.83
	83.20	87.77

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 2023	Year ended 31 March 2022
Employers contribution to provident and other fund	2,170.43	2,102.71



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 37: Employee benefits (Contd.)

B) Defined benefit plans

(a) 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	As plan is funded, 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 2023	As at 31 March 2022
Present value of obligation	2,334.71	1,803.19
Fair value of plan assets	966.01	843.94
Net obligation recognised in balance sheet as provision	1,368.70	959.25

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

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Current service cost	297.21	241.30
Net interest cost on defined benefit obligation	56.80	46.18
Net impact on profit (before tax)	354.01	287.48

Amount recognised in the other comprehensive income:

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Actuarial losses recognized in OCI	350.99	223.42

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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 37: Employee benefits (Contd.)

B) Defined benefit plans (Contd.)

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

Particulars	As at 31 March 2023	As at 31 March 2022
Present value of defined benefit obligation as at the beginning of the year	1,803.19	1,375.75
Current service cost	297.21	241.30
Interest cost	118.01	86.54
Benefits paid	(234.69)	(129.07)
Actuarial loss/(gain) on obligation		
Actuarial (gain)/loss on arising from change in financial assumption	(71.00)	(114.46)
Actuarial loss on arising from experience adjustment	421.99	343.13
Present value of defined benefit obligation as at the end of the year	2,334.71	1,803.19

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

Particulars	As at 31 March 2023	As at 31 March 2022
Funds managed by LIC of India	100%	100%

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

Particulars	As at 31 March 2023	As at 31 March 2022
Fair value of plan assets at beginning of the year	843.94	424.73
Interest income on plan assets	61.21	40.36
Employer's contribution	295.55	502.67
Benefits paid	(234.69)	(129.07)
Expected return on plan assets	-	5.25
Fair value of plan assets at the end of the year	966.01	843.94

(vi) Actuarial assumptions

Particulars	As at 31 March 2023	As at 31 March 2022
Discounting rate	7.20%	7.00%
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 (years)	11	16

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.



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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 37: Employee benefits (Contd.)

B) Defined benefit plans (Contd.)

(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	As at 31 March 2023	As at 31 March 2022
Impact of the change in discount rate		
Present value of obligation at the end of the year		
- Impact due to increase of 1%	(311.08)	(244.52)
- Impact due to decrease of 1%	389.71	307.35
Impact of the change in salary increase		
Present value of obligation at the end of the year		
- Impact due to increase of 1%	382.68	301.17
- Impact due to decrease of 1%	(311.72)	(244.62)

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)

Particulars	As at 31 March 2023	As at 31 March 2022
Year		
0 to 1 year	286.70	192.49
1 to 2 year	131.69	146.47
2 to 3 year	209.50	96.26
3 to 4 year	85.50	176.82
4 to 5 year	116.51	70.69
5 year onwards	846.18	660.47
Total	1,676.08	1,343.20

(b) Pension Fund

The Company has a defined benefit pension plan. Family members of eligible deceased employee is entitled to pension as per the provisions of the Pension scheme. The liability of pension 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.
Discount rate	Reduction in discount rate in subsequent valuations can increase the plan's liability.
Mortality & disability	Actual deaths 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.

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 37: Employee benefits (Contd.)

B) Defined benefit plans (Contd.)

(i) Amount recognised in the balance sheet is as under:

Particulars	As at 31 March 2023	As at 31 March 2022
Present value of obligation	35.31	168.73
Net obligation recognised in balance sheet as provision	35.31	168.73

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

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Current service cost	-	18.13
Past service cost	-	145.45
Settlement credit	(99.79)	-
Net interest on net defined benefit liability/ (asset)	2.92	7.02
Immediate recognition of (gains)/ losses	(0.95)	5.23
Payment made during the year	(35.60)	(7.10)
Net impact on profit (before tax)	(133.42)	168.73

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

Particulars	As at 31 March 2023	As at 31 March 2022
Present value of defined benefit obligation as at the beginning of the year	168.73	-
Current service cost	(99.79)	163.58
Interest cost	2.92	7.02
Benefits paid	(35.60)	(7.10)
Actuarial loss/(gain) on obligation		
Actuarial (gain)/loss on arising from change in financial assumption	(0.02)	5.23
Actuarial loss on arising from experience adjustment	(0.93)	-
Present value of defined benefit obligation as at the end of the year	35.31	168.73

(iv) Actuarial assumptions

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Discounting rate	7.20%	7.00%
Future salary increase	Not applicable	8.00%
Retirement age (years)	-	-
Withdrawal rate		
upto 5 years of service	52%	52%
More than 5 years of service	1%	1%
Weighted average duration (years)	1	10



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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 37: Employee benefits (Contd.)

B) Defined benefit plans (Contd.)

(v) Sensitivity analysis for pension fund

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 2023	Year ended 31 March 2022
Impact of the change in discount rate		
Present value of obligation at the end of the year		
- Impact due to increase of 1%	(0.14)	(14.39)
- Impact due to decrease of 1%	0.14	17.20

(vi) Maturity profile of defined benefit obligation (discounted)

Particulars	As at 31 March 2023	As at 31 March 2022
Year		
0 to 1 year	29.88	28.23
1 to 2 year	6.51	22.32
2 to 3 year	-	10.81
3 to 4 year	-	4.09
4 to 5 year	-	4.28
5 to 6 year	-	29.55
Total	36.39	99.28

(c) Compensated absences

(i) Amount recognised in the balance sheet is as under:

Particulars	As at 31 March 2023	As at 31 March 2022
Present value of obligation	1,064.28	971.72
Fair value of plan assets	-	-
Net obligation recognised in balance sheet as provision	1,064.28	971.72

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

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Current service cost	192.04	191.99
Past service cost	-	-
Net interest on net defined benefit liability/ (asset)	52.63	43.85
Immediate recognition of (gains)/ losses	7.94	11.74
Payment made during the year	(160.05)	-
Net impact on profit (before tax)	92.56	247.58

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 38: Tax expense

(a) Income tax recognised in the Statement of Profit and Loss:	Year ended 31 March 2023	Year ended 31 March 2022
Current tax	1.96	8.93
Deferred tax expense	2,014.95	2,178.62
Tax expense for earlier years	(93.18)	11.52
	1,923.73	2,199.07

(b) Reconciliation of income tax expense and the accounting profit for the year:	Year ended 31 March 2023	Year ended 31 March 2022
Profit before tax	8,995.36	8,294.10
Enacted tax rates (%)	25.17%	25.17%
Income tax expense calculated at corporate tax rate	2,263.95	2,087.46
Reconciliation items		
Impact of tax relating to earlier years	(93.18)	11.52
Impact due to different tax rate	(0.49)	(0.71)
Tax impact of expenses not deductible	8.97	18.00
Impact on account of deductions claimed under Income Tax Act	(118.91)	-
Others	(136.61)	82.80
	1,923.73	2,199.07

Note 39: Earning per equity share

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Net profit attributable to equity shareholders	7,071.63	6,095.03
Nominal value of equity share (₹)	10.00	10.00
Weighted average number of equity shares for basic earning per share	11,68,61,908	11,67,62,779
Add: Diluting effect of potential equity shares issued as employee stock options	1,21,773	5,23,952
Add: Diluting effect of potential equity shares on conversion of compulsorily convertible preference shares	41,82,379	-
Weighted average number of equity shares for diluted earning per share	12,11,66,060	11,72,86,731
Earnings per share		
- Basic earnings per share (₹)	6.05	5.22
- Diluted earnings per share (₹)	5.84	5.20



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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 March 31, 2023

Particulars	Note	FVTPL	FVTOCI	Amortised Cost	Total
Financial Assets:					
Cash and cash equivalents	4	-	-	55,656.06	55,656.06
Other bank balances	5	-	-	37,800.09	37,800.09
Trade receivables	6	-	-	1,537.64	1,537.64
Loans	7	-	-	4,78,221.95	4,78,221.95
Investments	8	7,872.00	5.00	-	7,877.00
Other financial assets	9	-	-	2,757.32	2,757.32
Total		7,872.00	5.00	5,75,973.06	5,83,850.06
Financial Liabilities:					
Debt securities	16	-	-	30,084.77	30,084.77
Borrowings (other than debt securities)	17	-	-	3,80,936.33	3,80,936.33
Subordinated liabilities	18	-	-	42,327.83	42,327.83
Others financial liabilities	20	-	-	9,946.14	9,946.14
Total		-	-	4,63,295.07	4,63,295.07

As at March 31, 2022

Particulars	Note	FVTPL	FVTOCI	Amortised Cost	Total
Financial Assets:					
Cash and cash equivalents	4	-	-	95,362.92	95,362.92
Other bank balances	5	-	-	35,372.38	35,372.38
Trade receivables	6	-	-	200.59	200.59
Loans	7	-	-	3,71,019.93	3,71,019.93
Investments	8	-	5.00	-	5.00
Other financial assets	9	-	-	547.14	547.14
Total		-	5.00	5,02,502.96	5,02,507.96
Financial Liabilities:					
Debt securities	16	-	-	28,338.42	28,338.42
Borrowings (other than debt securities)	17	-	-	3,41,078.35	3,41,078.35
Subordinated liabilities	18	-	-	43,309.37	43,309.37
Others financial liabilities	20	-	-	3,713.27	3,713.27
Total		-	-	4,16,439.41	4,16,439.41

(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).

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 40: Financial Instruments - fair value measurements (Contd.)

(C) Financial assets and liabilities measured at fair value - recurring fair value measurements

As at March 31, 2023	Level 1	Level 2	Level 3
Financial Assets:			
Investments	-	7,877.00	-
Total	-	7,877.00	-

As at March 31, 2022	Level 1	Level 2	Level 3
Financial Assets:			
Investments	-	5.00	-
Total	-	5.00	-

Valuation process and technique used to determine fair value

Specific valuation techniques used to value financial instruments include:

- 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 considers the average valuation impact arrived using average lending rate of last quarter.
- 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.
- For mutual funds and security receipts, 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 2023		As at 31 March 2022	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	55,656.06	55,656.06	95,362.92	95,362.92
Other bank balance	37,800.09	37,800.09	35,372.38	35,372.38
Trade receivables	1,537.64	1,537.64	200.59	200.59
Loans	4,78,221.95	4,75,004.70	3,71,019.93	3,82,864.62
Other financial assets	2,757.32	2,757.32	547.14	547.14
Total	5,75,973.06	5,72,755.81	5,02,502.96	5,14,347.65
Financial liabilities				
Debt securities	30,084.77	30,788.48	28,338.42	22,395.27
Borrowings (other than debt securities)	3,80,936.33	3,79,860.23	3,41,078.35	3,53,948.70
Subordinated liabilities	42,327.83	43,041.20	43,309.37	36,725.19
Other financial liabilities	9,946.14	9,946.14	3,713.27	3,713.27
Total	4,63,295.07	4,63,636.05	4,16,439.41	4,16,782.43

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.



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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.
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, security receipts and 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 excluding cash in hand, 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 risk monitoring and measurement metrics and well defined loan appraisal process. Internal credit rating and monitoring 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. 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

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 41: Financial risk management (Contd.)

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 March 31, 2023	As at March 31, 2022
(i) Low credit risk		
Cash and cash equivalents (#)	55,620.01	95,307.35
Other bank balances (*)	37,800.09	35,372.38
Trade receivables (*)	1,685.08	200.59
Investments	7,877.00	5.00
Loans (*)	4,65,644.48	3,47,813.23
Other financial assets (*)	2,842.45	623.65
(ii) Moderate credit risk		
Loans (*)	27,320.44	48,322.90
(iii) High credit risk		
Loans (*)	13,721.20	18,700.69

(*) 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, insurance claim receivables and other receivables. Credit risk related to these other financial assets is managed by monitoring the recoverability of such amounts continuously.



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 41: Financial risk management (Contd.)

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 fixed obligation to income ratio 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 made expected credit losses for financial assets other than loans.

Particulars	Cash and cash equivalents (*)	Other bank balances	Trade receivables	Investments	Other financial assets
Year ended March 31, 2023					
Estimated gross carrying amount	55,620.01	37,800.09	1,685.08	7,877.00	2,842.45
Less: Expected credit losses	-	-	147.44	-	85.13
Carrying amount net of impairment allowance	55,620.01	37,800.09	1,537.64	7,877.00	2,757.32
Year ended March 31, 2022					
Estimated gross carrying amount	95,307.35	35,372.38	200.59	5.00	623.65
Less: Expected credit losses	-	-	-	-	76.51
Carrying amount net of impairment allowance	95,307.35	35,372.38	200.59	5.00	547.14

(*) 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.

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 41: Financial risk management (Contd.)

Particulars	Stage 1	Stage 2	Stage 3
Gross carrying amount as at March 31, 2021	3,60,257.37	51,230.98	52,096.33
Assets originated*	2,75,892.29	45,293.57	5,991.82
Net transfer between stages			
Transfer to stage 1	172.40	(142.46)	(29.94)
Transfer to stage 2	(2,238.99)	2,279.60	(40.61)
Transfer to stage 3	(5,029.53)	(1,765.99)	6,795.52
Assets derecognised or collected (excluding write offs)	(2,81,240.31)	(48,572.80)	(6,709.04)
Write - offs (including death cases & settlements)	-	-	(39,403.39)
Gross carrying amount as at March 31, 2022	3,47,813.23	48,322.90	18,700.69
Assets originated*	4,07,584.31	20,714.72	-
Net transfer between stages			
Transfer to stage 1	792.44	(773.69)	(18.75)
Transfer to stage 2	(4,658.63)	4,665.21	(6.58)
Transfer to stage 3	(8,873.15)	(4,337.41)	13,210.56
Assets derecognised or collected (excluding write offs)	(2,77,013.72)	(41,271.29)	19,478.60
Write - offs (including death cases & settlements)	-	-	(37,643.32)
Gross carrying amount as at March 31, 2023	4,65,644.48	27,320.44	13,721.20

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

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

Reconciliation of loss allowance	Stage 1	Stage 2	Stage 3
Loss allowance on March 31, 2021	14,560.23	21,313.45	35,120.47
Increase of provision due to assets originated during the year	8,610.37	17,979.81	4,053.56
Net transfer between stages			
Transfer to stage 1	7.33	(64.51)	(20.25)
Transfer to stage 2	(73.39)	934.05	(36.23)
Transfer to stage 3	(186.21)	(1,371.65)	5,024.39
Assets derecognised or collected	(8,808.35)	(20,348.85)	(4,808.17)
Impact of ECL on exposures transferred between stages during the year	(3,087.83)	1,168.37	13,253.69
Write - offs (including death cases & settlements)	-	-	(39,403.39)
Loss allowance on March 31, 2022	11,022.15	19,610.67	13,184.07
Increase of provision due to assets originated during the year	4,009.92	8,252.25	-
Net transfer between stages			
Transfer to stage 1	7.77	(309.63)	(17.51)
Transfer to stage 2	(45.59)	1,862.89	(6.13)
Transfer to stage 3	(86.74)	(1,730.17)	12,322.58
Assets derecognised or collected	(2,758.70)	(16,366.93)	18,650.98
Impact of ECL on exposures transferred between stages during the year	(7,555.61)	(246.45)	6,307.66
Write - offs (including death cases & settlements)	-	-	(37,643.31)
Loss allowance on March 31, 2023 (#)	4,593.20	11,072.63	12,798.34

(#) If the probability of default increases or decreases by 10 basis point the expected credit loss will increase or decrease by ₹337.12 lakhs respectively. Similarly, if the loss given default increases or decreases by 100 basis point the expected credit loss will increase or decrease by ₹173.94 lakhs respectively.



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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 41: Financial risk management (Contd.)

c) Concentration of loans (*)

Particulars	As at 31 March 2023	As at 31 March 2022
Micro finance loans	5,05,831.33	4,03,215.49
Micro, small and medium enterprise (MSME)	-	2,216.24
Secured term loans to corporates (#)	854.79	9,405.09
Total	5,06,686.12	4,14,836.82

(#) 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 March 31, 2023	Total facility	Drawn	Undrawn
- Expiring within one year	70,000.00	33,500.00	36,500.00
- Expiring beyond one year	-	-	-
Total	70,000.00	33,500.00	36,500.00

As at March 31, 2022	Total facility	Drawn	Undrawn
- Expiring within one year	1,00,000.00	65,000.00	35,000.00
- Expiring beyond one year	-	-	-
Total	1,00,000.00	65,000.00	35,000.00

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 41: Financial risk management (Contd.)

(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 2023	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
Financial assets					
Cash and cash equivalents	55,766.91	-	-	-	55,766.91
Other bank balances	19,858.92	9,206.73	10,207.14	1,551.15	40,823.94
Trade receivables	1,685.08	-	-	-	1,685.08
Loans	4,00,025.26	1,84,643.44	4,846.22	12,734.87	6,02,249.79
Investments	-	-	-	7,877.00	7,877.00
Other financial assets	2,684.85	12.73	4.26	55.48	2,757.32
Total undiscounted financial assets	4,80,021.02	1,93,862.90	15,057.62	22,218.50	7,11,160.04
Financial liabilities					
Debt Securities	12,579.20	9,555.47	1,443.23	13,299.11	36,877.01
Borrowings other than debt securities	2,69,478.00	1,19,008.88	27,008.60	-	4,15,495.48
Subordinated liabilities	8,153.58	5,459.41	18,717.88	29,013.39	61,344.26
Other financial liabilities	9,624.08	177.98	89.61	182.81	10,074.48
Total undiscounted financial liabilities	2,99,834.86	1,34,201.74	47,259.32	42,495.31	5,23,791.23
Net undiscounted financial assets/ (liabilities)	1,80,186.16	59,661.16	(32,201.70)	(20,276.81)	1,87,368.81

As at 31 March 2022	Less than 1 year	1-2 year	2-3 year	More than 3 years	Total
Financial assets					
Non-derivatives					
Cash and cash equivalents	95,642.56	-	-	-	95,642.56
Other bank balances	13,157.21	18,180.85	3,858.79	2,527.40	37,724.25
Trade receivables	200.59	-	-	-	200.59
Loans	3,55,933.99	1,07,340.08	700.50	16,825.42	4,80,799.99
Investments	-	-	-	5.00	5.00
Other financial assets	457.86	44.41	12.73	47.18	562.18
Total undiscounted financial assets	4,65,392.21	1,25,565.34	4,572.02	19,405.00	6,14,934.57
Financial liabilities					
Non-derivatives					
Debt Securities	12,079.93	11,135.43	8,111.23	-	31,326.59
Borrowings other than debt securities	3,66,211.29	95,583.88	14,589.52	849.58	4,77,234.27
Subordinated liabilities	6,811.69	8,126.86	5,459.41	47,731.27	68,129.23
Other financial liabilities	3,374.14	124.45	74.76	249.52	3,822.87
Total undiscounted financial liabilities	3,88,477.05	1,14,970.62	28,234.92	48,830.37	5,80,512.96
Net undiscounted financial assets/ (liabilities)	76,915.16	10,594.72	(23,662.90)	(29,425.37)	34,421.61



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 41: Financial risk management (Contd.)

(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 March 31, 2023, 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 2023	As at 31 March 2022
Variable rate liabilities		
Debt securities	-	6,250.00
Borrowings (other than debt securities)	2,49,645.59	1,24,395.11
Subordinated liabilities	2,500.00	10,000.35
Fixed rate liabilities		
Debt securities	29,120.00	21,310.00
Borrowings (other than debt securities)	59,295.40	1,06,732.93
Subordinated liabilities	40,000.00	33,500.00
Liability against securitisation	72,139.97	1,09,822.62
Total	4,52,700.96	4,12,011.01

(*) Figures are presented at principal carrying value.

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 2023	Year ended 31 March 2022
Interest sensitivity*		
Interest rates – increase by 0.50%	2,016.23	1,878.41
Interest rates – decrease by 0.50%	(2,016.23)	(1,878.41)

* Holding all other variables constant

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 41: Financial risk management (Contd.)

(C) Market risk (Contd.)

(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 date 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 defence approach to operational risk management.

First line – Field Operations, Central Operation & Product function and Credit 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 2023 (Contd.)

(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 strong credit ratings
- 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 31 March 2023	As at 31 March 2022
Net debt	4,53,348.93	4,12,726.14
Total equity	1,33,802.51	1,02,348.09
Net debt to equity ratio	3.39	4.03

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 2023		As at 31 March 2022	
	Within 12 months	After 12 months	Within 12 months	After 12 months
ASSETS				
Financial assets				
Cash and cash equivalents	55,656.06	-	95,362.92	-
Other bank balance	19,185.18	18,614.91	12,643.35	22,729.03
Trade receivables	1,537.64	-	200.59	-
Loans	3,14,019.96	1,64,201.99	2,77,074.62	93,945.31
Investments	-	7,877.00	-	5.00
Other financial assets	2,712.21	45.11	457.86	89.28
	3,93,111.05	1,90,739.01	3,85,739.34	1,16,768.62
Non-financial assets				
Current tax assets (Net)	4,268.74	-	4,820.31	-
Deferred tax assets (Net)	4,328.05	7,518.86	2,574.39	11,199.13
Property, Plant and Equipment	167.46	363.34	135.45	265.26
Intangible assets under development	44.06	-	45.04	-
Other Intangible assets	94.70	120.35	125.81	143.66
Right to use asset	168.97	321.08	109.52	283.91
Other non-financial assets	571.12	-	749.01	-
	9,643.10	8,323.63	8,559.53	11,891.96
Total assets	4,02,754.15	1,99,062.64	3,94,298.87	1,28,660.58

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 43: Maturity analysis of assets and liabilities (Contd.)

Particulars	As at 31 March 2023		As at 31 March 2022	
	Within 12 months	After 12 months	Within 12 months	After 12 months
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	10,839.01	19,245.76	10,736.36	17,602.06
Borrowings (other than debt securities)	2,44,787.11	1,36,149.22	2,46,617.25	94,461.10
Subordinated liabilities	2,545.50	39,782.33	1,102.94	42,206.43
Others financial liabilities	9,575.30	370.84	3,368.75	344.52
	2,67,746.92	1,95,548.15	2,61,825.30	1,54,614.11
Non-financial liabilities				
Current tax liabilities (Net)				
Provisions	473.17	1,995.12	439.57	1,660.13
Other non-financial liabilities	2,250.92	-	1,970.55	101.70
	2,724.09	1,995.12	2,410.12	1,761.83
TOTAL LIABILITIES	2,70,471.01	1,97,543.27	2,64,235.42	1,56,375.94
Net Equity	1,32,283.14	1,519.37	1,30,063.45	(27,715.36)

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 ranging from 17% to 18% 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:

Particulars	As at 31 March 2023	As at 31 March 2022
Gross carrying amount of securitised assets	79,717.95	1,16,087.73
Gross carrying amount of associated liabilities	72,139.97	1,09,822.63
Carrying value and fair value of securitised assets	79,717.95	1,16,087.73
Carrying value and fair value of associated liabilities	72,139.97	1,09,822.63
Net position	7,577.98	6,265.10



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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 Nambiar - Managing Director
	Milind R Nare - Chief Financial Officer
	Anirudh Singh G Thakur - Company Secretary
	Ranjan Das - Chief Risk Officer
	Bharat Sondur - Chief Business Officer (joined on December 29, 2021 till March 31, 2023)
Directors	Dinesh Kumar Mittal (Independent Director)
	Vineet Chandra Rai (Director)
	Anurag Agarwal (Director)
	Matangi Gowrishankar (Independent Director)
	Rajat Mohan Nag (Independent Director)
Entities which are able to exercise control or have significant influence	Sumantra Banerjee (Independent Director)
Entities which are able to exercise control or have significant influence	Aavishkaar Goodwill India Microfinance Development Company-II Limited
	Tano India Private Equity Fund II
Entities under common control	Aavishkaar Venture Management Services Private Limited
	Intellectap Advisory Services Private Limited
	Intellectual Capital Advisory Services Private Limited
	Aavishkaar Capital Advisory LLP
	Aavishkaar Foundation
	Ashv Finance Limited (Erstwhile Jain Sons Finlease Limited)
	Shivalik Small Finance Bank (w.e.f. August, 08, 2022)
Ulink Agritech 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 2023	Year ended 31 March 2022
Loan availed		
Shivalik Small Finance Bank	1,000.00	-
Loan repaid (Including interest)		
Shivalik Small Finance Bank	141.31	-
Accrued finance cost on loan availed (gross)		
Shivalik Small Finance Bank	8.38	-
Loan processing charges on loan availed (gross)		
Shivalik Small Finance Bank	2.73	-
Fixed deposit		
Shivalik Small Finance Bank	283.15	-

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 45: Information on related party transactions as required by Ind AS - 24: (Contd.)

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

Name of party with nature of transaction	Year ended 31 March 2023	Year ended 31 March 2022
Interest on fixed deposit (gross)		
Shivalik Small Finance Bank	70.65	-
Remittance under business transfer agreement		
Ashv Finance Limited	3.20	1,850.45
Reimbursement of expenses paid		
Intellectual Capital Advisory Services Private Limited	-	0.19
Aavishkaar Venture Management Services Private Limited	-	2.68
Intellectap Advisory Services Private Limited	-	2.68
Ashv Finance Limited	7.92	16.06
Business support fees		
Aavishkaar Venture Management Services Private Limited	43.31	29.28
Intellectap Advisory Services Private Limited	13.30	9.40
Ashv Finance Limited	0.47	0.42
Corporate social responsibility		
Aavishkaar Foundation (*)	47.20	75.64
Director's commission (#)		
Dinesh Kumar Mittal	25.00	25.00
Matangi Gowrishankar	12.50	15.00
Rajat Mohan Nag	12.50	10.00
Sumantra Banerjee	12.50	10.00
Remuneration		
Manoj Kumar N Nambiar	230.62	138.61
Milind R Nare	123.54	105.54
Anirudh Singh G Thakur	88.75	74.29
Ranjan Das	80.84	65.87
Bharath Sondur	48.11	75.19
Sitting Fees (#)		
Dinesh Kumar Mittal	4.60	3.20
Matangi Gowrishankar	7.00	6.40
Rajat Mohan Nag	5.80	6.20
Sumantra Banerjee	5.20	7.20

(*) Includes CSR contribution by Arohan employees of ₹40.04 Lakhs (March 31, 2022 : ₹34.71 Lakhs)

(#) The above amounts are excluding taxes



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 45: Information on related party transactions as required by Ind AS - 24: (Contd.)

C. Short-term employee benefits for Key management personnel

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
Short-term employee benefits (including remunerations)	540.96	438.24
Post-employment benefits (**)	30.90	21.26

(**) 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:

Particulars	As at 31 March 2023	As at 31 March 2022
Other receivables		
Ashv Finance Limited	1.39	0.92
Fixed Deposit (including accrued interest)		
Shivalik Small Finance Bank	353.79	-
Other payables		
Ashv Finance Limited	1.33	1.86
Intelicap Advisory Services Private Limited	0.77	3.28
Aavishkaar Venture Management Services Private Limited	17.75	17.75
Dinesh Kumar Mittal	25.00	25.00
Matangi Gowrishankar	12.50	15.00
Rajat Mohan Nag	12.50	10.00
Sumantra Banerjee	12.50	10.00
Loan availed (including accrued interest)		
Shivalik Small Finance Bank	894.77	-

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

i) Capital to risk asset ratio (CRAR)	As at 31 March 2023	As at 31 March 2022
Capital to Risk Weighted Assets Ratio (CRAR) (%)	28.74%	34.58%
CRAR - Tier I Capital (%)	25.46%	27.18%
CRAR - Tier II Capital (%)	3.28%	7.40%
Amount of subordinated debt raised as Tier-II Capital	-	22,500
Amount raised by issue of perpetual debt instruments	-	-

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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 (Contd.)

ii) Investments	As at 31 March 2023	As at 31 March 2022
A. Value of Investments		
Gross Value of Investments:		
a) In India	7,877.00	5.00
b) Outside India	-	-
Provisions for Depreciation:		
a) In India	-	-
b) Outside India	-	-
Net Value of Investments:		
a) In India	7,877.00	5.00
b) Outside India	-	-
B. Movement of provisions held towards depreciation on investments		
Opening Balance	-	5.00
Add: Provisions made during the year	-	-
Less: Write-off /Write-back of excess provisions during the year	-	5.00
Closing Balance	-	-

iii) Derivatives

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

iv) Disclosures relating to Securitisation

A) Securitisation	As at 31 March 2023	As at 31 March 2022
1) No of SPEs holding assets for securitisation transactions originated by the originator	16	14
2) Total amount of securitised assets as per books of the SPEs (*)	87,917.97	1,28,686.43
3) Total amount of exposures retained by the originator to comply with MRR as on the date of balance sheet		
A) Off-balance sheet exposures		
(i) First loss	-	-
(ii) Others	-	-
B) On-balance sheet exposures		
(a) First loss in the form of	29,486.76	32,802.30
(i) Fixed deposits	13,708.76	13,938.50
(ii) Over collateral	15,778.00	18,863.80
(b) 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	-	-



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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 (Contd.)

iv) Disclosures relating to Securitisation (Contd.)

A) Securitisation (Contd.)	As at 31 March 2023	As at 31 March 2022
(b) On-balance sheet exposures		
(i) Exposure to own securitisations		
- First loss	-	-
- Others	-	-
(ii) Exposure to third party securitisations		
- First loss	-	-
- Others	-	-
5. Sale consideration received for the securitised assets and gain/ loss on sale on account of securitisation	1,55,827.81	1,67,561.87
6. Outstanding value of services provided by way of, liquidity support, post-securitisation asset servicing, etc. (*)	87,917.97	1,28,686.43
7. Performance of facility provided viz. Credit enhancement, liquidity support, servicing agent etc.		
Credit enhancement:		
(a) Amount paid	34,320.73 (19.45%)	-
(b) Repayment received	4,833.97 (2.74%)	-
(c) Outstanding amount	29,486.76 (16.71%)	32,802.30 (17.27%)
Servicing agent:		
(a) Amount paid	1.60	1.40
(b) Repayment received	-	-
(c) Outstanding amount	-	-
8. Average default rate of portfolios observed in the past in respect of microfinance loans	Nil	Nil
9. Amount and number of additional/ top up loan given on same underlying asset.	Nil	Nil
10. Investor complaints		
(a) Directly/Indirectly received and;	Nil	Nil
(b) Complaints outstanding	Nil	Nil

(*) The total amount of securitised assets includes over collateral of ₹15,778.00 lakhs (March 31, 2022: ₹18,863.80 lakhs)

B) Details of financial assets sold to securitisation/ reconstruction company for asset reconstruction

Refer point number D below on details of non-performing financial assets purchased/ sold

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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 (Contd.)

iv) Disclosures relating to Securitisation (Contd.)

C) Details of assignment transactions undertaken by the Company

Details of loan transferred/ acquired during the year ended March 31, 2023 vide RBI circular RBI/DOR/2021-22/86 DOR. STR.REC.51/21.04.048/2021-22 on transfer of loan exposures dated September 24, 2021 are given below:

(i) Details of loan transfer through direct assignment transaction in respect of loans not in default for the year ended March 31, 2023:

Particulars	To Banks/ NBFC's
Number of loans	2,49,691
Aggregate amount of loans transferred (₹ in lakhs)	54,590.54
Sale Consideration (₹ in lakhs)	54,590.54
Weighted average residual maturity (in months) (*)	14.66
Weighted average holding period by the originator (in months)	7.11
Retention of beneficial economic interest by the originator	2.80% to 15.90%
Tangible security coverage	-
Rating-wise distribution of rated loans	-
Number of instances where it has agreed to replace loans transferred to transferee(s)	-
Number of instances where it has agreed to pay damages arising out of any representation or warranty	-

(*) residual maturity from the time of transfer

(ii) The Company has not acquired any stressed loans during the year ended March 31, 2023.

(iii) The Company has not acquired loans not in default during the year ended March 31, 2023.

D) Details of non-performing financial assets purchased/ sold

The Company has not purchased any financial assets during the current and previous year

During the current year ended March 31, 2023 (March 31, 2022 : Nil), the Company has entered into an agreement with Phoenix ARC Private Limited on December 29, 2022 to sell a portfolio of ₹10,033.36 Lakhs (net book value) of the Company, for an aggregate purchase consideration of ₹9,200 lakhs out of which the company is allotted with 800,000 security receipts at a face value of ₹1000/- each.

(a) The company has transferred certain NPA & SMA loans during the year ended March 31, 2023, details of which are given below:

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

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



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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 (Contd.)

D) Details of non-performing financial assets purchased/ sold (Contd.)

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

Particulars	Category of recovery ratings	As at March 31, 2023 (₹ in lakhs)
Security Receipts under trust floated by ARC's	Yet to be rated within time lines as per Reserve Bank of India guidelines	7,872.00

v) Asset Liability Management

Disclosures relating to maturity pattern of certain items of assets and liabilities are given in Note 51.

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 is having Corporate Identity Number of U74140WB1991PLC053189 under Ministry of Corporate affairs.

B) Disclosure of penalties imposed by RBI and other regulators

An amount of ₹0.16 lakhs (March 31, 2022: ₹0.27 lakhs) has been paid to Reserve Bank of India towards late submission fees of FC_TRS under Foreign Exchange Management Act, 1999 (as amended).

C) Disclosure of intra-group exposures

The Company has no intra-group exposures for the current and previous year.

D) Disclosure of unhedged foreign currency exposure

The Company has no unhedged foreign currency exposure for the current and previous year.

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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 (Contd.)

vii) Miscellaneous (Contd.)

E) Related party transactions

Related Party/ Items	Key Management Personnel		Directors other than KMP		Entities having common director		Others		Total		Closing balance		Maximum during the year	
	FY 22-23	FY 21-22	FY 22-23	FY 21-22	FY 22-23	FY 21-22	FY 22-23	FY 21-22	FY 22-23	FY 21-22	As on March 31, 2023	As on March 31, 2022	FY 22-23	FY 21-22
Borrowings	-	-	-	-	1,008.38	-	-	-	1,008.38	-	894.77	-	1,000.00	-
Repayment of borrowings	-	-	-	-	141.31	-	-	-	141.31	-	-	-	-	-
Loan processing charges	-	-	-	-	2.73	-	-	-	2.73	-	-	-	-	-
Deposits (lien marked on securitisation)	-	-	-	-	353.80	-	-	-	353.80	-	353.79	-	353.80	-
Placement of deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advances	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of fixed/ other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sale of fixed/ other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest received	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Remuneration	571.86	459.50	-	-	-	-	-	-	571.86	459.50	-	-	-	-
Remittance from business transfer agreement	-	-	-	-	3.20	1,850.45	-	-	3.20	1,850.45	1.33	1.86	3.20	1,850.45
Others	-	-	85.10	83.00	-	-	112.20	136.35	197.30	219.35	79.63	80.10	197.30	219.35

Refer information on related party transactions as required by Ind AS - 24 [note 45]



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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. (contd.)

vii) Miscellaneous (Contd.)

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

The details of ratings assigned by Credit Analysis & Research Limited (CARE) dated November 25, 2022 and ICRA Limited vide report dated December 21, 2022 & December 26, 2022 during the year are as follows:

Facilities	Ratings	Remarks
Long-term Bank facilities	ICRA A (-ve) (Stable outlook)/ CARE A (-ve) (Negative outlook)	Reaffirmed
Non-Convertible Debentures	ICRA A (-ve) (Stable outlook)/ CARE A (-ve) (Negative outlook)	Reaffirmed
Unsecured Subordinated Tier II Debt	ICRA A (-ve) (Stable outlook)/ CARE A (-ve) (Negative outlook)	Reaffirmed

G) Remuneration including sitting fees of Directors (other than Managing Director) [Refer note 45]

Name of Directors	As at 31 March 2023	As at 31 March 2022
A. Director's commission:		
Dinesh Kumar Mittal	25.00	25.00
Matangi Gowrishankar	12.50	15.00
Rajat Mohan Nag	12.50	10.00
Sumantra Banerjee	12.50	10.00
B. Sitting fees:		
Dinesh Kumar Mittal	4.60	3.20
Matangi Gowrishankar	7.00	6.40
Rajat Mohan Nag	5.80	6.20
Sumantra Banerjee	5.20	7.20

viii) Additional Disclosures

A) Provisions and Contingencies

Break up of 'provisions and contingencies' shown under the head expenditure in Statement of Profit and Loss	As at 31 March 2023	As at 31 March 2022
Provision towards standard assets	(15,636.68)	(5,015.51)
Provision towards non performing assets (*)	1,081.92	(19,944.14)
Provision made towards Income tax (including for earlier years and deferred tax)	1,923.73	2,199.07
Other provisions and contingencies (employee benefits)	368.59	311.19

(*) Does not include provision on accrued NPA interest as the same is netted off in income.

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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. (contd.)

viii) Additional Disclosures (Contd.)

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

Particulars	As at 31 March 2023	As at 31 March 2022
a) Concentration of Advances		
Total Advances to twenty largest borrowers	865.87	9,030.67
Percentage of advances to twenty largest borrowers to total advances	0.17%	2.16%
b) Concentration of Exposures		
Total exposure to twenty largest borrowers/ customers	865.87	10,905.67
Percentage of exposures to twenty largest borrowers/ customers to total exposure	0.17%	2.57%
c) Concentration of NPAs		
Total exposure to top four NPA accounts	29.46	191.94

D) Sectoral exposure

Sectors	As at 31 March 2023			As at 31 March 2022		
	Total exposure (includes on balance sheet and off-balance sheet exposure)	Gross NPAs	Percentage of Gross NPAs to total exposure in that sector	Total exposure (includes on balance sheet and off-balance sheet exposure)	Gross NPAs	Percentage of Gross NPAs to total exposure in that sector
1. Agriculture and Allied Activities	-	-	-	-	-	-
2. Industry						
i. ...						
ii. ...						
Others	-	-	-	-	-	-
Total of Industry (i+ii+...+Others)	-	-	-	-	-	-
3. Services						
i. Secured term loan	854.79	26.06	3.05%	9,405.09	22.84	0.24%
ii. ...						
Others						
Total of Services (i+ii+...+Others)	854.79	26.06	3.05%	9,405.09	22.84	0.24%
4. Personal Loans						
i. Retail loans	4,695.96	824.50	17.56%	26,220.05	2,580.72	9.84%
ii. ...						
Others						
Total of Personal Loans (i+ii+...+Others)	4,695.96	824.50	17.56%	26,220.05	2,580.72	9.84%
5. Others - Microfinance Loan	5,01,135.37	13,662.95	2.73%	3,79,211.68	16,097.13	4.24%
Total	5,06,686.12	14,513.51	2.86%	4,14,836.82	18,700.69	4.51%



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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. (contd.)

viii) Additional Disclosures (Contd.)

D) Sectoral exposure (Contd.)

Sector-wise NPAs - Percentage of NPAs to total advances in that sector	As at 31 March 2023	As at 31 March 2022
Agriculture & allied activities	Nil	Nil
MSME	Nil	Nil
Corporate borrowers (*)	Nil	Nil
Services	3.05%	0.24%
Unsecured personal loans	17.56%	9.84%
Microfinance Loan	2.73%	4.24%
Auto loans	Nil	Nil
Other personal loans	Nil	Nil

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

E) Movement of NPAs

Particulars	As at 31 March 2023	As at 31 March 2022
i) Net NPAs to Net Advances (%)	0.21%	1.37%
ii) Movement of NPAs (Gross)		
a) Opening Balance	18,700.69	52,096.33
b) Additions during the year	50,050.58	12,787.34
c) Reductions during the year	(54,237.76)	(46,182.98)
d) Closing balance	14,513.51	18,700.69
iii) Movement of Net NPAs		
a) Opening Balance	5,516.62	16,975.86
b) Additions during the year	1,197.56	-
c) Reductions during the year	(5,668.69)	(11,459.24)
d) Closing balance	1,045.49	5,516.62
iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
a) Opening Balance	13,184.07	35,120.47
b) Provisions made during the year	48,853.02	22,331.64
c) Write-off/ write-back of excess provision	(48,569.07)	(44,268.04)
d) Closing balance	13,468.02	13,184.07

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

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 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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. (contd.)

ix) Disclosure of customer complaints	As at 31 March 2023	As at 31 March 2022
a) Complaints received by the NBFC from its customers		
1. Number of complaints pending at beginning of the year	71	60
2. Number of complaints received during the year	1,360	872
3. Number of complaints disposed during the year	1,410	861
3.1 Of which, number of complaints rejected by the NBFC	-	-
4. Number of complaints pending at the end of the year	21	71
b) Maintainable complaints received by the NBFC from Office of Ombudsman		
5. Number of maintainable complaints received by the NBFC from Office of Ombudsman	19	8
5.1 Of 5, number of complaints resolved in favour of the NBFC by Office of Ombudsman	19	8
5.2 Of 5, number of complaints resolved through conciliation/ mediation/ advisories issued by Office of Ombudsman	-	-
5.3 Of 5, number of complaints resolved after passing of Awards by Office of Ombudsman against the NBFC	-	-
6. Number of awards unimplemented within the stipulated time (other than those appealed)	-	-

Note: Maintainable complaints refer to complaints on the grounds specifically mentioned in Integrated Ombudsman Scheme, 2021 (Previously The Ombudsman Scheme for Non-Banking Financial Companies, 2018) and covered within the ambit of the Scheme.

c) Grounds of complaints	Number of complaints pending at the beginning of the year	Number of complaints received during the year	% increase/ decrease in the number of complaints received over the previous year	Number of complaints pending at the end of the year	Of 5, number of complaints pending beyond 30 days
Year ended March 31, 2023					
Non-observance of fair practices code	61	347	(11.25%)	6	1
Loans and advances	3	235	167.05%	3	-
Staff behaviour	-	101	-	1	-
Levy of charges without prior notice/ excessive charges/ foreclosure charges	1	17	54.54%	-	-
Mis-selling	1	11	22.22%	-	-
Others	5	649	138.60%	11	-
	71	1,360		21	1
Year ended March 31, 2022					
Non-observance of fair practices code	41	391	107.98%	61	37
Loans and advances	3	88	(42.86%)	3	-
Staff behaviour	1	101	71.19%	-	-
Levy of charges without prior notice/ excessive charges/ foreclosure charges	-	11	100.00%	1	1
Mis-selling	-	9	125.00%	1	-
Others	15	272	(17.82%)	5	1
	60	872		71	39



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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. (contd.)

x) Information on instances of fraud identified during the year	As at 31 March 2023	As at 31 March 2022
Nature of fraud		
A. Cash embezzlement		
No. of cases	594	282
Amount of fraud	114.07	50.93
Recovery	33.47	27.77
Amount provided for	80.60	23.16
B. Loans given against fictitious documents		
No. of cases	5	6
Amount of fraud	8.63	16.65
Recovery	3.11	12.00
Amount provided for	5.52	4.65
C. Others (Snatching etc.)		
No. of cases	25	34
Amount of fraud	15.18	25.10
Recovery	3.05	17.15
Amount provided for	12.13	7.95

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 2023		As at 31 March 2022	
	Amount outstanding	Amount overdue	Amount outstanding	Amount overdue
(a) Debentures				
Secured	30,121.39	-	28,410.70	-
Unsecured	32,513.31	-	33,584.40	-
(other than falling within the meaning of public deposits)				
(b) Deferred Credits	-	-	-	-
(c) Term Loans				
Secured	3,09,894.37	-	2,22,730.81	-
Unsecured	10,108.44	-	10,106.42	-
(d) Inter-corporate loans and borrowing	-	-	-	-
(e) Commercial Paper	-	-	-	-
(f) Public Deposits	-	-	-	-
(g) Other Loans (working capital loan and securitisation liability)	72,404.43	-	1,19,432.20	-

(*) The above figure excludes adjustments of loan processing charges

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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. (contd.)

Liabilities side : (Contd.)

(2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):	As at 31 March 2023		As at 31 March 2022	
	Amount outstanding	Amount overdue	Amount outstanding	Amount overdue
(a) In the form of unsecured debentures	-	-	-	-
In the form of partly secured debentures i.e.				
(b) 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 2023	As at 31 March 2022
a) Secured, gross	854.79	9,405.09
b) Unsecured, gross	5,05,831.33	4,05,431.73
Total	5,06,686.12	4,14,836.82

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 2023	As at 31 March 2022
(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	-	-



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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. (contd.)

Assets side : (Contd.)

(5) Breakup of investments	As at 31 March 2023	As at 31 March 2022
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	-	-
Long Term 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	5.00	5.00
(b) Preference	-	-
(ii) Debentures and Bonds	-	-
(iii) Units of mutual funds	-	-
(iv) Government Securities	-	-
(v) Others (Security Receipts)	7,872.00	-

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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. (contd.)

(6) Borrower group-wise classification of assets financed as in (2) and (3)	Net of provision as at 31 March 2023		
	Secured	Unsecured	Total
Category			
1. Related parties			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) other related parties	-	-	-
2. Other than related parties	823.67	4,77,398.28	4,78,221.95
Total	823.67	4,77,398.28	4,78,221.95

(6) Borrower group-wise classification of assets financed as in (2) and (3)	Net of provision as at 31 March 2022		
	Secured	Unsecured	Total
Category			
1. Related parties			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) other related parties	-	-	-
2. Other than related parties	9,327.29	3,61,692.64	3,71,019.93
Total	9,327.29	3,61,692.64	3,71,019.93

(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)	As at 31 March 2023		As at 31 March 2022	
	Market value / Breakup or fair value or NAV	Book value (net of provisions)	Market value / Breakup or fair value or NAV	Book value (net of provisions)
Category				
1. Related parties	-	-	-	-
2. Other than related parties	7,877.00	7,877.00	5.00	5.00
Total	7,877.00	7,877.00	5.00	5.00

(8) Other information	As at 31 March 2023	As at 31 March 2022
(i) Gross non-performing assets		
(a) Related parties	-	-
(b) Other than related parties	14,513.51	18,700.69
(ii) Net non-performing assets		
(a) Related parties	-	-
(b) Other than related parties	1,045.49	5,516.62
(iii) Assets acquired on satisfaction of debt	-	-



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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 2023				As on 31 March 2022								
		Standard	Sub Standard	Doubtful	Loss	Standard	Sub Standard	Doubtful	Loss	Total				
1	Restructured accounts at the beginning of the period (*)	-	31,479	-	-	31,479	-	-	-	45,968	-	-	-	45,968.00
		-	7,555.27	-	-	7,555.27	-	-	-	11,297.03	-	-	-	11,297.03
		-	5,724.03	-	-	5,724.03	-	-	-	7,606.46	-	-	-	7,606.46
2	Fresh restructuring during the period	96,108	-	-	-	96,108	-	-	-	22,054	-	-	-	22,054.00
		28,237.24	-	-	-	28,237.24	-	-	-	5,816.39	-	-	-	5,816.39
		7,712.43	-	-	-	7,712.43	-	-	-	3,713.23	-	-	-	3,713.23
3	Upgradations to restructured standard category during the period	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
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 period	-	-	-	-	-	-	-	-	-	-	-	-	-
		-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of restructured accounts during the period	1,440	28,612	-	-	30,052.00	-	-	-	32,937	-	-	-	32,937.00
		29.40	6,926.28	-	-	6,955.68	-	-	-	8,105.02	-	-	-	8,105.02
		29.40	6,926.28	-	-	6,955.68	-	-	-	8,105.02	-	-	-	8,105.02
		93,034	-	-	-	93,034	-	-	-	31,479	-	-	-	31,479.00
7	Restructured accounts at the end of the period (*)	27,267.60	-	-	-	27,267.60	-	-	-	7,555.27	-	-	-	7,555.27
		8,028.68	-	-	-	8,028.68	-	-	-	5,724.03	-	-	-	5,724.03

* Excluding the figures of Standard Restructured Advances which do not attract higher provisioning or risk weight (if applicable).

- The outstanding amount and number of borrowers is after considering recoveries made during the year
- CDR and SME debt restructuring segments are nil.

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

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 March 31, 2023

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	4,65,621.12	4,589.72	4,61,031.40	4,889.80	(300.08)
	Stage 2	26,551.48	10,406.42	16,145.06	1,499.72	8,906.70
Subtotal (A)		4,92,172.60	14,996.14	4,77,176.46	6,389.52	8,606.62
Non-Performing Assets (NPA) (#)						
Substandard	Stage 1 (*)	23.36	3.48	19.88	-	-
	Stage 2 (*)	768.96	666.21	102.75	1,927.35	11,540.68
	Stage 3	13,721.20	12,798.34	922.86	-	-
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)		14,513.52	13,468.03	1,045.49	1,927.35	11,540.68
Total (A+B)	Stage 1	4,65,644.48	4,593.20	4,61,051.28	4,889.80	(300.08)
	Stage 2	27,320.44	11,072.63	16,247.81	1,499.72	8,906.70
	Stage 3	13,721.20	12,798.34	922.86	1,927.35	11,540.68
	Total	5,06,686.12	28,464.17	4,78,221.95	8,316.87	20,147.30

(*) The gross carrying amount of stage 1 and 2 in non-performing assets section are classified in respective stages as per Ind AS.

As on March 31, 2022

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	3,47,813.23	11,022.15	3,36,791.08	6,759.99	4,262.16
	Stage 2	48,322.90	19,610.67	28,712.23	4,368.71	15,241.96
Subtotal (A)		3,96,136.13	30,632.82	3,65,503.31	11,128.70	19,504.12
Non-Performing Assets (NPA) (#)						
Substandard	Stage 3	18,700.69	13,184.07	5,516.62	4,504.13	8,679.94
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)		18,700.69	13,184.07	5,516.62	4,504.13	8,679.94
Total (A+B)	Stage 1	3,47,813.23	11,022.15	3,36,791.08	6,759.99	4,262.16
	Stage 2	48,322.90	19,610.67	28,712.23	4,368.71	15,241.96
	Stage 3	18,700.69	13,184.07	5,516.62	4,504.13	8,679.94
	Total	4,14,836.82	43,816.89	3,71,019.93	15,632.83	28,184.06

(**) Gross carrying amount as per Ind AS represents gross carrying amount, accrued interest, loan processing fees and securitised assets.

(#) Includes 94,542 accounts having principal overdue of ₹5,807.53 lakhs and interest overdue of ₹983.57 lakhs as at March 31, 2023 (March 31, 2022: Includes 1,25,719 accounts having principal overdue of ₹6,217.24 lakhs and interest overdue of ₹1,731.60 lakhs)



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 49: Disclosures pursuant to RBI's notification no. RBI/2020-21/16 DOR.No.BP. BC/3/21.04.048/2020-21 dated August 6, 2020 Resolution Framework 1.0 and RBI/2021-22/31/DOR.STR.REC.11/21.04.048/2021-22 dated May 5, 2021 Resolution Framework 2.0

Format B

Type of borrower	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of the previous half-year i.e. September 30, 2022 (A)	Of (A), aggregate debt that slipped into NPA during the half-year	Of (A) amount written off during the half-year	Of (A) amount paid by the borrowers during the half-year	Exposure to accounts classified as Standard consequent to implementation of resolution plan – Position as at the end of this half-year i.e. March 31, 2023
Personal Loans	-	-	-	-	-
Corporate persons (*)	-	-	-	-	-
Of which, MSMEs	-	-	-	-	-
Others (**)	65,410.27	10,539.70	31,075.92	9,423.78	14,370.87
Total	65,410.27	10,539.70	31,075.92	9,423.78	14,370.87

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

(**) represents microfinance loans to customer

Note:

Under Covid Resolution 1.0 and 2.0, 6,48,491 and 5,42,934 number of borrower accounts respectively were sanctioned for modification and implemented whose aggregate exposure as on March 31, 2023 is ₹1,565.69 lakhs and ₹24,240.83 lakhs respectively (March 31, 2022: ₹16,350.98 lakhs and ₹1,11,682.65 lakhs respectively)

Under covid resolution 1.0, 336 number of MSME borrower accounts were sanction for modification and implemented whose aggregate exposure as on March 31, 2023 is Nil (March 31, 2022: ₹2,083.03 lakhs).

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 50(A): Additional disclosures pursuant to the RBI/2021-22/112DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 on Scale Based Regulation

(a) The Company is a debt-listed NBFC and the corporate governance disclosures are as below:

1) Composition of the Board

Name of Director	Director since	Capacity (i.e. Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Director identification number (DIN)	Number of Board Meetings		Number of other Directorships	Remuneration			Number of shares held in and convertible instruments held in the NBFC
				Held	Attended		Salary and other compensation (₹)	Sitting Fee (₹)	Commission (₹)	
Mr. Manoj Kumar N Nambiar	October 3, 2012	Executive - Managing Director	03172919	10	10	2	230.62	Nil	Nil	Nil
Mr. Anurag Agrawal	October 3, 2012	Promoter Nominee Director	02385780	10	10	5	Nil	Nil	Nil	Nil
Mr. Vineet Chandra Rai	October 24, 2013	Promoter Nominee Director	00606290	10	7	10	Nil	Nil	Nil	Nil
Mr. Dinesh Kumar Mittal	May 15, 2018	Non Executive - Independent Director	00040000	10	10	11	Nil	4.60	25.00	Nil
Mr. Sumantra Banerjee	April 29, 2014	Non Executive - Independent Director	00075243	10	7	5	Nil	5.20	12.50	10,000
Mr. Rajat Mohan Nag	January 31, 2015	Non Executive - Independent Director	07083831	10	7	1	Nil	5.80	12.50	Nil
Ms. Matangi Gowrishankar	August 22, 2016	Non Executive - Independent Director	01518137	10	10	11	Nil	7.00	12.50	Nil
Mr. Piyush Goenka	March 31, 2015	Non Executive - Nominee Director	02117859	10	8	3	Nil	Nil	Nil	Nil
Mr. Wilhelmus Marthinus Maria Van Der Beek	December 5, 2016	Non Executive - Nominee Director	02142559	10	4	6	Nil	Nil	Nil	Nil
Mr. Paul Gratien Robine (*)	March 18, 2019	Non Executive - Nominee Director	07828525	10	1	3	Nil	Nil	Nil	Nil
Mr. Shri Ram Meena (*)	May 15, 2019	Non Executive - Nominee Director	08452187	10	2	1	Nil	Nil	Nil	Nil
Mr. David Arturo Paradiso (*)	May 11, 2022	Non Executive - Nominee Director	08181832	10	6	4	Nil	Nil	Nil	Nil
Mr. Stephen Dongwon Lee (*)	December 1, 2022	Additional Director	08640160	10	2	1	Nil	Nil	Nil	Nil

(*) Mr. Paul Gratien Robine and Mr. Shri Ram Meena has resigned from his directorship w.e.f. May 12, 2023. Mr. David Arturo Paradiso is appointed as a Additional Director w.e.f. May 11, 2022 and thereafter was appointed as Nominee Director w.e.f. August 11, 2022. Further. Mr. Stephen Dongwon Lee has been appointed as an Additional Director w.e.f. December 1, 2022.



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 50(A): Additional disclosures pursuant to the RBI/2021-22/112DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 on Scale Based Regulation (contd)

Details of change in composition of the Board during the current and previous financial year.

Name of Director	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Nature of change (resignation, appointment)	Effective date
Mr. Manoj Kumar N Nambiar	Executive - Managing Director	Re-appointment	July 1, 2021
Mr. Kasper Svarrer	Non Executive - Nominee Director	Vacation	May 11, 2022
Mr. David Arturo Paradiso	Non Executive - Nominee Director	Appointment	Additional Director since May 11, 2022 Nominee Director since August 11, 2022
Mr. Stephen Dongwon Lee	Additional Director	Appointment	December 1, 2022
Ms. Matangi Gowrishankar	Non Executive - Independent Director	Re-appointment	August 22, 2021

Where an independent director resigns before expiry of his/ her term, the reasons for resignation as given by his/ her shall be disclosed.: Nil

Details of any relationship amongst the directors inter-se shall be disclosed: Nil

2) Committees of the Board and their composition

(a) Audit Committee

Audit Committee has been constituted under Section 177 of the Companies Act 2013 and under Regulation 18 and Part C of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. The Committee has been charged with the principal oversight of financial reporting process and to ensure accurate and timely disclosure with the highest levels of transparency, integrity and aims to enhance the confidence in the quality of the Company's financial reporting, to review of internal audit reports and action taken reports and assessment of the efficacy of the internal control systems. The Audit Committee also looks after the compliance with the legal and statutory requirements, related party transactions and recommends the appointment of statutory auditor to the Board.

Name of the Director	Member of Committee since	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Number of Meetings of the Committee		Number of shares held in the NBFC
			Held	Attended	
Mr. Rajat Mohan Nag	April 27, 2018	Non Executive - Independent Director	6	6	Nil
Mr. Sumantra Banerjee	April 27, 2018	Non Executive - Independent Director	6	4	10,000
Ms. Matangi Gowrishankar	April 27, 2018	Non Executive - Independent Director	6	5	Nil
Mr. Dinesh Kumar Mittal (*)	November 10, 2022	Non Executive - Independent Director	6	3	Nil
Mr. Piyush Goenka	April 27, 2018	Non Executive - Nominee Director	6	5	Nil

(*) Mr. Dinesh Kumar Mittal is a member of the Committee w.e.f. November 10, 2022.

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 50(A): Additional disclosures pursuant to the RBI/2021-22/112DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 on Scale Based Regulation (contd)

(b) Nomination and Remuneration Committee

Nomination and Remuneration Committee has been constituted under Section 178 of the Companies Act 2013 and under Regulation 19 and Part D of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. The Committee has been responsible 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 directors so that the directors appointed would have appropriate skills to support the functioning of the Company and also to advise Board on Remuneration policy for Directors, Key Managerial Personnel and other employees.

Name of the Director	Member of Committee since	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Number of Meetings of the Committee		Number of shares held in the NBFC
			Held	Attended	
Ms. Matangi Gowrishankar	April 27, 2018	Non Executive - Independent Director	5	5	Nil
Mr. Sumantra Banerjee	April 27, 2018	Non Executive - Independent Director	5	3	10,000
Mr. Rajat Mohan Nag	April 27, 2018	Non Executive - Independent Director	5	4	Nil
Mr. Piyush Goenka	April 27, 2018	Non Executive - Nominee Director	5	4	Nil
Mr. Vineet Chandra Rai	April 27, 2018	Promoter Nominee Director	5	3	Nil

(c) Risk Management Committee

Risk Management Committee has been constituted under Regulation 21 and Part D of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 along with the RBI Master Direction. The Committee has overall responsibility to the identification, evaluation and mitigation of strategic, operational, and external environment risks; for monitoring and approving the risk policies and associated actionable. The Committee has been also responsible for reviewing and approving risk disclosure statements for dissemination.

Name of the Director	Member of Committee since	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Number of Meetings of the Committee		Number of shares held in the NBFC
			Held	Attended	
Mr. Rajat Mohan Nag	April 27, 2018	Non Executive - Independent Director	4	4	Nil
Mr. Sumantra Banerjee	April 27, 2018	Non Executive - Independent Director	4	3	10,000
Ms. Matangi Gowrishankar	April 27, 2018	Non Executive - Independent Director	4	4	Nil
Mr. Piyush Goenka	April 27, 2018	Non Executive - Nominee Director	4	3	Nil
Mr. Wilhelmus Marthinus Maria Van Der Beek	April 27, 2018	Non Executive - Nominee Director	4	Nil	Nil



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 50(A): Additional disclosures pursuant to the RBI/2021-22/112DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 on Scale Based Regulation (contd)

(d) Stakeholders Relationship Committee

Stakeholder's Relationship Committee has been constituted under Section 178 of the Companies Act 2013 and under Regulation 20 and Part D of Schedule II of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015. The Committee has been responsible for redressal of grievances of interest of investors, shareholders, debenture holders and other security 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.

Name of the Director	Member of Committee since	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Number of Meetings of the Committee		Number of shares held in the NBFC
			Held	Attended	
Ms. Matangi Gowrishankar	April 27, 2018	Non Executive - Independent Director	1	1	Nil
Mr. Anurag Agrawal	April 27, 2018	Promoter Nominee Director	1	1	Nil
Mr. Manoj Kumar N Nambiar	April 27, 2018	Executive - Managing Director	1	1	Nil

(e) Corporate Social Responsibility Committee

Corporate Social Responsibility Committee has been constituted under Section 135 of the Companies Act 2013. Primary objective of the Committee has been assisting 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 also recommends the amount of expenditure to be incurred on the identified CSR activities.

Name of the Director	Member of Committee since	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Number of Meetings of the Committee		Number of shares held in the NBFC
			Held	Attended	
Mr. Sumantra Banerjee	April 27, 2018	Non Executive - Independent Director	2	1	10,000
Mr. Anurag Agrawal	April 27, 2018	Promoter Nominee Director	2	2	Nil
Mr. Manoj Kumar N Nambiar	April 27, 2018	Executive Director - Managing Director	2	2	Nil
Mr. Wilhelmus Marthinus Maria Van Der Beek	April 27, 2018	Non Executive - Nominee Director	2	Nil	Nil

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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 50(A): Additional disclosures pursuant to the RBI/2021-22/112DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 on Scale Based Regulation (contd)

(f) 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.

Name of the Director	Member of Committee since	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Number of Meetings of the Committee		Number of shares held in the NBFC
			Held	Attended	
Mr. Manoj Kumar N Nambiar	February 16, 2018	Executive - Managing Director	5	4	Nil
Mr. Anurag Agrawal	February 16, 2018	Promoter Nominee Director	5	5	Nil
Mr. Vineet Chandra Rai	February 16, 2018	Promoter Nominee Director	5	4	Nil
Mr. Piyush Goenka	February 16, 2018	Non-Executive - Nominee Director	5	5	Nil

(g) 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.

Name of the Director	Member of Committee since	Capacity (i.e., Executive/ Non-Executive/ Chairman/ Promoter nominee/ Independent)	Number of Meetings of the Committee		Number of shares held in the NBFC
			Held	Attended	
Mr. Sumantra Banerjee	February 16, 2018	Non Executive - Independent Director	2	1	10,000
Mr. Rajat Mohan Nag (*)	November 10, 2022	Non Executive - Independent Director	2	1	Nil
Mr. Piyush Goenka	February 16, 2018	Non-Executive - Nominee Director	2	1	Nil
Mr. Manoj Kumar N Nambiar	February 16, 2018	Executive - Managing Director	2	2	Nil
Mr. Arvind Murarka	February 16, 2018	Chief Information Officer	2	2	Nil

(*) Mr. Rajat Mohan Nag is a member of the Committee w.e.f. November 10, 2022.



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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 50(A): Additional disclosures pursuant to the RBI/2021-22/112DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 on Scale Based Regulation (contd)

3) General Body Meetings

Details of the date, place and special resolutions passed at the General Body Meetings are mentioned below

Sl. No.	Type of Meeting (Annual/ Extra-Ordinary)	Date and place	Special Resolutions passed
1	Annual General Meeting	August 11, 2022 Through video Conferencing/ other audio visual means	<ol style="list-style-type: none"> Increase in borrowing power of the Company; Creation of charge and to provide security; To issue non-convertible debentures; Payment of commission to the Independent Directors; Amendment in the 'AROHAN EMPLOYEE STOCK OPTION PLAN 2010' ("ESOP 2010"/ "PLAN"); Amendment in the "AROHAN EMPLOYEE STOCK OPTION PLAN 2018" ("ESOP 2018"/ "PLAN"); Amendment in the "AROHAN EMPLOYEE STOCK OPTION PLAN 2021" ("ESOP 2021"/ "PLAN") and Issue of shares with respect to Arohan Employee Stock Option Plan 2021.
2	Extra Ordinary General Meeting	September 26, 2022 Through video Conferencing/ other audio visual means	No Special Resolutions passed in this EGM.
3	Extra Ordinary General Meeting	November 18, 2022 Through video Conferencing/ other audio visual means	To issue cumulative compulsorily convertible preference shares on a preferential basis through private placement.
4	Extra Ordinary General Meeting	November 26, 2022 Through video Conferencing/ other audio visual means	No Special Resolutions passed in this Extra Ordinary General Meeting (EGM)
5	Extra Ordinary General Meeting	December 12, 2022 Through video Conferencing/ other audio visual means	<ol style="list-style-type: none"> Adoption of new/ revised Articles Of Association of the Company in order to align the same with respect to the change in the Amended and Restated Shareholding agreement; To issue cumulative compulsorily convertible preference shares on a preferential basis through private placement."
6	Extra Ordinary General Meeting	March 15, 2023 Through video Conferencing/ other audio visual means	<ol style="list-style-type: none"> Reappointment of Mr. Dinesh Kumar Mittal as Chairman and Independent Director; Adoption of new/ revised Articles Of Association of the Company in order to align the same with respect to the change in the Amended and restated Shareholding agreement"
7	Extra Ordinary General Meeting	March 29, 2023 Through video Conferencing/ other audio visual means	<ol style="list-style-type: none"> Reclassification of Authorised Share Capital & consequent amendment to the capital clause in the Memorandum of Association of the Company; To issue cumulative compulsorily convertible preference shares on a preferential basis through private placement.

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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 50(A): Additional disclosures pursuant to the RBI/2021-22/112DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 on Scale Based Regulation (contd)

4) Details of non-compliance with requirements of Companies Act, 2013 including with respect to compliance with accounting and secretarial standards: Nil

5) Details of 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 except a penalty of an amount of ₹0.16 lakhs has been paid to Reserve Bank of India towards late submission fees of FC_TRS under Foreign Exchange Management Act, 1999.

(b) There are no modified opinion expressed by the auditors.

(c) There are no items of income and expenditure of exceptional nature.

(d) Breach of financial covenant:

(i) Debt securities

Lender	Sanction date	Description of financial covenants	Limit required	Actual
Japanese ASEAN Women Empowerment Fund	December 2, 2020	(PAR 30 + restructure loan + net write-off of 12 months)/ Gross loan portfolio (refer note 1)	less than 10.00%	16.09%
		(PAR 90 + restructure loans - provision)/ Tier 1 capital (refer note 2)	less than 10.00%	21.69%
Blue Orchard Microfinance Fund	May 31, 2022	(PAR 30 + non-covid restructure loan + net write-off of 12 months)/ Gross loan portfolio (refer note 3)	less than 15.00%	15.55%
		(PAR 90 + non-covid restructure loans - total provision)/ Tier I capital (refer note 4)	less than 10.00%	13.79%
CDC Group	December 19, 2020	(PAR 90 + restructure loans)/ Gross loan portfolio (refer note 5)	less than 5.00%	9.57%
Indian Bank	July 8, 2020	Operational self sufficiency ratio (refer note 6)	greater than 110.00%	108.99%
Northern Arc Capital Limited	July 27, 2018	PAR 90 percentage (refer note 7)	less than 2.00%	2.71%

(ii) Borrowings (other than debt securities) and Subordinated liabilities

Particulars	Sanction date	Description of financial covenants	Limit required	Actual
Borrowings (other than debt securities)	March 31, 2022	(PAR 90 + non-covid restructure loans + net write-off of 12 months)/ Gross loan portfolio (refer note 8)	less than 5.00%	14.31%
	February 7, 2022	(PAR 90 + non-covid restructure loans + net write-off of 12 months)/ Gross loan portfolio (refer note 8)	less than 5.00%	14.31%
	March 21, 2022	(PAR 30 + restructure loans)/ Gross loan portfolio	less than 5.00%	9.80%
		(PAR 90 + restructure loans)/ Gross loan portfolio (refer note 5)	less than 3.00%	9.57%



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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 50(A): Additional disclosures pursuant to the RBI/2021-22/112DOR.CRE.REC.No.60/03.10.001/2021-22 dated October 22, 2021 on Scale Based Regulation (contd)

(ii) Borrowings (other than debt securities) and Subordinated liabilities (Contd.)

Particulars	Sanction date	Description of financial covenants	Limit required	Actual
Subordinated liabilities	March 30, 2021	(PAR 90 + restructure loans)/ Gross loan portfolio (refer note 5)	less than 5.00%	9.57%

Note:

- Portfolio overdue for more than 30 days, restructured loans (including restructuring under RBI resolution framework dated August 06, 2020 & May 05, 2021) and net write off for last 12 months has been considered as numerator and closing gross loan portfolio as on March 31, 2023 as denominator.
- Gross loan portfolio overdue for more than 90 days, restructured loans (including restructuring under RBI resolution framework dated August 06, 2020 & May 05, 2021) which is reduced by NPA provision on owned portfolio has been considered as numerator and Tier 1 capital as denominator.
- Portfolio overdue for more than 30 days, non covid restructured loans (including restructuring under RBI resolution framework dated August 06, 2020 & May 05, 2021) and net write-off for last 12 months has been considered as numerator and closing gross loan portfolio as on March 31, 2023 as denominator.
- Aggregate of gross loan portfolio overdue for more than 90 days and non-covid restructured loans, reduced by NPA provision on owned portfolio has been considered as numerator and Tier I capital considered as denominator.
- AUM overdue for more than 90 days and restructured loans has been considered as numerator whereas gross loan portfolio as on March 31, 2023 is considered as denominator.
- Total revenue has been considered as numerator and total expenses for the year ended March 31, 2023 as denominator.
- Gross loan portfolio overdue for more than 90 days as a percentage of gross loan portfolio as on March 31, 2023.
- Aggregate of gross loan portfolio overdue for more than 90 days, non-covid restructure loans and net write-off of 12 months considered in numerator and gross loan portfolio as on March 31, 2023 as denominator.
- Gross loan portfolio represents assets under management (AUM).

(e) Divergence in asset classification and provisioning

There has been no instance of additional provisioning requirement assessed by Reserve Bank of India (RBI) exceeding 5% of the reported profit before tax and impairment loss on financial instruments, neither there has been any instance of additional gross NPAs identified by RBI exceeding 5% of the reported gross NPAs for the pervious financial year.

Note 50(B): Additional disclosures pursuant to the RBI/2022-23/29 DOR.CRE.REC.No.25/03.10.001/2022-23 dated April 19, 2022.

Loans to Directors, senior officers and relatives of Directors	Current year	Previous year
Directors and their relatives	Nil	Nil
Entities associated with directors and their relatives	Nil	Nil
Senior Officers and their relatives	Nil	Nil

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 51: Asset Liability Management Maturity pattern of assets and liability as on March 31, 2023

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)	12,616.74	18,506.46	24,450.05	2,540.26	468.62	5,119.42	9,554.01	17,363.70	1,251.17	-	91,870.43
Advances (Micro Finance Portfolio)	8,543.53	13,669.64	11,960.94	27,232.06	26,591.30	78,489.74	1,43,978.36	1,62,447.29	1,077.05	-	4,73,989.91
Advances (Other than Micro Finance)	118.93	190.28	166.50	383.09	375.81	954.76	1,365.02	606.89	70.76	-	4,232.04
Investments	-	-	-	-	-	-	-	-	-	7,877.00	7,877.00
Borrowings	1,631.27	1,120.95	26,379.71	18,180.89	27,912.66	60,894.74	1,22,051.41	1,58,751.09	36,426.21	-	4,53,348.93
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-	-

Maturity pattern of assets and liability as on March 31, 2022

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)	15,237.25	14,303.98	54,845.51	3,130.30	3,064.14	1,074.92	6,547.27	20,477.92	2,251.12	-	1,20,932.41
Advances (Micro Finance Portfolio)	3,359.41	9,474.11	15,054.56	20,954.45	23,260.03	71,954.37	1,24,702.50	87,266.37	5,508.85	-	3,61,534.65
Advances (Other than Micro Finance)	109.86	309.83	492.33	855.55	872.58	2,180.38	3,494.66	1,162.32	7.77	-	9,485.28
Investments	-	-	-	-	-	-	-	-	-	5.00	5.00
Borrowings	16,215.04	1,461.59	23,676.07	27,066.78	23,623.61	64,801.91	1,02,527.87	1,14,091.65	18,300.00	20,961.62	4,12,726.14
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-	-

Notes:

- The above information has been considered as per the Asset Liability Management (ALM) Report compiled by the management and reviewed by the ALM Committee.
- Advances and borrowings are adjusted for moratorium.
- The Company is capable of meeting its liabilities existing as on March 2023 as and when they fall due within the period of one year from March 31, 2023.



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 52: 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 2023	As at 31 March 2022
Number of significant counterparties	23	23
Amount of borrowed funds from significant counterparties	4,16,377.37	3,86,210.60
Percentage of total deposits	Not applicable	Not applicable
Percentage of total liabilities	88.97%	91.83%

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)** - The Company does not accept deposit hence not applicable.

(iii) Top 10 borrowings	As at 31 March 2023	As at 31 March 2022
Amount of borrowed funds from top ten significant counterparties (*)	3,10,553.84	2,86,996.37
% of total borrowings (#)	68.60%	69.66%

Notes:

- (*) 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 which includes securitisation transactions.

(iv) Funding Concentration based on significant instrument/ product

Name of the instrument/ product	As at 31 March 2023		As at 31 March 2022	
	Amount (**)	% of total liabilities	Amount (**)	% of total liabilities
Debt securities	29,120.00	6.22%	27,560.00	7.00%
Borrowings (other than debt securities)	3,81,080.96	81.43%	3,40,950.99	81.00%
Subordinated liabilities	42,500.00	9.08%	43,500.00	10.00%

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.

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 52: 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: (Contd.)

(V) Stock ratios in percentage	As at 31 March 2023	As at 31 March 2022
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	Nil	Nil
5. Non-convertible debentures (original maturity of less than one year) as a % of total assets	Nil	Nil
6. Non-convertible debentures (original maturity of less than one year) as a % of public fund	Nil	Nil
7. Other short-term liabilities as a % of total liabilities	57.79%	62.82%
8. Other short-term liabilities as a % of total assets	44.94%	50.52%
9. Other short-term liabilities as a % of public fund	59.66%	64.01%

(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.



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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 53: Disclosures of liquidity coverage ratio (LCR)

For financial year: 2022-2023

SI No.	Particulars	As on 30 June 2022		As on 30 September 2022		As on 31 December 2022		As on 31 March 2023	
		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	111.94	111.94	136.20	136.20	59.93	59.93	36.05	36.05
(ii)	Cash on Bank	3,654.64	3,654.64	3,559.95	3,559.95	3,515.34	3,515.34	1,549.67	1,549.67
(iii)	Un encumbered demand deposits with scheduled commercial Bank	53,925.35	53,925.35	33,477.41	33,477.41	29,287.74	29,287.74	59,323.94	59,323.94
	Total High Quality Liquid Assets (HQLA)	57,691.93	57,691.93	37,173.56	37,173.56	32,863.01	32,863.01	60,909.66	60,909.66
	Cash Outflows:								
2	Deposits (for deposit taking companies)	-	-	-	-	-	-	-	-
3	Unsecured wholesale funding	-	-	-	-	-	-	-	-
4	Secured wholesale funding	-	-	-	-	-	-	-	-
5	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	27,427.31	31,541.41	22,662.03	26,061.33	33,939.18	39,030.06	29,131.93	33,501.72
6	Other contractual funding obligations	1,856.47	2,134.94	5,082.79	5,845.21	5,524.93	6,353.67	7,116.54	8,184.02
7	Other contingent funding obligations	-	-	-	-	-	-	-	-
8	Total cash outflows	29,283.78	33,676.35	27,744.82	31,906.54	39,464.11	45,383.73	36,248.47	41,685.74
	Cash Inflows:								
9	Secured lending	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	27,571.48	20,678.61	30,509.57	22,882.18	32,702.06	24,526.55	34,649.82	25,987.37
11	Other cash inflows	398.09	298.57	2,652.17	1,989.13	1,038.30	778.73	1,354.53	1,015.90
12	Total cash inflows	27,969.57	20,977.18	33,161.74	24,871.31	33,740.36	25,305.28	36,004.35	27,003.27
	Total High Quality Liquid Assets (HQLA)	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value
13		57,691.93	57,691.93	37,173.56	37,173.56	32,863.01	32,863.01	60,909.66	60,909.66
14	Total net outflows		12,699.17		7,976.63		20,078.45		14,682.47
15	Liquidity coverage ratio (%)		454%		466%		164%		415%

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 53: Disclosures of liquidity coverage ratio (LCR) (Contd.)

For financial year: 2021-2022

SI No.	Particulars	As on 30 June 2021		As on 30 September 2021		As on 31 December 2021		As on 31 March 2022	
		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 (HQLA)								
1	High Quality Liquid Assets (HQLA)								
(i)	Cash Balance	148.66	148.66	151.87	151.87	132.75	132.75	55.57	55.57
(ii)	Cash on Bank	8,292.69	8,292.69	4,690.98	4,690.98	9,346.74	9,346.74	9,747.32	9,747.32
(iii)	Un encumbered demand deposits with scheduled commercial Bank	1,12,782.06	1,12,782.06	69,897.02	69,897.02	19,376.62	19,376.62	85,561.04	85,561.04
	Total High Quality Liquid Assets (HQLA)	1,21,223.41	1,21,223.41	74,739.87	74,739.87	28,856.11	28,856.11	95,363.93	95,363.93
	Cash Outflows:								
2	Deposits (for deposit taking companies)	-	-	-	-	-	-	-	-
3	Unsecured wholesale funding	-	-	-	-	-	-	-	-
4	Secured wholesale funding	-	-	-	-	-	-	-	-
5	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	35,005.20	40,255.98	34,741.52	39,952.75	44,288.56	50,931.84	41,342.06	47,543.37
6	Other contractual funding obligations	1,699.85	1,954.83	3,207.24	3,688.33	3,207.12	3,688.19	1,122.00	1,290.30
7	Other contingent funding obligations	1,050.00	1,207.50	-	-	-	-	-	-
8	Total cash outflows	37,755.05	43,418.31	37,948.76	43,641.08	47,495.68	54,620.03	42,464.06	48,833.67
	Cash Inflows:								
9	Secured lending	-	-	-	-	-	-	-	-
10	Inflows from fully performing exposures	28,382.87	21,287.15	19,898.80	14,924.10	24,690.67	18,518.00	28,800.09	21,600.07
11	Other cash inflows	1,163.77	872.82	188.72	141.54	213.63	160.22	249.63	187.22
12	Total cash inflows	29,546.64	22,159.97	20,087.52	15,065.64	24,904.30	18,678.22	29,049.72	21,787.29
	Total High Quality Liquid Assets (HQLA)	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value	Total Adjusted Value
13		1,21,223.41	1,21,223.41	74,739.87	74,739.87	28,856.11	28,856.11	95,363.93	95,363.93
14	Total net outflows		21,258.34		28,575.44		35,941.81		27,046.38
15	Liquidity coverage ratio (%)		570%		262%		80%		353%



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 54: Foreign Currency Disclosure

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
(a) Earnings in foreign currency		
Miscellaneous income (Sale of accumulated carbon credit)	6.19	12.74
	6.19	12.74
(b) Expenditure in foreign currency		
Repairs and maintenance	2.98	-
Legal and professional expenses	50.66	2.58
	53.64	2.58

Note 55: 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 period on the activities as specified in schedule VII of the Act.

Particulars	Year ended 31 March 2023	Year ended 31 March 2022
(a) Gross amount required to be spent during the year	21.83	68.67
(b) Amount of expenditure incurred during the year	21.83	68.67
(c) Shortfall at the end of the year	-	-
(d) Total of previous years shortfall	-	-
(e) Reason for shortfall (*)	-	-
(f) Nature of CSR activities (**)	-	-
(g) Details of related party transactions	7.16	40.93
(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	9.88	35.09
Fresh provision made during the year	1.50	5.45
Payment made during the year	5.45	30.66
At the closing of the year	5.93	9.88

(*) work was not yet completed as a results the payments were on hold.

(**) CSR activities includes environmental and social initiatives. In environmental initiatives there are certain projects like disaster relief, COVID-19 relief, safe drinking water & sanitisation and water conservation whereas social initiatives includes activities as women empowerment & education, livelihood trainings, menstrual hygiene and health and well being.

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Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 56: 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 57: 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 EBIDTA by ₹216.85 lakhs (March 31, 2022 : ₹243.20 lakhs) and negatively impacted the PBT by ₹11.82 lakhs (March 31, 2022 : ₹0.49 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 March 31, 2023

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	10	8 months to 35 months	24 months	10	-	-
Furniture	3	75 months	75 months	3	-	-

As on March 31, 2022

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	2 months to 71 months	26 months	8	-	-
Furniture	3	87 months	87 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 2023	Year ended 31 March 2022
Short-term leases	1,286.03	1,110.51



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 57: Lease related disclosures (Contd.)

(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 2023
Lease payments	223.27	177.98	89.61	56.25	56.25	70.31	673.67
Less: Finance cost	48.78	31.74	19.33	14.22	9.58	4.69	128.34
Net present values	174.49	146.24	70.28	42.03	46.67	65.62	545.33

Particulars	Within 1 year	1-2 years	2-3 years	3-4 years	4-5 years	More than 5 years	As at 31 March 2022
Lease payments	149.01	124.45	74.76	59.68	59.85	130.00	597.75
Less: Finance cost	42.71	31.91	23.93	19.20	14.74	14.44	146.93
Net present values	106.30	92.54	50.83	40.48	45.11	115.56	450.82

(e) Total cash outflow for leases for the year ended March 31, 2023 was ₹216.86 lakhs (March 31, 2022: ₹234.22 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 58: Contingent liabilities and commitments

Particulars	As at 31 March 2023	As at 31 March 2022
(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.	16.57	13.47
(b) Sanctioned loan undisbursed.	-	1,975.00
(c) Capital commitment for purchase/ development of tangible and intangible asset (net of advances).	78.08	86.96

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 59: Additional regulatory information pursuant to Ministry of Company Affairs Notification dated March 24, 2021:

A. Title deeds of Immovable Property

The Company does not own any immovable property in the form of land and building

B. Loans or advances in the nature of loans are granted to promoters, directors, KMPs and the related parties

The Company has not granted any loans to promoters, directors, KMPs and the related parties

C. Details of Benami Property held

There have been no proceedings initiated or pending against the Company for holding any benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

D. Borrowings from banks or financial institutions on the basis of security of current assets

The Company has availed borrowings from banks or financial institutions on the basis of security of current assets and the returns or statements of current assets filed by the Company with banks or financial institutions as at March 31, 2023, are in agreement with the books of accounts.

E. Wilful Defaulter

The Company has not been declared a wilful defaulter by any bank or financial institution or other lender.

F. Relationship with Struck off Companies

The Company has not entered into any transactions with the companies struck off under section 248 of the Act or section 560 of the Companies Act, 1956.

G. Registration of charges or satisfaction with Registrar of Companies (ROC)

There are no charges or satisfaction yet to be registered with ROC beyond the statutory period as at March 31, 2023 except the following where no dues certificate has not been received from the lenders and pending for charge satisfaction

Lenders	Charge ID	Sanction Date	Amount	Closure Date
Indian Bank	100432193	18-Sep-20	7,500	24-Mar-22
Indian Bank	100432195	18-Sep-20	2,500	03-May-22
Punjab National Bank	100269477	16-Mar-19	2,500	31-Jul-22
SIDBI	100315230	23-Oct-19	20,000	10-Feb-23

H. Compliance with number of layers of companies

The Company has no subsidiaries or investments in other companies, accordingly compliance with the number of layers prescribed under clause (87) of section 2 of the Act read with Companies (Restriction on number of Layers) Rules, 2017, are not applicable.



Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 59: Additional regulatory information pursuant to Ministry of Company Affairs Notification dated March 24, 2021: (Contd.)

I. Ratios

Particulars	As at 31 March 2023	As at 31 March 2022	Percentage change in ratio	Explanation
(a) Debt equity ⁽²⁾ [refer note 42]	3.39	4.03	(16%)	Due to fresh equity infusion during the financial year in the form of compulsorily convertible preference shares (CCPS)
(b) Return on equity ratio ⁽³⁾	5.99%	6.15%	(2%)	
(c) Net profit ratio ⁽⁴⁾	8.41%	6.62%	27%	
(d) Return on capital employed ⁽⁵⁾	5.99%	6.15%	(2%)	
(e) Current ratio ⁽¹⁾	Not applicable	-	-	
(f) Debt service coverage ratio ⁽¹⁾	Not applicable	-	-	
(g) Inventory turnover ratio ⁽¹⁾	Not applicable	-	-	
(h) Trade receivables turnover ratio ⁽¹⁾	Not applicable	-	-	
(i) Trade payables turnover ratio ⁽¹⁾	Not applicable	-	-	
(j) Net capital turnover ratio ⁽¹⁾	Not applicable	-	-	
(k) Return on investment ⁽¹⁾	Not applicable	-	-	

Notes:

- (1) The Company is a Non-Banking Financial Company registered under Reserve Bank of India Act, 1934, hence these ratios are not applicable
- (2) Debt - equity ratio = (debt securities + borrowings-other than debt securities + subordinated liabilities) / net worth, where net worth is aggregate of equity share capital and other equity.
- (3) Return on equity ratio = profit after tax / average net worth
- (4) Net profit ratio = profit before tax / total revenue from operations
- (5) Return on capital employed = profit after tax / average networkth

J. Compliance with approved Scheme(s) of Arrangements

There are no Scheme of Arrangements approved by the Competent Authority in terms of section 230 to 237 of the Act.

K. Utilisation of borrowed funds and share premium

No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries") with the understanding, whether recorded in writing or otherwise, that the Intermediary shall lend or invest in party identified by or on behalf of the Company (Ultimate Beneficiaries). The Company has not received any fund from any party(s) (Funding Party) with the understanding that the Company shall whether, directly or indirectly lend or invest in other persons or entities identified by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries.

Arohan Financial Services Limited

Summary of significant accounting policies and other explanatory information for the year ended 31 March 2023 (Contd.)

(All amounts in ₹ lakhs unless otherwise stated)

Note 59: Additional regulatory information pursuant to Ministry of Company Affairs Notification dated March 24, 2021: (Contd.)

L. Undisclosed income

There are no transactions not recorded in the books of accounts that has been surrendered or disclosed as income during the year in the tax assessments under the Income-tax Act, 1961.

M. Corporate Social Responsibility (CSR)

Refer note 55

N. Details of Crypto Currency or Virtual Currency

The Company has not traded or invested in Crypto Currency or Virtual Currency during the financial year.

Note 60: The Code on Social Security 2020 ('the Code') relating to employee benefits, during the employment and post-employment, has received Presidential assent on September 28, 2020. The Code has been published in the Gazette of India. Further, the Ministry of Labour and Employment has released draft rules for the Code on November 13, 2020. However, the effective date from which the changes are applicable is yet to be notified and rules for quantifying the financial impact are also not yet issued.

The Company will assess the impact of the Code and will give appropriate impact in the financial statements in the period in which, the Code becomes effective and the related rules to determine the financial impact are published.

Note 61: Previous year ended figures have been regrouped/ rearranged wherever necessary, to conform with the current year.

This is the summary of significant accounting policies and other explanatory information referred in our report of even date

For **M S K A & Associates**
Chartered Accountants
Firm Registration No. 105047W

Tushar Kurani
Partner
Membership No. 118580

Place: Mumbai
Date: 12 May 2023

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

Manoj Kumar N Nambiar
Managing Director
DIN: 03172919
Place: Kolkata

Anirudh Singh G Thakur
Company Secretary
Place: Kolkata
Date: 12 May 2023

Vineet Chandra Rai
Director
DIN: 00606290
Place: Kolkata

Milind R Nare
Chief Financial Officer
Place: Kolkata



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