



Making it **Happen**

annual report 2018-19





In a rapidly changing environment, it is worthy to note the multi-dimensional manner in which true transformation takes place. Over the years, Arohan has built its vision on a foundation of innovation, learning and purpose and has re-imagined business in every facet and detail.

Since its inception in the year 2006, and its alignment to the group philosophy in the year 2012, Arohan has leveraged its value system to emerge as a flagbearer of innovative solutions to contribute to the Indian financial inclusion landscape. From service, outreach, operations to every business enabling functions - people, process and systems, Arohan is bringing about change that addresses the new reality of a high-impact industry. Join us as we take you on a journey of transformation, as Arohan makes it happen.





Microfinance Organisation Of The Year 2018

Arohan Financial Services Limited wins the prestigious Inclusive Finance India Awards 2018 under the category “Microfinance Organisation of the Year” organised by Access Assist in partnership with HSBC India. The most coveted award in the industry, it is a testimony of Arohan’s leadership in promoting the key national priority of financial inclusion.

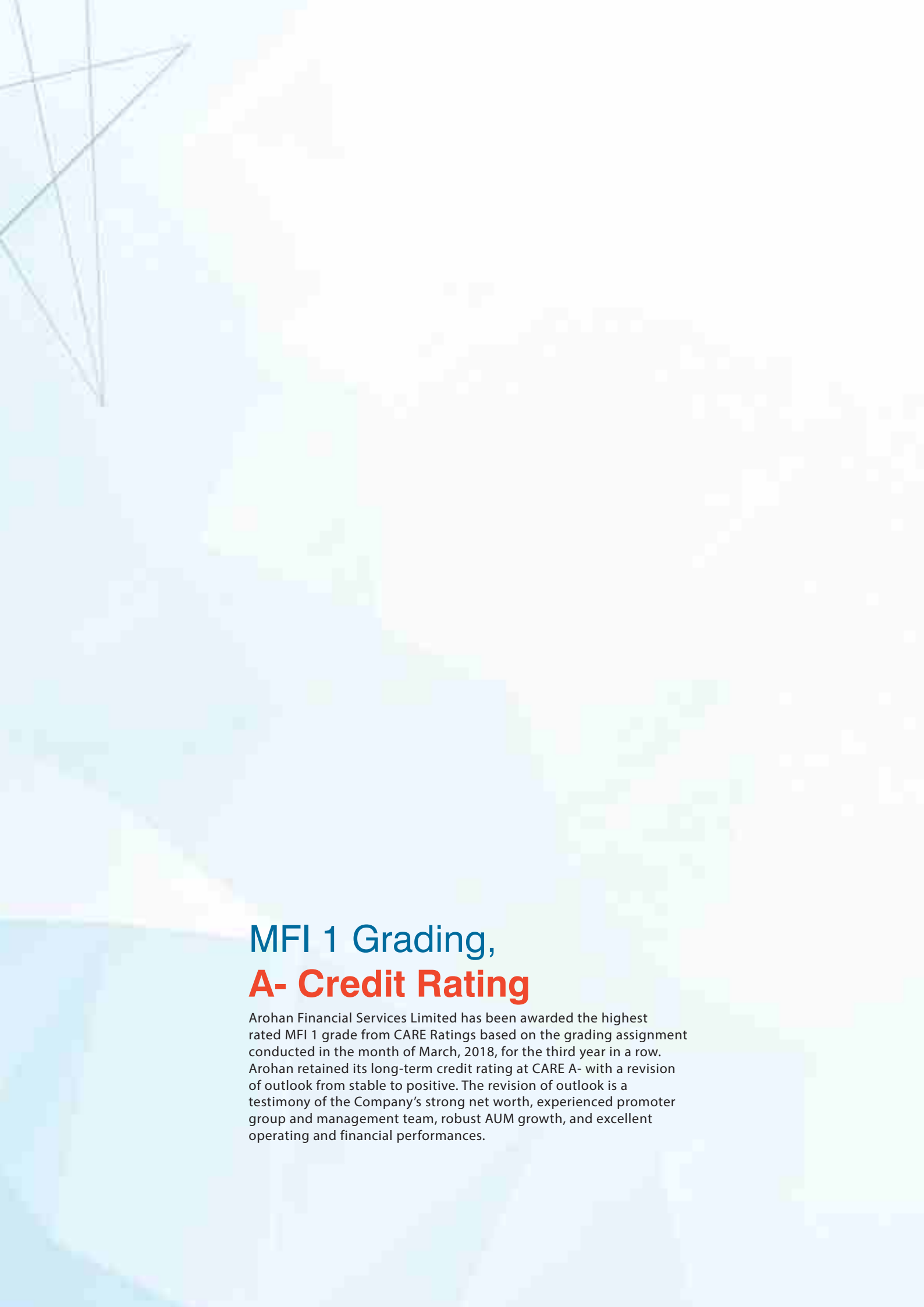




Micro Energy **Credit Certification**

As a project participant in the UNFCCC Program of Activities 9181, Arohan has been awarded the "MicroEnergy Credits Certificate" for distribution of clean energy product lines through microfinance. This is reflective of Arohan's contribution to environment sustainability, while also fulfilling customer needs.





MFI 1 Grading, **A- Credit Rating**

Arohan Financial Services Limited has been awarded the highest rated MFI 1 grade from CARE Ratings based on the grading assignment conducted in the month of March, 2018, for the third year in a row. Arohan retained its long-term credit rating at CARE A- with a revision of outlook from stable to positive. The revision of outlook is a testimony of the Company's strong net worth, experienced promoter group and management team, robust AUM growth, and excellent operating and financial performances.



Mission

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

Vision

To touch over 20 million lives by the year 2025
20 by 2025

Aspiring to be in the Top 3 financial inclusion players covering over 5 million households with an INR 25,000 Cr portfolio and being in the Top 3 places to work



Employee
Engagement



Transparency



Honesty
& Integrity



Innovation



Customer
Centricity



Shareholder
Value Focus

INDEX

MD's Desk	2 - 3
Board of Directors	4 - 5
Management Profile	6 - 7
Corporate Information	8 - 9
Investors Profile	10 - 11
Financial Highlights	12 - 13
Management Discussion & Analysis	15 - 51
Board of Director's Report	52 - 76
Independent Auditor's Report	77 - 83
Financials	84 - 115



MD's Desk

Greetings,

I am delighted to connect with all of you once again through the Annual Report as we formally close an eventful business year and step into the next one with great anticipation.

Let me start by painting the picture of the financial inclusion landscape in India, in which our business operates:

- » Only 8% adults have borrowed from a formal, licensed financial institution of the 42.4% who have borrowed overall
- » Only 8.2% adults have used a formal channel for remittances
- » Only around 15% of the rural population have life insurance cover
- » Only 18.9% of the total rural population receives any pension
- » Over 38.5% of the total bank accounts are inactive while 80% plus have a bank account
- » Only 33.6% of adults have saved any money in their life with only 11.2% for old age

Source: Global FINDEX data from the World Bank 2018 & NABARD Financial Inclusion Survey 2017

Needless to add, with numbers as above, in a country like India with a population of 1.3+ billion, the scope for financial inclusion is large and the need of the hour from the regulator and also the state/central governments is to enable this to happen.

Arohan's old 5-year plan envisioned in the year 2013 enumerated 10 - 10 - 10: depicting presence in 10 Low Income states, serving 10 lakh customers and being in the Top 10 Places to Work. Through focused efforts and efficient processes, we have already achieved presence in the 10 low-income states

across central, east and the north east India. We today serve close to 20 lakh end clients and have posted a strong Great Place to Work® score to be among the top places to work in our sector and geography. I am happy to inform you that the management team along with the promoter group, investors and board of directors have now updated our old 5-year Vision and Mission statement for the next 5 years as:

Vision:

**To touch over 20 million lives by the year 2025
20 by 2025**

Aspiring to be in the Top 3 financial inclusion players covering over 5 million households with an INR 25,000 Cr portfolio and being in the Top 3 places to work

Mission:

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

Arohan's Board of Directors continues to be a constant source of guidance for us, while ensuring robust corporate governance. We are delighted to have Mr. D K Mittal, ex-Secretary, DFS, Government of India and a distinguished IAS officer join us as the independent Chairman of the Board at Arohan last year. Along with the Chairman, three subject matter experts on Risk, Audit and HR as independent directors, promoter group nominees, investor representatives, a lender nominee from SIDBI and a management representative, Arohan's Board clearly play a key role in guiding the management and charting out the future path for the organisation in an exciting and conducive external environment.

Our enduring belief at the promoter group level has been that the business of Financial Inclusion in India offers immense opportunity to create impact. Across investing, advisory and lending, the Aavishkaar Group, which today manages over a billion US\$ of funds across equity and debt, has supported the sector through thick & thin - from being the earliest investors in MFIs in early 2000 to continuing to invest and lend through AP

crisis, demonetisation and also the recent NBFC liquidity crisis.

The year 2018-19 has been a landmark year for the company in many respects. Across our three business lines of microfinance Organic, Inorganic, and the MSME lending vertical, Arohan has been able to cross a milestone figure of INR 4000 Cr portfolio outstanding with a presence in 13 states in India of which 10 are low-income states in microfinance and three additional states through the MSME business. We closed the year with a revenue of ~INR 635 Cr, a PAT of INR 112 Cr and a significantly better OPEX at 6.34%, ROA of 3.80% and ROE of 23.61% for the year. We serve close to 2 million end customers through a network of 593 branches manned by over 4765 employees and rank amongst the top 6 NBFC-MFI institutions in the country.

I am also happy to inform you that with additional investments of close to INR 200Cr from Aavishkaar, our promoter group and existing investors, and profits added during the year, we closed March 2019 at over INR 681 Cr of net worth, thereby helping us step us into the new year with adequate capital to grow.

To support the growth of our business, we have made continued efforts to strengthen the support and quality functions. Risk and Credit plays a crucial role in helping take prudent credit calls on our full range of INR 10k to INR 100 lakhs loans, through the innovative SCOPE model for ongoing rectification of slippages and the 360-degree credit bureau reports. This is ably supported by the Internal Audit team giving us an objective and online assessment of the policy adherence on the field across businesses and corporate support functions.

Ours is a people's business and employees are one of the key pillars of our growth system. Through our strong Human Resource function, we have focused on and achieved better capacitation, as well as, retention levels, while going through the GPTW assessment and implementing Adrenalin, a state-of-the-art HR management system.

Our efforts on providing the customers with safety net financial products along with affordable non-financial products through the Cross-sell Business have scaled up with the addition of new products and services and through wider branch activation. While we meet our objective of offering the power of choice to our customers, we are moving towards enabling her to place orders directly on the pioneering Arohan e-bazaar app. The Central Operations vertical further strengthened our process, policies and product suite for better functioning and superior control. The pioneering Bazaar product was streamlined with the launch of Bazaar fortnightly, while new products were added for customer retention. With seamless cashless disbursements, reinforcement of our customer call centre and insights function, as well as, incisive business process and quality trackers, Arohan has become increasingly customer-centric.

Arohan's growth plans have been ably supported by our Finance function which raised enough debt at very competitive pricing even in the difficult Q3 period for NBFCs in India with innovative instruments like External Commercial Borrowings, Rolling Assignment Limits and Enhanced Assignment Limits of over INR 1000Cr from PSU banks.

Our focus on IT for seamless management of processes, as well as, enhanced customer experience, continues through initiatives such as linking of the mobility platform straight to the operating system, bettering of various applications like the dash board. Our treasury management system has also been completely automated while also ensuring a robust platform to manage our entire end-to-end business processes. The Central Hub has been transformed into a quality control centre aiding our focus on improving portfolio quality at source. Along with focus on complete adherence to regulatory processes, the Compliance function has also adopted automation and manages paperless board meetings with Diligent, the new software.

Arohan's focus on setting for itself progressive plans to further effectuate our purpose of driving financial inclusion was led by our Strategic Planning and Communications team through new Vision and Mission planning and breakthrough initiatives such as cashless repayments, the prestigious Micro Energy Credit clean energy certification under the UNFCCC programme and the very critical ExCom monthly review process while also ensuring a new approach to internal and external communications.

The year 2018-19 has been a year of great recognition for all of us - starting with the Dun & Bradstreet MFIN Award for the "Best Risk Resilience Framework" in the industry, the IICSR CSR Award for our Water project, the ICC CSR sustainability jury recognition, the 3 SKOCH awards for "Strategic Alliance Initiative", "Financial Inclusion, Microcredit and Rural Expansion" and "Strategic IT Transformation", the AMFI awards for "Best Coverage in East India", "Best Credit Plus Activities" and "Best Client Centric Initiatives" to the big one, "Microfinance Organisation of the Year 2018" by ACCESS ASSIST and HSBC.

Our key focus areas for the year 2019-20 would include managing the business growth better with continued and improved focus on quality across business lines and better employee retention and engagement. We would continue to explore avenues to raise capital and initiate a "household" connect aligned to our Mission statement, all on a dynamic and fuller IT platform.

I wish to thank each of our 2 million customers for their valuable business relationship, our 4700 plus employees for their relentless hard work through the year, our promoter group for their confidence in us, the investors for their continued trust and support, our lenders for their sustained backing, our esteemed board of directors for their guidance, the Reserve Bank of India for their progressive policies towards the sector, all our partners/vendors/associates for their efforts and the state and central government's for providing a conducive environment for our business.

I look forward to an even better year in 2019-20 with your support and encouragement.

Warm regards,
Manoj Kumar Nambiar
 Managing Director



Board of Directors

Dinesh Kumar Mittal



Dinesh Kumar Mittal is the Independent Non- Executive Chairman of our Board. He holds a master's degree in physics from University of Allahabad. He joined the Indian Administrative Services in July 1977 and has over 35 years of experience. Prior to joining our Company, he has served with the Government of India as Secretary – Department of Financial Services and the Ministry of Corporate Affairs and as Additional Secretary and Joint Secretary – Department of Commerce. He has also served as the Chief Executive Officer of IL&FS and with the Government of the state of Uttar Pradesh in various capacities including as Secretary to the Chief Minister, Managing Director – Uttar Pradesh Land Development Corporation, Vice Chairman to the Ghaziabad Development Authority and Special Secretary and Additional Director – Industries.

Manoj Kumar Narayan Nambiar



Manoj Kumar Nambiar is the Managing Director of our Company. He has been a Director since October 2012. He holds a bachelor's degree in engineering (mechanical branch) from University of Bombay and a master's degree in management studies from University of Bombay. He has also completed the 'Strategic Leadership in Microfinance' course from Harvard Business School, US. Post completion of his management studies in the year 1988, he has worked with various companies in the fields of marketing, consumer finance, retail banking and microfinance across India and the Middle East. Prior to joining our Company, he worked with Xerox India Limited (formerly, Modi Xerox Limited), GE Countrywide, ANZ Grindlays Bank, ABN Amro Bank N.V., National Bank of Oman, Ahli Bank and with Alhamrani Company for Investment in Trade. He was a member of the Governing Board of MFIN, the industry SRO from 2013 and its President in 2015-16. He is currently the member of the Governing Board of MFIN and is a part of the Policy Advocacy Task Force at Sa-Dhan and MFIN.

Sumantra Banerjee



Sumantra Banerjee is a Non-Executive Independent Director of our Company. He has been a Director since April 29, 2014. He holds a bachelor's degree (technology) in chemical engineering from the Indian Institute of Technology, Kharagpur, a master's degree in polymer science and a master's degree in Business Administration (Marketing and Finance), both from USA. He has over 25 years of experience in board and key management personnel roles. Prior to joining our Company, he has served as the Managing Director of CESC Limited, the Chief Executive Officer of Spencer's Retail Limited and a member of the board of the R.P. Sanjiv Goenka Group.

Rajat Mohan Nag



Rajat Mohan Nag is a Non-Executive Independent Director of our Company. He has been a Director since January 31, 2015. He holds engineering degrees from the Indian Institute of Technology, Delhi and the University of Saskatchewan. He also has an MBA and an honorary doctorate from the University of Saskatchewan and an MS in Economics from the London School of Economics. He has approximately 30 years of experience in banking and finance. He is concurrently a Distinguished Fellow at India's National Council of Applied Economic Research and the Emerging Markets Forum. He also serves as Chair of the Act East Council of the Indian Chamber of Commerce. He was a visiting Professor at the Graduate School of Development Management of the Asian Institute of Management in Manila (2014-15) and currently is a Distinguished Professor at the Emerging Markets Institute at Beijing Normal University, as well as an Advisor and Board Member of several nonprofit organizations, including Action for Autism and Partnership for Transparency Fund. He was the Managing Director General of the Asian Development Bank during 2006-2013.

Matangi Gowrishankar



Matangi Gowrishankar is a Non-Executive Independent Director of our 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 honours diploma in Personnel Management & Industrial Relations from Xavier Labour Relations Institute, Jamshedpur. Post completion of her management studies in the year 1979, she has held leadership positions with various organisations like Standard Chartered Bank, Reebok India, General Electric Company, Zensar Technologies and Cummins India Limited, both in India and overseas. Most recently she has worked with the British Oil & Gas major where she was Human Resources Director for the Asia Pacific Region for the Lubricants business following which she was global head of leadership capability development in the Leadership Academy. She also holds Independent Director positions on the Boards of other companies in India. She is passionate about and has a track record for building organisation and leadership development both in India and overseas.

Anurag Agrawal



Anurag Agrawal is a Non-Executive Nominee Director of our Company. He was nominated to our Board of Directors by Intellectap. 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, MBA in Finance from TA Pai Management Institute, Manipal and intermediate level program in "Banking and Finance" from the Institute of Financial Management & Research (IFMR), Chennai. He has approximately 16 years of experience in banking and management. He has been the founding member of Intellectual Capital Advisory Services Private Limited and prior to joining the Aavishkaar-Intellectap Group, has worked in ICICI Bank. He is currently the Chief Operating Officer of Aavishkaar Venture Management Services Private Limited.

Piyush Goenka



Piyush Goenka is a Non-Executive Nominee Director of our Company. He was nominated to our 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. He has over 18 years of experience in private equity investing and the financial services sector.

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 has worked with Infrastructure Leasing & Financial Services Limited, Export-Import Bank of India and First Global.

Paul Robine



Mr. Paul Robine is a Non-Executive Nominee Director of our Company. He was nominated to our Board of Directors by TR Capital III, he is the Founder and CEO of TR Capital, Hong Kong, responsible for all investment and divestment decisions made at the firm, as well as, leads its strategic direction. He has been responsible for the investment activity of TR Capital since 2007. Prior to founding TR Capital, he was Founder and CEO of the Link Group in Asia. He currently serves as a board member

in a number of TR Capital's investee companies. He is a Baccalaureate (A Level: Major Economics and Finance) and holds a Master's degree from EDHEC Business School, France.

Shri Ram Meena*



Mr. Shri Ram Meena is a Non-Executive Nominee Director of our Company. He was nominated to our Board of Directors by SIDBI, and is the Deputy General Manager, SIDBI, Regional Office, Guwahati having over 22 years of experience in SME Financing. Prior to joining SIDBI, he has worked with Air India and Ministry of Finance, Government of India [Banking Division]. At SIDBI, he has worked on project appraisal, finance, stressed assets management, resolution, promotional and development activities of the Bank for MSME. Presently he is heading the Regional Office of SIDBI, Guwahati serving all the North Eastern States, Sikkim and West Bengal. He is a Bachelor in Commerce and Master in Economics from Rajasthan University, Jaipur. He is also a Certified Associate of Indian Institute of Bankers [CAIIB].

*Mr. Meena was appointed on May 15, 2019

Vineet Chandra Rai



Vineet Chandra Rai is a Non-Executive Nominee Director of our Company. He was nominated to our Board of Directors 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. He has approximately 17 years of experience in building sustainable enterprises and impact investment. He is the Founder of Aavishkaar-Intelcap group and he also serves as a Commissioner at the Global Commission of Business and Sustainable Development launched at Davos 2016 and as an advisor to The United Nations Economic and Social Commission for Asia and the Pacific Science Technology and Innovation Advisory Board. He has received numerous awards including the G 20 – SME Innovation in Finance Award in Seoul, South Korea, UNDP-IBLF-ICC World Business Award in New York and Lemelson Award for Social Venture Investing. Under his leadership, the group has received the prestigious Porter Prize 2016 for "Enabling Social Progress".

Kasper Svarrer



Kasper Svarrer is a Non-Executive Nominee Director of our Company. He has been a Director since March 31, 2017. He was nominated to our Board of Directors by Maj Invest. He holds master's degree in forestry from Royal Veterinary and Agricultural University, Copenhagen and a master's degree in business administration from Henley Business School, University of Reading, United Kingdom. He also holds a certificate for completing a course on international business management from Georgetown University, USA. He has close to 20 years of experience in asset management and has been with the Maj Invest group since 2009. He is the Managing Partner, financial inclusion, at Maj Invest Equity A/S, a fund manager for three funds, namely, Danish Microfinance Partners K/S and Maj Invest Financial Inclusion Fund II and III, and also represents the funds on the board of directors of Baobab Holding, a portfolio company. Previously, he has worked at the World Bank and the Industrialisation Fund for Developing Countries.

Wilhelmus Marthinus Maria Van Der Beek



Wilhelmus Marthinus Maria Van Der Beek is a Non-Executive Nominee Director of our Company. He was nominated to our Board of Directors by AG II. He has been a Director since December 5, 2016. He holds a doctoral degree in economics and business economics from Erasmus University, Rotterdam and has completed the European Leadership Course 6 from Comenius Leergangen. He has experience in financial structuring, investment management, private equity and cross-border direct investments. He is the founder of Goodwell Investments BV, a Netherlands-based investment firm focused on financial inclusion and also manages the Aavishkaar Goodwell India Microfinance Development Company I Ltd. and AG II.



Management Profile

Milind Ramchandra Nare Chief Financial Officer



Milind Ramchandra Nare is the Chief Financial Officer and has been associated with Arohan since May, 2016. He has over 21 years of experience in managing functions like financial accounting, treasury management, resource mobilization, strategic planning, audit, taxation and regulatory compliance. Prior to joining our Company, he has worked with India Factoring and Finance Solutions Private Limited, Global Trade Finance Limited, The Bombay Dyeing group, Associated Capsules, L&T Capital Limited and L&T Finance Ltd. Milind holds a Bachelor's degree in Commerce from Mumbai and a Master's degree in financial management from Pondicherry.

Harshavardan Patnaik Senior Vice President - Central Operations and Alliances



Harshavardan Patnaik is the Senior Vice President & Head of Central Operations and Alliances and has been associated with Arohan since October, 2016. His responsibilities span Products, Processes, Cross Sell, CRM, Bank Partnerships, Inorganic Business, Quality and Training. Harsh has over 26 years of rich work experience spanning Financial Services, FMCG, ICT and Rural/Social Consulting. He has worked in organisations such as SREI Sahaj e-Village Limited, Reliance Retail Limited, ITC Limited (Agri-Business Division), IFFCO Tokio General Insurance Company Limited, ActionAid India, TTK Healthcare Limited and Britannia Industries Limited. Harsh holds a Bachelor's Degree in Economics from Utkal University and a Post Graduate Diploma in Rural Management from Institute of Rural Management, Anand.

Abin Mukhopadhyay Vice President and Head - Internal Audit



Abin Mukhopadhyay is the Vice President – Internal Audit and has been associated with Arohan since July, 2015. He possesses over 18 years of experience in audit, accounting and corporate finance. He is responsible for providing assurance on the internal control arrangements and promoting good corporate governance in Arohan. Abin is a qualified Chartered Accountant, Chartered Management Accountant (UK) Certified Information System Auditor (USA), Certified Fraud Examiner(USA) and an Associate of the Insurance Institute of India. Prior to joining Arohan, Abin has previously worked with Eveready Industries India Limited, ITC Limited, Colgate-Palmolive (India) Limited, Hindustan Motors Limited and Gumazol Rubber-Tec GmbH.

Anirudh Singh G. Thakur Head-Legal, Compliance and Company Secretary



Anirudh Singh G. Thakur is the Head – Legal, Compliance and Company Secretary at Arohan. He has over 19 years of experience in corporate law, commercial law, compliance and litigation. Prior to joining Arohan, he was into legal consultancy for a brief period and also worked with various corporate such as India Factoring and Finance Solutions Private Limited, Global Trade Finance Limited, Intelenet Global Services Limited, Premier Auto Electric Limited and Pix Transmissions Limited in the Legal and Secretarial departments. Anirudh 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.

Shirish Chandra Panda Senior Vice President – Microfinance Business



Shirish Chandra Panda is Senior Vice President & Head of the Microfinance Business for Arohan and has been associated with Arohan since April, 2017. He has 18 years of experience in Sales and Operations. He is responsible for ensuring growth in business, productivity, quality assurance, portfolio hygiene and maximising cross sell revenue of the Company. Before joining Arohan he has worked with organisations of high repute like BASIX India, Reliance Retail Limited, IFMR Trust, Satin Creditcare Network Limited, Akshaya Microfinance Private Limited, Credible Microfinance Private Limited and Asian Paints (India) Limited in various leadership positions. Shirish holds a Post Graduate Diploma in Rural Management from Institute of Rural Management, Anand and also holds a post- graduation diploma in advanced strategy for leaders from Indian Institute of Management, Lucknow.

Ranjan Das Vice President and Head - Risk & Credit



Ranjan Das is the Head of the Risk & Credit Department and has been associated with Arohan since July, 2017. He has over 19 years of work experience in the banking and financial services sector. He is responsible for the overall Risk management, Portfolio Analytics, Credit Underwriting, Product & Policy management, in national roles. Prior to joining Arohan, he has worked with reputed organisations such as Citicorp Finance (India) Ltd, Magma Fincorp Limited, Indian Container Leasing Company Limited, Transafe Ltd and Nicco Uco Financial Services Ltd. Ranjan is an Honours graduate in Economics and holds a Master's degree in Business Management with specialisation in Finance from the University of Calcutta.

Shailesh Kumar Vice President and Head – MSME Lending Business



Shailesh Kumar is the Vice President and Head of MSME Lending Business and has been associated with Arohan since April, 2018. He has 19 years of experience in SME and the Corporate Banking sector. He is responsible for developing, directing and monitoring associated channels, anchors, partners associated with loan acquisition activities, managing sales and acquisition costs and for setting up the system for sales management for the merchant cash advance business of Company. Prior to joining Arohan, he has worked with ICICI Bank Limited and the State Bank of India. Shailesh holds a bachelor's degree (Honours) in Economics and English from B.R. Ambedkar University.

Arvind Murarka

Vice President and Head - IT & Hubs



Arvind Murarka is Vice President and Head of IT & Hubs and has been associated with Arohan since August 2015. He has extensive experience of over 26 years in Information Technology across various industries. He specializes in implementation of CBS, SAP R/3, Mobility solution and integrated business applications. He is responsible for overseeing the infrastructure of technical operations, tracking the technology and the information technology team to achieve goals, eliminate security risk, increase user satisfaction and maintain information technology infrastructure, operations and system/application. Prior to joining Arohan, 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. Arvind is a Commerce graduate from St Xaviers. He has done his Master's in Business Administration from ICFAI University, Sikkim and has completed the course titled 'data analytics essentials' from NIIT, New Delhi.

Prashant Rai

Vice President and Head - HR, Admin, Training & CSR



Prashant Rai is the Vice President and the Head of HR, Training, Administration and CSR and has been associated with Arohan since October 2015. He has over 14 years of experience in training and development, talent management and leadership development. Prior to joining Arohan, he has worked with Voltas Limited as Head of Learning and Development, Talent Management and CSR. Srei Infrastructure Finance Limited, Wacker Metroark Chemicals Private Limited and Artefact Software and Finance Limited. He is responsible for the smooth and profitable operation of the department, supervision and providing consultation to management on strategic staffing plans, compensation, benefits, training and development, budgeting and other related activities of Company. He was awarded the '100 most Impactful CSR Leaders-Global Listing' in 2016 by the World CSR Congress. Prashant is a Post Graduate in Science and holds a Post Graduate Diploma with specialization in HR. He is certified in Thomas PPA & GIA, CII-HR Excellence Model and holds Certification in Growth Leadership Master Class from Korn/Ferry International.

Joyanta Bakali

Assistant Vice President and Zonal Business Head - West Bengal



Joyanta Bakali is an Assistant Vice President and is a Zonal Business Head. He has over 21 years of working experience in the microfinance industry and the development sector. Prior to working with Arohan, he has worked with "Shakti Foundation for disadvantaged Women", Bangladesh. He handles the largest state portfolio in Arohan, West Bengal. Joyanta holds a Post Graduate Diploma in Business Management from IMT Ghaziabad.

Joji Jacob

Assistant Vice President and National Head - Sales & Business Development



Joji Jacob is an Assistant Vice President and handles the Sales and Business Development vertical of the MSME Lending Business at Arohan. Joji has over 17 years of experience in financial product sales and new market development, channel management, client relationship management and people management. In his last assignment, he was Director at Oakmont Services Pvt. Ltd. Joji holds a Post Graduate Diploma in Business Management from Institute of Technology and Management (Collaboration with Southern New Hampshire University, US)

Ketan Agrawal

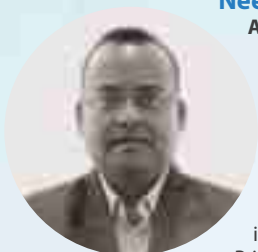
Assistant Vice President and Head - Accounts



Ketan Agrawal is Assistant Vice President and Heads the Accounts Department at Arohan. He has over 16 years of experience in the field of Corporate Accounting. Ketan has in-depth knowledge and expertise in Corporate, Business, Banking & Receivable Accounting and RBI Compliances. He joins us from Magma Fincorp Limited where he was AVP - Core Accounting. His previous work experience includes years at Tulip Telecom Private Limited, Birla Corporation Ltd and Ashok Leyland Finance Limited. Ketan is a Chartered Accountant with Information & System Auditor.

Neeraj Kumar Lal

Assistant Vice President and Head - Strategic Initiatives and Corporate Communications



Neeraj Kumar Lal is an Assistant Vice President and Head of the Strategic Initiatives and Corporate Communications Departments at Arohan. He has over 12 years of experience in implementation and consulting roles within the domains of inclusive financial services and institutional transformation and development. Prior to joining Arohan, he has worked with reputed organisations such as ESAF Small Finance Bank, Centre for Microfinance and Livelihoods under the aegis of TATA Trusts, Indian Grameen Services, MicroSave and MCX. Neeraj is an alumnus of Institute of Rural Management, Anand (IRMA) and is a graduate in Physics.

Vinod Pandey

Assistant Vice President and Head - Alliances Business



Vinod Pandey is an Assistant Vice President and heads the Alliances Business (Cross Sell & Inorganic) at Arohan. Vinod is a seasoned professional with 16 years of diverse experience in Livelihood Development, Rural Marketing, Life Insurance, and Microfinance Industry. He has worked with reputed organisations such as International Development Enterprise (India), Max New York Life, Kotak Life and L&T Finance. Vinod has completed Graduate Diploma in Rural Management from XISS, Ranchi, and Advance Diploma in Business Management, ICFAI.

Parag Bhagwat

Assistant Vice President and National Credit Head - MSME Lending Business



Parag Bhagwat is an Assistant Vice President and National Credit Head, MSME Lending Business. He has close to 20 years of experience in spearheading overall Credit, Risk and Portfolio management functions in Retail Loan. He joins us from Bajaj Finance Ltd where he was the Zonal Credit Manager, Western India. His previous work experience includes organisations such as ICICI Bank, HDFC Bank, Centurion Bank Limited and Cholamandalam DBS Finance Ltd. Parag has completed his MFA from DAVV Indore and is a B.Com graduate from Shri Vaishnave College of Commerce, DAVV, Indore.



Corporate Information

BOARD OF DIRECTORS

Mr. Dinesh Kumar Mittal

Chairman, Non-executive, Independent Director

Mr. Rajat Mohan Nag

Non-executive, Independent Director

Mr. Sumantra Banerjee

Non-executive, Independent Director

Ms. Matangi Gowrishankar

Non-executive, Independent Director

Mr. Vineet Chandra Rai

Non-executive Director, Promoter Director

Mr. Anurag Agrawal

Non-executive Director, Promoter Director

Mr. Piyush Goenka

Non-executive, Nominee Director

Mr. Wilhemus Marthinus Maria Van Der Beek

Non-executive, Nominee Director

Mr. Prakash Kumar*

Non-executive, Nominee Director

Mr. Kasper Svarrer

Non-executive, Nominee Director

Mr. David Arturo Paradiso

Alternate Director to Mr. Kasper Svarrer

Mr. Paul Gratien Robine

Non-executive, Nominee Director

Mr. Manoj Kumar Narayan Nambiar

Managing Director

** Mr. Prakash Kumar was substituted by
Mr. Shri Ram Meena w.e.f May 15, 2019*

OTHER SENIOR MANAGEMENT

Mr. Shirish Chandra Panda

Sr. VP (Microfinance Business)

Mr. Harsh Patnaik

Sr. VP (Central Operations and Alliances)

Mr. Prashant Rai

VP and Head (HR, Admin, CSR & Training)

Mr. Arvind Murarka

VP and Head (Information Technology & Hubs)

Mr. Abin Mukhopadhyay

VP and Head (Internal Audit)

Mr. Ranjan Das

VP and Head (Risk and Credit)

Mr. Shailesh Kumar

VP and Head (MSME Lending Business)

Mr. Joji Jacob

AVP and Head (Sales and Collection, MSME Lending Business)

Mr. Joyanta Bakali

AVP and Zonal Business Head (West Bengal)

Mr. Ketan Agrawal

AVP and Head (Accounts)

Mr. Neeraj Kumar Lal

AVP and Head (Strategic Initiatives and Corporate Communication)

Mr. Vinod Pandey

AVP and Head (Alliances Business)

Mr. Parag Bhagwat

AVP and National Credit Head (MSME Lending Business)

CHIEF FINANCIAL OFFICER**Mr. Milind Ramchandra Nare****HEAD - LEGAL, COMPLIANCE & COMPANY SECRETARY****Mr. Anirudh Singh G. Thakur****REGISTERED AND CORPORATE OFFICE**

PTI Building, 4th Floor, DP Block,
 DP-9, Sector V, Salt Lake, Kolkata – 700 091
 Tele: 033- 4015-6000

REGISTRAR & TRANSFER AGENTS

Link Intime India Private Limited
 59C, Chowringhee Road, 3rd Floor, Kolkata - 700 020

E-mail: compliance@arohan.in | Website: www.arohan.in

INDEPENDENT AUDITOR

Walker Chandio & Co LLP
 Firm Registration No.: 001076N/N500013
 10 C Hungerford Street
 5th Floor, Kolkata-700017

SECRETARIAL AUDITOR

Jayshri Tulsyan & Associates
 P-2, New C.I.T. Road, Aradhana Building
 1st Floor, Room No. 104, Kolkata- 700073

CORPORATE IDENTITY NUMBER - U74140WB1991PLC053189

LOW-INCOME STATE PRESENCE

Assam	Bihar	Chhattisgarh	Jharkhand	Odisha
Meghalaya	Madhya Pradesh	Tripura	Uttar Pradesh	West Bengal

MSME Lending

Maharashtra	Karnataka	Telengana
-------------	-----------	-----------



Investor Profile

Promoter



Aavishkaar Venture Management Services Pvt Ltd (AVMS)

Aavishkaar is one of the global pioneers in impact investing, taking an entrepreneurship based approach to development. Aavishkaar has been investing in early and growth stage enterprises for close to two decades and manages a portfolio of enterprises across India and three other countries presently with investments spanning across a range of sectors including Food and agriculture, education, renewable energy, health, water and sanitation, technology for development, microfinance and financial services. Aavishkaar currently manages an aggregate corpus over USD 400 million and through its unique approach while making investments into enterprises combined with the operations of its investee companies are contributing to 13 of the 17 SDG Goals.

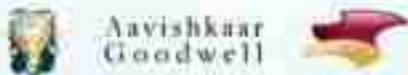


Intellectual Capital Advisory Services Pvt Ltd (Intellecip)

Intellecip is a pioneer in providing innovative business solutions that help build and scale profitable and sustainable enterprises dedicated to social and environmental change. Founded in 2002, it has experience in advising and nurturing social businesses. Intellecip has advised many clients on business strategies in its engagements across countries, and facilitated more than USD 300 million in equity investments. Intellecip also established Sankalp Forum, one of the largest global platforms for inclusive development that brings together 3000 stakeholders across three Summits in India, Kenya and Indonesia.

Institutional Investors

Aavishkaar Goodwell India Microfinance Development Company II Ltd (AG II)



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.



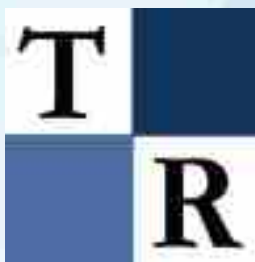
Tano India Private Equity Fund II

Tano Capital is an alternative asset management firm founded in 2004 by Mr. Chuck Johnson, formerly Co-President of Franklin Templeton Investments and CEO of Templeton Worldwide Inc. Tano is an Independent Manager of Private Equity funds, targeting Growth Opportunities in India. Mr. Hetal Gandhi who established the Private Equity business of Infrastructure Leasing and Financial Services (IL&FS) and Mr. Carlton Pereira who prior to Tano was Managing Director and Head of Corporate Finance for KPMG in India, Middle East and South Asia are the Managing Directors of Tano. Tano aims to achieve capital appreciation by investing across industry sectors, in companies that possess or demonstrate a competitive edge, prospect of scalability and exit visibility. Tano Capital LLC is based in San Mateo, California. It has additional offices in Mumbai, India; Shanghai, China; Singapore; and Ebene Mauritius.



Maj Invest Financial Inclusion Fund II K/S

Maj Invest is one of Denmark's leading asset management companies, managing assets for primarily institutional clients. The Maj Invest group was established in 2005 and is today owned by management and employees. The group comprises the companies Maj Invest Holding A/S, Fondsm glerselskabet Maj Invest A/S, Maj Invest Equity A/S and Maj Bank A/S as well as a number of companies related to Danish and international private equity. Fondsmaeglerselskabet Maj Invest A/S is investment adviser to the Maj Invest mutual funds in Denmark and Luxembourg, which are owned by their members.



TR Capital III Mauritius

TR Capital Group is an investment group which is a leader in Asian secondary investments. The firm focuses mainly on Secondary Direct (single company or portfolio of several companies) and Fund Restructuring. With 11 years of track record and a seasoned team dedicated to secondaries in Asia, TR Capital makes concentrated long term investments across industries by acquiring assets and subsequently adding value. The firm has an extensive experience in sourcing, improving and then divesting private equity deals across Asia. It currently manages three funds with capital commitments of USD 600 million, and has a sophisticated base of global institutional investors such as leading banks, pension funds, entrepreneurs and family offices. Since inception, TR Capital has executed 35 transactions and has built a solid track record with TR Capital I (2008), TR Capital II (2012), TR Capital III (2016) and TR Capital IV (2019). TR Capital has a team of 17 professionals with offices in Hong-Kong, Shanghai and Mumbai. TR Capital provides liquidity to investors in an environment where traditional exit avenues are more limited, macroeconomic conditions more challenging, and regulatory guidelines on illiquid investment holdings of banks and financial institutions more restrictive.



Michael & Susan Dell Foundation (MSDF)

Michael & Susan Dell Foundation focuses its work in India on programs that foster high-quality education and improve family economic stability among India's urban poor. The Foundation's goal in India is to accelerate human opportunity for families living in urban poverty by catalyzing systemic change. To achieve this goal, they partner with a range of stakeholders, including governments, businesses, NGOs, implementation experts, community organizations and other philanthropies.

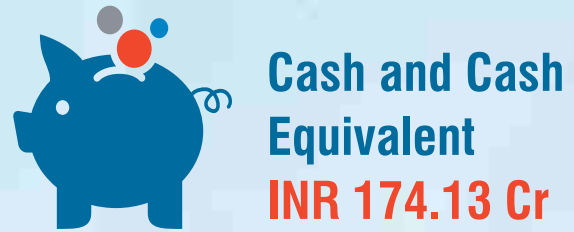


Financial Highlights

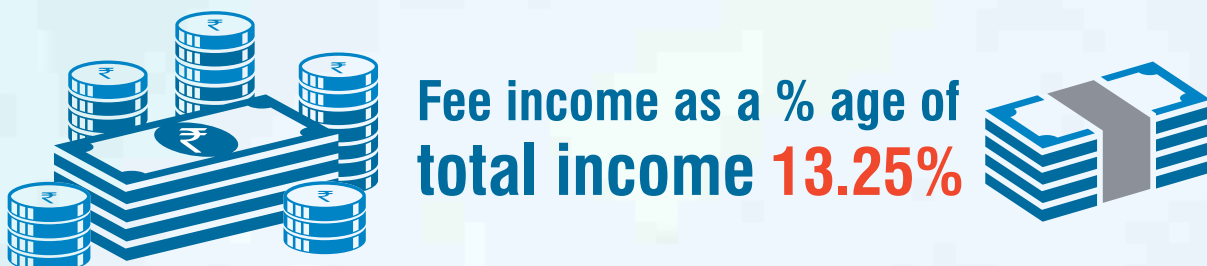
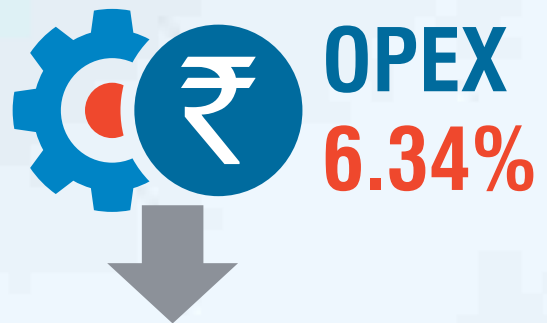
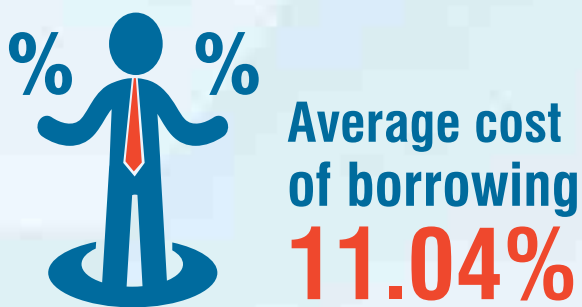
Operational Performance:



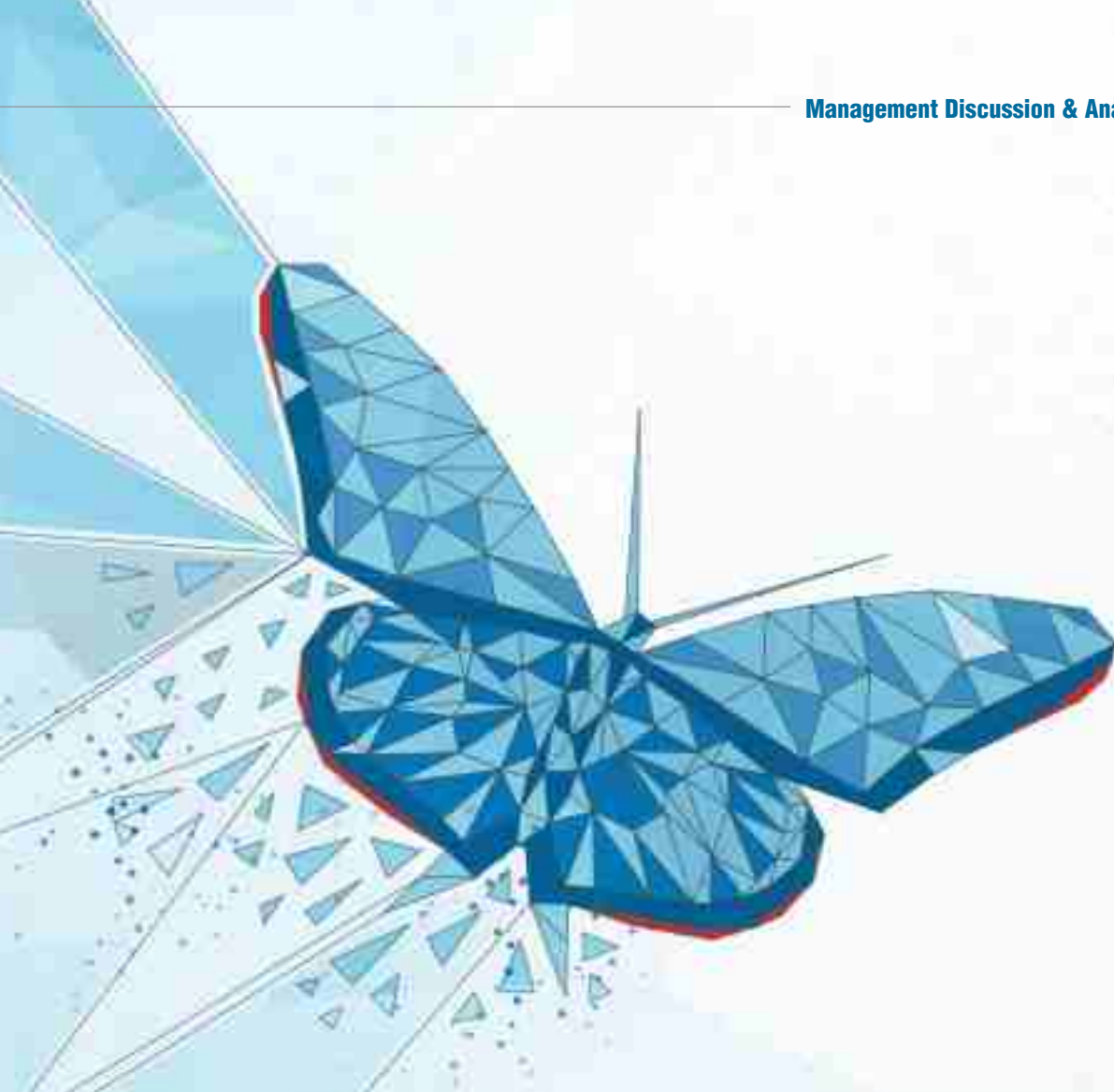
Solvency & Liquidity:



Efficiency Ratios:







The thrust of transformation

It's the impetus of its own determination that causes the butterfly to expand its wings to its full size after its metamorphosis and grow into the admirable creature it is. The microfinance industry, in its journey of transformation through the years, has pushed not just itself, but also, people from the underserved strata of the society, to grow to their true potential. Arohan has grown into one of the leading financial inclusion players in the country with the enabling efforts of the industry, the Reserve Bank of India, as well as, the Government of India.

India has seen profound changes in its financial inclusion ecosystem. With its vast reach, its strong human network and last mile connectivity, the microfinance industry in India is powering this transformation.

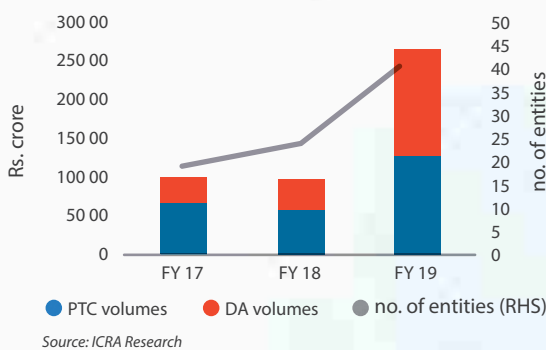
The true test of character comes in the face of adversity, and the industry has shown remarkable resilience in the face of headwinds. It has emerged today as the driving force of financial inclusion in the country. Following the turmoil of the past few years, the industry has seen a period of stability which has proved to be largely good for the sector,

notwithstanding its own share of hiccups. Amidst issues like liquidity crisis for NBFCs, continuing troubles for Banks on their portfolio quality and profitability, uncertainties around the usage of Aadhaar as the primary KYC, elections to six state legislatures of which four are important to the industry, build up to the parliamentary elections and devastating flood in the state of Kerala, it was another year of great performance for the industry. Effects of some of the issues may trail to the next financial year and it would be important to keep a watch over such developments.



Liquidity crisis for NBFCs, which arose suddenly due to adverse developments at a corporate group and consequent default, give rise to serious questions on business models and corporate governance generally prevalent in the NBFC space. Given the ongoing challenges with most of the big banks, wherein 12 banks were put under PCA framework with restrictions on lending with half of these continuing to be under it, it came at a bad time. Specifically, entities with skewed Asset-Liability maturity structure faced severe difficulties in raising additional debts while pushing the cost of fund higher. Due to the positive ALM mismatch under the microfinance industry (typically assets tenure is 1-2 years while liabilities tenure is 3-5 years), contagion effect of the crisis was not so severe. Nevertheless, many players, especially the medium and small sized MFIs, faced difficulties in continuing to raise debts and reliance on securitisation soared. Fiscal year 2019 witnessed a growth in funding from securitisation route by 170% over last FY (source-ICRA). While in FY2018 and H1 of FY2019, securitisation contributed to only 18-20% of the overall disbursements, this number leapfrogged to 32% and estimated 36.5% in Q3FY19 and Q4FY19 respectively (source: MFIN Micrometer). Almost half of the incremental disbursements in Q4FY19 is estimated to have been met through the securitisation route. Amidst tight liquidity, NBFC-MFIs raised close to INR 21,986 Cr through securitisation deals during the financial year.

Trend in securitisation volumes (PTC + DA)



Aadhaar, as a unique and fool-proof identification for borrower, emerged with great promise for the industry to help it tackle problems of poor KYC documents available at the BOP segments, operational risks of ghost and duplicate borrowers within the industry, high transaction costs, longer TAT (Turn Around Time) to give loans and duplicate identities at lender's end, as well as, at Credit Bureaus. While MFIN guidelines had already mandated NBFC-MFIs to compulsorily seek either Aadhaar or Voter ID as primary KYC proof, revised RBI guidelines in July 2018, proposed e-KYC to be made mandatory for all regulated entities, except three states of Assam, Meghalaya and J&K, to on-board an Aadhaar eligible customer. However, Supreme Court judgement in September 2018, restricting the use of Aadhaar by private entities, left the issue wide open for it to be used as a preferred KYC document. The financial year 2020 may see this issue getting addressed in optimising the use and potential of Aadhaar

while mitigating associated costs and risks.

Promise of loan waivers has always been a threat on customer behaviour and discipline in terms of repayment in the microfinance sector. With proactive efforts by the industry on educating and informing customers and other stakeholders, such threats were avoided while many states went for elections. The devastating floods in Kerala in August 2018 saw entire microfinance portfolio of the state turn overdue in no time. With quick responses initiated by lenders under the guidance of SLBC through extended repayment holidays, restructured loans and provision of additional loans for borrowers helped counter the crisis. Borrowers, in turn, rewarded the lenders by steadfastly repaying the delinquent loans which came down to 0.66% (of reported 10 NBFC-MFIs) of NPA by end of the FY. The event emphasised the need for the industry to remain customer-centric and the importance to have an informed and loyal customer base.

The year also witnessed the industry gain from the strong leadership and facilitation of its SROs – namely, MFIN and SaDhan. MFIN led the initiative on Multi Originator Securitisation (MOSEC TM) in the face of liquidity crisis and worked closely with the regulator on necessary changes in Microfinance regulations and the issue of uneven regulation for various legal formats. In November 2018, RBI signalled a significant departure in its regulatory philosophy to follow “regulation by activity” rather than the “regulation by entity” while merging three categories of NBFCs into one. If extended to microfinance space, it shall be useful to create a level playing field for all the players. Also in Nov 2018, MFIN initiated the Code for Responsible Lending (CRL), via a committee steered by Arohan's Managing Director Mr. Manoj Kumar Nambiar and having representations from Indian Banks' Association, Finance Industry Development Council, Sa-Dhan and MFIN. This code is to be signed by all MFIN members, Small Finance Banks and other specialised microfinance firms. The SRO intends to use this as an instrument to ensure responsible lending practises within microfinance.

Portfolio Growth of Various Players



Loan Accounts



In FY 18-19, the microfinance industry registered a robust portfolio growth of 38% to INR 1,87,386 Cr as against 27% a year ago while also improving the quality of the book by bringing down the PAR 90 to 0.45% from 0.81%. The growth has been broad-based wherein all market participants demonstrated healthy growth unlike the previous year when Banks had registered a single-digit growth while portfolio of SFBs had de-grown. Loan portfolios of NBFC-MFIs grew by 42%, Banks by 36%, SFBs by 25%, NBFCs by 59% and other MFIs by 30% due to focused expansion and geographic penetration initiatives. Healthy portfolio growth also signalled the renewed confidence of banks in this industry. The SFBs, on the other hand seemingly, have crossed over their transition phase and are back in the reckoning. NBFC-MFIs and Banks grew their loan accounts by 25% each, SFBs by a modest 5%, NBFCs by a healthy 38% and other MFIs by 10%. NBFC-MFIs continue to have the maximum portfolio share in the industry at 36.8% followed by Banks at 32.6%, SFBs at 18.5% and NBFCs at 11%. Of the total 9.33 Cr. loan accounts, NBFC-MFIs performs even better at having 44% of these, while banks, SFBs, NBFCs and Other MFIs share are 25%, 19%, 11% and 1% respectively.

Portfolio Composition of the Industry



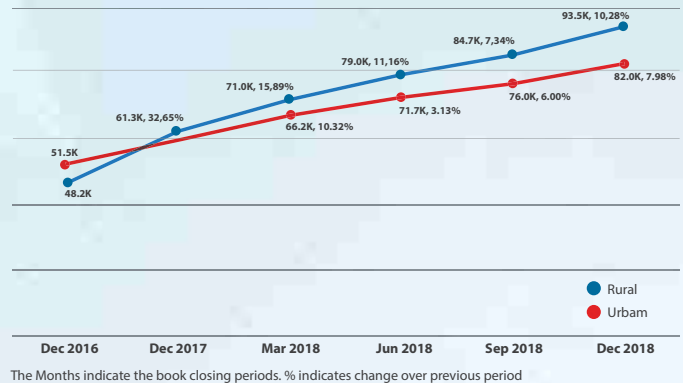
Note: the sum may not total to 100% due to rounding off of the decimal points

Outreach - Districts



A closer look at the industry performance reveals that while growing, it has also delivered well on a range of qualitative parameters. Out of 725 districts in the country as on 2019, microfinance services have reached almost everywhere. NBFC-MFIs at 84%, have the single largest reach including partnerships with banks under the Business Correspondent model. As it is unlikely that only one type of legal entity shall be offering its services in a district, it also shows that of almost 15% districts, which are geographically remote and would draw high operational expenditure, many may be yet to receive the provision of microfinance. The industry is committed to extend services to these districts soon.

GLP & Quarterly Growth



With only 20+% of households in India being serviced through microfinance, the available potential for the industry to deepen itself is huge. Geographically, East and North East India have decisively become the epicentre of competition with a combined NBFC-MFI portfolio share of 38%, followed by South, West, North and Central at 24%, 15%, 14% and 9% respectively. Of the NBFC-MFI portfolio, rural portfolio is 73%. The y-o-y growth in Rural portfolio is at 53%, 16% more than the y-o-y growth in the urban portfolio, as of December 2018. The delinquency is higher in urban areas compared to rural areas which signals steadily growing stronger quality rural asset base for the sector.



As part of the responsible lending mandate, it has been emphasised that the loans should be given primarily for income generating purpose.

Average Loan Outstanding per account (Rs.)



As reported by NBFC-MFIs, 57% of loans in the year 2018-19, were utilised for agri and allied activities, 40% for non-agri livelihood activities (like trading and manufacturing) and only 3% for consumption related purposes (which also includes spending on education, health, home improvement etc.). The year also saw average loan outstanding per loan account (and by extension per individual borrower) outpacing the inflation. At an industry level, it increased by 13% from INR 17,763 to INR 20,090 indicating the need for new client acquisitions than giving more loans or higher repeat loans to existing customers. A report by MFIN showed that of total disbursements during first three quarters of the financial year, 26% were new to microfinance (which might have been higher in the last quarter).

On the often mentioned client protection issue of multiple lending and over-indebtedness, a mid-year report by MFIN proved reassuring. Of total active customer base, it was reported that almost 82% have indebtedness below INR 50,000 and 97% have indebtedness below INR 1 lakh. The industry, as well as the SROs have played a significant role in ensuring this.

Equity and Performing Assets of NBFC-MFIs



The impressive growth coupled with a strong asset quality, a positive ALM structure in challenging times and the mainstreaming of financial inclusion as a critical policy mandate, have enabled NBFC-MFIs to continue to attract handsome equity participation, witnessing 44% jump in

total equity to INR 13,884 Cr which included participation from highly reputed private equity players. Notably, battling the challenging times around fund mobilisation, debt-equity ratio fell by almost 15% showing higher reliance on equity to fuel the growth momentum. Foreign equity contributes to 56% of total equity with domestic sources accounting for 46%. Challenges on debt mobilisation were very pronounced for small and medium NBFC-MFIs as of total debts, only 15% and 21% came from banks while the rest were sourced from other Financial Institutions (FIs). For large NBFC-MFIs, 69% of debts came from banks. Cost of funds witnessed hardening by more than 100 bps though the average cost of funds for NBFC-MFIs remained in the range of 14%.

With robust technology adoption, increasing mobility and high adoption of cashless initiatives across the sector, the operating efficiency and hence profitability has increased and shows further promise for the sector. Reports show increasing trend of cashless operations in the MFI industry. As per MFIN micrometer, loan amount disbursed through cashless mode is 85% of total disbursement. MFI are now partnering with various Payment Banks and Payment Solutions Companies to implement their next milestone of cashless collections. Various models like assisted cashless collection via BC points set up by various Payments Banks are being piloted alongside innovative Aadhar Enabled Payment System (AEPS) based collection models operated by fintech entities.

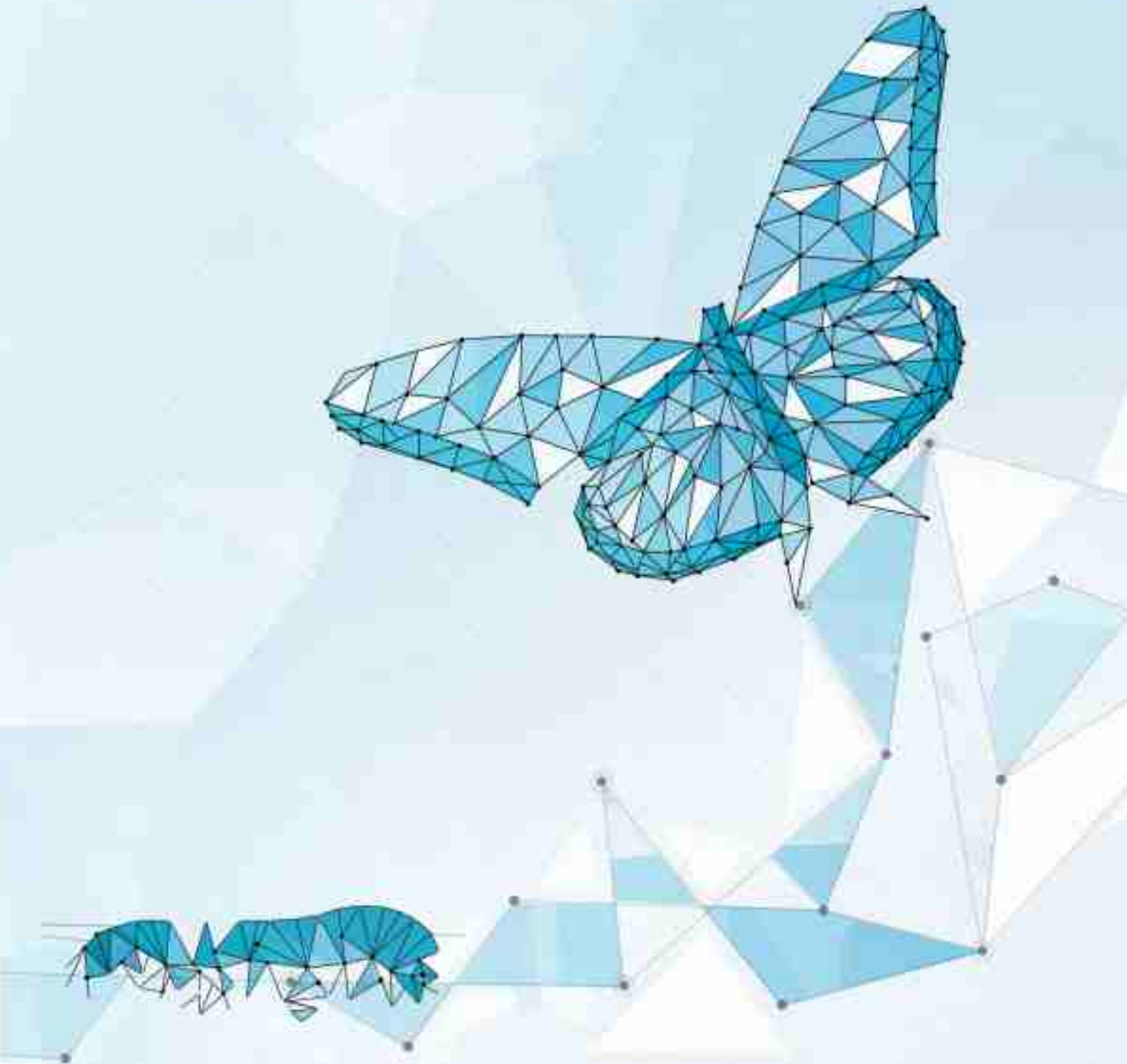
THE YEAR 2018-19 FOR AROHAN

The year 2018-19 was significant for Arohan which again saw various accomplishments coming its way. The organisation forayed into the tenth low income state of Madhya Pradesh and successfully completed the merger of MSME lending entity IntellectCash with itself. This acquisition has made Arohan the only NBFC-MFI to serve customers spanning microfinance to retail MSME segments with a range of credit products starting from INR 10,000 to INR 1 Cr. The year also saw Arohan expanding its outreach, significantly growing scale and depth of business, improving financial and operating performance and further strengthening its institutional capabilities on risk management, IT, audit and HR. In addition, it also drew a new strategic plan for itself for the next five years and undertook some key innovation on business model. Recognising its contribution to the sector, Arohan was given the most prestigious award in the industry, the 'Microfinance Organisation of the Year 2018 Awards' by ACCESS-ASSIST and HSBC. Arohan also received the Dun & Bradstreet MFIN awards for the 'Best Risk and Resilience Framework' in the industry.

The year ahead

In its pursuit to enable transformation and be future-ready, Arohan has devised for itself a new strategic plan for growth helping the organisation chart its way forward. In the year ahead, Arohan aims to continue and excel in its journey of mainstreaming through financial inclusion and make affordable credit and non-credit services available to customers spanning the bottom half of the socio-economic

pyramid. In addition to deepening of operations in existing geographies, the organisation shall also explore ways to become more significant to its customers, employees and shareholders creating value all across. The organisation will continue focusing on the strengthening of quality and control functions, improving HR propositions, leveraging technology, bringing more operational efficiency and innovation, keeping pace with the regulatory and statutory changes and becoming ready for a big ambitious leap in future.







Evolving To Diversify

To inspire not just growth but also movement to the fore, a starfish makes the unique transition from a bilateral to radial symmetry in its life-term. Arohan's operational processes have ensured growth through diversification, which enables its transformation to the future amidst industry challenges. With its focus on improving customer experience and operational efficiencies through geographic, product and business diversities, Arohan is one of the the most recognised microfinance organisation in the industry.

Financial year 2018-19 witnessed Arohan getting conferred with the coveted Microfinance Organisation of the Year 2018 Award. This is a testimony of Arohan's capacity to weather ground level challenges, emerging stronger with every new initiative and process transformation. With a strong focus on quality and operational excellence resulting in financial growth, Arohan expanded its reach in three new states, entering new territories and witnessing a sea change in its technology platform. While for its microfinance operations, Arohan entered the low-income state of Madhya Pradesh, for its MSME operations it expanded down south in Karnataka and Telangana and further deepened its presence in the existing areas of operation.

Business growth was driven through organic, inorganic, as well as, MSME business channels with a well-crafted

product diversification strategy, helping us serve customers across the bottom half of the socio-economic pyramid, with improved service efficiencies and a vast product suite adding to the overall portfolio. As on March 31, 2019, Arohan's total Asset Under Management stands at INR 4044.88 Cr, serving a customer base of 18.65 lakh from 593 branches, manned by an employee strength of 4765 across 13 states.

The following rating and grading upgrades in FY 2018-19 bear testimony to the consistent and sustainable operational set-up of Arohan:

» **CARE MFI 1 Grading:** Arohan continues to retain the awarded, highest rated MFI 1 grade from CARE Ratings, for the third consecutive year. The grading which is assigned on an 8-point scale with 'MFI 1' being the highest, makes Arohan



the only NBFC-MFI in the East and North-east to be rated with the top-notch MFI 1 and enables it to retain its position among the elite league of MFIs in India that are graded as MFI 1.

» **SP2+ Social Performance Rating:** Arohan was assigned a Social Performance Assessment (SPA) Grade of SP2+ by ICRA in the month of June, 2018. The score has improved from 73 to 77 this year. The grade is an opinion on the ability of an MFI to conduct its operations in a scalable and sustainable manner.

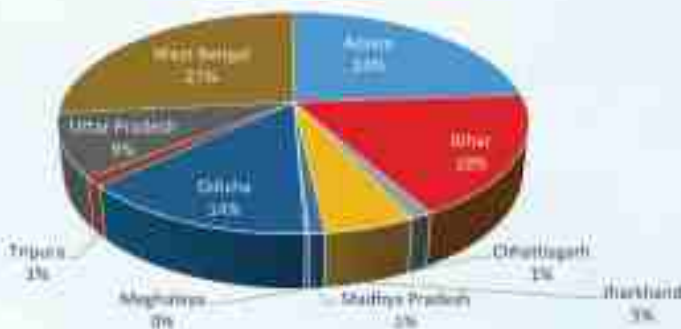
» **Smart Campaign Certified:** Arohan was awarded the Smart Campaign certification from M-CRIL- Client Protection Principles in May 2015 and has successfully undergone the surveillance audit in December 2017. Smart Certification status is valid for four years provided the certified institution undergo a surveillance process in two years. It determines whether a microfinance organisation adopts experienced, transformative and institutional-level changes and has worked on the weak areas identified during the original certification. The certificate is valid till May 2019.

Arohan understands that with great products, a sharp perspective on improving customer experience acts as the key to the growth and sustainability of businesses. To this effect, Arohan has adopted a diversified approach, encompassing geographic diversification, product diversification and business diversification, in its operations to support its stand of being a leading financial inclusion player.

GEOGRAPHIC DIVERSIFICATION

Arohan has added 166 branches to its geographic span in the financial year 2018-19, taking the total branch tally to 593. Of the 166 new branches, 25 were opened in the new state MP while the remaining 141 branches were opened in the existing states. As of March, 2019 Arohan is present in 73% of the districts in Assam, 89% of the districts in Bihar, 54% of the districts in Chhattisgarh, 67% of the districts in Jharkhand, 35% of the districts in Madhya Pradesh, 18% of the districts in Meghalaya, 97% of the districts in Odisha, 100% of the districts of Tripura, 43% of the districts in Uttar Pradesh and 87% of the districts in West Bengal. The number of districts covered has increased from 154 in FY 17-18 to 192 in FY 18-19.

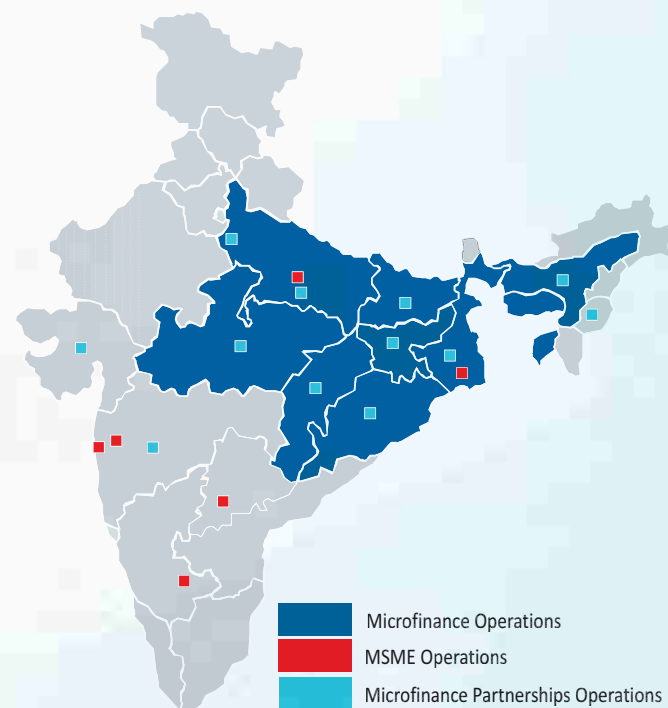
State wise Portfolio Outstanding (Organic)



In the financial year 2018-19, West Bengal's share in the total portfolio has come down to 27% versus 30% in FY 17-18 and

39% in FY 16-17 representing a major development in the way of regional diversification and therefore, mitigating risk.

Arohan has also extended its footprint in the states of Karnataka and Telangana through its MSME business operations, added to the lending vertical's existing presence in Maharashtra, Uttar Pradesh and West Bengal, taking the overall state count to 13. The MSME product line is serviceable through seven cities of Mumbai, Kolkata, Lucknow, Nagpur, Pune, Bangalore and Hyderabad, across the mentioned states.



In accordance with Arohan's Mission statement, this diversification, which is unique in the industry, helps the organisation secure a firmer footing in the underserved areas of the East, North east and Central parts of India while catering to a niche segment of retail customers, becoming a key player in the national priority of financial inclusion.

PRODUCT DIVERSIFICATION:

Arohan has transformed its existing product range with strengthening the existing product dynamics while also adding new products to its suite. This not only helps us address the various credit needs of our customers and play a critical role in their growth aspirations, but has also create a market edge.

Microfinance Products

Arohan's flagship product, 'Sara' continues to hold a dominant share in the organisation's portfolio, constituting 75% of the Gross Loan Portfolio (GLP). The product is for economically active women residing in low-income areas, generally involved in trade and service.

In order to further improve customer retention and offer her the power of choice, Arohan added three new products in to its range of offerings in the financial year 2018-19.

1 Saral ++ : To support the credit needs of repeat cycle customers, Arohan introduced a product named Saral ++. Capable of servicing a loan size >50k, the ticket size for this product ranges from INR 55000 to 75000.

2 Vriddhi: Our customers are mostly involved in livelihood activities and businesses that experience high demands during festive season. In the financial year 2018-19, Vriddhi loan was launched for customers in need of extra credit during festivals, such as Durga Puja, Chaath Puja, Diwali, Eid etc, to support their working capital needs due to the surge in demands.

3 Retention Product: A breakthrough product, Retention strives towards customer delight and extended lifecycle by offering and disbursing to them loan requirements of the next cycle before the last repayment of the existing loan. The 1st repayment of the Retention product starts from the centre meeting day following the last EMI.

While women are the primary clientele of the company and it helps them strengthen their household livelihood activities, it also caters to traders, male and female, as well as, micro, small and medium enterprise segments. Catering to this segment, the innovative ‘Bazaar’ product evolved into a much successful product in the financial year 2018-19. Bazaar caters to the male segment of the market who normally deal with goods related to domestic needs (food, grocery, stationery, etc.) and conduct their business on a daily basis in a Municipal or Panchayat authorized markets or clusters of shops organised under a Traders Association, registered or unregistered. In order to suit the various bazaar constructs in different geographies and its corresponding risk, necessary process and policy modifications were made in the product in December, 2018. The upgraded Bazaar product was accepted widely in the market. More than 28000 accounts were disbursed amounting to INR 88 Cr during the March ending quarter of FY 2019. The total Bazaar portfolio as on March 31, 2019 is INR 72 Cr, contributing to 2% of the organisation’s total loan portfolio.

Microfinance Plus Products

In addition to the range of credit products, Arohan provides safety net products such as life insurance and general insurance while also offering affordable non-financial products.

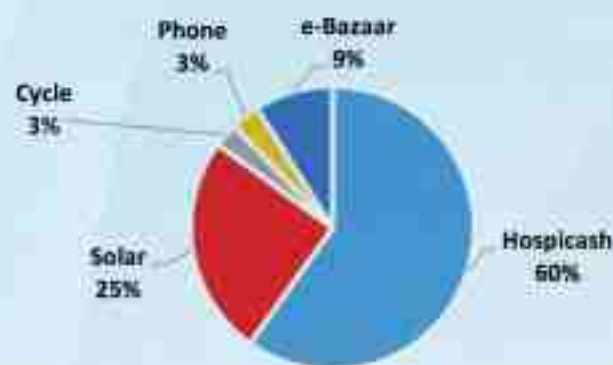
1. Financial safety net products: Arohan provides micro-insurance facilities in collaboration with Bajaj Allianz and DHFL Pramerica (for term life insurance) and Future Generali and Aditya Birla (for general insurance). While the association with Bajaj Allianz and DHFL Pramerica helps Arohan support a customer’s family in the unfortunate event of her or co-borrower’s demise while also protecting her loan amount, the association with Future Generali and Aditya Birla on the innovative “Hospicash” insurance helps Arohan extend its customers wage protection in case the insured is hospitalized for listed reasons.

2. Non-financial products: Arohan offers a range of utility products to its customers at affordable costs. Its pioneering

effort of introducing an app based e-commerce platform called e-bazaar, has been further streamlined to be more customer centric. Under its non-financial services, Arohan also distributes clean energy products such as Solar Lamp, Bicycle and a host of home appliances.

As a project participant in the **UNFCCC Program of Activities 9181, “MicroEnergy Credits – Microfinance for Clean Energy Product Lines – India”**, Arohan was certified for its distribution of clean energy products such as Solar Lamp, Bicycle, Water purifiers and impacting the lives of over 2.2 lakh people. Microenergy Credits estimates that Arohan has the potential to generate 8,300 tCO2 UNFCC certified emission reductions (CERs) by the end of the year 2019.

Cross-Sell fee income composition for FY18-19



■ Hospicash ■ Solar ■ Cycle ■ Phone ■ e-Bazaar

Arohan has partnered with leading manufactures to make available such financial and non-financial products to its customers. In the financial year 2018-19, the total earning through this channel was INR 1389 lakh which is 114% growth from INR 648 lakh in FY17-18.

BUSINESS DIVERSIFICATION

Arohan has been a pioneer in the industry, adopting diversified business models to not just control risks but also be able to cater to different customer segments with loan sizes ranging from INR 10,000 to INR 100 lakhs, through a range of credit products and business lines. These business lines have, over a period, grown into portfolios of considerable sizes and are leading the way in the industry.

Inorganic Portfolio: Piloted in the year 2016, the Inorganic business was a unique step to support Arohan’s quest to reach financially underserved customers in remote geographies and diversify its portfolio. Arohan works with strong, local partners on the ground and has a sourcing and collection partnership with small local MFIs which helps create a win-win situation. Deserving customers, placed in remote geographies, get serviced with access to desirable credit products, grass-root level institutions get financial support while getting a boost in their techno-managerial capabilities, and Arohan diversifies and strengthens its portfolio. The SKOCH and AMFI Awards, for Leadership in Delivery Channel in the year 2018, bears testimony to the



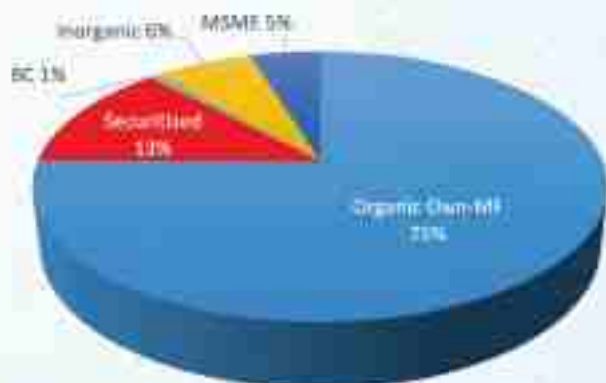
innovation and industry headship displayed by Arohan in driving this business.

Arohan also engages in partnerships by way of buying portfolio from MFIs in the states it operates. It has engaged in assignment and securitization transactions with these organisations. With an AUM of INR 260 Cr in the financial year 2018-19, the Inorganic vertical has shown a growth of 112% as compared to year 2017-18 when it crossed an AUM of INR 100 Cr. Spread over the low-income states of Odisha, Assam, Chattisgarh, West Bengal, Bihar and Jharkhand, the business maintained a high quality portfolio with PAR30 of <0.10%. As on March 31, 2019, Arohan has partnered with 24 microfinance organisations and disbursed an amount of INR 288 Cr.

MSME Business: From a core microfinance lending organisation Arohan, today, has evolved into a unique NBFC-MFI having a dedicated MSME lending vertical which optimises its non-qualifying asset space. The lending vertical, caters to the MSME segment with larger ticket-sized loans of INR 5 Lakh to INR 1 Cr. It seeks to fill in short-term working capital and other requirements of micro and small merchants including traders, manufacturers and services with the help of POS and NACH enabled repayments through Merchant Cash Advance (MCA).

A unique product, MCA offers loans to micro and small enterprises underwritten on sales generated through credit/debit cards/ online sales of the retailer. This helps Arohan to reach out to customer segments not fully served by formal lending institutions, with its range of products and offerings. As on March 31, 2019, the MSME business recorded an AUM of INR 191.10 Cr.

Split of AUM, as on March 31, 2019



Growth in Business

In the financial year 2018-19, Arohan's Assets Under Management has grown by 86% and its CAGR for the last three years has been at 83%. The clientele has increased from 11.37 lakh in FY 17-18 to an exponential 18.65 lakh during FY 18-19. With an average loan outstanding per customer at INR 26,634 in organic business, INR 27,126 in inorganic and INR 19 lakh in MSME businesses, the total disbursement for the financial year 2018-19 was recorded INR 4660 Cr, which is a growth of over 73% from the previous year's INR 2694 Cr.

Process Pillars

Operational Architecture

As on March 31, 2019, the entire organic operation is categorised under six zones where Zone I refers to West Bengal, Zone II refers to Bihar and Jharkhand, Zone III refers to the north-eastern India consisting of Assam, Tripura and Meghalaya, Zone IV is Odisha, Zone V is Uttar Pradesh and Zone VI refers to Madhya Pradesh and Chhatisgarh. Each zone has two to four Regional Offices (RO) and each RO has four to seven areas mapped to it. Under each area there are four to six branches.

Technology as an enabler

A completely cashless back-end is one of the key focus areas of Arohan. This is in tune with one of the key national agendas of a cashless economy. Arohan has been a forerunner in the transformation of its disbursement and collection processes to a cash-light business, enabling accurate transactions, real-time data, faster TATs while fuelling a shift in the customer delight goalposts. Arohan has been steadily making it happen through the following two initiatives.

1. Cashless Disbursement:

This process enables branches to initiate NEFT directly to the customer's account through the centralised Loan Management System, Profile by FIS, which Arohan migrated into in the year 2017-18. In the financial year 2018-19, 89.3% of the loans were disbursed in cashless mode. Going forward Arohan will continue to explore repayment collection through a digital platform as well.

2. App-Based Collection: To help increase the productive time of a field employee, while augmenting their efficiencies, Arohan has introduced App-Based Collection. This helps the field employees cut down on their manual office work and perform repayment collection entry on-the-go.

Portfolio Quality

Arohan, through several initiatives undertaken in the year 2017-18, though not as affected as its peers in the industry, was quick to stabilize its portfolio post demonetisation. As an industry first mover, CB360 Credit Information Report was introduced in November 2018 for quality client identification and selection. With focus on robust monitoring mechanisms, quality has evolved as a non-negotiable element. To this effect, Central Hub has transformed into a quality check and control center. A well thought-through checklist has been developed and implemented at the Central HUB to maintain the highest quality levels in the loan sourcing process. With these efforts in place, PAR30 came down from 1.70% in March, 2018 to 0.95% in March, 2019 while retaining a net NPA zero status.

Enabling business functions with effective tools to service customers without sacrificing on quality being one of its core objectives, Arohan will continue to work towards improving Products, Processes and Policies while staying ahead and relevant in the industry.







Intensified Strength

The signature hues that a flamingo stands out for are attained over a period of years through natural habits, letting it gain thermal advantages while making it resistant to abrasion. Arohan's strength in terms of capitalization has intensified over the years through practiced efforts, allowing it to gain the continued confidence of its shareholders and lenders while making it unfaltering in the face of crisis.

Witnessing a successful financial year 2018-19, Arohan maintained a growth of 86% y-o-y to cross the landmark INR 4000 Cr gross portfolio. The organisation's focus and consistency in geographic expansion, from 435 branches in financial year 2017-18 to 593 branches as on March, 2019, has contributed significantly in scaling up of the business.

Arohan closed the year with healthy financial results, as follows:

- » Total Revenue grew by 94% to INR 635 Cr
- » Profit before Taxes grew by 237% to INR 153 Cr
- » Return on Equity increased from 8.35% in the previous financial year to 23.61%.

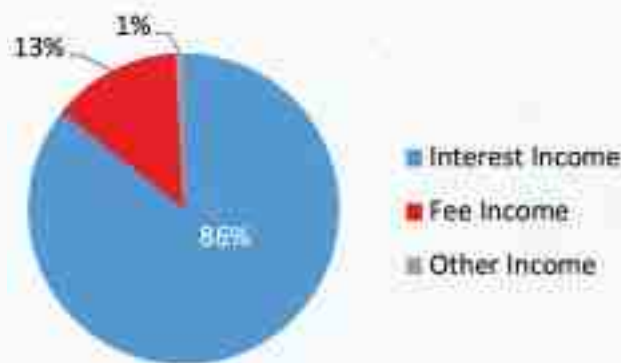


- » Leverage of 4.34 compared to 4.9 in the previous financial year
- » Average Cost of borrowing has been at 11.04% from 10.93% in the previous year

This was the result of achieving increasing economies of scale, higher level of operational efficiency and strength. Arohan's branch network grew by 36% (from 435 to 593) while the employee strength grew by 44% (3318 to 4765). The company ensured a comfortable fund position throughout the year to support its business expansion. As on March, 2019, the borrowings outstanding was close to INR 2950 Cr. An analysis of the organisation's financial performance for the financial year 2018-19, as compared to the previous year, is given below:

INCOME STATEMENT ANALYSIS REVENUE

Break-up of Revenue for FY 2019



Revenue has grown by 94% from FY 17-18 to FY 18-19. While the interest income grew by 90%, the fee income grew by 149%, contributing to the overall increase in profitability. Fee Income mainly includes loan processing fees, business correspondent fees income, fees from cross-sell, profit from portfolio buy-out and income from securitization/assignment.

Expenditure

Interest expenses have increased by 105% y-o-y in line with increase in borrowings. With the employee count increasing from 3318 in FY 17-18 to 4765 in FY 18-19, employee costs increased from INR 69 Cr in FY 17-18 to INR 117 Cr in FY 18-19 showing a 70% increase over previous year. The administrative costs increased by 76% from the previous year due to the opening of 158 new branches during the financial year.

Ratios	FY 17-18	FY 18-19	Growth
Yield	21.78%	20.03%	-8.03%
Qualifying assets	88.80%	86.47%	-2.62%
Opex	7.82%	6.34%	-18.93%
ROE	8.35%	23.61%	182.75%
Leverage	4.90	4.34	-11.43%

The opex ratio decreased primarily due to adequate cost control along with a delay in branch rollouts thereby, squeezing operational expenses.

The weighted average interest charged to customers was 20.89% in FY 2018-19 against 22.11% in the previous financial year. This has resulted in a marginal dip in the overall yields in financial year 2018-19.

BALANCE SHEET ANALYSIS

Loan Portfolio

Own Portfolio Growth in INR Crs.

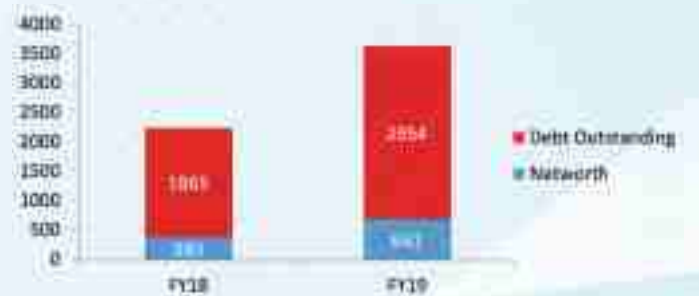


Arohan's sterling growth was due to the growing business and operational strength achieved in existing, as well as, new catchment areas of operations.

Off-balance sheet portfolio which includes securitized, assigned and BC partnership portfolio recorded a growth of 388% as compared to the previous year. Arohan successfully completed one securitization deal of MSME portfolio to the tune of INR 65.6 Cr and four assignment transaction of MFI portfolio aggregating INR 738.10 Cr.

Net Worth

Net Worth (INR in Crs.)



SANCTIONS RAISED

FY 18-19 has been a good year for Arohan in terms of funding, despite the liquidity crisis in the NBFC sector. The Company raised sanctions to the tune of INR ~4500 Cr during the year, thereby creating a new milestone for itself. The organisation also received multiple large ticket size sanctions such as INR 900 Cr from State Bank of India, INR 700 Cr from IDFC First Bank, INR 200 Cr each from Axis Bank and NABARD and INR 185 Cr from SIDBI and MUDRA.

Arohan established new lending relationships with multiple entities such as International Finance Corporation (IFC), ICICI Bank, Piramal Capital and Sumitomo Mitsui Banking Corporation (SMBC). In its first ever External Commercial Borrowings, Arohan raised INR 99 Cr from IFC, in the form of rupee denominated term loan (Masala), while also raising tier II capital of INR 35 Cr in the form of NCDs from Northern Arc Capital. With additional capital infusion of INR 193 Cr from promoter group and existing investors, the capital adequacy ratio of the Company is at comfortable levels. The below pie-charts depicts the break-up of our total borrowings in FY'18 and FY'19.

As on March 31, 2018



As on March 31, 2019



Structured instruments were also a significant source of funding in this financial year. Arohan raised funds through Direct Assignment route and PTC transaction to the tune of INR 804 Cr.

The year 2018-19 also saw Arohan's first time selling of the MSME portfolio which forms a part of the non-qualifying book. This transaction gave boost to the qualifying ratio thereby creating space to grow the non-qualifying book further.

The below pie-charts depict the instrument-wise break-up of borrowings in FY18 and FY19. In the last one year, securitisation and direct assignment exposure has increased from 4% to 15%

As on March 31, 2018



As on March 31, 2019



COST OF BORROWINGS

The average cost of borrowings for FY 19 was 11.04%. Despite the challenging macroeconomic conditions, Arohan's cost of borrowings were quite low and stable during the year. The Company was able to successfully pass on the benefits of the lower cost of borrowing to its customers with a competitive lending rate of 21.25% as on March 31, 2019.

UNAFFECTED BY THE NBFC LIQUIDITY CRISIS

Arohan was not impacted by the September, 2018 liquidity crisis that hit the NBFC sector. Arohan maintains a positive asset liability position with an average tenure of assets at ~20 months while the average tenure of liability is positioned at ~35 months, thereby creating a positive gap. Further, unlike many NBFCs, Arohan did not raise funds from bond and money markets and relied mainly on term loan lending from banks. Since microfinance loans form part of PSL target for banks, Arohan did not see a situation of liquidity getting dried up and is fairly liquid carrying close to INR 1825 Cr of undrawn sanctions in hand as on March 31, 2019.



CREDIT RATING

In the financial year 2018-19, Arohan retained its long-term credit rating at CARE A- with a revision of outlook from stable to positive. The revision of outlook is a testimony of the Company's strong net worth, experienced promoter group and management team, robust AUM growth, and excellent operating and financial performances etc. The organisation also retained the top-notch MFI grading of 'MFI 1', the highest on an eight-point scale. The grading is a reflection of our commitment to continue operating with a high degree of transparency alongwith financial and operational sustainability, extended outreach, robust operational setup and well-defined processes and policies.

SUMMARY OF FINANCIAL RESULTS:

Profit & Loss Statement (INR In Lakhs)	Audited		
	FY 18	FY 19	Growth
INCOME			
Revenue from Operation	30,706	57,586	88%
Other Income	1,996	5,879	195%
Total	32,702	63,465	94%
EXPENSES			
Admin Expense	3,741	6,565	76%
Employee Expense	6,916	11,739	70%
Financial Cost	12,343	25,361	105%
Provisions & Write off	4,855	4,069	-16%
Depreciation	305	410	34%
Total	28,160	48,144	71%
PROFIT BEFORE TAX	4,542	15,321	237%
Income Tax	1,575	4,113	161%
PROFIT AFTER TAX	2,967	11,208	278%

Balance Sheet (INR In Lakhs)	Audited		Growth In %
	Mar 18	Mar 19	
SOURCE OF FUND			
Capital	8,822	10,116	15%
Reserves and surplus	29,223	58,006	99%
Net Worth	38,045	68,112	79%
Loan Fund	1,86,506	2,95,373	58%
Provision (against Loan asset)	2,711	4,248	57%
Other Liabilities	8,050	18,589	126%
Total	2,35,312	3,86,332	64%

Balance Sheet (INR In Lakhs)	Audited		Growth In %
	Mar 18	Mar 19	
APPLICATION OF FUND			
Fixed Assets	1034	1180	14%
Investment	5	5	0%
Gross Loan Portfolio	2,17,123	4,04,488	86%
Less : Off Books Portfolio	11,368	55,454	388%
Own Portfolio	2,05,755	3,49,034	70%
Cash & Bank	8,961	6,391	-29%
Fixed Deposits	13,224	19,466	47%
Other Assets	6,333	10,259	59%
Total	2,35,312	3,86,332	64%







Strengthening The Future

The transformation of soft sediment to hard rock is one of those fascinating journeys that takes place deep within the earth's crust over the years. Intellectual capital strengthening and capacity building lie at the core of Arohan's Human Resources and Development foundation. The function emerges stronger with each passing year while also playing a pivotal role in the growth objectives of the organisation.

The microfinance industry has witnessed phenomenal growth over the past few years. This landscape shift has called for a surge in the overall workforce across the sector, which is predominantly human-intensive. On the other hand, increase in technology penetration, in the industry, in urban, rural and semi-urban geographies, heralds a shift in the demand and supply ratio of intellectual capital and people strength in the sector. In such a scenario where millennials are welcomed into the workforce, it is critical for human resource professionals to attract, as well as, retain talent, while striking the right balance and finding a sustainable way to be future-ready.

Guided by an eminent board, and supported by a remarkably strong management team, Arohan has grown its employee base

by over 44% from 3318 employees in FY 17-18 to 4765 employees.

STRONG HUMAN RESOURCE PLATFORM





One of the key highlights of Arohan's recruitment strategy is to employ people with the best fitment to the organisation's values and culture. This adds to the sense of belongingness among employees and strengthens the organisation's people connect. Against the background of an extremely competitive external environment, Arohan has managed to improve its overall retention percentage to 76%. This has been achieved through a series of interventions as follows:

Recruitment through HTD model

At Arohan, on-boarding the right talent is one of the key priorities of the organisation. However, in a rural ecosystem upskilling these talents and making them productive within a short period is challenging. Arohan has adopted the Hire, Train and Deploy (HTD) Model to counter this challenge.

The organisation has partnered with the Confederation of Indian Industry (CII) and has established the Arohan-CII Training Academy which operates as a captive centre to on-board, train and deploy the feet-on-street across its areas of operations. With the success of the pilot in Uttar Pradesh, the programme, going forward, will be scaled up and subsequently expand to other regions of the organisational span.

The Arohan-CII Training Academy thus, aims to address the following:

- » Quick turnover in fulfilling manpower requisition
- » Control early attrition rate and bettering retention
- » Increase cost effectiveness and productivity by partnering with an agency having core competency in training and capacity building

Career Progression

Arohan, as a leading entity in the financial inclusion space, recognises the importance to groom talent within the organisation and provide them with necessary career growth. Career Progression is an integral part of the HR Strategy at Arohan. The organisation has a well-defined grading and banding process and a formulated Arohan Competency Framework comprising of mission critical competencies.

1. Internal Job Posting (IJPs): IJPs are conducted at regular intervals and employees are encouraged to participate and undergo the selection process. For senior level IJPs, Assessment Centres are conducted using external agency. In the financial year 2018-19, more than 15% of Arohan's total field force qualified for a higher position through the IJP process.

2. Assessment Centre: Arohan conducts assessment centres for potential employees, for any upcoming suitable positions. A rigorous process, it helps identify talent among employees for larger roles, while also helping them build upon their capabilities. All Regional Head positions for new regions scheduled to be opened in the next financial year, have been capacitated internally through the Assessment Centres.

3. Performance Management System (PMS): At Arohan, the high potential framework is determined through the

Performance Management System which aims at Individual Goal Setting and Performance Planning. The entire assessment process with distinct definition of each rating scale, comprising of performance, as well as, behavioural indicators, help rate and identify high performing employees while creating a streamlined focus on their growth matrix.

Management Trainee and Internship programmes

The Arohan Management Trainee (MT) programme was established, three years ago, with a sharp focus on creating a pool of high calibre talent, strengthening the middle management band and fostering a culture of innovation and diversity. Each year, a fresh batch of management graduates of different streams are recruited from leading management institutes across the country.

Since its launch in the year 2016, the programme has emerged successful with an overall retention rate of 90% in the last 3 years. In the financial year 2018-19, the third batch of MTs from renowned management institutes such as XIMB and MDI have completed their year-long training and have been absorbed in the organisation. Each of them successfully underwent field training followed by cross functional projects with individual departments before they were deployed across roles, functions and locations.

Employee Connect Platforms

Arohan is a people-led organisation and recognises the importance of creating an environment that ensures last mile connectivity with the field employees. The organisation's communication channels are varied and each serves a different purpose.

» **Sparsh:** Arohan employs and trains young men and women who may or may not be graduates, often giving them their first opportunity to earn for their families while shaping their own careers. The Sparsh programme was developed to provide a structural approach to connect with the new joiners and mentor them while they are settling in the organisation.

» **HR Buddy Programme:** A unique initiative, the HR Buddy Programme is focused on training the existing field employees in the branches to welcome the new employees while being a one-point access to all relevant information in the organisation. It has proven to be a great way to support freshers and quickly address any queries and issues that they may have.

» **Sahayta:** The Sahayta initiative, operational since April 2016, is a HR help desk service for all employees. Each regional HR department has a dedicated number for their respective Region. In the year 2018-19, the platform was made available to the employees of the MSME business vertical and was scaled up to address their HR needs and concerns. This platform is operational during working hours and employees can connect with their regional and business HRs for any queries related to policy, employee benefits, working conditions, leave, transfer etc.

» **Sarathi:** Sarathi is an employee grievance redressal programme. Arohan follows an Employee Grievance Redressal Policy with

a dedicated Grievance Officer and a Grievance Redressal Committee.

» **Weekly Communication Hour:** The Weekly Communication Hour is a structured weekly communication plan which aims to create an alignment with organisational goals. Employees in the field operations are updated on the organisational developments and key priorities. Information about any new initiatives by any department is also shared. The Area Managers use the Weekly Communication Hour to interact with the branch employees.

» **Hum Saath Saath Hain (HSSH):** A unique employee engagement initiative, Hum Saath Saath Hain encourages direct connect between the field and support employees. In the year 2018-19, Arohan launched the HSSH Champions League where cross functional teams were created in the Head Office to connect with employees in the regions and address queries and issues related to the 'Theme of the Month' which could be an individual department, function or initiative. 20 teams tagged to 20 regional offices were formed. Each team consisted of three members led by a Co-ordinator, guided by an experienced Mentor and championed by a Senior Management Team member. The teams connect with the field employees in the regions on a weekly basis and reach out for swift resolutions with regard to the said theme and operational issues, if any. The teams can either aid the resolutions themselves or escalate it to the relevant authorities following a given matrix. The initiative aims at quick problem resolution, as well as, creating field connect across functions and regions.

» **Town Hall:** A key exercise, Town Halls at Arohan are conducted every quarter. The Managing director along with the Senior Management Team addresses the gathering and apprises them of key organisational goals and highlights after the quarterly board meeting. Employees, in turn, shares input and raises queries, if any. All the regional offices, zonal offices as well as, the branch offices of the MSME business vertical are connected to the session via a cloud platform.

» **Employee Communication Plan:** In order to put in place a diverse platform of channels through which communication flows within an organisation, Arohan has devised a new employee communication plan. Meet-5, Did you Know, Town Hall are some platforms implemented to create a provision for employees to voice their concerns and share their inputs.

1. Meet 5: A face-to-face communication channel which provides an opportunity for five employees across the vertical to come together, and for information to flow. The group mandatorily consists of one representative from the Senior Management Team which gives employees, from the field, an opportunity to engage in a discussion with the management. Many divisions extend this briefing to provide updates on what is happening in their own areas, provide feedback about the issues being faced with the work culture and find solutions on it and to take the time to recognise the efforts of their employees.

2. 'Did You Know?' series: These are bi-monthly sessions

where Arohan's Corporate Trainer, in collaboration with the HR Department, provides an update on activities and policies in an interaction with the field employees. On a quarterly basis, these events also invite an external guest speaker or one among the various functional heads within the organisation, to interact with the audience.

Employee Engagement

1. GPTW Survey: One of the key focus areas of Arohan's Vision statement is to be among the top places to work for. Arohan believes that a key approach towards achieving this vision is to build and leverage an employee-centric culture that is focused on delivering the same experience to the employees as it would offer its customers. This is based on the simple premise that an engaged workforce will drive organisational growth objectives.

To this effect, Arohan has been working closely with the Great Place to Work® Institute to build internal capabilities of managers to become Engagement Champions while also deeply analysing benchmark people practices towards creating a holistic Employee Value Proposition.

2. Fun at Work: An important part of creating a fulfilling workplace is taking the time to celebrate the successes and achievements of our employees, while also giving them the scope to unwind and rejuvenate. Supporting employees in their wider endeavors and celebrating their achievements not only promotes positivity among employees but also enables them to come together and work as a team. Arohan, as a part of its employee culture, organizes various activities at the Corporate, Regional and Branch level that add to the joy of celebrations.

Additionally, health camps and eye check-up for the employees are also organized at various levels.

3. Srishti: Arohan's monthly internal newsletter, Srishti, is an active platform for sharing of latest news and developments at Arohan while also making the employees stay updated on the latest corporate and group developments, industry news and presence, zonal and regional activations and activities right from the field level to the senior management group. Employees who have completed a certain tenure within the organisation and those who excel in their work are also recognized in the monthly internal newsletter.

Key HR Initiatives

» **Praarambh:** Arohan believes that a well-organised induction programme is an integral part of introducing a new employee to the organisation's culture and processes and if done effectively can lead to a high level of employee satisfaction and cost optimisation. With the aim of welcoming new employees into the organisational structure, imbining a sense of belongingness, aligning them to the organisational processes and policies while making them aware of their professional responsibilities, Arohan launched "Praarambh". As a part of Praarambh, Arohan had initiated activities such as sending of welcome mails before the joining of an employee, the 'Buddy' programme, a streamlined induction plan etc.



» **Talent Management and Hi-Potential:** Arohan recognises the importance of investing in the identification and development of right talent to maximise organisational efficiency. With this objective, Arohan defined and developed the High-Potential framework. The Annual Assessment Centre, which is conducted through an external agency, complements the process of talent spotting while feedback shared with the participants, for those who make it to the Emerging Leaders Programme, leads to the formulation of Individual Development Plans. This entire cycle of events help Arohan create a talent pipeline.

» **Diversity and Inclusion:** It is a constant effort on Arohan's part to enable inclusion and make the work environment congenial to diversity. In order to break the proverbial glass ceiling, Arohan also encourages ideas and discussions on gender diversity and inclusion. To this effect, the organisation successfully opened nine all-women branches across regions in the financial year 2018-19. In total, there are 54 women employees in these branches. In addition to this, in order to develop women managers in assuming leadership roles within the organisation, Arohan also conducts Leadership Programmes. In the year 2018-19, women leaders, from across the organisation, were nominated for a Management Development Programme at IIM, Bangalore.

» **Samagam 2019:** With the objective of recognising the efforts and hardwork of employees in the field, as well as, non-field functions, and the practice of Arohan Values among them, the organisation conducted an annual reward and recognition programme in the form of *Samagam – aspiring together for excellence*. The event saw the active participation of employees, as well as, their families who were specially invited to be a part of the celebration of one the key pillars of the organisation – employees.

Training & Development

Arohan believes that the highly dynamic industry environment today demands organisations to invest in re-skilling their employees to remain competitive. In order to keep up the stride, Arohan has devised training models to upskill its employees across the vertical.

» **Area Managers' Boot Camp:** Arohan conceptualised a flagship yearly intervention to enhance the functional and skill-based competencies of its Area Managers (AM). This intervention helps the pool in positioning itself as the ideal second-line managerial band of the organisation, considered as the "Eye & Ear" of the senior management, at the field. A total 116 AMs have been trained through this intervention yielding a positive shift in PAR reduction.

» **On Job Training:** As a part of a new field employee's confirmation process, Arohan has introduced "On Job Training" which helps the incumbent get acclimatised to the role and its challenges quickly and effectively. This initiative has yielded Arohan an average of 20% growth in the first 90 days' productivity as compared to the overall productivity on-field.

» **Self-Paced Learning:** To refresh and reinstate the learnings

of a field employee in their induction period training called PROP, Arohan introduced an e-learning module. The module is followed by an assessment of the Customer Service Representatives (CSR) to ensure learning retention within the first 90 days. 1400 CSRs have successfully completed the e-Learning module in the year 2018-19.

» **Capacity Building of RTs:** The functional and skill based competencies of the Regional Trainers (RTs) at Arohan, have been developed through a half-yearly programme known as 'Enabling the Enabler' along with a monthly connect initiative known as 'Monthly Communication Hour'. With these interventions in place, the RTs are now capable of delivering skill-based trainings to the Branch Heads.

» **All BH Training:** With the objective of further improving their functional and skill based competencies, Arohan has put in place two focus training modules for its rich pool of Branch Heads. "Capacity Building Training" and the annual "All BH Training" helps the BH develop monitoring and mentoring abilities, while honing their know-how. A total of 534 BHs underwent such trainings in the financial year 2018-19 resulting in 53% improvement in functional knowledge.

» **Corporate Training:** Strengthening skill and behavioural competencies of employees in the support function, Arohan initiated the "Corporate Training" programme conducted in regular intervals through the year. The intervention covered 90% of the support function across the six Zonal Offices, as well as, the Head Office.

» **SP Training & Examination:** To align to the mandatory compliance requirement by IRDAI, Arohan conducted training for Specified Person (SP). Of the 15 employees who appeared for the training, 80% have successfully completed the examination.

Automated HR Management Platform - Adrenalin

Arohan has been recognised, on multiple occasions, as one of the most tech-enabled organisations in the microfinance industry in India. Building further on its efforts, Arohan has undergone a transformation to align to the increasing scale and volume of operations and has adopted a more robust and automated HR management system. To this effect, Arohan implemented Phase 1 of the Adrenalin ERP, in the year 2018-19. A product of Intellicus Technologies Pvt Ltd, Adrenalin is set to launch its Phase 2 in the financial year 2019-20.

HR Compliance

With its focus on remaining 100% compliant with statutory guidelines related to employee activities, Arohan has partnered with CoAchieve Solutions Pvt Ltd, a Subsidiary of Qess Corp Limited. It has also launched 'Simpliance', a state-of-the-art compliance software. As on March 31, 2019, Arohan is fully compliant with 16 Central and State Acts. It also, currently, maintains close to 110 registers across all its offices in its areas of operations. With this technology in place, all field employees get direct access to relevant information on company and employee benefits.

Arohan Code of Conduct

Arohan has formulated The Arohan Code of Conduct and

Disciplinary Rules for all its employees to maintain business conduct, as well as, to ensure compliance as per the Standing Order (Industrial Disputes Act). The Arohan Code of Conduct aims to be the guiding rule book for ethical business practices while empowering the employees to handle ethical dilemmas. The Code of Conduct plays an essential role in maintaining the value system of the organisation.

A well-planned staff governance structure will provide the following:

- » A framework to attain the company's objectives.
- » A scheduled maintenance and timely update of the Governance Framework.
- » Establishment and maintenance of operational procedures and analysis of the derived results.
- » Demonstration of good corporate citizenship through environmental awareness, ethical behaviour and sound corporate governance practices.

Roadmap for FY 2019-20:

HR	Training & Development	Administration
Employee Grievance	Standardization	Infrastructure
Work-Life Balance	Training Effectiveness	Facility
Diversity & Inclusion	Training Categorization	Insurance
Organisation Values	Knowledge Management	Customer Satisfaction Survey
Succession Cover		







The Delta Of Opportunities

A delta is of great importance to life and its cycle as a whole. With its characteristic energy and diversity, deltas exist as a rich zone that makes the transition of a river to an ocean possible. The technological landscape at Arohan enables transformation across processes. With dynamic practices and implementations, catering to the needs of an organisation that inspires growth has become permissively effortless.

Being a forerunner in the use of innovative technology in the sphere of microfinance in India, Arohan has been recognised, on multiple occasions, in the industry. The position was further reinstated by the SKOCH Order-of-Merit Award which was conferred upon Arohan in December 2018 for the Best Strategic Transformation in Technology. During the financial year 2018-19, the organisation has further evolved its technology platform into an indispensable tool for achieving and maintaining premier standards of customer service and efficiency, while not just protecting but also effectively assessing data creating competitive advantage for the

organisation.

In the previous financial year, Arohan migrated to a state-of-the-art Core Banking System (CBS) from FIS for its loan management system. Implemented across all its branches, the system reflects real time data with better analytics, controls and security in place. The core systems for customer onboarding and loan management have been completely stabilized during FY 2019 enabling the organisation to deploy various systems and business application for allied and support functions. Continuous improvement in the existing systems and automating of related business processes have been one



of the key agendas in FY 2019. All the initiatives were focussed towards improving efficiency and/ or optimizing operational cost directly or indirectly.

COMPLETELY DIGITALISED CUSTOMER MANAGEMENT PLATFORM

Through continued efforts in leveraging the use of technology to strengthen the focus on customer centricity while steadily aligning itself to one of the key focus areas of the Government of India in terms of digitalization, Arohan has taken momentous strides in the automation of processes. The overall turnaround time (TAT) from sourcing to disbursement has been reduced to 5.5 calendar days as on March 2019. This is an improvement of nearly 20 %, as compared to the previous calculated TAT of 6.7 days as on September 2018.

Cashless Disbursement: The automation for cashless disbursement has helped in reducing the TAT for crediting of customer account with the loan amount. In its current stand, the realisation happens the same the day the file is approved in the system for disbursement. The entire transition has also enabled the system to conduct validations to ensure that the right account is being credited with loan amount.

Digitalisation of repayment records: In its continuous strive to improve efficiency and accuracy in the recording of repayment transactions, Arohan has deployed another significant initiative. Loan officers can now record the repayments in their mobile devices at the same instance, as it is being collected from the customer. This allows the information to be immediately updated in the core banking system. This application also has the feature of recording attendance of the customer. During collection meetings, if a customer misses the repayment, then the supervisors are immediately notified through instant messaging. This has helped in improving the delinquency levels during collection meetings.

Customer Relationship Management: Attuned to its commitment to customer service and centricity, Arohan's robust Customer Relationship Management (CRM) system continues to empower the team with access to online data. This ensures that the customers are served more effectively while their grievances, if any, are resolved in a time-bound manner. The CRM system is integrated with the core banking platform enabling exchange of information pertaining to customer's behaviour and history, during a call.

INFORMATION SYSTEMS – CONTROLS, EFFICIENCY & REPORTING

Paperless front-end: Arohan is the first among its peers to facilitate a completely paperless front-end interface for all its field employees. All of the thousands of Arohan's field employees are equipped with a mobile application to on-board customers through the Loan Origination System. The front-end is completely paperless and is integrated with the Loan Management System, enabling the core application to be seamless. This allows the flow of validated data from one system to the other without any manual intervention. This process has helped increase the efficiency of our branches and has completely eliminated the process of data-entry at

the back office thus, reducing time and related costs.

Robust Data System: In the financial year 2018-19, Arohan deployed and integrated all the non-core applications with the core applications, leading to a very robust flow of validated data into the system. The conversion has helped superintend data quality at the source rather than at the end of the process. This leads to significant and continuous improvement of control parameters and processes. Non-core applications like tracking of loan documents from the branches to the storage facility, transition of the document processing unit into a Central Hub, Document Management System, Internal Audit Application, HRMS, Admin Inventory Management and the IT Inventory Management – have ensured that all information, core or non-core, are in digital form, improving operational efficiency and enabling timely monitoring.

During the course of the year, Arohan deployed various **DATA DASHBOARDS** across all levels in the organisation. With a "mobile first" approach, all the dashboards are accessible from mobile devices, as well as, laptops and desktops. The dashboards centre around key business and performance parameters, essentially required for monitoring and control while also helping in taking data-based decision.

COMPLIANCE & INFORMATION SECURITY

Arohan follows the guidelines on IT framework for NBFCs as defined in the RBI Master Circular, and has automated the process of reporting where applicable.

The organisation's Information Technology department is audited twice every financial year based on the parameters as defined in the master circular. The department has retained the grade of "A" in its last audit conducted in March 2019.

E-WASTE MANAGEMENT

India, according to available sources, is the 5th largest producer of e-waste. E-Waste is one of the biggest environmental threats that we face today. Reaffirming its commitment to be environmentally sensitive, Arohan has taken a conscious decision of disposing e-wastes through one of the registered recyclers in Kolkata under the West Bengal Pollution Control Board, where the organisation is headquartered. In its first such disposal, 378 kgs of e-wastes were disposed for recycling in an environment friendly manner.

Arohan continue to transform its technology landscape through infrastructure and applications that supports the changing and dynamic environment in the microfinance industry. In its constant endeavour to be the best-in-class, Arohan will continue to focus on increasing operational efficiency through initiatives such as process automation across levels, using the power of machine learning, robust internal communication, leveraging the mobile platform to service customers and have a single-point platform that connects directly with the customers. As the organisation continues to make significant investments in maintaining and updating its technology infrastructure, systems, applications and business solutions, these efforts will resultantly ensure agility, transparency and adaptability towards qualitative and quantitative growth.







Transmutation To Preparedness

Considered to be an indication of an impending storm, it is seen that tiny ant hills grow bigger and sturdier in its readiness to counter adversities. Arohan's quality functions of Risk and Audit ensure that the organisational journey is made stronger with its preparedness to identify threat and regulate even the slightest deviations.

Overview

In the backdrop of the ever evolving macroeconomic factors and events in the banking & financial services sector, Arohan has strengthened its risk management practices for regular operations, effective decision-making and strategy formulation. The financial year of 2018-19 was characterised by the challenges arising out of the NBFC liquidity crisis. Several microfinance institutions faced challenges in sourcing funds for business and expansion, in spite of sector leading portfolio quality and positive Asset-Liability balance. The industry also faced portfolio challenges across segments due to the lingering tail of demonetisation. Supported by a robust risk management framework and the best-in-class review standards, tools and practices, Arohan has emerged stronger with improved portfolio quality and operational risk scores, laying the foundation and the building blocks to be future-ready.

The efforts have been ably supported by the internal audit function, which as an independent, objective assurance function, actively provide quality counsel to the management on the effectiveness of internal control, process adherence and risk management at all levels.

RISK MANAGEMENT APPROACH

Arohan's periodic, rationale-based calibration and upgradation of risk management framework, encompassing credit, market, liquidity and operational risks, has allowed it to stay ahead of the industry curve. Independent reporting to the chair of the Risk Committee of the Board of Directors, headed by an eminent independent director, with regular administrative guidance from the Managing Director helps the organisation to effectively balance risk vis-à-vis return, and influence the 'Quality with Quantity' agenda for all stakeholders. During the quarterly board meetings, board



members are presented with the risk management updates leading to effective discussion and review, earning clarity on the way forward.

Credit Risk Analytics

Equipped with implementation of R-driven data analytics and process in its Risk management methodologies, Arohan has developed significant in-house capabilities in insightful large data analytics. Credit risk analytics is, therefore, strengthened further with portfolio monitoring and control measures implemented across geographies, product lines, ticket sizes, tenures, delinquency buckets etc. Deployment of advanced analytics, heat maps, tools and measures like static pools, moving averages, trend analysis and appropriate benchmarks are the order of the day in Arohan. For maintaining a sustainable and strong growth momentum, strategic decisions on geographical expansion, as well as, product and policy calibrations are now completely backed by data and sound rationale-driven business intelligence & information.

In its continuous quest to achieve business objectives without compromising on portfolio quality, Arohan adopted the Bureau Credit360 credit check and key quality checks at central hub which has strengthened MFI Credit underwriting & onboarding resulting in improved portfolio quality alongwith resilient growth of the directly sourced MFI portfolio during the year. In the wholesale lending business to smaller MFI and NBFCs for onward lending to the MFI sector, in-depth understanding of the sector, robust market knowledge and superior corporate loan underwriting capabilities have enabled delivery of enhanced portfolio quality of a rapidly growing business line. Arohan's MSME underwriting was also enhanced using Bureau portfolio data, GST based business intelligence supported by in-depth domain knowledge and expertise in lending.

Portfolio Quality Reviews

Monthly Portfolio Quality Review (PQR) forum with participation of key functions such as Risk, Business Operations, Central Operations, Finance and Internal Audit, at the corporate, as well as, the field level have strengthened. The monthly PQR forums, across locations, enable the stakeholders to come together, discuss, be cognizant of and find solutions to high-risk areas and review measures-in-practice for assessment of their effectiveness. Effective engagements and actionable of the PQRs across the year is one of the key factors responsible for achievement of portfolio quality benchmarks set at the beginning of the year.

In addition to the PQR forum, the Executive Committee (EXCOM), led by the Managing Director and comprising of all stakeholders in the management, review key risk inputs every month at a formal meeting and chart out clear actionable, in the best interest of the organisational goals.

Risk Grading of Operational Branches

Arohan's unique and proprietary algorithm, the quarterly branch risk grading tool has undergone the usual annual

revision, with a view to reflect the changing scenario in business operations. The refurbished tool now includes new predictive parameters for portfolio quality along with calibration of a set of credit risk parameters. Considering the dynamic business landscape currently being witnessed, this proprietary tool continues to provide strong support for operational risk management.

The branch risk grading provides the operations team, the management and the Board with an assessment of the health of the operating branches while indicating the emerging risks for the next quarter. Arohan's financial year-end operational risk score has improved to its best value for the year.

Board Risk Limits

The Board of Directors' direct overview of Arohan's risk performance and framework continues with a set of risk limits across Credit, Operations, Liquidity, Reputation and Regulatory Risks, reviewed quarterly. These thresholds represent key operational and financial parameters which ensure sustained financial and operational health of the organisation. In the wake of changes in the industry dynamics, the limits have been reviewed and relevant changes have been appropriately incorporated.

Risk Prevention Measures and Building a Risk Culture

At Arohan, the risk team forms an integral part of the geographical, as well as, branch expansion task force. The team is empowered with granular industry data from Credit Bureau, as well as, internal data which enables informed decision making while deciding on geographies and opening of branches. The Self Correcting Portfolio Engagement (SCoPE) strategy is also another proprietary model developed in-house at Arohan, using advanced analytics based Rolling-5-months Early Delinquency and post demonetisation Overall Delinquency benchmarks. Together, these two benchmarks provide portfolio quality visibility both, from the point of nascent sourcing, as well as, long-term sourcing. The adoption of SCoPE model across Arohan enables the branches to monitor, review, engage and self-correct their portfolios on a Business-As-Usual (BAU) basis using interventions supported by root causes analysis at the field level. In addition to the above, various new training programmes and workshops have been introduced for the operations team which helps them strengthen and institutionalise a balanced approach of growing portfolio quantity along with quality.

Going forward, anticipating likely business transitions in future and preparing for advancement and adoption of future-fit-best-in-class underwriting capabilities, the organisation plans to introduce and then adopt an advanced analytics and statistical modelling-based credit decision platform. With a view to harness the power of the big data of the entire industry, Arohan has in-principally selected a leading credit bureau's analytics group company for their strong domain expertise and well-established robust credit decision platform. The modelling and testing for this initiative is expected to be completed by 2019-20 following its adoption in the ensuing financial year.

INTERNAL AUDIT FUNCTION

Internal Audit, at Arohan, acts as an independent, objective assurance function providing quality counsel to management on the effectiveness of the internal control, process adherence and risk management at all levels. It has a well-established internal audit department which is responsible for independently evaluating the adequacy and effectiveness of all internal controls, risk management, governance systems and processes and is manned by appropriately qualified personnel.

The Internal Audit department acts as the 3rd line of defence by monitoring adherence to controls and processes and provides inputs for strengthening risk management. It undertakes an independent review to establish that the first and second lines are operating in line with the policies, regulations and internal standards defined for management of operational risk of the organisation. The department adopts a risk based audit approach in accordance with Risk Based Internal audit (RBIA) philosophy. Internal Audit functions as an independent body under the supervision of the Audit Committee of the Board. The Audit Committee reviews the adequacy and effectiveness of the function and helps streamline its structure including the internal audit department, the annual audit plan and staffing while enabling an effective and independent review process.

The Internal Audit function at Arohan aims to mitigate operational risks through regular monitoring at Branch, Regional and Zonal levels ensuring adherence to internal control systems, organisational policies and procedures. It further assures adherence to external compliance requirement such as RBI guidelines, SRO directives and other regulatory necessities. Functioning of all support services to ensure adherence to policies and compliance requirements are regularly monitored. In addition to adherence to existing policies and control mechanism, the Internal Audit function at Arohan reviews and advises the line management on necessary changes in its scope of existing policies and control mechanism, as an adaptation to evolving business and compliance requirements.

Infrastructure

Success of Internal Audit in any industry, especially in the micro-lending space, depends largely on the individual skill sets and passion of its team of employees. Arohan's Internal Audit team comprises of 107 skilled auditors, as on March 31, 2019, spread across the span of its geography, recruited either from our own operations team or handpicked from amongst external sources through a rigorous selection process. The team thus, comprises of the right mix of people with formal audit skill training supplemented by extensive field experiences.

With the growth of portfolio size, business complexity and regulatory requirements, more professionally qualified manpower is being inducted in the audit team. Regular training on processes, policies, behavioural skills and audit techniques are imparted to keep the team focussed and well-

equipped to detect even the slightest of deviations on ground. Arohan Internal Audit team works on a real-time Audit Management System (AMS), named "Perdix" with technological support from Dvara Solutions (Formerly IFMR Rural Finance). Perdix is a web-based system that enables seamless audit and captures the audit findings in a structured and periodic manner. The AMS platform enables real-time tracking of audit progress, allows quick escalation of significant issues and monitors loop closures with increased working efficiency, within a stipulated time frame.

Methodology and Reporting

Arohan's Internal Audit function follows a risk based approach to audit operations at the field level. All operative branches are audited every quarter. The areas of audit can be classified under three broad heads, namely:

- a. Field Processes (Verification, Collection, disbursement etc.)
- b. Back-End Activity (Documentation, administration etc.)
- c. Customer Contact

An appropriate weightage is assigned to each of the above heads (and sub-heads thereof), within a dynamic range, which reflects the relevance of the final audit score of each branch. Being audited 4-10 days every quarter, each branch is assigned an audit grading based on the observations and scores of each quarter. Branch audit grading acts as a significant parameter in defining the organisation's quality benchmark and is a significant part of the performance appraisal of all concerned. Branches are covered under regular and snap audit alternatively, on a half yearly basis. Support functions, including Human Resources, Central Operations, Information Technology, Finance and Accounts are also audited at least twice in a year. High emphasis is further enforced on monitoring the adherence to compliance and regulatory requirements as prescribed for NBFC-MFI under different statutes.

For MSME and inorganic operations, the function adopts a credit-focused audit approach with emphasis on credit evaluation process, appropriate approval of exceptions, compliance of pre-assessment criteria and completeness of, as well as, adherence to post disbursement formalities.

Scope of audit for both, field and support functions are periodically reviewed and updated to keep pace with the changing business, technological and regulatory dynamics. Monthly audit trends along with actions taken by respective line functions are reported to the senior management team. All significant internal audit observations along with follow-up actions are reported and discussed by the Audit Committee of Board, in its quarterly meet.

Internal Financial Control over Financial Reporting (IFCR)

It is imperative for an organisation, more so with one having an objective to make financial inclusion for the mass a reality, to attune itself to a well-structured control mechanism. In order to be closer to our objectives in this respect, Arohan has successfully laid down the Internal Financial Control over Financial Reporting (IFCR) framework. In order to ensure effectiveness, we have aligned our current systems of internal



financial control with the requirement of Companies Act 2013 which is in line with the globally accepted risk-based framework as issued by COSO and other rules/guidelines issued by RBI and MFIN. The system is intended to increase transparency and accountability in the organisation's process of designing and implementing an internal control mechanism.

IFCR requires an organisation to identify and analyse risks and manage through appropriate responses. With its implementation, Arohan's internal control mechanism is commensurate with the size and the nature of its operations. The process is designed to provide reasonable assurance with regards to the recording and providing of reliable financial and operational information, complying with applicable statutes, safeguarding assets from unauthorized use, executing transactions with proper authorization and ensuring compliance to corporate policies.

The process helps us have a well-defined delegation of power with authority limits for approving revenue, as well as, expenditure. Processes for formulating and reviewing annual and long-term business plans have also been laid out in IFCR. With the availability of the robust IT platform, we can record data for accounting, consolidation and management information purposes and can connect to different locations for efficient exchange of information.

The audit committee reviews the reports submitted by the management, as well as, the audit reports submitted by the internal auditors and statutory auditors. Suggestions for improvement are considered and the audit committee follows up on corrective action. The audit committee also meets with statutory auditors to ascertain, inter alia, their views on the adequacy of internal control systems and keeps the Board of Directors informed of its major observations periodically. Based on its evaluation (as defined in section 177 of Companies Act 2013 and Clause 18 of SEBI Regulations 2015), Arohan's audit committee has concluded that, as of March 31, 2019, our internal financial controls were adequate and operating effectively.

With its focus on being future-ready while achieving organisational goals, Arohan will continue to further streamline all its processes and controls to lead the transformations in the industry.







Evolve Like A Tree

As the seed of life, trees evolve with time to grow stronger with every passing year, while providing for the ecosystem. With warmth and shade, it embraces life and continues to build upon itself. Arohan, through its various social, capacity building and customer protection activities initiated through the years, empowers not just people and communities but also emerges stronger in its mission of sustainability.

Corporate Social Responsibility is not just about managing, reducing and avoiding risk, it is about creating opportunities, generating improved performance, making money and leaving the risks far behind."

~ Sunil Misser, Head of Global Sustainability Practice, PwC

At Arohan, social interventions are perceived as a creative opportunity to enable the communities it operates in while also strengthening business. The organisation drives its social interventions with an objective to forge a stronger bond between its employees, customers and the society. Central to the overall organisational strategy, Arohan's Corporate Social Responsibility roadmap is designed with a mid-term vision to touch 1,00,000 lives.

Our five pronged approach focuses on Skill Development and Education, Women's Empowerment and Health, Eco -

Sustainability, Disaster Relief and Employee Volunteering Initiatives.

OUR CSR INITIATIVES IN FY 18-19

1. Skill Development and Education

a. Skill Training - Arohan believes that skill development is one of the best means to for the youth, in marginalised communities, to get trained to essential job skills that makes them employable and paves the way for growth. To this effect, Arohan had partnered with NSHM Udaan Skills Foundation to impart skill training to 450 youths of the underserved section of the society and provide placement opportunities to 70% of the trainees. In the year 2018-19, NSHM imparted 120 hours of activity-based classroom training in Hospitality, Retail Sales Associate, IT and Beautician course.



b. Entrepreneurship Development: Children can inspire and surprise with unique and unfettered that can make us see unimaginable possibilities. To fuel such passion in children, Arohan partnered with Going to School Fund (GTS), a creative not-for-profit organisation, which empowers children with entrepreneurial skills at school. Arohan, in partnership with Aavishkaar, funded 33 innovative projects addressing issues on water and sanitation, lack of educational tools, environment and promotion of education which plagues the communities we operate in. A total of 20,000 children in schools of Bihar were reached out through this initiative.

c. Scholarship programmes

Shiksha: Empowering children with access to education has been a key focus area of Arohan's Corporate Social Responsibility framework. The education of a girl child, in rural and semi-urban pockets in India, suffers from various socio-cultural and economical restrictions. The dropout rates among girls go up as they move up in grades. Lack of availability, affordability and accessibility of quality education restricts their opportunities of a better tomorrow. To address this issue, Arohan had launched the 'Shiksha Scholarship' programme, in partnership with Swaraj Foundation, for girl students from marginalized and tribal communities, in the year 2017-18. In the year 2018-19, the scholarship was awarded to 100 girl students of BDJJ Inter College, Hazaribag, a district reported to have a low male-female literacy ratio. The financial aid covers the tuition charges for a year along with other essential expenses. The candidates were selected on the basis of their academic merit over a month long evaluation process conducted by Swaraj Foundation. In addition to this, 600 school bags were distributed to children in government schools of Siliguri in West Bengal, Ghazipur in Uttar Pradesh and Guwahati in Assam.

Vidya: Arohan introduced 'Vidya', a scholarship programme with the objective to encourage customers to send their daughters to college for further studies. Through this programme, Arohan helps facilitate educational opportunities for them while providing a level playing field in the competitive employment arena. A total of 18 girl children were awarded scholarships through this programme in Gorakhpur, Lucknow and Prayagraj regions of Uttar Pradesh.

d. Library and Computer Lab: The quality of education of children studying in schools in rural areas is reflected in their poor learning levels. To help bridge this gap, Arohan, as a part of its Corporate Social Responsibility, inaugurated an overhauled library for students of BDJJ Intercollege in Harli, Hazaribagh. The library has been equipped not only with a vast range of books spanning arts, commerce and science, with adequate seating but also with a computer system to help catalogue the books, as well as, be used as a reference source by students and teachers alike. 2,600 students benefited from the initiative while the teachers were empowered with access to better resource tools.

e. Integrated Child Development Services: As a part of its commitment to providing children of the underserved communities with access to proper care and education, Arohan has partnered with Swaraj Foundation and initiated

the establishment of two Anganwadis in Angra village of Gaya district in Bihar and Dwari village of Chatra district in Jharkhand. The model Anganwadis will have provision for health, nutrition, education and hygiene for children, mother and adolescent girls. It will also have playschool facilities for the children along with the provision of learning via new Teaching Aided Materials (TAM). Each Integrated Child Development Service will impact 10,000 people in the community.

2. Women's Empowerment and Health

Access to healthcare plays a critical role in not just maintaining the health and well-being of a population but also contributing to the economic development of a country. Arohan recognizes the need for making affordable healthcare services accessible to people of the communities it operates in and believes that preventive healthcare directly improves health, well-being and productivity. With this as the background, Arohan partnered with Bihar Voluntary Health Association, Bondhu Ek Asha, Satarupa Samajik Samiti, COSEHDA and Narayana Health to conduct 25 health camps across branches in West Bengal, Bihar, Jharkhand and Assam.

The health camps were equipped to screen out diseases like hypertension, hypotension, diabetes and associated complications, tachycardia associated with pulse rate, over weight and its associated factors along with measurement of refractive error of lens, haemoglobin count and lung function. Diagnosed patients were referred to the nearest primary health center, district hospital or medical college as deemed fit by the doctor. Arohan conducted various awareness sessions on sanitation and cleanliness for the beneficiaries who were also tested for basic health indicators, along with, eye check-ups. Over 5000 people benefited from these health camps in the year 2018-19.

3. Eco-Sustainability

Financially underserved communities in India, often suffer the lack of access to safe and clean drinking water and sanitation units. In order to address this issue, Arohan, in partnership with South Asian Forum for Environment, launched two integrated water sanitation units in the year 2018-19, in addition to the one launched previously in the year 2017-18. The new units were launched in Purulia district of West Bengal and Hojai district of Assam. The units have a multipurpose use with investment of resource from the community, for assured returns rather than a single purpose low-investment-no-return model.

It is a community partnership model for access to water and sanitation for all, where participatory decision is facilitated with technology support, strategic assessment and adaptive management. Each unit is currently serving more than 100 households with safe drinking water in budgeted volumes of 1000 litres per hour, act as a sanitation unit, help in rainwater harvesting, as well as, run a biogas plant for the community. The facility will not only enable access to clean and safe drinking water along with other provisions but will also make the people of the communities self-sustainable. The first such water sanitation unit of its eco-sustainability roadmap was launched by Arohan in West Bengal in the

month of March 2018. The unit was launched in Boral, under the Rajpur-Sonarpur Municipality region adjoining to Kolkata and benefited around 500 local families.

4. Disaster Relief

Natural disasters may drive people at the BoP further into a spiral of poverty and reduces their capacity to recover from economic losses. Given the fact that its operational areas are not just financially under-served, but also many are prone to debilitating natural disasters, Arohan remains alert and equipped to ensure timely help through relief materials, may such a situation arises.

Incessant rains in the year 2018-19, resulted in severe floods across Assam. The flood adversely affected the lives of those people who were already from economically disadvantaged communities. Employees and volunteers from Arohan identified affected people and procured food and other relief materials to distribute among them. Arohan successfully provided comprehensive relief to 1200 families in distress.

5. Employee Volunteering Initiatives

Arohan acknowledges that employees want a sense of purpose and a way of giving back to the community in addition to their work. To this effect, employees at Arohan are actively encouraged to volunteer their skills and time by engaging with local Non Profit Organisations and providing their assistance to the disadvantaged communities. Arohan clocked more than 1,500 hours of voluntary participation from its employees through health camps, educational aid distribution, NGO and orphanage visits, art competition for the children of rural communities, flood relief initiatives and awarding of scholarships.

CUSTOMER PROTECTION AND INSIGHTS

Customer Centricity is one of the six pillars of Arohan's Value system. Arohan's products and processes are designed to cater to the needs of its customers spanning the rural and semi urban belt of the ecosystem. Client protection being paramount, Arohan strives to evolve its practices in a manner which is not just efficient but also improves overall Customer Experience.

As a part of its client servicing mechanism, Arohan's customer care practices resolves any problem that the customer might face during its tenure. Arohan strives to create values in its practices by analyzing and generating reports for improvement in overall operations. This is achieved by a two pronged process - Inbound & Outbound - which includes reporting of unethical treatment, timely redressal and gaining valuable feedback on products, service delivery and operations directly from customers.

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 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 2018-19.

Quarter wise Inbound Call Trend per Lakh customer



To ensure good customer experience, Arohan has a toll free number (1800-103-2375, Monday to Friday 10 am to 6 pm) which offers multilingual (Bengali, Hindi, Odiya and Assamese) customer care. Its customer care team also conducts outbound calls to check customer satisfaction levels. Diligent 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.

Equipped with a robust Customer Relationship Management (CRM) system for Outbound and Inbound calls, the function is crucial as it is directly responsible for responding to customer's needs and maintaining highest levels of customer centricity and integrity.

Arohan will continue its strive to further improve Customer Experience and has set for itself three milestones going forward:

1. Providing Acknowledgement Number to the customers who have raised a query/ complaint with us.
2. Initialization of auto-drop call-back facility in the CRM system.
3. Initiation of surveys on customer satisfaction in outbound calls.



Director's Report

Dear Members,

Your Board of Directors (the "Board") takes pleasure in presenting the Annual Report of AROHAN FINANCIAL SERVICES LIMITED (Erstwhile Arohan Financial Services Private Limited) (the "Company") together with the audited financial statements for the year ended March 31, 2019.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

The financial performance of the Company is summarized below: (INR in Cr)

	FY 2019	FY 2018	Change (%)
Total Revenue	634.65	327.02	94.07
Less: Total expenditure	481.44	281.59	70.97
Profit Before Tax	153.21	45.42	237.32
Profit After Tax	112.08	29.67	277.79
Earnings Per Share (EPS)			
-Basic (in INR)	12.30	3.35	267.16
-Diluted (in INR)	12.27	3.35	266.27

The operational highlights of the Company are summarized below:

Year ended March 31	FY 2019	FY 2018	Change (%)
Number of branches	593	435	36.32
Number of members (in million)	1.8	1.1	63.64
Number of employees	4,765	3,318	43.61
Gross loan portfolio (in crores)	4,045	2,171	86.32

The Company's overall growth during the period under review was remarkable, creating milestones for every business segments in the Company's history. In line with the growth plan the Company was able to cross a landmark figure of INR 4,000 crores portfolio outstanding with a presence in 13 States in India which includes 10 low-income States in microfinance and 3 additional States in the MSME business. The major performance ratios such as Opex, Margin, ROA, and CRAR were under control and optimum. ROE was close to 23.61%; this was significantly higher than the budgeted numbers. The rating has improved, ALM was positive, even in difficult situations, the Company was able to raise sufficient funds for its expected growth, and the average cost of fund was around 11.04 % at the year end. While the interest income grew by 88%, the fee income grew significantly by 149%, thereby contributing to the increasing profitability. The fee income has increased due to growth in cross-sell revenue and securitization & assignment deals. The PBT has increased by 237% due to lower expenses as compared to

revenue. The net worth has increased due to the infusion of INR 193 crores equity capital and higher retained earnings. Return on Equity (ROE) and Return on Assets (ROA) have improved due to better profitability. The gross AUM of the Company has reached to INR 4044.88 Cr at the end of FY 19 and the Company was operating with 586 organic & 7 MSME branches and serving nearly 1.8 million customers. The Company continues to maintain Net NPA status at zero. About 89% disbursement was being carried out in cashless mode and app-based collection was almost 55% at the end of March 2019.

The financial year 2018-19 has also been a year of recognition for all of us, starting with the Dun & Bradstreet MFIN Award for the "Best Risk Resilience Framework" in the industry, the IICSR CSR Award for our Water project, the ICC CSR sustainability jury recognition, the 3 SKOCH awards for "Strategic Alliance Initiative", "Financial Inclusion, Microcredit and Rural Expansion" & "Strategic IT Transformation", the AMFI awards for "Best Coverage in East India", "Best Credit Plus Activities" and "Best Client Centric Initiatives" to the big one, "Microfinance Organisation of the Year 2018" by ACCESS ASSIST and HSBC.

CAPITAL INFUSION

During the year, the Company has preferentially allotted 13,50,000 equity shares to Arohan ESOP Trust and has also allotted 1,28,58,563 equity shares on a private placement basis to the promoter, promoter group and some identified investors.

Post allotment of equity shares as aforesaid, the issued, subscribed and paid-up share capital of the Company stands at INR 1,02,67,39,160 (Rupees One Hundred Two Crore Sixty Seven Lakh Thirty Nine Thousand One Hundred and Sixty) comprising of 10,26,73,916 (Ten Crore Twenty Six Lakh Seventy Three Thousand Nine Hundred and Sixteen) equity shares of INR 10 each as on March 31, 2019. The net worth of the Company as on March 31, 2019 was INR 681 crores. During the year, the Company has not raised capital in any other manner.

During the year, the Company has issued Unsecured, Subordinated, Rated, Listed, Redeemable, Non-convertible Debentures of face value of INR 10 each, aggregating to INR 35 crores on a private placement basis.

Further, during the year, the Company has redeemed the following Debentures;

» 14.75% Secured, Rated, Listed, Redeemable, Non-Convertible Debentures of face value of INR 5,00,000 each aggregating up to INR 29,05,00,000 (581 Debentures) on November 16, 2018;

» 14.30% Series 1 Secured, Rated, Listed, Redeemable, Non-Convertible Debentures of face value of INR 10,00,000 each aggregating up to INR 33,00,00,000 (330 Debentures) on December 18, 2018; and

» 14.30% Secured, Rated, Listed, Redeemable, Non-

Convertible Debentures of face value of INR 10,00,000 each aggregating up to INR 20,00,00,000 (200 Debentures) on January 25, 2019.

DIVIDEND

The Board of Directors of your Company, after considering holistically the relevant circumstances have decided that it would be prudent, not to recommend any Dividend for the year under review.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

In accordance with the relevant provisions of the Companies Act, 2013 (Act) and the Articles of Association of the Company, Mr. Vineet Chandra Rai and Mr. Anurag Agrawal, Directors of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment.

The Company during the year has appointed Mr. David Arturo Paradiso as an Alternate Director to Mr. Kasper Svarrer, Nominee of Maj Invest Financial Inclusion Fund II K/S, Mr. Paul Robine as a Nominee Director of TR Capital III Mauritius, replaced Mr. K C Vaid with Mr. Prakash Kumar as a Nominee Director of Small Industries Development Bank of India (SIDBI) as per SIDBI Act, 1990 and Mr. Sumantra Banerjee was re-appointed as an Independent Director of the Company for the second term of five year as per Section 149 of the Companies Act, 2013.

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.

DECLARATION OF INDEPENDENCE

The Company has received declarations from all Independent Directors of the Company confirming that they meet the criteria of independence as prescribed under Section 149(6) of the Companies Act 2013 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations").

DETAILS OF SUBSIDIARY, ASSOCIATE AND JOINT VENTURE OF THE COMPANY:

The Company doesn't have any subsidiary, associate and joint venture.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statements in terms of Section 134(3) (c) of the Companies Act, 2013:

a) In the preparation of the annual accounts for the year ended March 31, 2019, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;

b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a

true and fair view of the state of affairs of the Company as at March 31, 2019 and of the profit and loss of the Company for the year ended on that date;

c) The Directors have taken proper and sufficient care towards the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

d) The Directors have prepared the annual accounts on a 'going concern' basis;

e) The Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and

f) The Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

COMPANY'S POLICY RELATING TO DIRECTORS APPOINTMENT, PAYMENT OF REMUNERATION AND DISCHARGE OF THEIR DUTIES

The current policy is to have an appropriate mix of executive and independent directors to maintain the independence of the Board, and separate its functions of governance and management. As on March 31, 2019, the Board consists of 12 members (13 including Alternate Director), which includes one Executive Director, two non-Executive Directors, four Independent Directors, and five Nominee Directors. The Chairman of the Company is an independent director, in terms of the relevant provisions of the Companies Act 2013. The Board periodically evaluates the need for change in its composition and size.

The Nomination and Remuneration Committee has formulated the criteria for determining qualifications, positive attributes and independence of a director and recommends to the Board, a policy relating to the remuneration for the directors, key managerial personnel and other employees. The recommendation of the committee is forwarded to the Board for its approval.

The Nomination and Remuneration Committee decided the remuneration of executive directors and key managerial personnel on the basis of following criteria:

a) The level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;

b) Relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and

c) Remuneration to executive directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals.

NUMBER OF MEETINGS OF THE BOARD OF DIRECTORS

The details of the meetings of the Board of Directors of



the Company held during the year are mentioned in the Corporate Governance Report which is provided separately in this Annual Report.

AUDITORS

(i) Statutory Auditors – M/s Walker Chandio & Co LLP, (Firm Registration Number –001076N/N500013), Chartered Accountants were re-appointed as statutory auditors of the Company in the Annual General Meeting held on May 15, 2018 for a term up to five years, i.e. till the FY 2022-23. They have confirmed their eligibility under section 141 of the Companies Act, 2013 to carry out the audit for the FY 19-20.

(ii) Secretarial Auditors – M/s Jayshri Tulsyan & Associates, Practising Company Secretary (Certificate of Practice No. 8096) were appointed as Secretarial Auditor of the Company to conduct Secretarial Audit for the Company for the Financial Year 2018-19 as required under Section 204 of the Companies Act, 2013 and the rule made thereunder. The Secretarial Audit Report for FY 18-19 is appended as Annexure I to the Directors' Report.

There are no qualifications, reservation or adverse remark made by the Statutory Auditor and Secretarial Auditor in their reports, save and except disclaimer made by them in discharge of their professional obligation.

DETAILS OF FRAUDS REPORTED BY THE STATUTORY AUDITORS

During the year under review, the Statutory Auditors of the Company have not reported any fraud as required under Section 143(12) of the Companies Act 2013.

PARTICULARS OF LOANS OR GUARANTEES OR INVESTMENTS

Pursuant to the clarification dated February 13, 2015 issued by the Ministry of Corporate Affairs and Section 186(11) of the Companies Act 2013, the provision of Section 134(3)(g) of the Companies Act 2013 requiring disclosure of particulars of the loans given, investments made or guarantees given or securities provided is not applicable to the Company.

RELATED PARTY TRANSACTIONS

All transactions entered into with Related Parties as defined under the Companies Act 2013 and during the year under review were in the ordinary course of business and at an arm's length pricing basis and do not attract the provisions of Section 188 of the Companies Act 2013. The details of the transactions with related parties, if any, are placed before the Audit Committee from time to time. Details of the related party transactions, which are exempted according to a proviso to Section 188 of the Companies Act 2013, during FY 19 are disclosed in note of the financial statements.

The policy on Related Party Transaction, as approved by the Board, is displayed on the website of the Company at <https://arohan.in/resources/2019-06-12-15-21-06-Related%20Party%20Policy.PDF>

AMOUNT TRANSFERRED TO STATUTORY RESERVES

During the year the Company has transferred an amount of INR 22.42 Cr to Statutory Reserve as required (20% of Profit after tax) under Section 45-IC of RBI Act, 1934.

MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY

There are no material changes and commitments affecting the financial position of the Company, which has occurred between the end of the financial year of the Company i.e. March 31, 2019 and the date of the Director's 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 0.035 Cr. 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 15, 2019 to carry out the above mentioned evaluation. With the introduction and use of Diligent Software for the Board and Committee meetings, this time the director's evaluation was carried out electronically in a secured environment. The directors were allowed to carry out the evaluation in Diligent software with their respective secured log in. A detail report on the director's performance evaluation as generated from Diligent software, was placed before the Board and Committee in their meeting dated May 15, 2019.

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 a whole played great role in the development of the Company.

RISK MANAGEMENT POLICY

The Board of the Company has adopted the Risk Management Policy based on the recommendation of the Risk Management Committee in order to assess, monitor and manage risk throughout the Company. Risk is an integral part of the Company's business, and sound risk management is critical to the success of the organisation. Detailed information on risk management is provided separately in this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

In compliance with Section 135 of the Companies Act, 2013 read with Companies (Corporate Social Responsibility Policy)

Rules 2014, the Company has established the Corporate Social Responsibility Committee (CSR Committee) and the composition and the function thereof is mentioned in the Corporate Governance Report.

The Board adopted the CSR Policy, formulated and recommended by the CSR Committee, and the same is available on the Company's website.

During the year, as per the budget the Company spent on various programs and activities such as Skill Development & Education, Eco-Sustainability, Women Welfare & Awareness and Natural Disaster Relief. The details of the CSR activities undertaken during the year are given in the report on Corporate Social Responsibility activities which is annexed as Annexure II to the Director's 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. During the financial year no complaints of sexual harassment was recorded by the Company.

INTERNAL FINANCIAL CONTROLS

The Company has in place adequate internal financial controls with reference to financial statements. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

VIGIL MECHANISM

The Company has a Whistle-blower Policy which is periodically reviewed, and details of the same are explained in the Corporate Governance Report. The Policy is also available on the Company's website.

PARTICIPATION IN CREDIT BUREAU

In order to address the issue of multiple lending or over indebtedness and also to know the credit history of the customer, the Company became the member in all the credit bureaus namely Experian Credit Information Company of India Private Ltd, High Mark Credit Information Services Pvt. Ltd., Equifax Credit Information Services Pvt. Ltd., and Transunion CIBIL Limited and shares all the customer's data to them on regular basis.

RESOURCES AND LIQUIDITY

Your Company being a Systemically Important Non-

Deposit Accepting NBFC is subject to the capital adequacy requirements prescribed by the Reserve Bank of India. The Company was required to maintain a minimum Capital to Risk Asset Ratio (CRAR) of 15% as prescribed under the Non-Banking Financial Company-Micro Finance Institutions (Reserve Bank) Directions, 2016 (as amended from time to time) based on total capital to risk weighted assets. Your Company maintained a CRAR ratio higher than the RBI prescribed ratio, which is 20.05% as on March 31, 2019.

The Company has an outstanding on secured and unsecured borrowings of INR 2,953.74 Cr at the end of financial year 2018-19.

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 SROs from time to time.

PARTICULARS OF EMPLOYEES

The ratio of the remuneration of each director to the median employee's remuneration and other details in terms of Section 197(12) of the Companies Act 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, have been annexed herewith as Annexure III to the Director's 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 Director's Report. In terms of Section 136 of the Companies Act, 2013, the Director's Report and the Accounts are being sent to the Members excluding the aforesaid annexure and the same is open for inspection at the Registered Office of the Company. A copy of the statement may be obtained by the Members, by writing to the Company Secretary of the Company.

CORPORATE GOVERNANCE

The Company strives to adopt and adhere to the highest standards of Corporate Governance principles and best practices. With this objective the Company has put in place various policies, systems and processes to achieve transparency, high levels of business ethics and compliance with applicable laws. The Board & other Sub Committee Board ensures the high standards of transparency and accountability in all its activities. The best management practices and a high level of integrity in decision making are followed to ensure long term creation of value for all the stakeholders.

A complete Corporate Governance Report is attached with the Directors' Report and annexed as Annexure IV.



EMPLOYEE STOCK OPTION PLAN (ESOP)

Presently Employee Stock Option Plan, 2017 and Employee Stock Option Plan 2018 both are in force. The Nomination and Remuneration Committee of the Board of Directors of the Company administer and monitor the Employee Stock Option Scheme of the Company in accordance with applicable law.

The details of the Employee Stock Option Scheme as per Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 are as follows:

Particulars		Arohan ESOP Plan 2018		Arohan ESOP Plan 2017	
a.	Options granted	5,97,264		2,29,280	
b.	Options vested	5,97,264		2,29,280	
c.	Options exercised	Nil		30,000	
d.	The total number of shares arising as a result of exercise of options	Nil		Nil	
e.	Options lapsed	54,000		24,000	
f.	The exercise price	INR 130/-		INR 84.70/-	
g.	Variation of terms of options	No		No	
h.	Money realized by exercise of options	Nil		INR 25,41,000	
i.	Total number of options in force	5,43,264		1,75,280	
j.	Employee wise details of options granted to:				
a)	Key Managerial Personnel	2,43,324		50,000	
b)	any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year; and	Name of Employee	Options granted	Name of Employee	Options granted
		Shailesh Kumar	44,800	Harshavardan Patnaik	17,280
		Shirish Chandra Panda	49,800	Shraddha Srimal	30,000
		Harshavardan Patnaik	34,560	Anant Jayant Natu*	24,000
		Abin Mukhopadhyay	32,400	Abin Mukhopadhyay	24,000
		Joji Jacob	36,000	Prashant Rai	30,000
		Joyanta Bakali	30,000	Joyanta Bakali	30,000
c)	identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant;	Nil		Nil	

* note: option lapsed

EXTRACT OF ANNUAL RETURN

Pursuant to Section 134(3)(a) and Section 92(3) of the Companies Act 2013, read with Rule 12 of the Companies (Management and Administration) Rules, 2014, an extract of the Annual Return as on March 31, 2019 in form MGT 9 has been annexed as Annexure V to the Director's Report.

ACKNOWLEDGEMENT:

Your Directors express their sincere appreciation of the co-operation and assistance received from customers, Reserve Bank of India, MFIN, Sa-Dhan, Shareholders, Bankers, Stock Exchange, IRDAI 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 successful 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

ANURAG AGRAWAL

DIN 02385780

MANOJ KUMAR NARAYAN NAMBIAR

DIN 03172919

Dated: May 15, 2019

Annexure I
SECRETARIAL AUDIT REPORT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.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
 Kolkata – 700091
 CIN- U74140WB1991PLC053189

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** (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 Company's Books and Papers, Minutes books, Forms and Returns filed and other records maintained by the company **Arohan Financial Services Limited**, 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 March 31, 2019 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 and Papers, Minute Books, Forms and Returns filed and other records maintained by **Arohan Financial Services Limited** for the financial year ended on March 31, 2019 to the extent applicable:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under - **Not Applicable during the year under review.**
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under.
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
- (v) 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 year under review.**
 - (b) The Securities and Exchange Board of India (Prohibition

of Insider Trading) Regulations, 1992: - **Not Applicable during the year under review.**

(c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009: - **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 (Registrar to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client; - **Not Applicable during the year under review.**

(g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009: - **Not Applicable during the year under review**

(h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998: - **Not Applicable during the year under review.**

We further report that after considering the Compliance system prevailing in the Company and after verification of relevant records and documents 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:

1. The Reserve Bank of India Act, 1934.
2. Master Direction - Non Banking Financial Company Systematically 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).

(ii) The Company has made an application to Bombay Stock Exchange Limited seeking in – principal approval for issue of 3,50,00,000 nos. (Three Crore Fifty Lakh) Unsecured, Subordinated, Rated, Listed, Redeemable, Non – Convertible Debenture of face value of Rs. 10/- each, aggregating to Rs. 35 Crores on private placement on August 16, 2018 and the same has been granted vide notice no. 20180829-8 dated August 29, 2018.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

We further report that:

1. 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.



2. 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.

3. 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, 2019:-

» Issued & allotted **6,00,000** nos. (Six Lakh) of equity shares of the company at Rs. 10/- at a premium of Rs. 120.00 each to Arohan ESOP Trust. dated July 03, 2018.

» Issued **3,50,00,000** nos. (Three Crore Fifty Lakh) of Debentures of face value of Rs. 10/- each on private placement basis, listed and admitted to dealings on Bombay Stock Exchange Limited in the List of F Group – Debt Instruments on August 14, 2018.

» Redemption of **581** nos. of NCD bearing ISIN No. INE808K07022 being List of F Group – Debt Instruments on November 13, 2018 on maturity.

» Redemption of **330** nos. of NCD bearing ISIN No. INE808K07105 being List of F Group – Debt Instruments on 18.12.2018 by exercising call option.

» Issued & allotted **1,02,17,288** nos. (One Crore Two Lacs Seventeen Thousand two Hundred and eighty eight) of equity shares of the company at Rs. 10/- at a premium of Rs. 136.81 each by way preferential allotment dated 28.12.2018.

» Redemption of **200** nos. of NCD bearing ISIN No. INE808K07113 being List of F Group – Debt Instruments on 27.01.2019 by exercising put option.

» Issued & allotted **26,41,275** nos. (Twenty six Lacs forty one thousand two hundred seventy five) of equity shares of the company at Rs. 10/- at a premium of Rs. 152.80 each by way private placements basis dated 26.03.2019.

» Issued & allotted **7,50,000** nos. (Seven Lacs Fifty thousand) of equity shares of the company at Rs. 10/- at a premium of Rs. 152.80 each to Arohan ESOP Trust dated 28.03.2019.

» Re-appointed M/s Walker Chandiok & Co. LLP as statutory auditor of the Company at the Annual general Meeting of the company held on **May 15, 2018**.

» There was change in composition of Board of directors of the company in compliance with the requirement of RBI and other statute.

» Fraud cases which have been reported to us were also

noted in the Minutes of the Board Meeting for which necessary actions are taken by the company and as reported to us that these type of cases are inevitable depending on the nature and volume of the business and further it was made us understand that necessary actions are taken by the Management of the Company as and when required.

For **Jayshri Tulsyan & Associates**
Pr. Company Secretaries

M. No. – 7725
C.P. No. - 8096

Date : 07/05/2019
Place : Kolkata

To,
The Members,
AROHAN FINANCIAL SERVICES LIMITED
PTI Building, 4th Floor,
DP-9, Sector-5, Salt Lake
Kolkata – 700091
CIN U74140WB1991PLC053189

Our Secretarial Audit Report is to be read along with this letter

1. Maintenance of Secretarial Records 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 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 as it is a part of Financial Audit as per the provisions of The Companies Act, 2013.

4. Wherever 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, regulations, standards is the responsibility of the management. Our examination was limited to the verification of procedures on 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 **Jayshri Tulsyan & Associates**
Pr. Company Secretaries

M. No. – 7725
C.P. No. - 8096

Date : 07/05/2019
Place : Kolkata

Annexure II**A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs:**

Arohan Financial Services Limited (hereinafter referred to as Company) 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 the Company aspires to transcend business interests and work toward the all round human development of the communities we operate in through initiating and supporting programmes that enhance social sustainability. The Company already serves people from economically and socially marginalised 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. The Company would build on this connect with the marginalised 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 the Company. In alignment to the Company'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.

The CSR Policy is disclosed on our website in the link below: https://www.arohan.in/social_responsibility/2018-06-14-13-09-33-CSR%20Policy.pdf

The disclosure of the contents of the CSR Policy pursuant to Section 134(3)(o) of the Companies Act 2013 and Rule 9 of the Companies (Corporate Social Responsibility) Rules, 2014, are as follows:

Sl. No.	Particulars	Remarks
1	The composition of the CSR Committee	1. Sumantra Banerjee- Independent Director (Chairman) 2. Anurag Agrawal- Director 3. Manoj Kumar Narayan Nambiar- Managing Director 4. Prashant Rai- Management Coordinator
2	Average net profit of the company for last three financial years (15-16, 16-17, 17-18)	INR 39,86,92,518
3	Prescribed CSR Expenditure (two percent of the amount as in item 2 above)	INR 79,73,850
4	Details of CSR spent during the financial year	
	(a) Total amount to be spent for the financial year	INR 79,73,850
	(b) Amount unspent, if any	Nil
	(c) Manner in which the amount spent during the financial year is detailed below	Table below
5	In case the company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board report.	Not Applicable

Sl No	Activity and beneficiaries	Sector	Area	Amount Outlay (in INR)	Amount spent on the Projects or Programme Sub Heads: (1) Direct Expenditure (2) Overheads (in INR)	Cumulative expenditure up to the reporting period (in INR)	Amount Spent Direct or through Implementing Agency
1	Training 450 youths from marginalized communities	Skill Development and Education	Darjeeling, Siliguri, Ranchi, Jamshedpur, Lucknow, Bhubaneswar, Kolkata, Guwahati	23,22,500	23,22,500	23,22,500	NSHM Udaan Skills Foundation
2	Educational Aid	Skill Development and Education	8 districts in Bihar	10,00,000	10,00,000	10,00,000	Going to School
3	Arohan Shiksha Scholarship to girl students	Skill Development and Education	Hazaribagh district of Jharkhand	5,25,000	5,25,000	5,25,000	Swaraj Foundation
4	Vidya Scholarship to girl students	Skill Development and Education	Uttar Pradesh and Odisha	90,000	90,000	90,000	Directly
5	School Bag distribution to students in Government schools	Skill Development and Education	West Bengal, Uttar Pradesh, Assam and Odisha	2,99,795	2,99,795	2,99,795	Directly



SI No	Activity and beneficiaries	Sector	Area	Amount Outlay (in INR)	Amount spent on the Projects or Programme Sub Heads: (1) Direct Expenditure (2) Overheads (in INR)	Cumulative expenditure up to the reporting period (in INR)	Amount Spent Direct or through Implementing Agency
6	Library & Computer Lab	Skill Development and Education	Hazaribagh, Jharkhand	2,99,775	2,99,775	2,99,775	Swaraj Foundation
7	Model Anganwadi	Skill Development and Education	Jharkhand and Bihar	6,77,250	6,77,250	6,77,250	Swaraj Foundation
8	Health camps	Women's Empowerment and Health	WB, Bihar, Jharkhand, Assam	4,87,126	4,87,126	4,87,126	BVHA, Bondhu, COSEHDA, Narayana Health and Satarupa Samajik Samiti
9	Water Sanitation and Hygiene for Urban Poor	Eco- Sustainability	Hojai, Assam and Purulia, WB	13,45,000	13,45,000	13,45,000	South Asian Forum for Environment
10	Sponsorship for Green Tripura campaign	Eco- Sustainability	Tripura	25,424	25,424	25,424	Scamper Technologies and Services Pvt. Ltd.
11	Flood relief material	Disaster Relief	Agartala	1,31,202	1,31,202	1,31,202	Directly
12	Impact Assessment	Impact	Overall projects	3,97,492	3,97,492	3,97,492	Innovative Financial Advisors Pvt. Ltd.
13	Employee Volunteering Initiatives	NGO visits, Drawing competition, Prize distribution, Women's Day celebration		58,225	58,225	58,225	Directly
Sub - total				76,58,789	76,58,789	76,58,789	
Overheads for various CSR initiatives					3,15,061	3,15,061	
Total CSR Spend					79,73,850	79,73,850	

The implementing and monitoring of the CSR Policy is in compliance with the CSR objective and policy of the Company.

MANOJ KUMAR NARAYAN NAMBIAR
Managing Director
DIN- 03172919

SUMANTRA BANERJEE
Chairman, CSR Committee
DIN- 00075243

Annexure III Remuneration details of Directors, KMPs, Employees

Sl. No	Particulars	Disclosures
1	The ratio of the remuneration of each Whole-Time director to the median remuneration of the employees of the company for the financial year	70:1
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	KMP
		% increase in remuneration
		MD 24.31%
		CFO 19.04%
		CS 121.39%*
		* Percentage increase in Company Secretary's salary is on higher side since he was employed from part of the financial year 2017-18
3	The percentage increase in the median remuneration of employees in the financial year	25%
4	The number of permanent employees on the rolls of the Company	4,765 employees as on March 31, 2019
5	The explanation on the relationship between average increase in remuneration and company performance	The Company made a growth of 277.79% in its Net Profit and increased the remuneration of its employees by an average of 25% based on the recommendation of the NRC Committee of the Board.
6	Comparison of the remuneration of the Key Managerial Personnel against the performance of the company	The Company's revenue and Net Profit has grown by 94.07% and 277.79% respectively in FY 2018-19 in comparison to FY 2017-18.
		The average increase in remuneration of KMP in the FY 2018-19 was 34.38%.
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, 2019, the Company's equity shares were not listed.
		The Company's net worth has increased from INR 379.85 Cr as on March 31, 2018 to INR 681.22 Cr as on March 31, 2019 – an increase of INR 301.37 Cr.
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 19.23% and the average increase in the managerial remuneration was 34.38%
9	Comparison of the each remuneration of the Key Managerial Personnel against the performance of the Company	The Company's revenue and Net Profit has grown by 94.07% and 277.79% respectively in FY 2018-19 in comparison to FY 2017-18.
		The average increase in remuneration of KMP in the FY 2018-19 was 34.38 %.
10	The key parameters for any variable component of remuneration availed by the Directors	Yearly incentive as per employment terms based on the company's performance and profits.
11	The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year	No employee received remuneration in excess of the highest paid director.
12	Affirmation that the remuneration is as per the remuneration policy of the company	Yes.



A statement showing the name of every employee of the Company, who –

a) If employed throughout the financial year, was in receipt of remuneration for that year which, in the aggregate, was not less than one crore two lakh rupees;

Mr. Manoj Kumar Nambiar – Managing Director

Sl. No	Particulars	Details
1	Designation	Managing Director
2	Remuneration received	INR 139.84 Lakhs
3	Nature of employment, whether contractual or otherwise	Permanent
4	Qualification and Experience	<p>Manoj completed his mechanical engineering from VJTI in 1986, and his MBA in Marketing from JBIMS in 1988, both from Mumbai University and has tertiary qualifications in insurance from Insurance Institute of India. He has also completed the “Strategic Leadership in Microfinance” course from the Harvard Business School, Boston, US in April ‘13.</p> <p>He started his working career with Modi Xerox in 1988 and then moved into consumer financial services with GE Countrywide in 1995, retail banking with ANZ Grindlays in 1997 and retail assets & business development with ABN Amro Bank NV India in 2000. He moved as Head Retail Banking of National Bank of Oman in 2002 looking after Oman, UAE & Egypt. Post that he worked as the Chief Operating Officer of the Alhamrani - Nissan Finance company, KSA in 2004 and returned to Oman as the Dy CEO of Ahli Bank SAOG in 2008. Growing the retail business for NBO, raising of US\$ 100Mn in the first Islamic Musharaka offshore deal for Alhamrani Finance Company & transformation of the mortgage company into a full fledged commercial bank with retail, premium and private banking are some of the key achievements.</p> <p>He returned to India in Jun’10 as MD & CEO of Intellecash Microfinance Network Company (P) Limited (an Intellecap Group company) in the business of incubating & capacity building of MFIs. In this job, he set up the lending businesses in both the retail & wholesale (this is today a separate company called IntelleGrow) space and also grew the capacity building business both in India & overseas. In Sep’12, backed by Aavishkaar Goodwell, IntelleCash acquired a 56% stake in Arohan with additional investments from India Financial inclusion Fund and Michael Susan Dell Foundation using the parent Intellecap’s structuring skills.</p>
5	Date of commencement of employment	September 28, 2012
6	Age	54
7	The last employment held	MD and 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 lakh 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

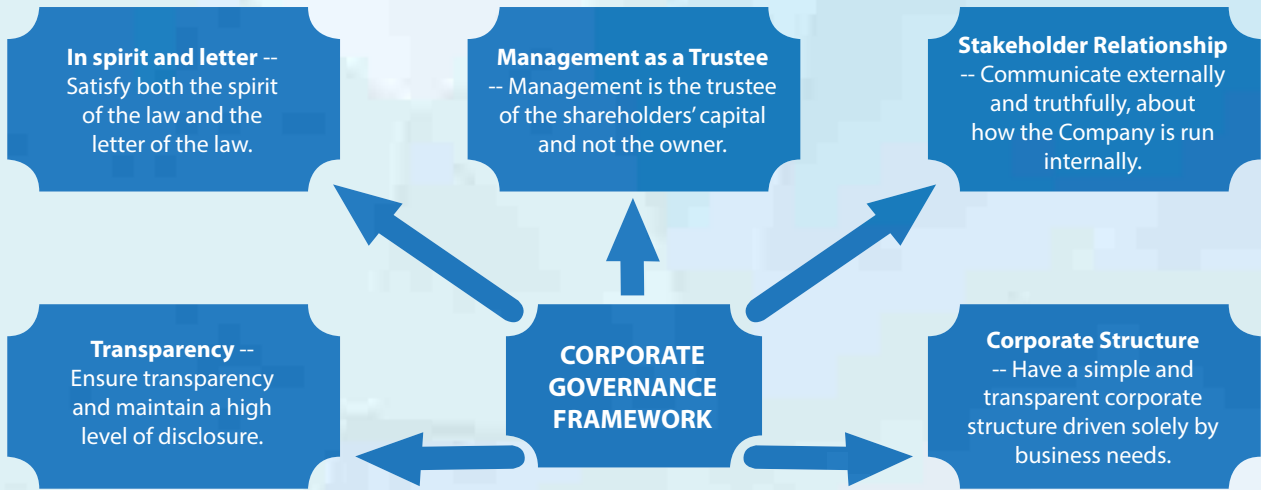
Annexure IV
CORPORATE GOVERNANCE REPORT

Arohan believes and strives to adopt and adhere to the highest standards of Corporate Governance principles and best practices. With this objective the organisation has put in place various policies, systems and processes to achieve transparency, business ethics and compliance with applicable laws. The Company is dedicated and committed to ensure high standards of transparency and accountability in all its activities. To this effect, the best management practices and high level of integrity in decision making are followed to ensure creation of value for all its stakeholders.

In India, corporate governance standards for listed companies are also mandated under the Companies Act, 2013 ("the Act") and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations"). In addition to the above, corporate governance standards for Non-Banking Finance Companies are also prescribed by the Reserve Bank of India. To align corporate governance standards with the provisions of Companies Act 2013, SEBI through notifications dated May 25, 2016, May 27, 2016 and January 4, 2017 had revised the SEBI LODR Regulations and mandated listed companies to comply with the same.

Corporate Governance Framework

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



Governance Structure

The corporate governance framework at Arohan is based on an effective and independent Board, the separation of the Board's supervisory role from the executive management and the constitution of Board Committees to oversee critical areas, all of which are chaired by Independent Directors. The Company has an appropriate mix of Executive and Independent Directors to maintain the Independence of the Board.

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:

Governance Level	Broad Responsibility	Responsible
Level 1	Strategic Supervision	Board of Directors
Level 2	Strategic Management	Executive Committee
Level 3	Executive Management	Heads of Departments

At the apex level, the general body of Shareholders of the Company elect the Board of Directors at the Annual General Meeting and the Board appoints the Key Managerial Personnels with the recommendation of the Nomination and Remuneration Committee and other functional heads of the Company, who in turn will appoint the various other management executives of the Company.



BOARD OF DIRECTORS

Composition and category of the Board

The Company has a broad-based Board of Directors, constituted in compliance with the Section 45-IA of the RBI Act, 1934 and Companies Act, 2013, and in accordance with good corporate governance practices. The Company recognizes and embraces the importance of a diverse Board and strongly believes that a 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 functions either as a full Board or through various committees constituted to oversee specific operational areas. As on March 31, 2019, the Company's Board comprises of twelve (12) Directors and one (1) Alternate Director. Of the (12) Directors, four (4) are Independent Directors (out of which includes one (1) Women Director), one (1) Managing Director, five (5) Nominee Directors and two (2) Promoter Directors.

During the year under review, the Board met seven (7) times on April 27, 2018, August 3, 2018, October 1, 2018, November 12, 2018, January 24, 2019, February 18, 2019 and March 13, 2019. 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 18-19	No. of meetings attended (including through electronic mode in FY 18-19)	Whether attended last AGM (May 15, 2018)	No. of other Directorship held in other public companies	No. of other Board Committee Memberships	No. of Chairmanship of other Board Committees
1	Mr. Manoj Kumar Nambiar	Managing Director	Seven	Seven	Yes	Two	Three	One
2	Mr. Anurag Agrawal	Director	Seven	Six	No	Six	Three	Nil
3	Mr. Vineet Chandra Rai	Director	Seven	Six	No	Eight	Two	Nil
4	Mr. Dinesh Kumar Mittal	Independent Director	Seven	Five	No	Twelve	Nil	Nil
5	Mr. Sumantra Banerjee	Independent Director	Seven	Three	No	Three	Five	Two
6	Mr. Rajat Mohan Nag	Independent Director	Seven	Five	Yes	One	Three	Two
7	Ms. Matangi Gowrishankar	Independent Director	Seven	Six	No	Four	Three	One
8	Mr. Piyush Goenka	Nominee Director	Seven	Seven	No	One	Four	Nil
9	Mr. Kasper Svarrer	Nominee Director	Seven	One	No	Three	Nil	Nil
10	Mr. Wilhelmus Martinus Maria Van Der Beek	Nominee Director	Seven	Five	No	Nil	Two	Nil
11	Mr. Prakash Kumar *	Nominee Director	Seven	Nil	No	One	Nil	Nil
12	Mr. K.C. Vaid	Nominee Director	Seven	Four	No	One	Nil	Nil
13	Mr. Paul Gratien Robine **	Nominee Director	Seven	Nil	No	Six	Nil	Nil
14	Mr. David Arturo Paradiso ***	Alternate Director	Seven	Three	No	Three	Nil	Nil

* Mr. K.C. Vaid was replaced by Mr. Prakash Kumar as per SIDBI Act, 1990 as a Nominee Director of the Company w.e.f. 24.01.2019.

** Mr. Paul Gratien Robine was appointed as a Nominee Director of TR Capital III Mauritius w.e.f. 18.03.2019.

*** Mr. David Arturo Paradiso was appointed as an Alternate Director to Mr. Kasper Svarrer, Nominee Director of Maj Invest Financial Inclusion Fund II K/S w.e.f. 24.01.2019.

1. None of the Directors held directorships in more than ten (10) public limited companies;
2. None of the Directors is related to any Director or is a member of an extended family;
3. None of the employees of the Company is related to any of the Directors;
4. None of the Directors has received any loans or advances from the Company during the year.

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:

1. Participation in the meeting.
2. Value addition
3. Time devoted to analyse and examine governance and compliance issues
4. Compliance with Law and relevant standards.
5. Effectiveness of Governance.
6. Risk Evaluation.
7. Independence of management from Board

Committee of the Board- Composition as on March 31, 2019.

1. Audit Committee

The Audit Committee assists the Board in dissemination of financial information and in overseeing the financial and accounting processes in the Company. 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 compliance with the legal and statutory requirements, the quarterly and annual financial statements and related party transactions and reports 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, Chairman
- » Mr. Sumantra Banerjee, Member
- » Ms. Matangi Gowrishankar, Member
- » Mr. Piyush Goenka, Member
- » Mr. Anurag Agrawal, Member

As on March 31, 2019 the Committee comprised of three (3) Independent Directors, one (1) Nominee Director and one (1) Promoter Director, all of whom are financially literate and have relevant finance exposure. The Managing Director, the Chief Financial Officer and Head- Internal Audit are the permanent invitees to the meetings of the Committee. The other directors are invited to attend the Audit Committee meetings as and when required. The Company Secretary acts as the secretary to the Committee. The Audit Committee met five (5) times during the year on April 27, 2018, August 3, 2018, November 12, 2018, January 23, 2019 and February 18, 2019. The time gap between any two meetings was less than four (4) months.

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Mr. Rajat Mohan Nag	Independent Director	5	3
Mr. Sumantra Banerjee	Independent Director	5	3
Ms. Matangi Gowrishankar	Independent Director	5	3
Mr. Piyush Goenka	Nominee Director	5	5
Mr. Anurag Agrawal	Director	5	5



The Chief Financial Officer, who is responsible for the finance function, the Head of Internal Audit and the representative of the Statutory Auditors, are regularly invited to attend meetings of the Audit Committee. The Company Secretary acts as the Secretary to the Audit Committee.

2. Risk Management Committee

Periodic assessment to identify the risk areas are carried out and management is briefed on the risks in advance 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 Board is periodically informed of the business risk and actions taken to manage them. The Company has 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, Chairman
- » Mr. Sumantra Banerjee, Member
- » Ms. Matangi Gowrishankar, Member
- » Mr. Piyush Goenka, Member
- » Mr. Wilhelmus Marthinus Maria Van Der Beek, Member

As on March 31, 2019 the Committee comprised of three (3) Independent Directors and two (2) Nominee Directors. The Managing Director, the Chief Financial Officer and Head of Risk are the permanent invitees to the meetings of the committee. The other directors are invited to attend the Risk Committee meetings as when required. The Company Secretary acts as the secretary to the Committee. The Risk Committee met four (4) times during the year on April 27, 2018, August 3, 2018, November 12, 2018 and February 18, 2019.

Attendance of Directors:

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Mr. Rajat Mohan Nag	Independent Director	4	3
Mr. Sumantra Banerjee	Independent Director	4	3
Ms. Matangi Gowrishankar	Independent Director	4	3
Mr. Piyush Goenka	Nominee Director	4	4
Mr. Wilhelmus Marthinus Maria Van Der Beek	Nominee Director	4	0

3. Nomination & Remuneration Committee (Erstwhile HR and Compensation Committee)

The Nomination and Remuneration Committee functions in accordance with section 178 of the Companies Act, 2013, and the functions also includes recommending to the Board the quantum of remuneration (including performance bonuses and incentives) payable to employees and recommending of grant of ESOPs to employees of the Company along with the Key Managerial Personnels. The Committee is headed by an Independent Director. Other responsibilities include helping managing and advising on appropriate organisation structure, review and approve HR policies, oversee employee engagement, and training programs and any other HR related issues. During the period under review the HR & Compensation Committee (HR Committee) was merged with this Committee, since both committees' works on a similar subject. The HR Committee met two times pre-merger with this Committee on April 27, 2018 and August 3, 2018.

Composition:

- » Ms. Matangi Gowrishankar, Chairman
- » Mr. Sumantra Banerjee, Member
- » Mr. Rajat Mohan Nag, Member
- » Mr. Piyush Goenka, Member
- » Mr. Vineet Chandra Rai, Member

As on March 31, 2019 the Committee comprised of three (3) Independent Directors, one (1) Nominee Director and one (1) Promoter Director. The Managing Director, Chief Financial Officer and the HR Head are the permanent invitees to the meetings of the Committee. The other directors are invited to attend the Nomination & Remuneration Committee meetings as and when required. The Company Secretary acts as the secretary to the Committee. The Committee met two times during the year on, November 12, 2018 and February 18, 2019.

Attendance of Director (NRC):

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Ms. Matangi Gowrishankar	Independent Director	2	2
Mr. Sumantra Banerjee	Independent Director	2	1
Mr. Rajat Mohan Nag	Independent Director	2	1
Mr. Piyush Goenka	Nominee Director	2	2
Mr. Vineet Chandra Rai	Director	2	2

Attendance of Director (HR Committee)

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Ms. Matangi Gowrishankar	Independent Director	2	1
Mr. Sumantra Banerjee	Independent Director	2	2
Mr. Rajat Mohan Nag	Independent Director	2	2
Mr. Piyush Goenka	Nominee Director	2	2
Mr. Vineet Chandra Rai	Director	2	2

4. Corporate Social Responsibility Committee

Corporate Social Responsibility Committee monitors the overall CSR Activities of the Company. It provides guidance on various areas where CSR activities can be carried out. The Committee is headed by an Independent Director.

Composition:

- » Mr. Sumantra Banerjee, Chairman
- » Mr. Anurag Agrawal, Member
- » Mr. Wilhelmus Marthinus Maria Van Der Beek, Member
- » Mr. Manoj Kumar Narayan Nambiar, Member

As on March 31, 2019 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 Head- HR, Admin, CSR & Training are the permanent invitee to the meetings of the Committee. The other directors are invited to attend the Corporate Social Responsibility Committee meetings as and when required. The Company Secretary acts as the secretary to the Committee. The Committee met three (3) times during the year on April 27, 2018, November 12, 2018 and on February 04, 2019.

Attendance of Director:

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Mr. Sumantra Banerjee	Independent Director	3	2
Mr. Anurag Agrawal	Director	3	2
Mr. Wilhelmus Marthinus Maria Van Der Beek	Nominee Director	3	0
Mr. Manoj Kumar Nambiar	Managing Director	3	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 the Companies Act, 2013.

Composition:

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

As on March 31, 2019 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 and when required. The Committee met five (5) times



during the year on July 03, 2018, August 14, 2018, December 28, 2018, March 26, 2019 & March 28, 2019

Attendance of Director:

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Mr. Manoj Kumar Narayan Nambiar	Managing Director	5	2
Mr. Anurag Agrawal	Director	5	4
Mr. Vineet Chand Rai	Director	5	3
Mr. Piyush Goenka	Nominee Director	5	2

6. IT Strategy Committee

NBFCs are required to form an IT Strategy Committee. The chairman of the committee shall be an Independent Director. The IT Strategy Committee should meet at an appropriate frequency but not more than six months should elapse between two meetings. The Committee shall work in partnership with other Board committees and Senior Management to provide input to them. It will also carry out review and amend the IT strategies in line with the corporate strategies, Board Policy reviews, cyber security arrangements and any other matter related to IT Governance.

Composition:

- » Mr. Sumantra Banerjee, Chairman
- » Mr. Piyush Goenka, Member
- » Mr. Manoj Kumar Narayan Nambiar, Member
- » Mr. Arvind Murarka, Member

The Committee comprised of one (1) Independent Director, one (1) Investor or Nominee Director, Managing Director and Head of IT. The Chief Financial Officer is the permanent invitee to the meetings of the committee. The other directors are invited to attend the IT Strategy Committee meetings as and when required. The Committee met three (3) times during the year on April 26, 2018, November 12, 2018 and February 04, 2019.

Attendance of Director:

Name of the Member	Position	No. of Meetings Held	No. of Meetings Attended
Mr. Sumantra Banerjee	Independent Director	3	2
Mr. Piyush Goenka	Nominee Director	3	2
Mr. Manoj Kumar Narayan Nambiar	Managing Director	3	3
Mr. Arvind Murarka	Head- IT	3	3

Vigil Mechanism

The Company has an established mechanism for Directors, Employees, Clients, Partners, Investors or the Public at large to report concerns about unethical behavior, actual or suspected fraud, and violation of the code of conduct or ethics policy. It also provides for adequate safeguards against victimization of Directors, Employees, Clients, Partners, Investors who avail of the mechanism. The Company affirms that no personnel has been denied access to the audit committee. The Company has formulated a policy of the vigil mechanism that any personnel may raise reportable matters at an early date after becoming aware of the same. To ensure the highest level of good governance, Arohan's overall whistleblower policy has been determined in accordance with the organisations' core values.

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. An Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. The policy is also uploaded on the website of the Company.

General Body Meetings:

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

Financial Year	Category	Location	Date	Time
2017-2018	AGM	Registered Office	May 15, 2018	2:00 PM
2016-2017	AGM	Novotel, CF 11 Action Area 1C Newtown, Rajarhat, Kolkata- 700156	August 29, 2017	5:00 PM
2015-2016	AGM	Novotel, CF 11 Action Area 1C Newtown, Rajarhat, Kolkata- 700156	August 4, 2016	2:30 PM

Three (3) Extra Ordinary General Meetings of the Company was held on October 29, 2018, February 4, 2019 and March 18, 2019 at the registered office of the Company.

The following business items were approved by Special Resolution in the last three AGMs, and were passed with the requisite majority:

FY 2015-16:

1. Appointment of Ms. Matangi Gowrishankar as an Independent Director
2. Issue of Non-convertible Debenture
3. Increase in the Borrowing power and creation of charge
4. To obtain consent of shareholders to give effect of holding Company restructuring.

FY 2016-17:

1. Issue of Non-convertible Debentures
2. Regularization of Mr. Kasper Svarrer as a Nominee Director
3. Approval of Arohan ESOP Grant- 2017
4. Increase in the Borrowings power and creation of charge
5. Re-appointment of Managing Director

FY 2017-18:

1. Approval for the change in the status of the Company to Public Company
2. Adoption of new/revised set of Articles of Association of the Company for compliance of conversion into Public Company and Compliance with the listing requirements of the Stock Exchanges.
3. Approval for the Initial Public Offer and the Issuance of Equity Shares in the Initial Public Offer.
4. Increase in investment limits for Foreign Portfolio Investors (FPI)
5. Approval of the amendment in the "Arohan Employee Stock Option Plan 2010 as amended in 2017" ("ESOP 2010"/"Plan").
6. Approval of 'Arohan Employee Stock Option Plan 2018'.
7. Increase Borrowing Power of the Company.
8. Creation of Charge and Providing Security.
9. Issue of Non-Convertible Debentures.
10. Payment to Independent Directors.

General Shareholders Information**Company Registration details**

The Company is registered with the Registrar of Companies, Kolkata, West Bengal and operates in thirteen States in India at present, West Bengal, Assam, Bihar, Jharkhand, Odisha, Meghalaya, Chattisgarh, Madhya Pradesh, Tripura, Uttar Pradesh, Maharashtra, Karnataka and Telengana.

CIN: U74140WB1991PLC053189.

RBI registration no: B.05.02932.

IRDA No. : CA0402

Annual General Meeting date, time and venue

Date and Time: August 5, 2019 and 11:00 AM

Venue: Registered Office of the Company

PTI Building, 4th Floor, DP Block, DP-9, Sector-5, Salt Lake, Kolkata-700091

Financial Year: April 1, 2018 to March 31, 2019

Book Closure Date: August 1, 2019 to August 4, 2019 (both days inclusive)



Listing on Stock Exchange: The Company's NCDs are listed on the Wholesale Debt Market Segment of Bombay Stock Exchange.

Debenture Trustees:

Catalyst Trusteeship Limited

Office No-83-87,8th Floor,
Mittal Tower, 'B' Wing, Nariman Point
Mumbai- 400021

IDBI Trusteeship Services Limited

Asian Building, Ground Floor,
17, R. Kamani Marg, Ballard Estate,
Mumbai – 400001.

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
59C, Chowringhee Road, 3rd Floor, Kolkata- 700020
Ph: 033 2289 0539, Mail: Kolkata@linkintime.co.in

Share Transfer System: Shares in physical forms are processed by the Registrar and Share Transfer Agent within 15 days from the date of receipt, if the documents are complete in all respects. The Managing Director, Chief Financial Officer and Company Secretary have been severally empowered to approve transfers. With effect from 2nd October, 2018, request for transfer of equity shares in physical form are not accepted as per notification issued by Ministry of Corporate affairs dated 10th September, 2018.

Distribution of Shareholdings:

Range of Holdings	Number of Shares	Amount (INR)	% to Capital	Number of Shareholders	% of Shareholders
1 to 5,000	6,693	66,930	0.01	6	15
5,001 to 10,000	43,825	4,38,250	0.04	5	12.5
Above 10,000	102,623,398	1,026,233,980	99.94	29	72.5

Dematerialization of shares and liquidity:

Percentage of shares held in physical form: 0.39

Electronic form with NSDL: 96.84

Electronic form with CDSL: 2.77

Address for correspondence

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

The Company Secretary & Compliance Officer

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

Sector-5, Salt Lake, Kolkata-700091

Email- compliance@arohan.in

Ph: 033 4015 6000

Means of Communication with other stakeholders

All important information relating to the Company and its performance, including financial results, are posted on the website of the Company: www.arohan.in.

The half yearly financial results of the Company are published in the leading newspapers viz. Financial Express.

Annexure V

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN
as on financial year ended on 31.03.2019

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company
 (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

i	CIN	U74140WB1991PLC053189
ii	Registration Date	27-09-1991
iii	Name of the Company	Arohan Financial Services Limited
iv	Category/Sub-category of the Company	NBFC- MFI
v	Address of the Registered office & contact details	PTI Building, 4th Floor, DP-9, Sector-5, Salt Lake, Kolkata-700091
vi	Whether listed company	Unlisted (Debentures are listed in WDM segment of BSE)
vii	Name, Address & contact details of the Registrar & Transfer Agent, if any.	Link Intime India Private Limited , 59C, Chowringhee Road, 3rd Floor, Kolkata- 700020, Ph no-033 2289 0540

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

SL No	Name & Description of main products/ services	NIC Code of the Product /service	% to total turnover of the company
1	NBFC- MFI	64990	100

III. PARTICULARS OF HOLDING , SUBSIDIARY & ASSOCIATE COMPANIES

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

IV. SHAREHOLDING PATTERN (Equity Share capital Break up as % to total Equity)

Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/HUF	-	-	-	-	-	-	-	-	-
b) Central Govt. or State Govt.	-	-	-	-	-	-	-	-	-
c) Bodies Corporates	91,43,320	1,23,54,499	2,14,97,819	24.30	2,54,53,879	-	2,54,53,879	24.79	0.49
d) Bank/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
SUB TOTAL:(A) (1)	91,43,320	1,23,54,499	2,14,97,819	24.30	2,54,53,879	-	2,54,53,879	24.79	0.49
(2) Foreign									
a) NRI- Individuals	-	-	-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-	-	-	-	-	-	-	-	-
d) Banks/FI	-	-	-	-	-	-	-	-	-
e) Any other	-	-	-	-	-	-	-	-	-
SUB TOTAL: (A) (2)	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter (A)= (A)(1)+(A)(2)	91,43,320	1,23,54,499	2,14,97,819	24.30	2,54,53,879	-	2,54,53,879	24.79	0.49



Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
B. PUBLIC SHAREHOLDING									
(1) Institutions									
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks/FI	-	-	-	-	-	-	-	-	-
C) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt.	-	-	-	-	-	-	-	-	-
e) Venture Capital Fund	-	-	-	-	-	-	-	-	-
f) Insurance Companies	-	-	-	-	-	-	-	-	-
g) FIIS	5,75,80,994	49,73,858	6,25,54,852	70.71	6,38,44,777	-	6,38,44,777	62.18	-8.53
h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
i) Others (specify)	-	-	-	-	-	-	-	-	-
SUB TOTAL (B)(1):	5,75,80,994	49,73,858	6,25,54,852	70.71	6,38,44,777	-	6,38,44,777	62.18	-8.53
(2) Non Institutions									
a) Bodies corporates									
i) Indian	-	-	-	-	71,82,603	-	71,82,603	7.00	7.00
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual shareholders holding nominal share capital upto Rs.1 lakhs	36,182	4,336	40,518	0.05	48,184	2,334	50,518	0.05	-
ii) Individuals shareholders holding nominal share capital in excess of Rs. 1 lakhs	27,92,963	12,86,185	40,79,148	4.61	41,81,891	3,95,724	45,77,615	4.46	-0.15
c) Others (specify)									
Arohan ESOP Trust	2,93,016	-	2,93,016	0.33	15,64,524	-	15,64,524	1.52	1.19
SUB TOTAL (B)(2):	31,22,161	12,90,521	44,12,682	4.99	1,29,77,202	3,98,058	1,33,75,260	13.03	8.04
Total Public Shareholding (B)= (B)(1)+(B)(2)	6,07,03,155	62,64,379	6,69,67,534	75.70	7,68,21,979	3,98,058	7,72,20,037	75.21	-0.49
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	6,98,46,475	1,86,18,878	8,84,65,353	100.00	10,22,75,858	3,98,058	10,26,73,916	100	-

(ii) SHARE HOLDING OF PROMOTERS

SI No.	Shareholders Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in share holding during the year
		No. of shares	% of total shares of the company	% of shares pledged encumbered to total shares	No. of shares	% of total shares of the company	% of shares pledged encumbered to total shares	
1	Aavishkaar Venture Management Services Private Limited	91,43,320	10.34	-	1,30,99,380	12.76	-	2.42
2	Intellectual Capital Advisory Services Pvt Ltd	1,23,54,499	13.97	-	1,23,54,499	12.03	-	-1.94
	Total	2,14,97,819	24.30	-	2,54,53,879	24.79	-	0.49

(iii) Change In Promoters' Shareholding (Specify If There Is No Change)

Sl. No.	Particulars	Share holding at the beginning of the year		Cumulative Share holding during the year	
		No. of Shares	% of total shares of the company	No of shares	% of total shares of the company
1	Aavishkaar Venture Management Services Private Limited	91,43,320	10.34	1,30,99,380	12.76
2	Intellectual Capital Advisory Services Pvt Ltd	1,23,54,499	13.97	1,23,54,499	12.03
	Total	2,14,97,819	24.31	2,54,53,879	24.79

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

Sl. No.	For Each of the Top 10 Shareholders	Shareholding at the end of the year		Cumulative Shareholding during the year	
		No.of shares	% of total shares of the company	No of shares	% of total shares of the company
1	Aavishkaar Goodwell India Microfinance Development Company				
	At the beginning of the year	1,85,39,529	20.96	1,85,39,529	20.96
	Increase/ Decrease	-	-	-	-
	At the end of the year	1,85,39,529	20.96	1,85,39,529	20.96
2	TANO India Private Equity Fund II				
	At the beginning of the year	1,69,14,279	19.12	1,69,14,279	19.12
	Increase/ Decrease	-	-	-	-
	At the end of the year	1,69,14,279	19.12	1,69,14,279	19.12
3	Maj Invest Financial Inclusion Fund II K/S				
	At the beginning of the year	1,45,41,317	16.44	1,45,41,317	16.44
	Increase/ Decrease	8,59,950	-1.44	8,59,950	-1.44
	At the end of the year	1,54,01,267	15.00	1,54,01,267	15.00
4	TR Capital III Mauritius				
	At the beginning of the year	92,88,747	10.50	92,88,747	10.50
	Increase/ Decrease	42,99,75	-1.03	4,29,975	-1.03
	At the end of the year	97,18,722	9.47	97,18,722	9.47
5	Michael & Susan Dell Foundation				
	At the beginning of the year	32,70,980	3.70	32,70,980	3.70
	Increase/ Decrease	-	-	-	-
	At the end of the year	32,70,980	3.70	32,70,980	3.70
6	Rajesh Sachdeva				
	At the beginning of the year	21,01,219	2.38	21,01,219	2.38
	Increase/ Decrease	4,29,975	0.09	4,29,975	0.09
	At the end of the year	25,31,194	2.47	25,31,194	2.47
7	Swaminathan Aiyar				
	At the beginning of the year	6,77,028	0.77	6,77,028	0.77
	Increase/ Decrease	-	-0.11	-	-0.11
	At the end of the year	6,77,028	0.66	6,77,028	0.66
8	Ajay Sharma				
	At the beginning of the year	5,07,000	0.57	5,07,000	0.57
	Increase/ Decrease	-	-0.08	-	-0.08
	At the end of the year	5,07,000	0.49	5,07,000	0.49
9	Aavishkaar Capital Advisors LLP				
	At the beginning of the year	-	-	-	-
	Increase/ Decrease	71,82,603	7.00	71,82,603	7.00
	At the end of the year	71,82,603	7.00	71,82,603	7.00
10	Jayesh Arvind Parekh				
	At the beginning of the year	1,72,033	0.19	1,72,033	0.19
	Increase/ Decrease	-	-0.02	-	-0.02
	At the end of the year	1,72,033	0.17	1,72,033	0.17



(v) Shareholding of Directors & KMP

Sl. No	For Each of the Directors & KMP	Shareholding at the end of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the company	No of shares	% of total shares of the company
1	Milind Ramchandra Nare				
	At the beginning of the year	10,000	0.01	10,000	0.01
	Increase/ Decrease	-	-	-	-
	At the end of the year	10,000	0.01	10,000	0.01
2	Sumantra Banerjee				
	At the beginning of the year	-	-	-	-
	Increase/ Decrease	10,000	0.01	10,000	0.01
	At the end of the year	10,000	0.01	10,000	0.01

V INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total
Indebtedness at the beginning of the financial year				
i) Principal Amount	17,12,33,70,450	1,52,72,58,066	-	18,65,06,28,516
ii) Interest due but not paid	61,40,586	-	-	61,40,586
iii) Interest accrued but not due	11,30,79,746	-	-	11,30,79,746
Total (i+ii+iii)	17,24,25,90,782	1,52,72,58,066	-	18,76,98,48,848
Change in Indebtedness during the financial year				
Additions	1,02,50,75,40,723	1,98,66,54,321	-	1,04,49,41,95,044
Reduction	91,83,57,63,121	1,66,29,75,766	-	93,49,87,38,887
Net Change	10,67,17,77,602	32,36,78,555	-	10,99,54,56,157
Indebtedness at the end of the financial year				
i) Principal Amount	27,68,69,25,302	1,85,04,49,990	-	29,53,73,75,292
ii) Interest due but not paid	78,60,945	-	-	78,60,945
iii) Interest accrued but not due	21,95,82,137	4,86,631	-	22,00,68,768
Total (i+ii+iii)	27,91,43,68,384	1,85,09,36,621	-	29,76,53,05,005

VI REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole time director and/or Manager:

Sl.No	Particulars of Remuneration	Name of the MD/WTD/Manager		Total Amount (in INR)
		MD	WTD	
1	Gross salary	Manoj Kumar Nambiar	-	-
	(a) Salary as per provisions contained in section 17(1) of the Income Tax, 1961.	1,39,84,899	-	1,39,84,899
	(b) Value of perquisites u/s 17(2) of the Income tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-
2	Stock option	1,50,000 options	-	-
3	Sweat Equity	-	-	-
4	Commission as % of profit	-	-	-
5	Others, please specify	-	-	-
	Total (A)	1,39,84,899	-	1,39,84,899
	Ceiling as per the Act			7,70,55,890

B. Remuneration to other directors:

Sl.No	Particulars of Remuneration	Name of the Directors				Total Amount (in INR)
		Matangi Gowrishankar	Sumantra Banerjee	Rajat Mohan Nag	Dinesh Kumar Mittal	
1	Independent Directors					
	(a) Fee for attending board committee meetings	4,40,000	4,00,000	4,00,000	2,00,000	14,40,000
	(b) Commission	15,00,000	10,00,000	10,00,000	25,00,000	60,00,000
	(c) Others, please specify	-	-	-	-	-
	Total (1)	19,40,000	14,00,000	14,00,000	27,00,000	74,40,000
2	Other Non Executive Directors	Vineet Chandra Rai	Anurag Agrawal			
	(a) Fee for attending board committee meetings	-	-	-	-	-
	(b) Commission	25,00,000	15,00,000	-	-	40,00,000
	(c) Others, please specify.	-	-	-	-	-
	Total (2)	25,00,000	15,00,000	-	-	40,00,000
	Total (B)=(1+2)					1,14,40,000
	Total Managerial Remuneration					1,14,40,000
	Overall Ceiling as per the Act					1,54,11,178

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

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		
		CEO	Company Secretary	Chief Financial Officer
1	Gross Salary		Anirudh Singh G Thakur	Milind Nare
	(a) Salary as per provisions contained in section 17(1) of the Income Tax Act, 1961.	-	55,73,857	82,05,789
	(b) Value of perquisites u/s 17(2) of the Income Tax Act, 1961	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income Tax Act, 1961	-	-	-
2	Stock Option	-	36,300 options	57,024 options
3	Sweat Equity	-	-	-
4	Commission as % of profit	-	-	-
5	Others, please specify	-	-	-
	Total (in INR)		55,73,857	82,05,789

VII PENALTIES/PUNISHMENT/COMPOUNDING OF OFFENCES

There was no penalties/punishment/compounding of offences under the Companies Act, 2013 for the year ending March 31, 2019. However, the Company made an application of Compounding with the Reserve Bank of India for its delayed reporting of FDI received in Form FC GPR. The Compounding order was passed by RBI on July 17, 2018 and the matter was settled thereof.



FORM NO. AOC-2

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

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

There were no contracts or arrangements or transactions entered into during the year ended 31st March, 2019, 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 in INR		
Loan taken							
1. Aavishkaar Venture Management Services Pvt. Ltd.	Significant Influence	FY – 2018-19	27th April, 2018 And 24th January, 2019	Not Applicable	1,50,00,00,000		
Loan repaid							
1. Jain Sons Finlease Ltd	Significant Influence	FY – 2018-19			2,68,08,076		
2. Aavishkaar Venture Management Services Pvt. Ltd.					1,50,00,00,000		
Interest paid							
1. Jain Sons Finlease Ltd	Significant Influence	FY – 2018-19			16,11,928		
2. Aavishkaar Venture Management Services Pvt. Ltd.					1,75,19,179		
Professional/business support fee							
1. Aavishkaar Venture Management Services Pvt Ltd.	Significant Influence	FY – 2018-19			31,62,738		
2. Intelicap Advisory Services Pvt. Ltd.					6,92,886		
3. Tribetech Pvt. Ltd.					55,50,495		
Reimbursement of expenses paid							
1. Tribetech Pvt. Ltd.	Significant Influence	FY – 2018-19			3,02,960		
2. Aavishkaar Venture Management Services Pvt Ltd.			3,70,795				
3. Intelicap Advisory Services Pvt. Ltd.			2,63,013				
Reimbursement of expenses received							
1. Tribetech Pvt. Ltd.	Significant Influence	FY – 2018-19	4,25,000				
2. Aavishkaar Venture Management Services Pvt Ltd.			2,51,339				
3. Intelicap Advisory Services Pvt. Ltd.			57,600				

Date: May 15, 2019

Place: Kolkata

For and on behalf of the Board of Directors

MANOJ KUMAR NAMBIAR

Managing Director

Independent Auditor's Report

To the Members of Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited) ('the Company'), which comprise the Balance Sheet as at 31 March 2019, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ('the Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Accounting Standards prescribed under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended), of the state of affairs of the Company as at 31 March 2019, and its profit and its cash flows for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p>Loan to customers – Existence</p> <p>As at 31 March 2019, the gross loan to customers comprises of 90% of the Company's assets. These loans include loans to joint liability groups (JLG), individuals, NBFCs and other retail loans (refer Note 16 of Notes to Accounts of the Financial Statements). Micro finance/retail loans are disbursed by the Company through its Customer Service Representatives ("CSR") spread across 613 branches as at 31 March 2019. Loans to other NBFCs/Corporates are disbursed through head office.</p> <p>The criteria for disbursement of these loans is based upon the qualifying asset norms as prescribed under the Reserve Bank of India ('the RBI') guidelines for sanction of loans, which includes tenure of less than 24 months, loans to be extended towards income generation, assessing that borrower should not be the member of more than one JLG groups and having not borrowed from more than 2 Micro Finance Institutions ('MFIs'). These criteria are verified and accordingly loan is disbursed after the approval of Centralised KYC (Know Your Customer) checking platform (called 'HUB') which has been set up by the Company. Non-qualifying loans are approved after credit evaluation by credit committee.</p> <p>Additionally, in the current year approximately 23% of the qualifying loan disbursements and entire collections are in cash. The Company uses its existing branch network including the CSRs/regional/head offices to disburse and collect cash.</p> <p>As at 31 March 2019, loan to customers constitutes significant part of total assets of the Company and involves significant audit focus towards the inherent susceptibility of cash transactions to fraud, and thus, this matter has been identified as a key audit matter for the current year audit.</p>	<p>Our audit included, but were not limited to, the following procedures:</p> <ul style="list-style-type: none"> • Understanding of the process: Updated our understanding of the process for loan approvals, disbursement, collections of repayment and other related activities, to identify any significant change in the process. • Test of controls: The controls around credit approval ('HUB' approvals) and cash disbursements process were tested for design and operating effectiveness. Further, controls around day-end process of cash management and banking were also tested. The audit team also reviewed the internal audit reports and testing conducted by the management to assess the impact of any observations therein on the audit. • Test of details: The audit team, on a sample basis, checked the loan application forms, related KYC records, credit history of borrowers and evidence of adequate approvals for disbursement of loans. The audit team also conducted field visits and performed the following audit procedures: <ul style="list-style-type: none"> (i) for a selected sample, physically met the customers, checked the loan cards maintained by the customer for collections recorded and balance outstanding and traced the same to the Company's records. (ii) physical verification of cash at branches and ensured compliance of Company's branch cash retention policy, (iii) for a selected sample, evaluated the branch day-end reporting process which includes reporting of closing cash balances, cash collection and cash disbursements. We also traced the day-end cash balance from manual registers and verified necessary approvals of the area manager approval for instances of excess cash withholding. <p>Our results: Based on the above procedures, the carrying value of loans to customers as outstanding as at 31 March 2019 appears to be reasonable.</p>



Independent Auditors' Report of even date to the members of Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited) on the financial statements for the year ended 31 March 2019 (Cont'd)

Impairment of loans to customers – including write offs (refer note 8 and 26)

The allowance for impairment of loans to customers is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management.

The Company records both general and specific allowances, on qualifying assets which is about 86% of the loans to customers outstanding, in accordance with the RBI Master Direction DNBR. PD. 008/03.10.119/2016-17 ('RBI norms'), as mentioned in note (I) of accounting policy given under Note 3 to the financial statements, and assessment of qualitative factors on loan grading respectively. Any change in assumptions could have a material impact on reported earnings.

Loans and advances other than qualifying loans are provided for at the higher of management estimates of future losses and provision required as per the Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

As on 31 March 2019, the company has written off portfolio loans, outstanding for more than 365 days as at that date, based on the management's estimate of future probable losses.

In arriving at future losses management uses assumptions relating to default risk and delay risk across portfolios and across geographies in making appropriate allowances for impairment.

Considering the significance of the above matter to the financial statements and the significant auditor attention required to test such complex accounting estimates, we have identified this as a key audit matter for current year audit.

Our audit included, but were not limited to, the following procedures:

Understanding of the process: Updated our understanding of the management process to identify any impairment indicators that exist with respect to outstanding loans to customers as at year end and the process for measurement of such impairment provisions, where required.

Test of controls: Tested the design and operating effectiveness of controls established over monitoring and accounting for overdue loans which include:

- IT application controls over the identification and calculation of overdue loans.
- Internal controls around monitoring and recovering the overdue amounts
- Review controls around calculation and creation of impairment provision
- Governance controls relating to loan downgrading, including the continuous re-assessment of the appropriateness of assumptions used in creating the impairment allowance.
- Controls over identification of early mortality cases and provisions required for such cases

Test of details: Key aspects of our testing involved the following procedures:

- Tested classification of the overdue accounts, on a sample basis
- Tested information technology driven extraction and calculation of provision, ensuring compliance with the RBI norms and management policies
- Tested the historical accuracy of the impairment provisions made in the prior periods
- On a sample basis, tested the reasonableness of future cash flows projected for customers with past due loans (impaired portfolio) by inspecting the methodology and tracing it to source documents such as past collection history from such customers.

Our results: Based on above procedures, we found the impairment allowances made for loans to customers appear to be reasonable.

Complex Information Technology ('IT') environment:

The Company is dependent on their IT system (FIS software) for recording customer's operational data, supporting their business processes, ensuring complete and accurate processing of financial transactions and supporting the overall internal control framework. This system is maintained by FIS Payment Solutions ("FIS") which acts as technology partner for implementing an end-to-end banking solution, infrastructure and network components. Their scope includes customer information management, user management and role-based access control. Many of the Company's internal controls over financial reporting are dependent on automated application level controls. The completeness and integrity of the system generated reports are dependent on appropriate functioning of the IT systems.

FIS software is a complex IT system which runs on a mobility platform and is used for recording all disbursements and collections, identification and tagging of pledged loans to customers and calculating interest income and overdue days. Currently, the Company has approximately 19 Lacs customers, spread across 613 branches within India.

Accordingly, considering the pervasive impact of the IT system on the financial statements and testing of such IT systems and related controls being the most significant aspect of our audit strategy, we have determined the same as a key audit matter.

Our audit procedures included testing of IT General Controls (ITGCs) and IT Application Level Controls (ITACs) implemented by the management in the IT system with the help of auditor's experts.

Key aspects of the ITGC testing involved, but were not limited to, the following audit procedures:

- Evaluated the appropriateness of controls for security governance to protect systems and data from unauthorised use, including logging of security events and evaluation of vulnerabilities.
- Evaluate whether Company has sufficient control for log capturing, review and follow up action.
- Evaluated management processes for modifications to the IT environment including monitoring and authorization of such modifications. Tested changes made to the IT system that involved significant impact on financial reporting.
- Testing of segregations of duties controls around program maintenance, security administration and key business processes.
- Assessed of the appropriateness of IT system job scheduling and alert configuration capabilities.
- Tested the process and controls implemented for user access management, including granting, change and removal of access to systems and operations. Evaluated the appropriateness of processes and tools to ensure availability of data as per user requests and business requirements, including data back-up and restoration plans of the Company.
- Where deficiencies were identified, we tested compensatory mitigating controls along with additional substantive procedures.

Key aspects of the IT application level controls testing involved, but were not limited to, the following audit procedures:

- Identification and understanding of systems used by the Company to maintain security access to financial applications
- Evaluated segregation of incompatible duties relevant to security administration
- Test access set up and change procedures
- Test automated controls on key financial applications including interest calculation, overdue days identification etc.

Our results: Based on the above procedures, the IT general controls and IT application level controls implemented by the management appear to be reasonable.

Independent Auditors' Report of even date to the members of Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited) on the financial statements for the year ended 31 March 2019 (Cont'd)

Information other than the Financial Statements and Auditor's Report thereon

6. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

7. 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 and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended). This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

8. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

9. 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

10. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

11. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system 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.



Independent Auditors' Report of even date to the members of Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited) on the financial statements for the year ended 31 March 2019 (Cont'd)

• 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.

12. 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.

13. 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.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. As required by section 197(16) of the Act, we report that the Company has paid remuneration to its directors during the year in accordance with the provisions of and limits laid down under section 197 read with Schedule V to the Act.

16. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure A, a statement on the matters specified in paragraphs 3 and 4 of the Order.

17. Further to our comments in Annexure A, as required by Section 143(3) of the Act, we report that:

a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b. in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

c. the financial statements dealt with by this report are in agreement with the books of account;

d. in our opinion, the aforesaid financial statements comply with the Accounting Standards prescribed under section 133 of the Act, read with rule 7 of the Companies (Accounts)

Rules, 2014 (as amended);

e. on the basis of written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2019 from being appointed as a director in terms of Section 164(2) of the Act;

f. we have also audited the internal financial controls over financial reporting (IFCoFR) of the Company as on 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 15 May 2019 as per Annexure B expressed our unmodified opinion on adequacy and operative effectiveness of internal controls over financial reporting; and

g. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

i. the Company, as detailed in Note 33 to the financial statements, has disclosed the impact of pending litigations on its financial position;

ii. the Company did not have any long-term contracts including derivatives contract for which there were any material foreseeable losses;

iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company; and

iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016 which are not relevant to these financial statements. Hence, reporting under this clause is not applicable.

For Walker Chandiook & Co LLP

Chartered Accountants

Firm Registration No.: 001076N/N500013

Anamitra Das

Partner

Membership No.: 062191

Place: Kolkata

Date: 15 May 2019

Annexure A to the Independent Auditor's Report of even date to the members of Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited), on the financial statements for the year ended 31 March 2019.

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The Company has a regular program of physical verification of its fixed assets under which fixed assets are verified in a phased manner over a period of three years, which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) The Company does not hold any immovable property (in the nature of 'fixed assets'). Accordingly, the provisions of clause 3(i)(c) of the Order are not applicable.

(ii) The Company does not have any inventory. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.

(iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

(iv) According to the information and explanations given to us and on the basis of our examination of the records of the Company, the Company has not undertaken any transaction in respect of loans, guarantees and security covered under section 185 of the Act. In our opinion, the Company has not undertaken any transaction in respect of investments, guarantees and security covered under section 186 of the Act. Further, in our opinion, the Company has complied with the provisions of section 186 of the Act in respect of loans given.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) The Central Government has not specified maintenance of cost records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess, goods and service tax and other material statutory dues as applicable, have generally been regularly deposited to the appropriate authorities, though there has been a slight delay in a few cases. Further, no undisputed amounts payable in

respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

(b) The dues outstanding in respect of income-tax, sales-tax, service tax, duty of customs, duty of excise and value added tax on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (₹ lacs)	Amount paid under protest (₹ lacs)	Period to which the amount relates	Forum where dispute is pending
The Income-tax Act, 1961	Income Tax	6.18	Nil	AY 2012-13	Income Tax Appellate Tribunal
The Income-tax	Income Tax	22.89	11.52	AY 2014-15	Commissioner of Income Tax (Appeals)

(viii) The Company has not defaulted in repayment of loans or borrowings to any bank or any dues to debenture-holders during the year. The Company has no loans or borrowings payable to any financial institution or government.

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments). In our opinion, the Company has applied the term loans for the purposes for which these were raised.

(x) According to the information and explanations given to us, we report that no material fraud by the Company or by its employees or officers or by the Company have been noticed or reported during the course of our audit.

(xi) Managerial remuneration has been paid/provided by the Company in accordance with the requisite approvals mandated by the provisions of Section 197 of the Act read with Schedule V to the Act.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with sections 177 and 188 of the Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable accounting standards.

(xiv) During the year, the Company has made private placement of shares. In respect of the same, in our opinion, the Company has complied with the requirement of Section 42 of the Act and the Rules framed thereunder. Further, in our opinion, the amounts so raised have been used for the purposes for which the funds were raised. During the year,



Independent Auditors' Report of even date to the members of Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited) on the financial statements for the year ended 31 March 2019 (Cont'd)

the Company did not make preferential allotment of shares/fully/partly convertible debentures.

(xv) In our opinion, the Company has not entered into any non-cash transactions with the directors or persons connected with them covered under Section 192 of the Act.

(xvi) The Company is required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934 and such registration has been obtained by the company.

For Walker Chandiok & Co LLP

Chartered Accountants

Firm Registration No.: 001076N/N500013

Anamitra Das

Partner

Membership No.: 062191

Place: Mumbai

Date: 15 May 2019

Annexure B to the Independent Auditor's Report of even date to the members of Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited), on the financial statements for the year ended 31 March 2019

Independent Auditor's report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")

1. In conjunction with our audit of the financial statements of Arohan Financial Services Limited (formerly Arohan Financial Services Private Limited) ("the Company") as of and for the year ended 31 March 2019, we have audited the internal financial controls over financial reporting (IFCoFR) of the company of as that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India ("ICAI"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the company's business, including adherence to 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

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing, issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR included obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of IFCoFR, 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 IFCoFR to future periods are subject to the risk that IFCoFR may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by the ICAI.

For Walker Chandiook & Co LLP

Chartered Accountants

Firm's Registration No.: 001076N/N500013

Anamitra Das

Partner

Membership No.: 062191

Place: Kolkata

Date: 15 May 2019



Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)
Balance Sheet as at 31 March 2019 (All amounts in ₹ unless otherwise stated)

	Notes	Year ended 31 March 2019	Year ended 31 March 2018
Equity and liabilities			
Shareholders' funds			
Share capital	4	1,01,16,14,080	88,22,43,530
Reserves and surplus	5	5,80,05,77,607	2,91,62,10,191
		6,81,21,91,687	3,79,84,53,721
Non-current liabilities			
Long-term borrowings	6	12,95,35,06,081	9,06,25,10,576
Other long-term liabilities	7	13,84,35,163	4,11,71,927
Long-term provisions	8	31,19,83,853	28,68,09,359
		13,40,39,25,097	9,39,04,91,862
Current liabilities			
Short-term borrowings	6	2,42,75,67,330	2,34,16,61,075
Trade payables	9		
Total outstanding dues of micro enterprises and small enterprises		-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises		-	-
Other current liabilities	10	15,82,42,42,157	8,00,05,73,856
Short-term provisions	8	16,52,33,157	1,04,38,270
		18,41,70,42,644	10,35,26,73,201
Total		38,63,31,59,428	23,54,16,18,784
Assets			
Non-current assets			
Property, plant and equipment - tangible assets	12	6,01,04,779	4,99,20,513
Intangible assets	13	5,70,37,105	5,34,11,627
Intangible asset under development		5,28,650	-
Non-current investments	14	5,00,000	5,00,000
Deferred tax assets (net)	15	11,51,47,340	7,85,10,734
Loan to customers	16	9,14,89,77,501	4,52,31,15,161
Long-term loans and advances	17	3,96,27,910	99,62,004
Other non-current assets	18	59,27,74,391	49,60,39,677
		10,01,46,97,676	5,21,14,59,716
Current assets			
Current investments	14	-	1,58,296
Cash and bank balances	19	2,07,78,41,106	1,77,90,33,776
Loan to customers	16	25,75,44,92,577	16,05,23,71,725
Short-term loans and advances	17	16,61,22,646	13,37,64,386
Other current assets	20	62,00,05,423	36,48,30,885
		28,61,84,61,752	18,33,01,59,068
Total		38,63,31,59,428	23,54,16,18,784

Notes 1 to 40 form an integral part of these financial statements.

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

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

Anamitra Das
Partner
Membership No. 062191

Place: Kolkata
Date: 15 May 2019

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

Manoj Kumar Nambiar
Managing Director
(DIN: 03172919)

Anirudh Singh G Thakur
Company Secretary

Place: Kolkata
Date: 15 May 2019

Anurag Agrawal
Director
(DIN: 02385780)

Milind Nare
Chief Financial Officer

Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Statement of Profit and Loss for the year ended 31 March 2019 (All amounts in ₹ unless otherwise stated)

	Notes	Year ended 31 March 2019	Year ended 31 March 2018
Revenue			
Revenue from operations	21	6,31,02,80,283	3,21,68,94,126
Other income	22	3,62,14,963	5,32,81,738
Total revenue		6,34,64,95,246	3,27,01,75,864
Expenses			
Employee benefits expense	23	1,17,38,50,334	69,15,80,868
Finance costs	24	2,53,60,60,075	1,23,57,44,000
Depreciation and amortisation expense	25	4,09,61,313	3,04,83,995
Provisions and write offs	26	40,69,37,692	48,55,42,462
Other expenses	27	65,65,96,357	37,26,42,010
Total expenses		4,81,44,05,771	2,81,59,93,335
Profit before tax		1,53,20,89,475	45,41,82,529
Tax expense			
Current tax		45,85,24,667	20,26,04,393
Tax reversal for earlier periods		(1,05,50,358)	(9,97,617)
Deferred tax credit		(3,66,36,606)	(4,40,85,863)
Total tax expenses		41,13,37,703	15,75,20,913
Profit for the year		1,12,07,51,772	29,66,61,616
Earnings per equity share [EPES]	34		
Nominal value per share		10.00	10.00
Basic		12.30	3.35
Diluted		12.27	3.35
Notes 1 to 40 form an integral part of these financial statements.			

This is the Statement of Profit and Loss referred to in our report of even date

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

Anamitra Das
Partner
Membership No. 062191

Place: Kolkata
Date: 15 May 2019

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

Manoj Kumar Nambiar
Managing Director
(DIN: 03172919)

Anirudh Singh G Thakur
Company Secretary

Place: Kolkata
Date: 15 May 2019

Anurag Agrawal
Director
(DIN: 02385780)

Milind Nare
Chief Financial Officer



Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)
Cash Flow Statement for the year ended 31 March 2019 (All amounts in ₹ unless otherwise stated)

		Year ended 31 March 2019	Year ended 31 March 2018
Cash flows from operating activities			
Profit before tax		1,53,20,89,475	45,41,82,529
Adjustments to reconcile profit before tax to net cash flows:			
Depreciation and amortisation expenses		4,09,61,313	3,04,83,995
Provisions and write offs		40,69,37,692	48,55,42,462
Loss on foreign exchange fluctuation		-	6,364
Liabilities written back		-	(4,03,099)
Employee stock option compensation		1,47,122	19,87,222
Gain on sale of investments		(94,56,122)	(2,10,73,824)
Loss/ (gain) on sale of property, plant and equipment		1,048	(1,46,479)
Operating profit before working capital changes		1,97,06,80,528	95,05,79,170
Adjustment for changes in working capital:			
Increase in loans to customers		(14,58,11,33,285)	(11,58,55,25,115)
(Increase) / decrease in long-term loans and advances		18,87,298	(49,51,485)
Increase in short-term loans and advances		(3,23,58,260)	(7,06,77,397)
(Increase)/decrease in other non-current assets		(3,07,69,403)	2,48,53,769
Increase in other current assets		(25,51,74,538)	(13,94,99,208)
Increase in long-term provisions		5,90,38,704	9,27,60,920
Decrease in short-term provisions		(3,28,56,922)	(7,75,10,973)
(Increase)/decrease in margin money deposit (net)		(21,20,44,699)	4,88,82,651
Increase in other liabilities		1,01,17,68,175	36,67,44,975
Cash used in operating activities		(12,10,09,62,402)	(10,39,43,42,693)
Income taxes paid (net of refunds)		(47,95,27,513)	(19,69,38,885)
Net cash used in operating activities	(A)	(12,58,04,89,915)	(10,59,12,81,578)
Cash flows from investing activities			
Purchase of property, plant and equipment		(3,43,60,175)	(3,80,63,402)
Purchase of intangible assets		(1,92,38,515)	(1,45,40,120)
Proceeds from sale of property, plant and equipment		43,847	3,58,060
Proceeds from purchase and sale of investments (net)		96,14,415	2,10,73,824
Net cash used in investing activities	(B)	(4,39,40,428)	(3,11,71,638)

Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)**Cash Flow Statement for the year ended 31 March 2019** (All amounts in ₹ unless otherwise stated)

		Year ended 31 March 2019	Year ended 31 March 2018
Cash flows from financing activities			
Proceeds from issue of equity shares		1,93,58,55,453	10,01,525
Share issue expenses		(4,30,16,381)	-
Proceeds from long-term borrowings		20,96,22,80,000	13,65,42,50,000
Repayment of long-term borrowings		(10,16,14,39,478)	(4,93,35,69,281)
Proceeds from short-term borrowings (net)		8,59,06,255	1,64,09,21,844
Net cash generated from financing activities	(C)	12,77,95,85,851	10,36,26,04,088
Net increase/(decrease) in cash and cash equivalents (A+B+C)		15,51,55,508	(25,98,49,128)
Cash and cash equivalents as at the beginning of the year		1,58,61,20,229	1,82,68,22,487
Add: Increase in cash and cash equivalents due to amalgamation		-	1,91,46,870
Cash and cash equivalents as at the end of the year (refer note 1)		1,74,12,75,737	1,58,61,20,229
Note 1:			
Cash and bank balances (Note 19)		2,07,78,41,106	1,77,90,33,776
Less: Other bank balances		33,65,65,369	19,29,13,547
Cash and cash equivalents considered for cash flow		1,74,12,75,737	1,58,61,20,229

This is the Cash Flow Statement referred to in our report of even date.

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

Anamitra Das
Partner
Membership No. 062191

Place: Kolkata
Date: 15 May 2019

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

Manoj Kumar Nambiar
Managing Director
(DIN: 03172919)

Anirudh Singh G Thakur
Company Secretary

Place: Kolkata
Date: 15 May 2019

Anurag Agrawal
Director
(DIN: 02385780)

Milind Nare
Chief Financial Officer



Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited) Summary of significant accounting policies and other explanatory information

1. Corporate information

Arohan Financial Services Limited ("the Company" or "Arohan") is a company incorporated in India and registered 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.

As an NBFC-MFI with headquarter in Kolkata, Arohan mainly operates in the low income states of Bihar, Jharkhand, Odisha, Assam, West Bengal, Chattisgarh, Meghalaya, Uttar Pradesh, Madhya Pradesh etc. The Company is primarily engaged in providing micro-credit services to socio-economically disadvantaged customers un-reached by the formal banking systems and other allied services such as distribution of insurance and pension products.

2. Basis of preparation

The financial statements are prepared under historical cost convention in accordance with the generally accepted accounting principles in India ("Indian GAAP") and comply in all material respects with the mandatory Accounting Standards ("AS") prescribed under section 133 of the Companies Act, 2013 ("the Act") read with Rule 7 of the Companies (Accounts) Rules, 2014, Companies (Accounting Standards) Amendment Rules 2016 and with the relevant provisions of the Act, pronouncements of the Institute of Chartered Accountants of India ("ICAI") and guidelines issued by the RBI as applicable to a NBFC-MFI Systemically Important Non Deposit taking Company (Reserve Bank) directions 2016 (as amended). The financial statements have been prepared on an accrual basis except for interest on non-performing loan assets which are accounted on cash basis based on the guidelines issued by the RBI from time to time. The accounting policies applied by the Company are consistent with those used in the prior period.

All assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Act. Based on the nature of work, the Company has ascertained its operating cycle as up to twelve months for the purpose of current and non-current classification of assets and liabilities.

3. Significant Accounting Policies

a) Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as at the date of the financial statements and reported amounts of income and expenses during the period. Examples of such estimates include provisions for doubtful loans and advances, future obligations under employee retirement benefit plans, income taxes and the useful lives of property, plant and equipment.

Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

b) Property, plant and equipment - tangible assets

Property, plant and equipment ('PPE') are stated at cost, net of accumulated depreciation. The cost of an asset comprises its purchase price and any cost directly attributable for bringing the asset to its working condition and location for its intended use.

c) Intangible assets

Intangible assets are stated at cost of acquisition less accumulated amortization.

d) Depreciation/Amortization

Depreciation on PPE is provided on straight line method over the useful lives of assets prescribed under Schedule II of the Act. In respect of additions, depreciation is provided on pro-rata basis from the date of acquisition/installation. Written down value of all assets acquired prior to 01 April 2014 are being depreciated over their remaining useful life as prescribed in Schedule II of the Act. Computer software expenditure is amortized over a period of 5 years on straight line method.

e) Impairment of property, plant and equipment and intangible assets

The Company assesses at each balance sheet date 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. 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 recognized in the Statement of Profit and Loss in assessing value in use the estimated future cashflows are discounted to their present value using a pre tax discount rate that reflects current market assessments of time value of money and the risk specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life. If at the balance sheet date there is an indication that a previously assessed impairment loss no longer exists then the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of depreciated historical cost.

f) Investments

Investments that are readily realizable and intended to be held for not more than a year and current maturities of long-term investments are classified as current investments. All other investments are classified as long-term investments. Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However provision for diminution in value is made to recognize a decline other than temporary in the value of the long-term investments.

g) Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the collectability is reasonably assured.

1) Interest on loans given is recognized on accrual basis at agreed interest rates, except in the case of Non-Performing Assets ("NPAs"), where interest is recognized upon realization, in accordance with the RBI guidelines.

2) Loan processing fees income is recognized over the period of the loan on a straight-line basis.

Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited) Summary of significant accounting policies and other explanatory information

3) Interest income on deposits with banks is recognized in time proportion basis taking into account the amount outstanding and the rate applicable.

4) Profit/loss on sale of investments is computed on the basis of weighted average cost of investments and recognized at the time of actual sale/redemption.

5) Securitization and direct assignment of loan portfolio

Profit / premium arising at the time of securitization of loan portfolio is amortized over the life of the underlying loan portfolio / securities and any loss arising therefrom is accounted for immediately. Income from interest strip (excess interest spread) is recognized in the Statement of Profit and Loss account net of any losses when collected in cash.

6) Acquisition of Assets through Direct Assignment of Cash Flows

Premium paid on purchased loans are amortized on straight line basis over the tenure of the loans. Discount on the purchased loans are accounted for on proportionate basis over the tenure of the loans in accordance with the repayment schedule. Interest retained under assignment of loan receivables is recognised on realisation basis over the life of the underlying portfolio.

7) Grants are recognized where there is reasonable assurance that the enterprise will comply with the conditions attached to them; and where such benefits have been earned by the enterprise and it is reasonably certain that the ultimate collection will be made. When the grant of subsidy related to revenue is income on systematic basis in the Statement of Profit and Loss over the period necessary to match them with the related cost, which are intended to compensate. Such grants are shown as other income.

8) All other income is recognised on an accrual basis.

h) Taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961. Deferred income taxes reflect the impact of timing differences between taxable income and accounting income for the period and reversal of timing differences of earlier periods.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax liability are recognised for all taxable timing differences. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is a virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

Unrecognized deferred tax assets of earlier years are re-assessed and recognized to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realized. The carrying amount of deferred tax assets are reviewed at each balance sheet date.

The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes

reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

i) Asset classification and provisioning

Loan asset classification of the Company is given in the table below:

Particulars	Criteria
Standard asset	The asset in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem nor carry more than normal risk attached to the business.
Non-performing asset	An asset for which, interest/principal payment has remained overdue for a period of 90 days or more

Provision for loan portfolio

Provision for loan portfolio has been made in accordance with the provisioning requirements for NBFC-MFI issued by the RBI vide its circular no. DNBR.(PD) CC.No.008/03.10.119/2016-17 dated 1 September 2016 (as amended), which requires the minimum provision for qualifying portfolio to be higher of (i) 1% of the outstanding loan portfolio or (ii) 50% of the aggregate loan instalments which are overdue for more than 90 days and less than 180 days and 100% of the aggregate loan instalments which are overdue for 180 days or more and management estimates of future losses, whichever is higher.

Loans and advances other than qualifying portfolio loans are provided for at the higher of management estimates and provision required as per the Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (as amended), ("the Master Directions").

Loans write off

Under the following circumstances, loans are written off:

- a) Under extra-ordinary circumstances such as the death of a customer who has not received life insurance coverage or his/her spouse and/or any other incident where in the opinion of the management, the loan amount is not recoverable.
- b) Where the balance outstanding at the time of closure of loan is insignificant and in the opinion of the management, the cost of collection is not economically viable.
- c) All loss assets as identified in terms of the Master Directions.

j) Earnings per equity share

Basic earnings per equity share is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. For the purpose of diluted earnings per equity share, the net profit or loss for the year 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.

k) Employee benefits:

Provident fund

The Company contributes to the provident fund maintained by the Regional Provident Fund Commissioner, in accordance with Employees Provident Fund and Miscellaneous Provisions Act, 1952. The plan is a defined contribution plan and contribution paid or payable is recognized as an expense in the period in which services are rendered by the eligible employees.



Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited) Summary of significant accounting policies and other explanatory information

Leave Encashment

Provision for compensated absences is made on the basis of actuarial valuation as at the Balance Sheet date. The actuarial valuation is carried out using the projected unit credit method. Actuarial losses/gains are recognized in the Statement of Profit and Loss in the year in which they arise.

Gratuity

Gratuity is a post-employment defined benefit plan. An independent actuary, using the projected unit credit method calculates the defined benefit obligation annually. Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are credited or charged to the statement of profit and loss in the period in which such gains or losses arises.

Employee state insurance

The Company contributes to the Employees State Insurance Fund maintained by the state authorities, in accordance with Employees State Insurance Act, 1948. The plan is a defined contribution plan and contribution paid or payable is recognized as an expense on accrual basis. There are no other obligations of the Company other than the contributions made to the funds

Employee share based payments

Recognition, measurement and disclosures relating to employee stock compensation is done in accordance with the Guidance Note on Accounting for Employee Share-based Payments ("the Guidance Note"), issued by the ICAI. The Company uses intrinsic value method for the purposes of measurement of compensation cost and the fair value method for the purposes of additional disclosures in the financial statements. An independent valuer determines the intrinsic value of the underlying shares as on the date of the grant and compensation expenses, where applicable, are recognized as deferred employee stock compensation and is charged to Statement of profit and loss using the straight line method over the vesting period.

Termination benefit

The Company recognizes termination benefit as a liability and an expense when the Company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

l) Provisions, contingent liabilities and contingent assets

- A provision is recognized when there is a present obligation as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and in respect of which reliable estimate can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources would be required to settle the obligation, the provision is reversed.
- A disclosure for a contingent liability is made when there is a possible obligation or a present obligation but probably will not require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood on outflow of resources is remote, no provision or disclosure is made.
- Contingent assets are not recognized in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognized in the period in which the change occurs.

m) Leases

Finance leases, which effectively transfer to the Company substantially all the risks and benefits incidental to ownership of

the leased item, are capitalized at the lower of the fair values of the leased property and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are recognized as finance costs in the Statement of Profit and loss. Lease management fees, legal charges and other initial direct costs are capitalized. A leased asset is depreciated on a straight line basis over the useful life of the asset. However, if there is no reasonable certainty that the company will obtain the ownership by the end of the lease term, the capitalized asset is depreciated on a straight-line basis over the shorter of the estimated useful life of the asset or the lease term. Leases where the lessor effectively retains, substantially all the risks and benefits of ownership of the leased item, are classified as operating leases. Operating lease payments are recognized as an expense in the Statement of Profit and Loss on straight-line basis over the lease term.

n) Transactions in foreign currency

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction. Foreign currency monetary items are reported using the year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.

Exchange differences arising on the settlement of monetary items or on reporting monetary items of Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

o) Borrowing costs

Interest on borrowing is recognized on a time proportion basis taking into account the amount outstanding and the rate applicable on the borrowing. Ancillary expenditure incurred in connection with the arrangement of borrowings is amortized over the tenure of the respective borrowings. Unamortized borrowing cost remaining, if any, is fully expensed off as and when the related borrowing is prepaid /cancelled.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash and deposit with banks. The Company considers all highly liquid investments with an original maturity at the date of purchase of three months or less and that are readily convertible into known amounts of cash to be cash equivalents.

Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

4	Share capital	As at 31 March 2019		As at 31 March 2018	
		Number	Amount	Number	Amount
	Authorised share capital				
	Equity shares of ₹ 10 each	11,24,53,320	1,12,45,33,200	11,24,53,320	1,12,45,33,200
		11,24,53,320	1,12,45,33,200	11,24,53,320	1,12,45,33,200
	Issued, subscribed and fully paid up				
	Equity shares of ₹ 10 each [refer note (a) below]	10,26,73,916	1,02,67,39,160	8,84,65,353	88,46,53,530
	Less: Amount recoverable from ESOP trust	(15,12,508)	(1,51,25,080)	(2,41,000)	(24,10,000)
		10,11,61,408	1,01,16,14,080	8,82,24,353	88,22,43,530
(a)	Reconciliation of Equity Share Capital	31 March 2019		31 March 2018	
		Number	Amount	Number	Amount
	Equity shares of ₹ 10 each				
	Balance at the beginning of the year	8,84,65,353	88,46,53,530	8,25,62,368	82,56,23,680
	Less : Cancellation pursuant to the Scheme [refer Note (e) below]	-	-	(1,80,67,494)	(18,06,74,940)
	Add : Shares issued pursuant to the Scheme [refer Note (e) below]	-	-	2,39,70,479	23,97,04,790
	Add : Issued during the year (*)	1,42,08,563	14,20,85,630	-	-
	Balance at the end of the year	10,26,73,916	1,02,67,39,160	8,84,65,353	88,46,53,530

(*) The Company during the year has issued 1,28,58,563 equity shares of ₹ 10 each on a private placement basis. Details of the issued shares are as follows:

Shareholders	No of shares	Issue price	Amount (₹)
Aavishkaar Venture Management Services Private Limited	30,34,685	146.81	44,55,22,105
Aavishkaar Venture Management Services Private Limited	9,21,375	162.80	14,99,99,850
Aavishkaar Capital Advisors LLP	71,82,603	146.81	1,05,44,77,946
Maj Invest Financial Inclusion Fund II	8,59,950	162.80	13,99,99,860
TR Capital III Mauritius	4,29,975	162.80	6,99,99,930
Rajesh Sachdeva	4,29,975	162.80	6,99,99,930

Further, the Company has also issued 6,00,000 and 7,50,000 equity shares of ₹ 10 each to Arohan ESOP trust at a premium of ₹ 120 and ₹ 152.80 each respectively for a total consideration of ₹ 7,80,00,000 and ₹ 12,21,00,000 respectively under the Arohan ESOP Scheme 2018 which has been netted off from issued share capital and securities premium as per the Guidance Note issued by ICAI.

(b) Terms and rights attached:

Equity Shares: The Company has only one class of equity shares having a par value of ₹10 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees, if any. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing general meeting. During the current financial year the company has not proposed/declared any dividend. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) No additional shares were allotted as fully paid-up by way of bonus shares or pursuant to contract without payment being received in cash during the last five years. Further, none of the shares were bought back by the Company during the last five years.

(d)	Details of shareholders holding more than 5% paid-up capital	31 March 2019		31 March 2018	
		Number	%	Number	%
	Equity shares of ₹ 10 each				
	Aavishkaar Goodwill India Microfinance Development Company II Limited	1,85,39,529	18.06%	1,85,39,529	20.96%
	Tano India Private Equity Fund II	1,69,14,279	16.47%	1,69,14,279	19.12%
	Maj Invest Financial Inclusion Fund II	1,54,01,267	15.00%	1,45,41,317	16.44%
	Aavishkaar Venture Management Services Private Limited	1,30,99,380	12.76%	91,43,320	10.34%
	Intellectual Capital Advisory Services Pvt Ltd	1,23,54,499	12.03%	1,23,54,499	13.97%
	TR Capital III Mauritius	97,18,722	9.47%	92,88,747	10.50%
	Aavishkaar Capital Advisors LLP	71,82,603	7.00%	-	-



Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

(e) Scheme of Arrangement

Pursuant to a Scheme of Arrangement ("the Scheme") under section 230 to 232 of the Act, sanctioned by the National Company Law Tribunal ("NCLT"), Kolkata Bench vide its order dated 26 March 2018 and NCLT, Mumbai Bench vide its order dated 09 March 2018, Intellectash Microfinance Network Company Private Limited ("Transferor Company") merged with Arohan Financial Services Private Limited ("Transferee Company") with effect from 1 April 2017 ("Appointed Date"). The Scheme came into effect on 28 March 2018, the day on which both the order of the NCLT, Kolkata and Mumbai Bench were delivered to the Registrar of Companies.

The investment held in the Transferee Company by the Transferor Company (1,80,67,494 equity shares of ₹ 10 each) have been cancelled (securities premium adjusted ₹ 5,66,79,154). The Transferee Company has issued 2.1344 equity shares for every 1 share held in the Transferor Company to the shareholders of the Transferor Company aggregating to 2,39,70,479 equity shares of ₹ 10 each.

(f) Employee stock option scheme ("ESOP Scheme")

Arohan ESOP Trust ("ESOP Trust") was formed on 19 March 2010 to promote participation of the eligible employees of the Company in the ownership and growth of the Company and to confer on them certain welfare benefits through the implementation of the welfare schemes. Pursuant to the shareholder's approval in the meeting held on 15 March 2010 and 27 April 2018 (empowering the Board to take any further decisions with regard to ESOP schemes), the Board is authorized to issue employee stock options, that are exercisable into not more than 21,75,000 equity shares of the Company to eligible employees and has extended interest free loan to ESOP Trust under the Scheme to provide financial assistance to its employees to purchase equity shares of the Company under such the Scheme.

	ESOP 2013 (Revised)	ESOP 2017	ESOP 2018
Date of Grant	1 July 2014	29 August 2017	16 May 2018
Date of Board approval	29 April 2014	19 May 2017	27 April 2018
Number of options granted	2,86,992	2,29,280	5,97,264
Method of settlement	Equity	Equity	Equity
Vesting period	12 months from date of Grant	12 months from date of Grant	36 months from date of Grant

The exercise price and remaining contractual life of the ESOP Scheme are as follows:

	31 March 2019	31 March 2018
ESOP 2017		
Exercise price	84.70	84.70
Weighted average remaining contractual life (in years)	-	0.41
ESOP 2018		
Exercise price	130.00	-
Weighted average remaining contractual life (in years)	2.13	-

Reconciliation of stock options:	ESOP 2013 (Revised)	ESOP 2017	ESOP 2018
Outstanding as at 1 April 2014	-	-	-
Stock option issued during the year	2,37,500	-	-
Exercised and vested	-	-	-
Forfeited	5,000	-	-
Outstanding as at 31 March 2015	2,32,500	-	-
Stock option issued during the year	-	-	-
Exercised and vested	47,500	-	-
Forfeited/lapsed	10,000	-	-
Outstanding as at 31 March 2016	1,75,000	-	-
Stock option issued during the year	-	-	-
Exercised and vested	1,35,000	-	-
Forfeited/lapsed	5,000	-	-
Outstanding as at 31 March 2017	35,000	-	-
Stock option issued during the year	49,492	2,29,280	-
Exercised and vested	35,000	-	-
Forfeited/lapsed	-	-	-
Outstanding as at 31 March 2018	49,492	2,29,280	-
Stock option issued during the year	-	-	5,97,264
Exercised and vested	48,492	30,000	-
Forfeited/lapsed	1,000	24,000	54,000
Outstanding as at 31 March 2019	-	1,75,280	5,43,264

Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

5. Reserves and surplus	As at 31 March 2019	As at 31 March 2018
i) Securities premium reserve		
Balance at the beginning of the year	2,04,41,70,070	2,05,46,71,489
Add: Additions pursuant to the Scheme [refer Note 4(e)]	-	17,87,20,839
Add : Premium received on shares issued during the year	1,99,17,55,333	4,76,525
Less: Adjusted pursuant to the Scheme [refer Note 4(e)]	-	(18,40,78,484)
Add: Transferred from shares options outstanding account	22,21,245	3,93,225
Less: Amount recoverable from ESOP trust	(18,52,70,430)	(60,13,524)
Less: Share issue expense	(4,30,16,381)	-
Balance at the end of the year	3,80,98,59,837	2,04,41,70,070
ii) Share options outstanding account		
Balance at the beginning of the year	20,74,123	4,80,126
Add : Amount recorded on grants during the year	1,91,026	21,78,248
Less : Grants forfeited during the year	(43,904)	-
Less : Transferred to securities premium reserve	(22,21,245)	(3,93,225)
Less : Deferred stock compensation expense	-	(1,91,026)
Balance at the end of the year	-	20,74,123
iii) Statutory reserve		
Balance at the beginning of the year	20,28,26,787	13,22,28,414
Add: Additions pursuant to the Scheme [refer Note 4(e)]	-	1,12,66,050
Add : Transfer from Statement of Profit and Loss (*)	22,41,50,354	5,93,32,323
Balance at the end of the year	42,69,77,141	20,28,26,787
(*) In accordance with the provision of Section 45-IC of the Reserve Bank of India Act, 1934, the Company has transferred 20% of the profit after tax to the Statutory Reserve.		
iv) General reserve		
Balance at the beginning of the year	80,27,029	80,27,029
Less : Adjustment made during the year	-	-
Balance at the end of the year	80,27,029	80,27,029
v) Surplus in the Statement of Profit and Loss		
Balance at the beginning of the year	65,91,12,182	39,36,23,446
Add: Additions pursuant to the Scheme [refer Note 4(e)]	-	2,81,59,443
Add : Profit for the year	1,12,07,51,772	29,66,61,616
Less : Transfer to Statutory reserve	(22,41,50,354)	(5,93,32,323)
Balance at the end of the year	1,55,57,13,600	65,91,12,182
Total Reserves and Surplus	5,80,05,77,607	2,91,62,10,191



Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

6	Borrowings	As at 31 March 2019		As at 31 March 2018	
		Long-term	Short-term	Long-term	Short-term
Secured					
	Debentures	61,00,00,000	-	1,14,00,21,787	-
	Term loans				
	From banks	16,63,01,73,488	1,67,50,00,000	9,67,15,45,684	1,84,50,00,000
	From others	8,01,91,84,485	-	3,97,01,41,904	-
	Working capital facility from bank	-	75,25,67,330	-	49,66,61,075
		25,25,93,57,973	2,42,75,67,330	14,78,17,09,375	2,34,16,61,075
Unsecured					
	Debentures	1,10,00,00,000	-	75,00,00,000	-
	Term loan from banks	75,00,00,000	-	25,00,00,000	-
	Term loan from others	-	-	50,00,00,000	-
	Loans from related parties	4,49,990	-	2,72,58,066	-
		1,85,04,49,990	-	1,52,72,58,066	-
	Total borrowings	27,10,98,07,963	2,42,75,67,330	16,30,89,67,441	2,34,16,61,075
	Less: Current maturities of long-term borrowings	14,15,63,01,882	-	7,24,64,56,865	-
	Total	12,95,35,06,081	2,42,75,67,330	9,06,25,10,576	2,34,16,61,075
Current maturities of long-term borrowings					
	Debentures	35,00,00,000	-	21,788	-
	Term loans				
	From Banks	10,66,10,48,196	-	5,26,65,61,834	-
	From Others	3,14,48,03,696	-	1,95,30,65,263	-
	Loans and advances from related parties	4,49,990	-	2,68,07,980	-
		14,15,63,01,882	-	7,24,64,56,865	-

a) Terms and conditions of debentures issued

Name of Debenture Holder	Amount borrowed (₹)	Rate of Interest	Repayment Schedule
Secured debentures			
Blue Orchard Microfinance Fund for Asia (MIFA) Debt Fund SA, SICAV-SIF (Face Value ₹10,00,000)	26,00,00,000	14.30%	Bullet Repayment in April 2020
Hinduja Leyland Finance Limited (Face Value ₹10,00,000)	35,00,00,000	11.49%	Bullet Repayment in December 2019
Unsecured debentures			
IFMR Capital Finance Private Limited (Face Value ₹ 20,00,000)	10,00,00,000	14.25%	Bullet Repayment in September 2022
Debenture Northern Arc (Face Value ₹ 10,00,000)	65,00,00,000	13.50%	Bullet Repayment in April 2025
Northern Arc Capital Limited (Face Value ₹ 10)	35,00,00,000	13.50%	Bullet Repayment in September 2025

b) Terms and conditions of long-term borrowings and nature of security

Term loans from banks and others are secured by way of hypothecation of the outstanding loan portfolio, in addition to the fixed deposits being held as collateral security. The term loans carries interest in the range of 7.35% per annum to 13.75% per annum (31 March 2018 : 7% to 13.5% per annum). Non-convertible debentures issued by the Company are secured by way of first ranking exclusive hypothecation / charge on the owned portfolio of the Company to the extent of security cover ratio of 1.1:1 in favour of the trustees for the benefit of the debenture holders.

c) Terms and conditions of short-term borrowings and nature of security

Short-term secured loans from banks and financial institutions are secured by hypothecation of loan portfolio, in addition to the fixed deposits being held as collateral security and are repayable in 12 or less than 12 monthly installments. The short term loans carry interest in the range of 9.50% per annum to 10.75% per annum (31 March 2018 : 9.50% to 10.35% per annum).

d) There have been no defaults in repayment of debentures or any installments of term loan taken from banks and others.

Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)**Summary of significant accounting policies and other explanatory information** (All amounts in ₹ unless otherwise stated)**e) Repayment details of long-term borrowings are as below:**

Repayment schedule	Interest rate	Non Current		Current	
		No. of installment	Amount	No. of installment	Amount
Term loan from banks					
Monthly repayment schedule	9% to 10%	-	-	11	26,19,04,762
		-	-	6	2,50,00,000
	10% to 11%	-	-	12	15,00,00,000
		5	4,12,08,173	12	10,01,08,757
		-	-	12	5,00,00,000
		-	-	2	38,88,904
		-	-	12	37,50,00,000
		-	-	12	37,50,00,000
		-	-	11	25,00,00,008
		9	10,71,42,857	12	14,28,57,143
		11	7,85,71,429	10	7,14,28,571
		12	5,71,42,857	9	4,28,57,143
		12	1,00,00,00,000	12	1,00,00,00,000
		-	-	7	4,37,50,000
		-	-	8	3,33,33,333
		4	1,66,66,667	12	5,00,00,000
		5	6,04,16,667	12	14,50,00,000
		10	15,62,50,000	12	18,75,00,000
		10	4,58,33,333	12	5,50,00,000
		-	-	1	23,80,952
		-	-	4	95,23,810
		-	-	7	3,33,33,333
		21	29,16,66,667	12	16,66,66,667
		-	-	12	9,50,00,092
		-	-	12	11,00,00,000
		3	3,50,00,000	12	14,00,00,000
		-	-	9	22,50,00,000
		-	-	10	8,33,33,333
	11% to 12%	-	-	3	71,42,864
		-	-	3	5,71,42,858
		12	8,18,89,057	12	8,40,00,000
		-	-	3	1,81,81,820



Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

Repayment schedule	Interest rate	Non Current		Current	
		No. of installment	Amount	No. of installment	Amount
Quarterly repayment schedule	9% to 10%	3	2,50,00,003	4	3,33,33,332
		-	-	4	14,28,57,150
		-	-	3	19,28,57,140
		-	-	2	3,25,00,000
		-	-	4	10,26,25,000
		3	9,98,55,661	4	13,33,33,336
		6	24,99,36,738	4	16,66,63,496
		1	2,50,00,000	4	10,00,00,000
	10% to 11%	3	18,75,00,000	4	25,00,00,000
		2	14,28,57,145	4	28,57,14,284
		4	28,57,14,287	3	21,42,85,713
		4	14,28,57,143	3	10,71,42,857
		3	21,42,85,716	4	28,57,14,284
		1	7,14,28,583	4	32,14,28,571
		2	14,28,57,143	4	28,57,14,286
		3	10,71,42,857	4	14,28,57,143
		4	28,57,14,286	3	21,42,85,714
		4	14,28,57,143	3	10,71,42,857
		4	6,29,00,000	4	6,12,00,000
		4	8,14,00,000	4	7,92,00,000
		4	74,00,000	4	72,00,000
		4	74,00,000	4	72,00,000
		4	1,85,00,000	4	1,80,00,000
		4	74,00,000	4	72,00,000
		3	26,89,80,000	4	35,86,40,000
		2	18,75,00,000	4	37,50,00,000
		1	1,75,73,084	4	7,10,74,356
		-	-	4	30,00,00,000
		-	-	4	20,00,00,000
		2	6,25,00,000	4	12,50,00,000
		4	12,50,00,000	4	12,50,00,000
		-	-	4	12,42,11,003
		6	35,50,00,000	4	23,60,00,000
		14	19,44,44,464	12	16,66,66,656
	11% to 12%	-	-	4	18,50,00,000
		-	-	4	2,00,00,000

Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

Repayment schedule	Interest rate	Non Current		Current	
		No. of installment	Amount	No. of installment	Amount
		-	-	4	6,00,00,000
		1	2,00,00,000	4	8,00,00,000
		2	8,33,33,333	4	16,66,66,667
		4	37,50,00,000	4	37,50,00,000
Bullet repayment schedule					
	11% to 12%	1	25,00,00,000.00	-	-
	13% to 14%	1	50,00,00,000.00	-	-
Total term loan from banks			6,71,91,25,292		10,66,10,48,196
Term loan from others					
Monthly repayment schedule	9% to 10%	8	8,02,96,576	12	11,04,23,811
		7	1,41,12,584	12	2,22,77,996
	12% to 13%	5	8,98,97,875	12	19,79,46,019
		6	12,27,28,933	12	22,40,51,546
	13% to 14%	-	-	2	77,08,988
		-	-	2	77,68,074
Quarterly repayment schedule	10% to 11%	-	-	3	19,97,29,218
		-	-	3	9,98,64,315
		6	40,41,11,480	4	23,65,17,060
Half Year repayment schedule	7% to 8%	9	14,00,00,000	12	18,00,00,000
		19	39,30,00,000	10	20,70,00,000
	10% to 11%	6	8,25,00,000	2	9,90,00,000
		6	26,80,00,000	2	20,10,00,000
		9	15,14,00,000	12	19,92,00,000
	11% to 12%	4	4,80,00,000	2	10,20,00,000
		4	3,20,00,000	2	6,80,00,000
		7	1,10,00,00,000	2	60,00,00,000
		-	-	12	4,94,00,000
		23	95,83,33,341	7	29,16,66,669
		-	-	5	4,12,50,000
Bullet repayment schedule	10% to 11%	1	99,00,00,000	-	-
Total term loan from others			4,87,43,80,789		3,14,48,03,696
Term loan from related party					
Monthly repayment schedule	17% to 18%	-	-	1	4,49,990
Total term loan from related party			-		4,49,990
Grand Total			11,59,35,06,082		13,80,63,01,882



Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

7	Other long-term liabilities	As at 31 March 2019	As at 31 March 2018
	Unamortised loan processing fees	9,07,30,410	3,83,33,638
	Unrealised gain on loan transfer transactions	4,10,723	28,38,289
	Advance from customers	4,72,94,030	-
		13,84,35,163	4,11,71,927

8	Provisions	As at 31 March 2019		As at 31 March 2018	
		Long-term	Short-term	Long-term	Short-term
	Contingent provision against standard assets	4,85,49,378	14,53,35,157	13,13,324	49,19,402
	Provision for non-performing assets	23,09,63,611	-	26,48,27,821	-
	Provision for employee benefits				
	Gratuity (refer note 11)	2,28,64,864	-	1,82,55,852	-
	Compensated absences	96,06,000	1,98,98,000	24,12,362	55,18,868
		31,19,83,853	16,52,33,157	28,68,09,359	1,04,38,270

9. There are no amounts that need to be disclosed in accordance with the Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED Act') pertaining to micro or small enterprises. For the year ended 31 March 2019, no supplier has intimated the Company about its status as micro or small enterprises or its registration with the appropriate authority under MSMED Act.

10	Other current liabilities	As at 31 March 2019	As at 31 March 2018
	Current maturities of long-term borrowings	14,15,63,01,882	7,24,64,56,865
	Interest accrued and due on borrowings (*)	78,60,945	61,40,586
	Interest accrued but not due on borrowings	22,00,68,768	11,30,79,746
	Statutory dues	3,91,81,754	2,54,19,770
	Payable on account of securitisation/ assignment	72,26,85,545	23,33,53,689
	Unrealised gain on loan transfer transactions	3,08,01,376	3,44,87,560
	Employee dues	11,27,29,185	5,40,06,699
	Unamortised loan processing fees	24,97,15,349	15,27,25,787
	Liabilities for expenses	12,02,30,438	6,64,20,693
	Unamortised profit on buyout transactions	-	24,38,379
	Capital creditors	24,56,527	7,10,616
	Security deposit	27,67,386	14,87,500
	Advance from customers	1,04,01,200	-
	Other payables	14,90,41,802	6,38,45,966
		15,82,42,42,157	8,00,05,73,856

(*) represents amount deducted by bank in subsequent month inspite of amount being duly funded on the due date.

11	Employee benefits	As at 31 March 2019	As at 31 March 2018
Defined Benefit Plans - As per Actuarial Valuations as on 31 March 2019 and recognised in the financial statements in respect of Employee Benefit Schemes (gratuity):			
Particulars		As at 31 March 2019	As at 31 March 2018
i)	Change in projected benefit obligation		
	Projected benefit obligation at the beginning of the year	1,96,73,787	1,30,56,726
	Service cost	40,02,000	31,49,478
	Interest cost	13,93,000	8,44,542
	Actuarial loss (net)	1,16,08,443	53,09,534
	Benefits paid	(16,90,230)	(26,86,493)
	Projected benefit obligation at the end of the year	3,49,87,000	1,96,73,787
ii)	Change in plan assets		
	Fair value of plan assets at the beginning of the year	14,17,895	33,99,969
	Expected return on plan assets	4,83,000	2,03,052
	Employer contributions	1,19,11,438	5,01,367
	Benefits paid	(16,90,230)	(26,86,493)
	Fair value of plan assets at the end of the year	1,21,22,103	14,17,895
iii)	Reconciliation of present value of obligation on the fair value of plan assets		
	Present value of projected benefit obligation at the end of the year	3,49,87,000	1,96,73,787

Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

	Funded status of the plans	(1,21,22,103)	(14,17,895)
	Liability recognised in the balance sheet	2,28,64,897	1,82,55,892
iv)	Components of employer expenses		
	Service cost	40,02,000	31,49,478
	Interest cost	13,93,000	8,44,542
	Expected returns on plan assets	(4,83,000)	(2,03,052)
	Recognized net actuarial loss	1,16,08,443	53,09,534
	Total expense recognised in the Statement of profit and loss	1,65,20,443	91,00,502
	Net Gratuity expenses have been recognised in "Contribution to Provident and other funds" under Note 23.		
v)	Key actuarial assumptions		
	Discount rate	7.30%	7.40%
	Long-term rate of compensation increase	5.00%	5.00%
	Rate of return on plan assets	8.00%	8.00%
	Withdrawal rates	1st 5 years of service 52% more than 5 years of service 1%	

The Company assesses these assumptions with the projected long-term plans of growth and prevalent industry standards. The estimates of future salary increase considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant facts.

vi) Table for 5 years actuarial valuation disclosures for Gratuity					
Particulars	31 March 2019	31 March 2018	31 March 2017	31 March 2016	31 March 2015
Defined benefit obligation	3,49,87,000	1,96,73,787	1,30,56,726	81,85,618	58,52,178
Plan assets	1,21,22,103	14,17,895	33,99,969	10,83,981	26,10,949
Deficit	2,28,64,897	1,82,55,892	96,56,757	71,01,637	32,41,229
Net actuarial loss recognized	1,16,08,443	53,09,534	54,66,618	38,41,793	33,57,191

vii) The Company makes contribution to statutory provident fund in accordance with Employees Provident Fund and Miscellaneous Provision Act, 1952. This is post-employment benefit and is in the nature of defined contribution plan. Contribution made by the Company during the year is ₹ 4,34,87,776 (31 March 2018: ₹ 3,57,43,928).

12	Property, plant and equipment - tangible assets	Furniture and fixtures	Computer and accessories	Office equipment	Total
Gross block :					
	Balance as at 1 April 2017	1,69,41,013	3,24,56,475	41,39,766	5,35,37,254
	Additions	1,27,40,993	2,41,03,449	33,16,975	4,01,61,417
	Disposals	-	(6,85,103)	-	(6,85,103)
	Balance as at 31 March 2018	2,96,82,006	5,58,74,821	74,56,741	9,30,13,568
	Additions	86,73,756	1,92,31,339	82,00,991	3,61,06,086
	Disposals	(13,136)	(6,18,048)	(2,200)	(6,33,384)
	Balance as at 31 March 2019	3,83,42,626	7,44,88,112	1,56,55,532	12,84,86,270
Accumulated depreciation :					
	Up to 31 March 2017	88,13,923	1,64,51,340	22,99,726	2,75,64,989
	Depreciation charge	19,36,310	1,24,13,414	10,26,411	1,53,76,135
	Adjustment pursuant to amalgamation	19,353	5,96,696	9,404	6,25,453
	Reversal on disposal of assets	-	(4,73,522)	-	(4,73,522)
	Up to 31 March 2018	1,07,69,586	2,89,87,928	33,35,541	4,30,93,055
	Depreciation charge	32,89,622	1,79,95,817	46,06,733	2,58,92,172
	Reversal on disposal of assets	(13,136)	(5,88,400)	(2,200)	(6,03,736)
	Up to 31 March 2019	1,40,46,072	4,63,95,345	79,40,074	6,83,81,491
Net block					
	Balance as at 31 March 2018	1,89,12,420	2,68,86,893	41,21,200	4,99,20,513
	Balance as at 31 March 2019	2,42,96,554	2,80,92,767	77,15,458	6,01,04,779



Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

13	Intangible assets	Computer Software	Total
Gross block			
	Balance as at 1 April 2017	3,74,29,277	3,74,29,277
	Additions	4,51,18,120	4,51,18,120
	Balance as at 31 March 2018	8,25,47,397	8,25,47,397
	Additions	1,87,09,865	1,87,09,865
	Reversal on disposal of assets	(21,917)	(21,917)
	Balance as at 31 March 2019	10,12,35,345	10,12,35,345
Accumulated amortisation			
	Up to 31 March 2017	1,40,27,910	1,40,27,910
	Amortization charge	1,51,07,860	1,51,07,860
	Up to 31 March 2018	2,91,35,770	2,91,35,770
	Amortization charge	1,50,69,141	1,50,69,141
	Reversal on disposal of assets	(6,671)	(6,671)
	Up to 31 March 2019	4,41,98,240	4,41,98,240
Net block			
	Balance as at 31 March 2018	5,34,11,627	5,34,11,627
	Balance as at 31 March 2019	5,70,37,105	5,70,37,105

14	Investments	As at 31 March 2019		As at 31 March 2018	
		Non-current	Current	Non-current	Current
In equity instruments (non-trade, unquoted)					
	50,000 (31 March 2018: 50,000) equity shares of ₹ 10 each fully paid in Alpha Micro Finance Consultant Private Limited	5,00,000	-	5,00,000	-
In mutual funds (non-trade, unquoted)					
	95 units of ₹ 10 each fully paid-up of Axis Liquid Institutional Fund	-	-	-	1,58,296
	Aggregate amount of unquoted investments	5,00,000	-	5,00,000	1,58,296

15	Deferred tax assets (net)	As at 31 March 2019	As at 31 March 2018
Deferred tax assets			
	On account of provision for standard and non performing assets	9,88,85,517	7,48,40,840
	On disallowances of expenses allowed on payment basis	1,82,99,777	91,50,814
	On others	43,94,217	8,32,655
		12,15,79,511	8,48,24,309
Deferred tax liabilities			
	On difference between written down value of property, plant and equipment and intangible assets as per books and as per income tax	(64,32,171)	(63,13,575)
	Deferred tax assets (net)	11,51,47,340	7,85,10,734

Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

16	Loan to customers	As at 31 March 2019		As at 31 March 2018	
		Non-current	Current	Non-current	Current
Portfolio loans					
Joint liability group and Individual loans:					
	Unsecured, considered good(*)	7,88,56,23,567	23,78,81,12,267	4,01,92,71,163	15,21,13,06,548
	Unsecured, considered doubtful(**)	14,74,68,099	-	24,45,51,561	-
Loans to other NBFCs:					
	Secured, considered good(#)	80,18,21,880	93,55,42,256	17,71,76,538	16,52,55,625
Other retail loans:					
	Unsecured, considered good	23,05,68,443	1,03,08,38,054	6,18,39,639	67,58,09,552
	Unsecured, considered doubtful	8,34,95,512	-	2,02,76,260	-
		9,14,89,77,501	25,75,44,92,577	4,52,31,15,161	16,05,23,71,725

(*) Represents standard assets classified in accordance with the Master Directions.

(**) Represents non-performing assets classified in accordance with the Master Directions.

(#) Secured by hypothecation of pool of underlying assets financed there against.

17	Loans and advances	As at 31 March 2019		As at 31 March 2018	
		Long-term	Short-term	Long-term	Short-term
<i>(Unsecured, considered good unless otherwise stated)</i>					
	Security deposits	72,37,860	1,43,38,683	91,25,158	1,57,77,670
	Advance tax (net of provision)	3,23,90,050	-	8,36,846	-
	Advances to employees	-	3,20,82,833	-	2,23,60,155
	Other receivables	-	10,94,75,160	-	7,87,54,411
	Advances recoverable on behalf of business correspondent arrangements	-	1,02,25,970	-	1,68,72,150
		3,96,27,910	16,61,22,646	99,62,004	13,37,64,386

18	Other non-current assets	As at 31 March 2019	As at 31 March 2018
	Bank deposits with maturity of more than 12 months [refer (a) below]	50,78,69,210	43,94,76,333
	Interest receivable on loan transfer transactions	4,10,723	28,38,289
	Interest accrued on fixed deposits	2,08,47,617	98,96,042
	Prepaid expenses	1,03,915	11,63,396
	Unamortised loan processing charges on borrowed funds	5,87,97,174	4,18,49,605
	Unamortised sourcing expenses	47,45,752	8,16,012
		59,27,74,391	49,60,39,677

(a) Includes deposits aggregating to ₹ 50,78,69,210 (31 March 2018: ₹ 43,94,76,333) placed as margin money deposits to avail term loans from banks, financial institutions and as cash collateral in connection with asset securitisation transactions.

19	Cash and bank balances	As at 31 March 2019	As at 31 March 2018
Cash and cash equivalents			
	Balances with banks		
	- in current accounts	59,52,45,049	84,92,23,475
	- in deposit accounts (with original maturity upto 3 months) [refer (a) below]	1,10,21,55,209	69,00,00,000
	Cash in hand	4,38,75,479	4,68,96,754
		1,74,12,75,737	1,58,61,20,229
Other bank balances			
	Deposits with maturity of more than 3 months but less than 12 months [refer (a) below]	33,65,65,369	19,29,13,547
	Total	2,07,78,41,106	1,77,90,33,776

(a) Includes deposits aggregating to ₹ 33,87,20,578 (31 March 2018: ₹ 19,08,38,778) placed as margin money deposits to avail term loans from banks, financial institutions and as cash collateral in connection with asset securitisation transactions.



Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

20	Other current assets	As at 31 March 2019	As at 31 March 2018
	Accrued interest on loan to customers	36,45,03,632	22,85,78,383
	Prepaid expenses	1,05,12,951	18,63,970
	Unamortised sourcing expenses	2,42,85,294	1,31,31,938
	Interest receivable on loan transfer transactions	3,08,01,376	3,44,87,560
	Unamortised loan processing charges on borrowed funds	6,08,35,261	4,15,53,147
	Interest accrued on fixed deposits	1,53,35,900	1,63,05,092
	Interest strip on securitisation/ assignment transactions	11,37,31,009	2,89,10,795
		62,00,05,423	36,48,30,885

21	Revenue from operations	Year ended 31 March 2019	Year ended 31 March 2018
	Interest on loan to customers	5,36,77,99,116	2,85,70,48,780
	Income from loan processing fee	34,04,04,580	15,83,03,577
	Income from securitisation/assignment	31,10,66,707	4,63,71,429
	Insurance commission	7,50,04,997	2,58,97,067
	Other operating revenues [refer (a) below]	21,60,04,883	12,92,73,273
		6,31,02,80,283	3,21,68,94,126

(a) Includes interest on margin money deposits placed to avail term loan from banks, financial institutions and on deposits placed as cash collateral in connection with securitization amounting to ₹ 3,97,15,874 (31 March 2018 ₹ 2,46,50,720).

22	Other income	Year ended 31 March 2019	Year ended 31 March 2018
	Interest income on fixed deposits	2,13,02,436	1,88,43,215
	Gain on sale of current investments	94,56,122	2,10,73,824
	Gain on sale of property, plant and equipment	-	1,46,479
	Sundry balances written back	-	4,03,099
	Grant received	8,85,765	50,89,272
	Gain on foreign exchange fluctuation	22,238	-
	Miscellaneous income	45,48,402	77,25,849
		3,62,14,963	5,32,81,738

23	Employee benefits expense	Year ended 31 March 2019	Year ended 31 March 2018
	Salaries and bonus/ allowances	1,04,82,12,964	62,08,04,286
	Contribution to provident and other funds	6,85,03,981	5,06,05,487
	Employee stock option compensation	1,47,122	19,87,222
	Staff welfare expenses	5,69,86,267	1,81,83,873
		1,17,38,50,334	69,15,80,868

The Hon'ble Supreme Court has in a recent decision dated 28 February 2019, ruled that special allowance would form part of basic wages for computing the provident fund contribution. Management believes that there are numerous interpretative issues on inclusion of special allowances for the purpose of provident fund contribution as well as its applicability of effective date. While the Company is evaluating the implications of the order, the amount is not determinable as no reliable estimate can be made.

Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

24	Finance costs	Year ended 31 March 2019	Year ended 31 March 2018
	Interest expenses	2,43,56,57,501	1,18,05,25,412
	Other borrowing costs	10,04,02,574	5,52,18,588
		2,53,60,60,075	1,23,57,44,000

25	Depreciation and amortisation expense	Year ended 31 March 2019	Year ended 31 March 2018
	Depreciation on property, plant and equipment - tangible assets (Refer note 12)	2,58,92,172	1,53,76,135
	Amortisation of intangible assets (Refer note 13)	1,50,69,141	1,51,07,860
		4,09,61,313	3,04,83,995

26	Provisions and write off	Year ended 31 March 2019	Year ended 31 March 2018
	Bad debt written off	25,31,50,093	34,18,10,286
	Provision for loan portfolio on standard assets (net of reversals)	18,76,51,809	(8,47,91,621)
	Provision for loan portfolio on sub-standard assets (net of reversals)	(3,38,64,210)	22,85,23,797
		40,69,37,692	48,55,42,462

27	Other expenses	Year ended 31 March 2019	Year ended 31 March 2018
	Rent	9,71,67,052	5,85,66,094
	Repairs and maintenance-others	4,06,15,818	1,78,00,042
	Insurance	1,63,80,146	1,01,75,891
	Power and fuel	1,05,77,608	66,86,031
	Rates and taxes	5,33,68,473	1,88,53,346
	Office expenses	1,67,06,996	1,58,02,482
	Membership and subscription	48,37,347	55,26,817
	Office maintenance	2,08,34,281	1,22,15,947
	Printing and stationery	2,39,13,711	1,39,68,668
	Legal and professional expenses	17,89,70,860	8,45,33,508
	Director's commission	1,00,00,000	-
	Recruitment and induction expenses	2,16,03,929	1,36,45,581
	Communication expenses	1,00,76,633	1,52,20,686
	Travelling and conveyance	13,73,27,442	8,67,26,091
	Payment to auditors [Refer note (a) below]	43,14,200	31,95,279
	Loss on foreign exchange fluctuation	-	6,364
	Loss on sale of property, plant and equipment	1,048	-
	Corporate social responsibility expenses (refer note 36)	79,73,850	61,51,871
	Miscellaneous expenses	19,26,963	35,67,312
		65,65,96,357	37,26,42,010

(a)	Payments to auditors	Year ended 31 March 2019	Year ended 31 March 2018
	Statutory audit	27,50,000	27,50,000
	Tax audit(*)	1,28,100	1,03,700
	In other capacity		
	Other services (**)	11,33,600	1,85,000
	Reimbursement of expenses	3,02,500	1,56,579
		43,14,200	31,95,279

(*) done by other auditors

(**) ₹ 1,33,600 pertains to services provided by other auditors



Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

28 Related party disclosures	
a)	Names of related parties and description of relationship
Relationship	Name
Key Management Personnel (KMP)	Manoj Kumar Narayan Nambiar - Managing Director Milind Ramchandra Nare - Chief Financial Officer Anirudh Singh G Thakur (appointed on 23 October 2017) - Company Secretary Vanita Mundhra (resigned wef 23 October 2017) - Company Secretary
Director	Dinesh Kumar Mittal (Independent Director) Vineet Chandra Rai (Director) Anurag Agarwal (Director) Matangi Gowrishankar (Independent Director) Rajat Mohan Nag (Independent Director) Sumantra Banerjee (Independent Director)
Entities which are able to exercise control or have significant influence	Intellectual Capital Advisory Services Private Limited Aavishkaar Goodwell India Microfinance Development Company-II Limited Tano India Private Equity Fund II
Entities under common control	Jain Sons Finlease Limited Aavishkaar Venture Management Services Private Limited Aavishkaar Capital Advisory LLP Intellectap Advisory Services Private Limited
Enterprise over which KMP have significant influence or control	Tribetech Private Limited Anudip Foundation

b)	Transactions with related parties	Year ended 31 March 2019	Year ended 31 March 2018
Issue of equity shares (including share premium)			
	Aavishkaar Venture Management Services Private Limited	59,55,21,955	42,61,550
	Intellectual Capital Advisory Services Private Limited	-	12,35,44,990
	Aavishkaar Goodwell India Microfinance Development Company-II Limited	-	10,12,78,050
	Aavishkaar Capital Advisors LLP	1,05,44,77,946	-
Portfolio buyout			
	Jain Sons Finlease Limited	-	12,04,956
Loan taken			
	Jain Sons Finlease Limited	-	5,97,81,873
	Aavishkaar Venture Management Services Private Limited	1,50,00,00,000	-
Loan repaid			
	Jain Sons Finlease Limited	2,68,08,076	3,25,23,807
	Aavishkaar Venture Management Services Private Limited	1,50,00,00,000	-
Security deposit received			
	Tribetech Private Limited	14,32,503	14,87,500
Security deposit invoked			
	Tribetech Private Limited	29,53,379	-
Purchase of property, plant and equipment			
	Jain Sons Finlease Limited	-	47,49,394
Interest paid			
	Jain Sons Finlease Limited	16,11,928	81,16,893
	Aavishkaar Venture Management Services Private Limited	1,75,19,179	-
Corporate social responsibility expenses			
	Anudip Foundation	-	9,00,000
Professional/ business support fees			
	Aavishkaar Venture Management Services Private Limited	31,62,738	5,67,071
	Tribetech Private Limited	55,50,495	15,86,188
	Intellectap Advisory Services Private Limited	6,92,886	35,79,767

Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)**Summary of significant accounting policies and other explanatory information** (All amounts in ₹ unless otherwise stated)

b)	Transactions with related parties	Year ended 31 March 2019	Year ended 31 March 2018
Loan processing charges			
	Jain Sons Finlease Limited	-	96,750
Reimbursement of expenses paid			
	Tribetech Private Limited	3,02,960	1,65,447
	Intellectap Advisory Services Private Limited	2,63,013	2,72,488
	Aavishkaar Venture Management Services Private Limited	3,70,795	34,542
Reimbursement of expenses received			
	Intellectap Advisory Services Private Limited	57,600	-
	Aavishkaar Venture Management Services Private Limited	2,51,339	-
	Tribetech Private Limited	4,25,000	-
Director's commission			
	Dinesh Kumar Mittal	25,00,000	-
	Vineet Chandra Rai	25,00,000	-
	Anurag Agrawal	15,00,000	-
	Matangi Gowrishankar	15,00,000	-
	Rajat Mohan Nag	10,00,000	-
	Sumantra Banerjee	10,00,000	-
Remuneration			
	Manoj Kumar Narayan Nambiar	1,39,84,899	1,12,50,006
	Milind Ramchandra Nare	82,05,789	68,93,311
	Anirudh Singh G Thakur	55,73,857	19,88,950
	Vanita Mundhra	-	5,28,684
c)	Year-end balances with related parties	As at 31 March 2019	As at 31 March 2018
Loans taken			
	Jain Sons Finlease Limited (including interest due)	4,67,631	2,72,58,066
Security deposit refundable			
	Tribetech Private Limited	-	14,87,500
Security deposit receivable			
	Tribetech Private Limited	33,376	-
Other payables			
	Tribetech Private Limited	6,22,881	8,96,923
	Anudip Foundation	-	1,80,000
	Intellectap Advisory Services Private Limited	10,208	-
	Dinesh Kumar Mittal	25,00,000	-
	Vineet Chandra Rai	25,00,000	-
	Anurag Agrawal	15,00,000	-
	Matangi Gowrishankar	15,00,000	-
	Rajat Mohan Nag	10,00,000	-
	Sumantra Banerjee	10,00,000	-



Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

29	Additional disclosures pursuant to the RBI guidelines and notifications	31 March 2019	31 March 2018
i)	Capital		
	Capital to Risk/Weighted Assets Ratio (CRAR) (%)	20.05%	23.63%
	CRAR-Tier I Capital (%)	15.86%	16.81%
	CRAR-Tier II Capital (%)	4.19%	6.82%
	Amount of subordinated debt raised as Tier-II Capital	35,00,00,000	1,15,00,00,000
	Amount raised by issue of Perpetual Debt Instruments	-	-

ii)	Investments	31 March 2019	31 March 2018
A.	Value of Investments		
	Gross Value of Investments:		
	a) In India	5,00,000	6,58,296
	b) Outside India	-	-
	Provisions for Depreciation:		
	a) In India	-	-
	b) Outside India	-	-
	Net Value of Investments		
	a) In India	5,00,000	6,58,296
	b) Outside India	-	-
B.	Movement of provisions held towards depreciation on investments		
	Opening Balance	-	-
	Add: Provisions made during the year	-	-
	Less: Write-off/Write-back of excess provisions during the year	-	-
	Closing Balance	-	-

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

iv)	Disclosures relating to Securitisation	31 March 2019	31 March 2018
A)	Securitisation		
	1) No. of SPVs sponsored by the NBFC for securitisation transactions	1	1
	2) Total amount of securitised assets as per books of the SPVs sponsored	65,58,43,568	40,12,11,368
	3) Total amount of exposures retained by the NBFC to comply with Minimum Retention Requirement (MRR) as on the date of balance sheet		
	a) Off-balance sheet exposures		
	(i) First loss	13,11,68,714	4,27,12,743
	(ii) Others	-	-
	b) On-balance sheet exposures		
	(i) First loss	-	8,02,42,274
	(ii) Others	-	-

Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

iv)	Disclosures relating to Securitisation	31 March 2019	31 March 2018
	4) Amount of exposures to securitisation transactions other than MRR		
	a) Off-balance sheet exposures		
	(i) Exposure to own securitisations		
	- First loss	-	-
	- Others	-	-
	(ii) Exposure to third party securitisations		
	- First loss	-	-
	- Others	-	-
	b) On-balance sheet exposures		
	(i) Exposure to own securitisations		
	- First loss	-	-
	- Others	-	-
	(ii) Exposure to third party securitisations		
	- First loss	-	-
	- Others	-	-
	Credit enhancements provided and outstanding (Gross):		
	Principal collateralisation	-	4,45,79,041
	Interest collateralisation	-	4,27,12,743
	Corporate gurantee	13,11,68,714	
	Cash collateral	-	3,56,63,233

B) Details of Financial Assets sold to Securitisation/Reconstruction Company for Asset reconstruction

The Company has not sold any financial assets to Securitisation/Reconstruction Company for Asset Reconstruction during the current and previous year.

C)	Details of Assignment transactions undertaken by NBFCs	31 March 2019	31 March 2018
	i) Number of accounts	4,44,506	51,074
	ii) Aggregate value (net of provision) of account sold	7,38,10,41,989	48,44,72,045
	iii) Aggregate consideration	7,38,10,41,989	48,44,72,045
	iv) Additional consideration realized in respect of accounts transferred in earlier year	-	-
	v) Aggergate gain/ loss over net book value	-	-

D) Details of non-performing financial assets purchased/sold

The Company has not purchased/sold any non-performing financial assets (related to securitisation) during the current and previous year.

v) Asset Liability Management

Disclosures relating to maturity pattern of certain items of assets and liabilities are given in Note 30.

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 no disclosures 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 16



Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

vii) Miscellaneous

A) Registration obtained from other financial sector regulators

The Company has obtained a certificate of registration under registration number CA0402 dated 1 August 2016 to act as Corporate Agent (Composite) under Insurance Regulatory and Development Authority of India (IRDA) and Corporate Identity Number of U74140WB1991PLC053189 under Ministry of Corporate affairs.

B) Disclosure of Penalties imposed by RBI and other regulators

An amount of ₹ 10,18,080 has been paid to Reserve Bank of India towards late submission fees of FCGPR under Foreign Exchange Management Act, 1999 (as amended)

C) Related Party Transactions

Details of all material related party transactions are disclosed in Note 28.

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

The details of ratings assigned by Credit Analysis & Research Ltd. (CARE) vide their report dated 29 March 2019 and migration of ratings during the year are as follows:

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

E) Remuneration of Directors (other than Managing Director) (refer note 28)

Name of Directors	31 March 2019	31 March 2019
Dinesh Kumar Mittal	25,00,000	-
Vineet Chandra Rai	25,00,000	-
Anurag Agrawal	15,00,000	-
Matangi Gowrishankar	15,00,000	-
Rajat Mohan Nag	10,00,000	-
Sumantra Banerjee	10,00,000	-

viii) Additional Disclosures

A) Provisions and Contingencies

	31 March 2019	31 March 2019
Break up of 'Provisions and Contingencies' shown under the head Expenditure in Statement of Profit and Loss		
Provision towards standard assets (refer note 26)	18,76,51,809	(8,47,91,621)
Provision towards non performing assets (refer note 26)	(3,38,64,210)	22,85,23,797
Provision made towards Income tax (including for earlier year)	44,79,74,309	20,16,06,776
Other Provision and Contingencies (employee benefits)	2,61,81,782	1,66,96,686

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

	31 March 2019	31 March 2018
a) Concentration of Advances		
Total Advances to twenty largest borrowers	1,74,73,64,133	43,51,74,257
Percentage of Advances to twenty largest borrowers to Total Advances	5.01%	2.12%
b) Concentration of Exposures		
Total exposure to twenty largest borrowers/customers	1,74,73,64,133	43,51,74,257
Percentage of exposures to twenty largest borrowers / customers to Total Exposure	5.01%	2.12%
c) Concentration of NPAs		
Total exposure to top four NPA accounts	1,38,36,617	92,11,299
d) Sector-wise NPAs		
	Percentage of NPAs to Total Advances in that sector	
Agriculture & allied activities	0.28%	
MSME	Nil	
Corporate borrowers (*)	Nil	
Services	2.71%	
Unsecured personal loans	2.28%	
Auto loans	Nil	
Other personal loans	Nil	

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

Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

C)	Concentration of Advances, Exposures and NPAs	31 March 2019	31 March 2018
e) Movement of NPAs			
i)	Net NPAs to Net Advances (%)	0.00%	0.00%
ii) Movement of NPAs (Gross)			
a)	Opening Balance	26,48,27,821	3,26,32,176
b)	Additions during the year	34,47,70,141	64,45,93,640
c)	Reductions during the year	37,86,34,351	41,23,97,995
d)	Closing balance	23,09,63,611	26,48,27,821
iii) Movement of Net NPAs			
a)	Opening Balance	-	-
b)	Additions during the year	-	-
c)	Reductions during the year	-	-
d)	Closing balance	-	-
iv) Movement of provisions for NPAs (excluding provisions on standard assets)			
a)	Opening Balance	26,48,27,821	3,26,32,176
b)	Provisions made during the year	34,47,70,141	64,45,93,640
c)	Write-off/write-back of excess provisions	37,86,34,351	41,23,97,995
d)	Closing balance	23,09,63,611	26,48,27,821

f) Overseas Assets (for those with Joint Ventures and Subsidiaries abroad)

The Company did not have any overseas assets during the current and previous year.

g) Off-balance sheet SPVs sponsored

(which are required to be consolidated as per accounting norms)

The Company did not sponsor any SPVs during the current and previous year.

ix)	Disclosure of customer complaints	31 March 2019	31 March 2018
a)	No. of complaints pending at the beginning of the year	74	110
b)	No. of complaints received during the year	766	690
c)	No. of complaints redressed during the year	806	726
d)	No. of complaints pending at the end of the year	34	74

x)	Information on instances of fraud identified during the year	31 March 2019	31 March 2018
Nature of fraud			
Cash embezzlement			
	No. of cases	9	4
	Amount of fraud	27,59,988	14,49,185
	Recovery	10,61,472	75,000
	Amount provided for	16,98,516	13,74,185
Loans given against fictitious documents			
	No. of cases	1	-
	Amount of fraud	4,98,000	-
	Recovery	-	-
	Amount provided for	4,98,000	-
Others (Snatching etc.)			
	No. of cases	32	17
	Amount of fraud	39,89,383	23,01,791
	Recovery	8,10,731	-
	Amount provided for	31,78,652	23,01,791

xi)	Information on net interest margin (qualifying asset)	31 March 2019	31 March 2018
	Average Interest (a)	20.89%	22.11%
	Average effective cost of borrowing (b)	10.94%	12.45%
	Net Interest margin (a-b)	9.95%	9.66%



Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

30 Asset Liability Management										
Maturity pattern of assets and liability as on 31 March 2019										
Particulars	Up to 30/31 days	Over 1 Month up to 2 Months	Over 2 Months up to 3 Months	Over 3 Months & up to 6 Months	Over 6 Months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total	Total
Deposits (with banks)	1,10,84,26,638	2,76,21,566	4,07,68,202	4,92,15,367	21,26,88,805	50,78,69,210	-	-	1,94,65,89,788	-
Advances (Micro Finance Portfolio)	2,30,69,24,657	2,34,15,44,768	2,29,16,41,571	6,57,21,94,522	10,27,58,06,749	8,03,30,91,667	-	-	31,82,12,03,934	-
Advances (Other than Micro Finance)	16,61,93,925	17,45,10,654	16,27,58,180	51,25,96,276	95,03,21,275	1,11,58,85,834	-	-	3,08,22,66,144	-
Investments	-	-	-	-	-	-	-	5,00,000	5,00,000	-
Borrowings	1,77,46,25,322	97,71,66,428	1,22,77,76,718	4,63,94,76,341	7,96,48,24,404	9,91,68,06,080	1,53,67,00,000	1,50,00,00,000	29,53,73,75,293	-
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-
Maturity pattern of assets and liability as on 31 March 2018										
Particulars	Up to 30/31 days	Over 1 Month up to 2 Months	Over 2 Months up to 3 Months	Over 3 Months & up to 6 Months	Over 6 Months & up to 1 year	Over 1 year & up to 3 years	Over 3 years & up to 5 years	Over 5 years	Total	Total
D-	69,70,00,000	1,87,06,027	56,59,119	6,06,73,923	10,08,74,478	37,66,19,193	6,28,57,140	-	1,32,23,89,880	-
Advances (Micro Finance Portfolio)	1,50,85,51,499	1,54,71,34,176	1,48,82,03,950	4,27,84,44,499	6,44,96,12,943	4,20,31,82,205	-	-	19,47,51,29,272	-
Advances (Other than Micro Finance)	8,59,90,376	8,37,25,231	8,08,45,595	24,22,77,809	34,82,26,167	25,92,92,437	-	-	1,10,03,57,615	-
Investments	1,58,296	-	-	-	-	-	-	5,00,000	6,58,296	-
Borrowings	99,14,37,168	67,37,70,943	72,25,81,957	2,94,92,64,103	4,25,10,63,769	7,06,63,38,371	59,61,72,205	1,40,00,00,000	18,65,06,28,516	-
Foreign Currency assets	-	-	-	-	-	-	-	-	-	-
Foreign Currency liabilities	-	-	-	-	-	-	-	-	-	-

Notes:

1. The above borrowings exclude interest accrued and due and interest accrued but not due.
2. The advances comprise of loan portfolio and does not include interest accrued.
3. The above information has been considered as per the Asset Liability Management (ALM) Report compiled by the management and reviewed by the ALM Committee.

Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

31 Loan portfolio and provision for standard and non-performing assets as at 31 March 2019:									
Asset classification	Portfolio loans outstanding (gross)		Provision for standard and non-performing assets				Portfolio loans outstanding (net)		
	As at 31 March 2019	As at 31 March 2018	As at 31 March 2018	Provisions made during the period	Provisions written back during the period	As at 31 March 2019	As at 31 March 2019	As at 31 March 2018	
Standard assets	34,67,25,06,467	20,31,06,59,065	62,32,726	18,76,51,809	-	19,38,84,535	34,47,86,21,932	20,30,44,26,339	
Sub-standard assets	23,09,63,611	26,48,27,821	26,48,27,821	34,47,70,141	37,86,34,351	23,09,63,611	-	-	
Doubtful assets	-	-	-	-	-	-	-	-	
Loss assets	-	-	-	-	-	-	-	-	
Total	34,90,34,70,078	20,57,54,86,886	27,10,60,547	53,24,21,950	37,86,34,351	42,48,48,146	34,47,86,21,932	20,30,44,26,339	

Loan portfolio and provision for standard and non-performing assets as at 31 March 2018:									
Asset classification	Portfolio loans outstanding (gross)		Provision for standard and non-performing assets				Portfolio loans outstanding (net)		
	As at 31 March 2018	As at 31 March 2017	As at 31 March 2017	Provisions made during the year	Provisions written back during the year	As at 31 March 2018	As at 31 March 2018	As at 31 March 2017	
Standard assets	20,31,06,59,065	9,06,98,02,587	9,10,24,347	-	8,47,91,621	62,32,726	20,30,44,26,339	8,97,87,78,240	
Sub-standard assets	26,48,27,821	3,26,32,176	3,26,32,176	64,45,93,640	41,23,97,995	26,48,27,821	-	-	
Doubtful assets	-	-	-	-	-	-	-	-	
Loss assets	-	-	-	-	-	-	-	-	
Total	20,57,54,86,886	9,10,24,34,763	12,36,56,523	64,45,93,640	49,71,89,616	27,10,60,547	20,30,44,26,339	8,97,87,78,240	



Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

32 Additional disclosures pursuant to Para 18 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking company and Deposit taking company (Reserve Bank) Directions, 2016.		
Liabilities side :	As at 31 March 2019	
	Amount outstanding	Amount overdue
(1) Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:		
(a) Debentures		
Secured	62,51,69,139	-
Unsecured	1,10,87,03,223	-
(other than falling within the meaning of public deposits)		
(b) Deferred Credits	-	-
(c) Term Loans (includes short-term borrowings)		
Secured	26,52,01,69,930	-
Unsecured	75,82,27,754	-
(d) Inter-corporate loans and borrowing	4,67,631	-
(e) Commercial Paper	-	-
(f) Other Loans	75,25,67,330	-
Assets side :		As at 31 March 2019
(2) Break up of Loans and Advances:		
a) Secured, gross		1,73,73,64,136
b) Unsecured, gross		33,16,61,05,942
Total		34,90,34,70,078
(3) Break up of Leased Assets		
(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		-
(4) Breakup of investments (long-term unquoted equity)		
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		-

Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)**Summary of significant accounting policies and other explanatory information** (All amounts in ₹ unless otherwise stated)**Additional disclosures pursuant to Para 18 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking company and Deposit taking company (Reserve Bank) Directions, 2016 (continued)**

	31 March 2019
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	5,00,000
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others	-

(5) Borrower group-wise classification of assets financed as in (2) and (3)

Category	Net of provision as at 31 March 2019		
	Secured	Unsecured	Total
1. Related parties			
(a) Subsidiaries	-	-	-
(b) Companies in the same group	-	-	-
(c) other related parties	-	-	-
2. Other than related parties	1,73,04,14,679	32,74,82,07,253	34,47,86,21,932
Total	1,73,04,14,679	32,74,82,07,253	34,47,86,21,932

(6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted)

Category	Market value / Breakup or fair value or NAV	Book value (net of provisions)
1. Related parties	-	-
2. Other than related parties	5,00,000	5,00,000
Total	5,00,000	5,00,000

(7) Other information

	31 March 2019
(i) Gross non-performing assets	
(a) Related parties	-
(b) Other than related parties	23,09,63,611
(ii) Net non-performing assets	
(a) Related parties	-
(b) Other than related parties	-
(iii) Assets acquired on satisfaction of debt	-



Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)

Summary of significant accounting policies and other explanatory information (All amounts in ₹ unless otherwise stated)

33 Contingent liabilities and commitments

a) Demand for income tax received from income tax authorities in respect of which the Company has gone for appeal is ₹ 29,06,880 (31 March 2018: ₹ 96,19,510). Based on the management assessment, crystallization of liability on these items is not considered probable and hence not acknowledged as debt by the Company.

b) Corporate Guarantee provided to IndusInd Bank towards partnership agreement for ₹ 75,00,000 (31 March 2018: ₹ 75,00,000)

c) Corporate gurantee in the form of credit enhancement provided towards securitisation for ₹ 13,11,68,714 (31 March 2018: ₹ Nil).

d) Capital commitment for purchase/ development of tangible and intangible asset (net of advances) ₹ 16,44,200 (31 March 2018: ₹ 97,31,128).

34	Earnings per equity share [EPES]	Year ended 31 March 2019	Year ended 31 March 2018
a)	Profit considered for computation of basic and diluted EPES	1,12,07,51,772	29,66,61,616
b)	Computation of weighted average number of equity shares in computation of basic and diluted EPES		
	Weighted average number of shares considered for computation of basic EPES	9,11,40,073	8,85,10,170
	Add: Effect of shares issued under ESOP scheme	1,93,542	2,255
	Weighted average number of shares considered for computation of diluted EPES	9,13,33,615	8,85,12,425
c)	Earnings per equity share [EPES]		
	Basic EPES	12.30	3.35
	Diluted EPES	12.27	3.35

35	Foreign Currency Disclosures	Year ended 31 March 2019	Year ended 31 March 2018
a)	Earnings in foreign currency		
	Grant income	3,47,126	50,89,272
		3,47,126	50,89,272
b)	Expenditure in foreign currency		
	Other borrowing costs	38,12,278	-
		38,12,278	-
c)	unhedged foreign currency exposure	Nil	

Arohan Financial Services Limited (Formerly Arohan Financial Services Private Limited)**Summary of significant accounting policies and other explanatory information** (All amounts in ₹ unless otherwise stated)

36	Disclosure in respect of Corporate Social Responsibility under section 135 of the Act and Rules thereon	Year ended 31 March 2019	Year ended 31 March 2018
	(a) Gross amount required to be spent during the year	79,73,850	59,97,398
	(b) Amount spent during the period/ year on purposes other than construction/acquisition of any asset		
	Paid	77,67,055	59,66,871
	Yet to be paid	2,06,795	1,85,000
	Total	79,73,850	61,51,871

37 Segment reporting

The Company operates in a single reportable segment i.e. financing, which has similar risks and returns for the purpose of AS 17 on 'Segment Reporting'. The Company does not have any reportable geographical segment.

38 Lease payments made under cancellable operating lease amounting to ₹ 9,28,72,456 (31 March 2018: ₹ 5,13,77,486) disclosed as rent and the same has been recognised as an expense in the Statement of Profit and Loss.

39 The Company has taken on operating lease certain facilities and office premises for a period ranging from 11 months to 36 months which are non-cancellable for the period as reflected in the respective agreements. These lease agreements provide for increase in the lease payments by 5 % to 15 % over the period as mentioned in the agreements. The total minimum lease payments for the current period, in respect of operating leases, included under rent, aggregates to ₹ 42,94,596 (31 March 2018: ₹ 71,88,608)

The future lease payments in respect of the above are as follows:-

Particulars	As at 31 March 2019	As at 31 March 2018
Not later than one year	42,62,656	39,24,480
Later than one year but not later than five years	55,38,876	12,32,555
Later than 5 years	-	-

40 Previous year figures have been reclassified / regrouped wherever necessary, to confirm to current year presentation.

This is the summary of significant accounting policies and other explanatory information referred in our report of even date.

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

Anamitra Das
Partner
Membership No. 062191

Place: Kolkata
Date: 15 May 2019

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

Manoj Kumar Nambiar
Managing Director
(DIN: 03172919)

Anirudh Singh G Thakur
Company Secretary

Place: Kolkata
Date: 15 May 2019

Anurag Agrawal
Director
(DIN: 02385780)

Milind Nare
Chief Financial Officer



Arohan Financial Services Limited

PTI Building, 4th Floor, DP-9, Sector V, Salt Lake, Kolkata 700 091
W: www.arohan.in | P: +91 33 40156000