

B S R & Co. LLP

Chartered Accountants

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Independent Auditors' Report on Annual Financial Results under Regulation 52 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the year ended 31 March 2020

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF VERITAS FINANCE PRIVATE LIMITED

Report on the audit of the Annual Financial Results

Opinion

We have audited the accompanying annual financial results of Veritas Finance Private Limited (hereinafter referred to as the "Company") for the year ended 31 March 2020, attached herewith, being submitted by the Company pursuant to the requirement of Regulation 52 of the Securities Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('Listing Regulations').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid annual financial results:

- a. are presented in accordance with the requirements of Regulation 52 of the Listing Regulations in this regard; and
- b. give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards, and other accounting principles generally accepted in India, of the net profit and other comprehensive income and other financial information for the year ended 31 March 2020.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Results 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 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 on the annual financial results.



Registered Office:

B S R & Co. LLP

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Emphasis of Matter

As more fully described in Note 9 to the annual financial results, in respect of accounts overdue but standard as at 29 February 2020 where moratorium benefits have been granted, the staging of those accounts as at 31 March 2020 is based on the days past due status as on 29 February 2020, in accordance with Reserve bank of India COVID-19 Regulatory Package.

Further, the extent of impact of the COVID - 19 pandemic will impact the Company's financial performance including the Company's estimates of impairment of loans, are dependent on future developments, which cannot be predicted with any degree of certainty.

Our opinion is not modified in respect of this matter.

Management's and Board of Directors' Responsibilities for the Annual Financial Results

These annual financial results have been prepared on the basis of the annual financial statements.

The Company's Management and the Board of Directors are responsible for the preparation and presentation of these annual financial results that give a true and fair view of the net profit / loss and other comprehensive income and other financial information in accordance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under Section 133 of the Act and other accounting principles generally accepted in India and in compliance with Regulation 52 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the annual financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Company's financial reporting process



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Auditor's Responsibilities for the Audit of the Annual Financial Results

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

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

- Identify and assess the risks of material misstatement of the annual financial results, 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 through a separate report on the complete set of financial statements on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the annual financial results made by the Management and Board of Directors.

Conclude on the appropriateness of the Management and Board of Directors 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 appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the annual financial results 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.



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- Evaluate the overall presentation, structure and content of the annual financial results, including the disclosures, and whether the annual financial results represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

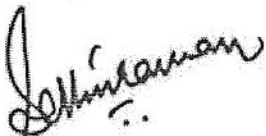
Other Matters

The annual financial results include the results for the half year ended 31 March 2020 and the corresponding half year ended in the previous year being the balancing figure between the audited figures in respect of the full financial year and the unaudited year to date figures for the half year ended 30 September 2019 and half year ended 30 September 2018 respectively which were not been subjected to audit.

for B S R & Co. LLP

Chartered Accountants

Firm's Registration Number: I01248W/W-100022



S Setthuraman

Partner

Membership Number: 203491

UDIN: 20203491AAAABT5554

Place: Chennai

Date: 15 June 2020

Veritas Finance Private Limited
CIN: U65923TN2015PTC100328

Regd. Office: SKCL Central Square 1, South Wing, 1st Floor, Unit C28-C35, CIPET Road,
Thiru Vi Ka Industrial Estate, Guindy, Chennai – 600 032

Statement of Financial Results for the half year and year ended 31 March 2020

(All amounts are in INR in lakhs, except share data and stated otherwise)

Particulars	Half year ended		Year ended	
	31 March 2020 (Note 11)	31 March 2019 (Note 11)	31 March 2020	31 March 2019
	Audited	Audited	Audited	Audited
Revenue from operations				
Interest income	14,804.92	7,694.39	25,952.87	12,919.26
Fee income	287.65	186.20	541.20	275.18
Net gain on fair value changes	416.14	204.37	1,064.03	374.51
Total revenue from operations	15,508.71	8,084.96	27,558.10	13,568.95
Other income	9.27	3.32	9.57	3.32
Total income	15,517.98	8,088.28	27,567.67	13,572.27
Expenses				
Finance costs	6,126.73	2,205.06	10,627.39	4,040.83
Impairment on financial instruments (refer note 9)	855.94	215.84	1,510.27	447.41
Employee benefits expenses	3,986.25	2,677.67	7,864.84	4,635.78
Depreciation and amortization	675.04	651.47	1,246.20	822.44
Other expenses	1,019.04	576.86	1,937.56	1,283.35
Total expenses	12,663.00	6,326.90	23,186.26	11,229.81
Profit before tax	2,854.98	1,761.38	4,381.41	2,342.46
Tax expense				
Current tax	901.42	694.90	1,544.42	1,023.69
Deferred tax	(292.14)	(195.96)	(497.25)	(386.76)
	609.28	498.94	1,047.17	636.93
Profit after tax for the period / year	2,245.70	1,262.44	3,334.24	1,705.53
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Re-measurement of the defined benefit obligation	23.20	(1.81)	41.61	4.23
Income tax relating to items that will not be reclassified to profit or loss	(5.84)	0.53	(10.47)	(1.23)
Other comprehensive income for the period / year	17.36	(1.28)	31.14	3.00
Total comprehensive income for the period / year, net of income tax	2,228.34	1,263.72	3,303.10	1,702.53
Earnings per equity share of Rs. 10 each				
- Basic	7.07	4.22	10.58	5.70
- Diluted	2.43	1.65	3.63	2.23
	Not annualised	Not annualised	Annualised	Annualised

See accompanying notes to the financial results



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Statement of Assets and Liabilities as at 31 March 2020

(All amounts are in INR in lakhs, except share data and stated otherwise)

Particulars	As at 31 March 2020 (Audited)	As at 31 March 2019 (Audited)
ASSETS		
Financial assets		
Cash and cash equivalents	42,244.86	10,998.94
Bank balances other than cash and cash equivalents	4,697.98	2,527.63
Loans	1,27,932.22	73,664.77
Investments	6,318.13	14,503.91
Other financial assets	402.65	330.44
	1,81,595.84	1,02,025.69
Non-financial assets		
Current tax assets (net)	121.59	57.93
Deferred tax assets (net)	1,103.70	595.98
Property, plant and equipment	910.35	886.05
Right of use assets (refer note 7)	1,291.21	1,267.02
Intangibles assets	614.02	279.36
Intangibles assets under development	34.43	284.48
Other non-financial assets	186.60	139.88
	4,261.90	3,510.70
Total Assets	1,85,857.74	1,05,536.39
LIABILITIES AND EQUITY		
Financial liabilities		
Trade payables		
- total outstanding dues of micro enterprises and small enterprises	-	-
- total outstanding dues of creditors other than micro and small enterprises	204.21	86.71
Debt securities	38,704.88	19,209.59
Borrowings (other than debt securities)	62,277.22	40,252.99
Other financial liabilities	1,405.39	1,390.33
	1,02,591.70	60,939.62
Non-financial liabilities		
Current tax liabilities	-	20.48
Provisions	167.91	63.70
Other non-financial liabilities	919.27	622.26
	1,087.18	706.44
Equity		
Equity share capital	10,003.80	8,145.69
Other equity	72,175.06	35,744.64
	82,178.86	43,890.33
Total Liabilities and Equity	1,85,857.74	1,05,536.39

See accompanying notes to the financial results



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Notes:

- 1 Veritas Finance Private Limited ("the Company") is a Non-Deposit taking Systemically Important Non-Banking Financial Company (NBFC-ND-SI), registered with the Reserve Bank of India ("the RBI").
- 2 The financial results for the half year and year ended 31 March 2020 have been reviewed by the Audit Committee and subsequently approved by the Board of Directors at their respective meetings held on 15 June 2020. The above results have been subjected to audit by the statutory auditors of the Company. The auditors have issued an unmodified audit report.
- 3 These financial results have been prepared in accordance with Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules 2015 as amended by the Companies (Indian Accounting Standards) Rules 2016. The Company has adopted Ind AS from 1 April 2019 with effective transition date of 1 April 2018 and accordingly these financial results together with the results for the comparative reporting period have been prepared in accordance with the recognition and measurement principles as laid down in Ind AS prescribed Under Section 133 of the Companies Act, 2013 ("the Act") and other accounting principles generally accepted in India.

The transition to Ind AS has been carried out from the erstwhile Accounting Standards notified under the Act read with Rule 7 of Companies (Accounts) Rule 2014 (as amended from time to time), guidelines issued by the RBI and other generally accepted accounting principles in India (collectively referred to as the "Previous GAAP"). Accordingly, the impact of transition has been recorded in the opening reserves as on 1 April 2018 and the corresponding adjustments pertaining to comparative previous half year / year as presented in these financial results have been restated / reclassified in order to conform to current period presentation.

These financial results have been drawn up on the basis of Ind AS that are applicable to the Company as at 31 March 2020 based on the press release issued by Ministry of Corporate Affairs ("MCA") on 18 January 2016. Any application guidance/ clarifications/ directions issued by RBI or other regulators are implemented as and when they are issued / applicable.

- 4 As required by paragraph 32 of Ind AS 101, the reconciliation of net profit and equity as reported under previous GAAP and as restated under Ind AS are summarised below:

Particulars	Profit reconciliation		Equity reconciliation
	Half year ended 31 March 2019 (Note 11)	For the year ended 31 March 2019	as at 31 March 2019
	Audited	Audited	Audited
Net Profit after tax / Equity as reported under previous GAAP	1,446.50	2,048.84	44,370.41
Adjustments resulting in increase/ (decrease) in profit after tax as reported under previous GAAP:			
Impact on recognition of processing fee on financial assets and financial liabilities under Effective Interest Rate (EIR)	(320.60)	(524.97)	(949.49)
Impact on application of Expected Credit Loss method for impairment allowance on loans	36.54	42.81	131.54
Recognition of fair value movement in investments	28.00	28.00	28.00
Employee Stock Option Plan (ESOP) cost adjustment on application of fair value method	(53.09)	(92.16)	-
Others	47.00	59.49	84.65
Tax impact on the above adjustments	78.09	143.52	225.22
Net profit after tax for the period under Ind AS	1,262.44	1,705.53	43,890.33
Other comprehensive income / (expense) - remeasurement loss on defined benefit liabilities, net of taxes	1.28	(3.00)	-
Total Comprehensive Income (after tax) / Equity under Ind AS	1,263.72	1,702.53	43,890.33



Notes (continued) :

- 5 There is no separate reportable segment in accordance with Ind AS 108 on "Operating Segments" in respect of the Company.
- 6 Reserves include statutory reserve as per section 45IC of the Reserve Bank of India Act, 1934, balance in securities premium, Employee Stock Option Plan reserve and retained earnings.
- 7 The Company has adopted Ind AS 116, effective 1 April 2018 (transition date) and applied it to all lease contracts existing on that date using the full retrospective method. On the transition date, the cumulative effect of adoption of the new standard resulted in recognition of Right-of-use asset and a lease liability with corresponding adjustment in Reserves.
- 8 The Company has elected to exercise the option permitted under section 115BAA of the Income tax Act, 1961, as introduced by the Taxation laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised provision for income tax and remeasured its net deferred tax asset at concessional rate for the half year ended 30 September 2019 and continued to apply the concessional tax rate for the year ended 31 March 2020.
- 9 The outbreak of COVID-19 pandemic and consequent lockdown has severely impacted various activities across the country. The impact of COVID-19 on the economy is uncertain and would also be dependent upon future developments including various measures taken by the Government, Regulator, responses of businesses, consumers etc. Hence, the extent to which COVID-19 pandemic will impact the company's business, cash flows and financial results, is dependent on such future developments, which cannot be predicted with any degree of certainty.

In accordance with the Board approved moratorium policy read with the Reserve Bank of India (RBI) guidelines dated 27 March 2020 and 17 April 2020 relating to 'COVID-19 – Regulatory Package', the Company has granted moratorium upto three months on the payment of installments falling due between 1 March 2020 and 31 May 2020 to all eligible borrowers on a suo-moto basis. Having regard to the guidance provided by the RBI and the Institute of Chartered Accountants of India, in the assessment of the Company, extension of such moratorium benefit to borrowers as per the COVID-19 Regulatory Package of the RBI by itself is not considered to result in significant increase in credit risk as per Ind AS 109. The Company continues to recognise interest income during the moratorium period and in the absence of other credit risk indicators, the granting of a moratorium period does not result in accounts becoming past due and automatically triggering Stage 2 or Stage 3 classification criteria.

Estimates and associated judgments / assumptions applied in preparation of these financial results including determining the impairment loss allowance are based on a combination of historical experience and emerging / forward looking indicators resulting from the pandemic. In addition to the early indicators available during the moratorium period, the Company has also used potential stress on probability of default, loss given default and exposure at default on the expected credit losses on loans and accordingly recognized an expected credit loss on loans of INR 1,510.27 lakhs including an additional impairment provision amounting to INR 928.92 lakhs during the year. The Company believes that it has considered all the possible impact of the currently known events arising out of COVID-19 pandemic in the preparation of financial results. However, since the impact assessment of COVID-19 is a continuing process given its uncertainty in nature and duration, this may have corresponding impact in the financial position. The Company will continue to monitor any material changes to the future economic conditions.

- 10 In terms of the requirement as per RBI notifications no. RBI/2019-20/170 DOR (NBFC).CC. PD No. 109/22.10.106/2019-20 dated 13 March 2020 on implementation of Indian accounting standards, Non-Banking Financial Companies (NBFCs) are required to create an impairment reserve for any shortfall in impairment allowances under Ind AS 109 and Income recognition, Asset Classification and Provisioning (IRACP) Norms (including provision on standard assets). The impairment allowances under Ind AS 109 made by the Company exceeds the total provision required under IRACP (including standard asset provisioning), as at 31 March 2020 and accordingly, no amount is required to be transferred to impairment reserve.
- 11 The figures for the half year ended 31 March 2020 and corresponding half year ended in the previous year as reported in these Financial Results are the balancing figures between respective audited figures in respect of full financial year and year to date figures for the half year ended 30 September 2019 and half year ended 30 September 2018 respectively. The figures for the half year ended 30 September 2019 and half year ended 30 September 2018 have not been subjected to audit.

As permitted under circular no. CIR/IMD/DF1/69/2016 dated 10 August 2016, issued by Securities and Exchange Board of India (SEBI), the Company has opted to avail exemption and accordingly, the financial results for the half year ended 30 September 2018 have not been subjected to limited review / audit under Ind AS. However, the management has exercised necessary due diligence to ensure that the financial results for the half year ended 30 September 2018 provide true and fair view of Company's affairs. A limited review for the financial results for the half year ended 30 September 2018 is carried out by the statutory auditors under previous GAAP.

- 12 Previous period's / year's figures have been regrouped / reclassified wherever necessary, to confirm with the current period presentation.

Place : Chennai
Date : 15 June 2020


D. Arulmany
Managing Director and Chief Executive Officer



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Annexure A

Information as required pursuant to Regulation 52(4) of SEBI (Listing Obligations and Disclosures Requirements) Regulations, 2015

(a) Credit rating

Products	Rating
(a) Debentures	CARE BBB + ; (Stable)
(b) Bank loan facilities	CARE BBB + ; (Stable)

Note : There was no change in the credit rating post issuance of the listed non-convertible debentures.

- (b) Assets cover available for non-convertible debt securities : Not applicable
- (c) Debt equity ratio : 1.23 times
Debt equity ratio is (Debt securities + Borrowings) / Net worth
- (d) Previous due date for the payment of interest / dividend for non-convertible redeemable preference shares / repayment of principal of non-convertible preference shares / non-convertible debt securities and whether the same has been paid or not; (refer Annexure "A1"). The Company does not have any non-convertible redeemable preference shares as at 31 March 2020.
- (e) Next due date for the payment of interest / dividend of non-convertible preference shares / principal along with the amount of interest / dividend of non-convertible preference shares payable and the redemption amount (refer Annexure "A1"). The Company does not have any non-convertible redeemable preference shares as at 31 March 2020.
- (f) Debt service coverage ratio : Debt service coverage ratio is not applicable for Non-Banking Finance Company ("NBFC") registered with Reserve Bank of India and accordingly no disclosure has been made.
- (g) Interest service coverage ratio : Interest service coverage ratio is not applicable for NBFCs registered with Reserve Bank of India and accordingly no disclosure has been made.
- (h) Outstanding redeemable preference shares (quantity & value) : The Company does not have outstanding redeemable preference shares as at 31 March 2020 and hence this clause is not applicable.
- (i) Debenture redemption reserve :
Debenture redemption reserve is not required in respect of privately placed debentures in terms of Rule 18(7)(b)(ii) of Companies (Share Capital and Debenture) Rules, 2014.
- (j) Net worth : Rs. 81,729.31 lakhs (Net worth is equal to share capital plus reserves & surplus less deferred revenue expenditure) as on 31 March 2020.
- (k) Net profit after tax : Rs. 3,303.10 lakhs for the year ended 31 March 2020.
- (l) Earnings per share for the year ended 31 Mar 2020 : Basic - Rs. 10.58, annualised
Diluted - Rs. 3.63, annualised
- (m) There was no deviation in the use of the proceeds of the issue of non-convertible debt securities.



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Annexure A1

Description	ISIN	Previous Due Date for Payment of Interest / Part Principal	Whether Previous Interest Paid or not	Next Due Date for Payment of Interest / Part Principal
Non-Convertible Debentures	INE448U07026	30-Mar-20	Interest Paid	29-Sep-20
Non-Convertible Debentures	INE448U07018	13-Mar-20	Interest Paid	13-Sep-20
Non-Convertible Debentures	INE448U07034	30-Mar-20	Interest Paid	29-Sep-20
Non-Convertible Debentures	INE448U07042	30-Mar-20	Interest Paid	28-Sep-20
Non-Convertible Debentures	INE448U07059	30-Mar-20	Interest Paid	28-Sep-20
Non-Convertible Debentures	INE448U07075	13-Jan-20	Interest Paid	13-Jul-20
Non-Convertible Debentures	INE448U07067	Not applicable	Not applicable	26-Jun-20
Non-Convertible Debentures	INE448U07083	Not applicable	Not applicable	30-Jun-20

