

—  
varthana  
—

**VARTHANA FINANCE PRIVATE LIMITED**  
**Annual Report FY 2024**




[www.varthana.com](http://www.varthana.com)


<b>1. About Varthana</b>	<b>03</b>
<b>2. Executive Summary of Directors Report</b>	<b>04</b>
<b>3. Management Discussion and Analysis Report</b>	<b>14</b>
<b>4. Auditor's Report</b>	<b>17</b>
<b>5. Abridged Financial Statements (Audited)</b>	<b>29</b>

Varthana Finance Private Ltd is a non-deposit accepting non-banking finance company headquartered in Bangalore. The company has chosen to dedicate itself to improving learning outcomes in the affordable education sector by using finance as an enabling tool.

The NBFC began its school financing operations in January 2013. Varthana provides term loans to schools serving India’s low- and middle-income population for capacity expansion, growth and improvement. These loans enable the schools to expand their delivery capabilities by improving their infrastructure facilities such as setting up of computer labs/facilities, science laboratories, construction of additional floors/wings within the existing school premises, adding toilets/basic amenities, providing finance for implementation of new teaching methodologies like digital classrooms, experiential learning and other similar facilities, leading to a qualitative and quantitative improvement in their delivery model. Varthana strives to add value to its school customers by introducing them to innovative products and solutions aimed at learning outcomes and improving operational efficiency of the schools. The company has recently forayed into lending to students for domestic vocational and upskilling courses that improve employability and help in increasing household incomes.



**Our Vision**  
**To transform affordable education in India**



**Our Mission**  
**To impact 10 million students by 2025**



**Steve Hardgrave**  
 Co-Founder & CEO

**Brajesh Mishra**  
 Co-Founder & COO

## Our Core Values



**Do the Right Thing:** Prioritize ethics, integrity, accountability, and transparency in all we do. Take ownership, play by the rules, and learn from mistakes.



**Unlock Potential:** Continuously strive to unlock the full potential in ourselves and others by embracing challenges, learning, mentoring, and taking initiatives.



**Serve Others:** Focus on helping customers and colleagues by being selfless, fostering relationships, and handling conflicts with respect and honesty.



**Have Fun:** Celebrate small and big wins, enjoy overcoming challenges, and seek adventure through innovative thinking.

To the Shareholders,

The Directors take pleasure in presenting the Annual Report of Varthana Finance Private Limited (the ‘Company’ or ‘Varthana’) together with the Audited Statement of Accounts for the year ended 31st March 2024 and the Auditors’ Report thereon.

## 1. Highlight or summary of the Financial Statement:

Particulars	FY 2023-2024	FY 2022-2023
Gross income	28,427	18,706
Net Profit / (Loss) for the year before Interest, Depreciation and Taxes (EBIDTA)	14,236	7,372
Less: Financial charges	9,576	6,383
Profit/(Loss) before Depreciation and Tax	4,660	989
Less: Depreciation	470	259
Profit/(Loss) before Tax	4,190	730
Less: Taxes	1,097	186
<b>Net profit carried to balance sheet</b>	<b>3,093</b>	<b>544</b>

## 2. State of the Company’s Affairs:

### Performance Highlights:

For the year ending March 31, 2024, total revenue from operation of the Company was Rs. 28,427 lakhs, higher by 52% as compared to the previous year. The Company has closed its accounts with a positive net profit of Rs. 3,093 lakhs as compared to a net profit of 544 lakhs in the last fiscal.

### Operational Highlights:

#### School Finance Business

After three years of negative COVID impact on the school sector, FY24 was finally a year that returned to the general patterns that prevailed prior to the pandemic. Most private schools experienced an increase in student strength and the better performing schools were also able to increase their fee levels.

These conditions benefited Varthana in multiple ways. After several years of reduced demand for financing in the school sector, we witnessed a pronounced increase in demand leading to the Company generating the highest level of annual disbursements in its entire history. These disbursements were driven by both existing customers as well as new school relationships.

There were several operational initiatives taken by management to both improve business performance in FY24, and to also plant the seeds for ongoing performance improvement and scale in the coming years. The company has made significant achievements in productivity management, leveraging technology and enhancing customer experience.

### **Student Loan Business**

After several years of evolving and refining our approach on the Student Loan business, the team has found its focus working with larger educational partners in the skilling and upskilling sectors and operating almost entirely through a remote digital process. This resulted in a dramatic increase in business, particularly in Q4 with a great deal of momentum heading into FY25. The ongoing development and refinement of our in-house technology stack has played an instrumental role in the transformation of this business.

### **Other significant developments**

The Company was also able to make significant strides in collecting the portfolio that fell into stress during COVID. The most dramatic progress was in the recovery of loans that had already been written off. This has helped the Company recover losses from the earlier write-offs and has also demonstrated Varthana's strong collections capabilities.

This strong reputation also allowed the Company to close an asset reconstruction transaction on favourable terms. As a result of these endeavors, Varthana has seen its NPA levels revert to levels consistent with those seen before the pandemic.

In another noteworthy transaction for the Company, Varthana was able to acquire the entire outstanding loan portfolio of the Indian School Finance Company (ISFC). Not only did this help the Company grow the Gross Loan Portfolio and expand our customer base, but Varthana was able to strengthen its team by bringing on board some of the ISFC team members through this transaction.

Finally, significant progress was made throughout the year raising liabilities to fuel the growth in the business. The Finance team was able to complement the funding raised mostly from finance companies in FY 23-24 with fresh sanctions from several large international lenders and with support from a select few domestic banks. In addition to providing valuable growth capital, we were able to reduce the cost of borrowing, particularly throughout the second half of the year. This was spurred by enhanced Company performance and a credit rating upgrade by CRISIL to BBB (Stable).

Overall, FY24 was able to fully emerge from the COVID-induced impact on the school sector and register a strong performance. More importantly, however, the Company was able to put in place various initiatives that will bear fruit over the coming years as Varthana scales significantly. The impact of the above on the performance of the Company has been discussed in detail in Management Discussion and Analysis. The Management Discussion and Analysis Report as required under the RBI NBFC - Corporate Governance Direction is annexed to the report and forms part of this Report.

### 3. Dividend:

The Company continues to pursue a high growth strategy, which requires all additional reserves to be reinvested in the ongoing growth; hence your directors do not recommend any dividend for the financial year 2023-2024.

### 4. RBI Guidelines & Capital Adequacy:

As a Systemically Important Non-Deposit taking Non-Banking Finance Company, your Company always aims to operate in compliance with applicable Reserve Bank of India ('RBI') guidelines and regulations and employs its best efforts towards achieving the same. The Company has complied with all the applicable regulations of RBI as on March 31, 2024.

The Company's capital adequacy ratio was 41.06 % as on March 31, 2024, which is above the threshold limit of 15% as prescribed by the RBI.

### 5. Credit Rating:

During the year under review, the credit rating of the Company was revised to "[CRISIL] BBB with Stable Outlook" by CRISIL Ratings Limited for loans and Non-Convertible Debentures.

### 6. Share Capital:

The authorized share capital and paid-up share capital as on 31st March 2024 was Rs. 60,57,56,000/- and Rs. 50,55,40,792/- respectively.

The Company during the period has not issued and/or allotted any shares with differential voting rights as per Section 43 read with Rule 4(4) of the Companies (Share Capital and Debentures) Rules, 2014.

### Disclosure under Section 62 of the Companies Act, 2013, Rule 12 of Companies (share capital and debentures) rules, 2014

Options granted; 0	Options vested; 0	Options exercised: <b>Nil</b>	The total number of shares arising as a result of exercise of option: <b>Nil</b>
Options lapsed: <b>580</b>	The exercise price: <b>33,304</b>	Variation of terms of options: <b>Vesting schedule was accelerated by one year</b>	
Money realized by exercise of options: <b>Nil</b>		Total number of options in force: <b>6,315</b>	

### 7. Names of Companies which have become or ceased to be its subsidiary(ies), joint Ventures or Associate Companies during the year:

The Company does not have subsidiary or subsidiaries, associate company or companies and joint venture or ventures.

### Material changes and commitments, if any, affecting the financial position of the Company which has occurred since 31st March 2024 till the date of report:

There are no material changes and commitments affecting the financial position of the company which has occurred since 31st March 2024, till the date of this report.

### 9. Change in the nature of business, if any:

There was no change in the nature of the business during the year under review.

### 10. Transfer to Reserves:

The Company has transferred Rs. 619 Lakh to the Statutory Reserve during the year.

### 11. Deposits:

The Company has not accepted any public deposits during the financial year nor has any outstanding unclaimed or unpaid public deposits as of 31st March 2024.

### 12. Details of Directors or Key Managerial Personnel who were appointed or have resigned during the year:

#### Board of Directors:

The following were the changes in the Board composition of the Company during the period under review:

**Mr. Ramanathan Kumar**

Was re-appointed as an Independent Director with effect from May 08, 2023.

**Mr. Sunil Gulati**

Resigned as an Independent Director with effect from September 01, 2023.

**Mr. Brahmanand Hegde**

Appointed as an Additional Director (Independent) with effect from September 12, 2023.

**Key Managerial Personnel as per Companies Act 2013:**

The following was the change in the Key Managerial Personnel of the Company (as defined under Companies Act, 2013) during the period under review:

**Mr. Talib Akhter Husain Lokhandwala**

Appointed as Key Managerial Personnel – Chief Financial Officer (CFO) with effect from June 01, 2023.

**13. Statutory Auditor & Audit Report:**

The Company in adherence to the RBI Guidelines has appointed M/s. PKF Sridhar & Santhanam LLP, Chartered Accountants, (FRN.: 003990S/S200018), Bangalore, as the Statutory Auditors for FY 2023-2024 in the Annual General Meeting held on 6th July, 2022.

**Auditors Qualification in the Audit Report:**

The Auditors' Report does not contain any qualification. The notes to the Accounts and Auditors report are self-explanatory and do not call for any further comments.

**14. Secretarial Audit:**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and Rules made thereunder, the Company had appointed Mr. Pramod S, Practicing Company Secretary to undertake the Secretarial Audit of the Company for the financial year 2023-2024.

**15. Cost Audit:**

Maintenance of cost records and requirement of cost audit as prescribed under the provisions of Section 148(1) of the Companies Act, 2013 are not applicable for the business activities carried out by the Company.

**16. Declaration by Independent Directors:**

The Independent directors of the Company have submitted a declaration that each of them meets the criteria of independence as provided in Section 149(6) of the Act and there has been no change in the circumstances which may affect their status as independent director during the year.



### 17. Company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178:

The Company has constituted the Nomination and Remuneration Committee of the Board of Directors that reviews / meets for appointment of Directors and Senior Management. The Committee also reviews the remuneration of senior management and the performance appraisal process of the Company. The Company has devised an annual performance evaluation of the Board, its committees, and the Directors pursuant to the provisions of the Companies Act, 2013.

### 18. Particulars of loans, guarantees or investments under Section 186 of the Companies Act 2013:

During the year under review, the Company has not advanced any loans or given guarantees to or made investments in the Companies covered under Section 186 of the Companies Act, 2013.

### 19. Particulars of contracts or arrangements with related parties:

There were no contracts or arrangements entered into by the Company with related parties referred to in sub-section (1) of section 188. Hence the requirement to provide the details of such transactions as required under Section 134 (3)(h) of the Act, read with Rule 8 (2) of the Companies (Accounts) Rules 2014, is not applicable. Suitable disclosures as required under IND AS 24 have been made in Note 44 of the Notes to the financial statements.

### 20. Number of Board Meetings held during the financial year ended March 31, 2024:

9 (Nine) Board Meetings were held during the financial year on:

10th May 2023, 17th May 2023, 19th July 2023, 9th August 2023, 22nd November 2023, 18th January 2024, 14th February 2024, 12th March 2024 and 21st March 2024. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013.

#### Attendance details of the directors:

Name	Board Meeting	
	No. of meetings entitled to attend	No. of meetings attended
Mr. Anand Sudarshan	9	5
Mr. Steven Hardgrave	9	9
Mr. Brajesh Mishra	9	9
Mr. Sunil Satyapal Gulati *	4	4
Mr. Nirav Khambhati	9	8
Ms. Divya Venkatavaraghavan	9	8
Ms. Treasa Mathew	9	7
Mr. Ramanathan Kumar	9	6
Mr. Ankit Singhal	9	7
Mr. Brahmanand Hegde	5	4

**Mr. Sunil Gulati**

Resigned w.e.f. September 01, 2023

**Mr. Brahmanand Hegde**

Appointed as an Additional Director (Independent) w.e.f. September 12, 2023.

**21. Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:**

The provisions of Section 134(3) (m) of the Companies Act, 2013, and the rules made there under relating to conservation of energy and technology absorption do not apply to your Company as it is not a manufacturing company. Although the operations of the company are not energy intensive, the management is highly conscious of the certainty of the conservation of energy at all operational levels. Your Company has been increasingly using information technology in its operations and promotes conservation of resources.

The details of conservation of energy, technology absorption, foreign exchange earnings and outgo are as follows:

**(A) Conservation of energy**

The steps taken or impact on conservation of energy	Since the Company is not engaged in any manufacturing activity, the particulars are not applicable.
The steps taken by the company for utilizing alternate sources of energy	
The capital investment on energy conservation equipment's	

**(B) Technology absorption**

The efforts made towards technology absorption	Since the Company is not engaged in any manufacturing activity, the particulars are not applicable.
The benefits derived like product improvement, cost reduction, product development or import substitution	
In case of imported technology (imported during the last three years reckoned from the beginning of the financial year),  (a) the details of technology imported (b) the year of import (c) whether the technology been fully absorbed (d) if not fully absorbed, areas where absorption has not taken place, and the reasons thereof	
The expenditure incurred on Research and Development	

**(C) Foreign Exchange Earnings and Outgo**

Particulars	Amount in Rs. Lakhs
Foreign Exchange Earnings	212.78
Foreign Exchange Expenditure	727.12

**22. Net Worth of the Company:**

Particulars	Standalone (Amount in Rs. Lakhs)	
	As on 31.03.2024	As on 31.03.2023
Net-worth of the company	53,750	40,261

**23. A statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which is in the opinion of the Board may threaten the existence of the company:**

The Company has constituted the Risk Management Committee, Asset Liability Management Committee and has a well-defined Risk Management Policy to review and monitor risks at periodic intervals along with developing and implementing Risk Management procedures to combat/mitigate the risk. As of the date of this report the Board does not perceive any risk which may threaten the existence of the Company.

**24. The details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year:**

The Company as per the requirement of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 and any amendment thereof has constituted the Corporate Social Responsibility Committee (“CSR Committee”) of the Company and the approved CSR policy of the Company.

Based on the recommendations of Corporate Social Responsibility (CSR) Committee vide their meeting dated March 30, 2024, the Board vide its meeting dated May 15, 2024, had approved spending of CSR funds for the FY 2023-2024 amounting to Rs. 1,10,000/- for expansion of childcare services across states of India to Mobile Creches via implementing agencies as recommended by the CSR Committee

The Company has spent the required amount of CSR expenditure as on March 31, 2024.

**25. The details of significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company’s operations in future:**

There are no significant and material orders passed by the Regulators or Courts or Tribunals impacting the going concern status and the Company’s operations in the future.

## 26. The details in respect of adequacy of internal financial controls with reference to the Financial Statements:

The Board has adopted policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguard 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 disclosures. The Board certifies that the internal financial controls are adequate and are operating effectively.

## 27. Disclosures as per the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

The Company has zero tolerance for sexual harassment at workplace and has adopted a Policy on prevention, prohibition, and redressal of sexual harassment at workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder for prevention and redressal of complaints of sexual harassment at workplace. The Company has not received any complaint on sexual harassment during the financial year 2023-2024.

## 28. Annual Return:

In pursuance to the provisions of Section 92(3) of the Companies Act, 2013 read with Rules made thereunder and amended time to time, a copy of the annual return as provided under section 92(3) of the Act, in the prescribed form, which will be filed with the Registrar of Companies/MCA, is hosted on the Company's website.

## 29. Directors' Responsibility Statement:

Pursuant to the requirement under section 134(3)(C) of the Companies Act, 2013 with respect to Directors' Responsibility Statement, it is hereby confirmed that:

- In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.
- The directors had 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 at the end of the financial year and of the profit and loss of the company for that period.
- The directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- The directors had prepared the annual accounts on a going concern basis;
- The directors have laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and operates effectively.
- The directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## Acknowledgement

Your directors wish to place on record their sincere thanks and appreciation to its Investors, shareholders, suppliers, customers, employees, bankers and the Central and State governments for their continued co-operation and support.

### For and on behalf of the Board of Directors of Varthana Finance Private Limited

**Steven Hardgrave - Director**

(02189073)

**Brajesh Mishra - Director**

(02292429)

Date: 15/05/2024

Place: Bangalore

## Overview

Varthana Finance Private Limited (the Company), is a Non-Banking Financial Company (“NBFC”) incorporated on June 12, 1984, under the provisions of the Companies Act, 1956. The Company is registered as a non-deposit accepting Non-Banking Financial Company with the Reserve Bank of India (“RBI”) and based in Bangalore, India. The Company provides secured and unsecured loans to affordable private schools and provides unsecured student loans in India. The Company is guided by its Vision & Mission Statements with the foundation of sound Principles and Values.

## Global Outlook, Indian Economy, Industry structure, developments & outlook

While many global markets have battled inflationary trends and slow economic growth after COVID, India has remained fairly stable. The world’s largest economy, the US has also fared better than most countries and the ongoing war in Ukraine has largely been assimilated into the global economic trends. With most predicting ongoing dominance of the BJP in the coming elections in India, the outlook is for fairly stable, if not dynamic, economic growth for the country in the near future. After volatile performance of the education sector throughout COVID and recovery over the last couple of years, the outlook is for stable growth into the future. This is expected to be the case in particular for affordable private schools and for post-secondary skilling and upskilling courses.

Varthana’s 11-year experience, strong recent performance and current positioning, all set the Company up very well to take advantage of the current market environment. Growth in the domestic education sector over the coming years will need to be financed at both the institutional and student level, and Varthana is positioned to be a leader in both segments.

## Discussion on financial performance with respect to operational performance, segment-wise or product-wise performance

As on March 31, 2024, the Company was present across 17 states and the total gross loan portfolio as on March 31, 2024, was Rs. 1275.33 Crores and the disbursements for the year were at Rs. 857.03 Crores in addition to fund raising of Rs. 879 Cr.

Total revenue from operations for the year was Rs. 277.90 Cr, an increase of 51 % over FY23. Provisions and write-offs amounted to Rs. 52.48 Cr for the year ended March 31, 2024, an increase of 63 % over the previous year. The Company reported a net profit of Rs. 30.93 Crore.

## Opportunities and Threats

### Opportunities

One of the very few dedicated lenders to affordable private schools in India. Several early competitors have retreated from the school lending space, and the remaining competition is almost entirely focused on larger institutions, which represent a very small portion of the overall market.

### Threats

Varthana continues to manage an asset-liability mismatch. As the business scales and levers further, care will need to be taken to manage this exposure prudently and complement the business with off balance sheet avenues of growth.

Varthana's understanding of this niche segment has grown throughout the challenges of COVID, further strengthening the Company's underwriting and collections capabilities. This will help fuel organic growth and will also open up opportunities to grow inorganically as competitors exit the sector.

A significant amount of debt will be required to finance the Company's planned growth. It will be critical to increasingly source debt from banks. For this, a further rating upgrade will be important. A misstep in any of these aspects could diminish Varthana's ability to reach its full potential.

The domestic student finance market for skilling and upskilling courses remains nascent. An earlier wave of fintech players in the space have largely burnt their fingers, leaving Varthana and only a couple of others to fill the void. Varthana's deliberate, careful approach in this business has paid off, and our ongoing technology develop will allow us to accelerate growth in the coming year.

Although much of the competition has retreated from both the school and domestic student finance segments, the remaining competition often behave very aggressively regarding the rates they offer and in targeting Varthana customers. It will be important for the Company to strike a balance in defending its portfolio, while not being drawn into unsustainable practices.

## Risks – concerns and management

While the macro environment appears to be more stable than it has been over the last few years, Varthana will continue to ensure the Company is well positioned to withstand any unexpected shocks that may occur. With the growth planned for FY25, Varthana's leverage will increase from previous years. This will need to be carefully managed to avoid being vulnerable to any extreme shock. While the Company has already initiated the process to raise additional equity, it will likely take several quarters for the process, including regulatory approvals, to run its course. To avoid running too much risk, it will be important for the Company to explore co-lending partnerships and the possibility of raising a smaller amount of pre-round equity or Tier 2 capital.

## Internal control systems and their adequacy

The Company has internal control systems that are adequate and commensurate with the size and nature of its operations. These systems ensure effectiveness and efficiency of operations, reliability of financial controls and compliance with applicable laws and regulations.

The Company has an Internal Audit Department, which reports to the Audit Committee of the Board of Directors. The internal audits cover Branches, various Departments & Processes at Branch offices and Head Office at regular intervals. The Annual Audit Plan is drawn up based on the Risk assessment of the auditable units and the audit frequency is decided based on the risk profile of branches. The scope of various audits is reviewed and continuously modified to keep pace with a dynamic business environment.

The Audit Committee also reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations.

## Human Resources

The Company recognises that people play a critical role in achieving its goals. We therefore understand that it is imperative that we have employees who are highly capable, are engaged and have the motivation to convert vision into a reality.

"The Company has been recognized and certified as a "Great Place to Work" as assessed by the Great Place to Work® Institute, for the sixth consecutive year with a higher score compared to last year. Varthana was recognized as among "India's Top 25 Workplaces in BFSI 2023"

A total of 752 employees were on the rolls of the Company as of March 31, 2024.

At Varthana, we are successfully owing to the culture of trust, transparency, empowerment, innovation, and a non-hierarchical organizational structure. By cultivating a culture of continuous learning, we ensure that our people grow and have opportunities to succeed. We strive to make sure that they have a good work-life balance. We continue to emphasise rigour in our performance management, rewards, and recognition practices, which has resulted in excellent results and increased employee motivation.

### **Cautionary Statement:**

Certain statements in the Management Discussion and Analysis could be forward looking statements within the meaning of applicable law. Actual results may vary significantly from the forward-looking statements due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political risks within and outside India, volatility in interest rates, change in Government or regulatory policies that may impact the Company's business as well as its ability to implement the strategy. The Company does not undertake to update these statements.



**Independent Auditors' Report**

To the Members of Varthana Finance Private Limited

**Report on the Audit of the Financial Statements****Opinion**

We have audited the accompanying financial statements of Varthana Finance Private Limited ("the Company"), which comprise the balance sheet as at 31 March 2024, and the statement of Profit and Loss including other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies and other explanatory information (hereinafter referred to as "financial statements").

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 Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, (Ind AS) and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2024, its profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

**Basis for Opinion**

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those SAs 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 obtained by us is sufficient and appropriate to provide a basis for our opinion on the financial statements.

**Information Other than the Financial Statements and Auditors' Report Thereon**

The Company's Management and Board of Directors are responsible for the preparation of the other information. The other information comprises the information included in the Directors report but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do 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 and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Management and Board of Directors for Financial Statements

The Company's Management and Board of Directors are 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 state of affairs, profit and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management and 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 also responsible for overseeing the Company's financial reporting process.

### Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal financial control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to the financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

Conclude on the appropriateness of 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 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 auditors' 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;

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

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

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

### Report on Other Legal and Regulatory Requirements

**1. As required by the Companies (Auditors' Report) Order, 2020 ("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, to the extent applicable.**

**2. As required by Section 143(3) of the Act, we report that:**

We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books. Attention is also drawn to the matters stated in the paragraph 2(h)(vi) below on reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014

The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, the Statement of Changes in Equity and the statement of cash flows dealt with by this Report are in agreement with the books of account.

In our opinion, the aforesaid financial statements comply with the Ind AS specified under Section 133 of the Act.

On the basis of the written representations received from the directors as on 31 March 2024 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2024 from being appointed as a director in terms of Section 164 (2) of the Act.

The observation relating to the maintenance of accounts and other matters connected therewith are as stated in the paragraph 2(b) above on reporting under Section 143(3)(b) of the Act and paragraph 2(h)(vi) below on reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014.

With respect to the adequacy of the internal financial controls with reference to the financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure B”.

With respect to the other matters to be included in the Auditors’ Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- The Company does not have any pending litigations as at 31 March 2024 which would impact its financial position.
- The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
- There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2024
- The management has represented that, to the best of its knowledge and belief, as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the company to or in any other person(s) or entity(ies), including foreign entities (“Intermediaries”), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries
- The management has represented, that, to the best of its knowledge and belief, as disclosed in the notes to the accounts, no funds have been received by the company from any person(s) or entity(ies), including foreign entities (“Funding Parties”), with the understanding, whether recorded in writing or otherwise, that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries
- Based on such audit procedures that we have considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material mis-statement.

The Company has not paid/declared any dividend during the financial year. Accordingly, reporting on compliance with the provisions of Section 123 of the Act are not applicable.

As stated in Note 56 to the financial statement and relying on representations/ explanations from the company and software vendors and based on our examination which included test checks on the software applications, except for instances mentioned below, the Company, in respect of Financial year commencing on 1 April 2023, has used software applications for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has operated throughout the year for all relevant transactions recorded in the respective software applications:

Instance of software applications for maintaining books of accounts which did not have a feature of recording audit trail (edit log) facility

The feature of recording audit trail (edit log) facility was enabled at the application layer of the accounting software for masters and transactions throughout the year and at database level, except that it does not capture the details of “what” changes were made for the financial accounting application and the Loan management software application.

- Further, to the extent and for the periods where audit trail (edit log) facility was enabled for the respective applications, we did not come across any instance of the audit trail feature being tampered with.
- As proviso to Rule 3(1) of the Companies (Accounts) Rules, 2014 is applicable only from April 1, 2023, reporting under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014 on preservation of audit trail as per the statutory requirements for record retention is not applicable for the financial year ended March 31, 2024.

### **3. With respect to the matter to be included in the Auditors' Report under Section 197(16) of the Act:**

Since the Company is a private limited company, the provisions of Section 197 of the Act are not applicable to it. Accordingly, reporting on the compliance with the provisions of Section 197 of the Act is not applicable.

For **PKF Sridhar & Santhanam LLP**

Chartered Accountants

Firm's Registration No.003990S/S200018

**Seethalakshmi**

Partner

Membership No. 208545

UDIN: 23208545BGVAJD4766

Place of Signature:

Date: 15/05/2024

Referred to in paragraph 1 on 'Report on Other Legal and Regulatory Requirements' of our report of even date to the members of Varthana Finance Private Limited ("the Company") on the financial statements as of and for the year ended 31 March 2024.

The Company has maintained proper records showing full particulars including quantitative details and situation of Property, Plant and Equipment.

The Company has maintained proper records showing full particulars of intangible assets.

The Company has a regular programme of physical verification of its Property, Plant and Equipment by which all Property, Plant and Equipment are verified in a phased manner over a period of three years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, certain Property, Plant and Equipment were physically verified by the management during the year. In our opinion, and according to the information and explanations given to us, no material discrepancies were noticed on such verification.

The company does not have any immovable properties. In respect of immovable properties of land and buildings that have been taken on lease and disclosed as right of use assets in the financial statements, the lease agreements are in the name of the Company.

The Company has not revalued its Property, Plant and Equipment (including Right of Use assets) and intangible assets during the year and hence this clause is not applicable to the Company.

No proceedings have been initiated or are pending against the Company for holding any benami property under the Benami Transactions (Prohibitions) Act, 1988 (45 of 1988) and rules made thereunder.

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

Based on our audit procedures and according to the information and explanation given to us, the Company has not been sanctioned loan in excess of five crore rupees from banks or financial institution on the basis of security of current assets and hence the question of filing quarterly returns or statements by the company with banks or financial institutions does not arise. Accordingly, paragraph 3(ii)(b) of the Order is not applicable to the Company.

Based on our audit procedures and according to the information and explanation given to us, the Company has made investments in and granted loans or advances in the nature of loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or any other parties.

- The Company's principal business is to give loans, and hence reporting under clause 3(iii) (a) of the Order is not applicable
- Based on our audit procedures and according to the information and explanation given to us, the investments made and the terms and conditions of the grant of all loans and advances in the nature of loans and guarantees provided are not prejudicial to the Company's interest.

- Based on our audit procedures and according to the information and explanation given to us, in respect of loans and advances in the nature of loans provided by the company, the schedule of repayment of principal and payment of interest has been stipulated in Note 3.k to the Financial Statements which explains the Company's accounting policy relating to impairment of financial assets which include loan assets. In accordance with that policy, loan assets with balances as of March 31, 2024, aggregating Rs. 3,570 lacs were categorised as credit impaired ("Stage 3) and Rs. 9,455 lacs were categorised as those where the credit risk has increased significantly since initial recognition ("Stage 2). Disclosures in respect of such loans have been provided in Note 39 E.5 to the Financial Statements. Additionally, out of loans and advances in the nature of loans with balances as at the year-end aggregating Rs. 1,12,642 lacs, where credit risk has not significantly increased since initial recognition (categorised as "Stage 1), delay in the repayment of principal and interest in respect of loans aggregating to Rs. 5,088 lacs were also identified. In all other cases, the repayment of principal and interest is regular. Having regard to the nature of the Company's business and the volume of information involved, it is not practicable to provide an itemised list of loan assets where delinquencies in the repayment of principal and interest have been identified.
- Total amount overdue for more than ninety days as at the balance sheet date in respect of loans and advances given in the nature of loans amounts to Rs 1,007 lacs. Reasonable steps are being taken by the Company for recovery of the principal and interest as stated in the applicable regulations and loan agreements.
- The Company's principal business is to give loans, and hence reporting under clause 3(ii) (e) of the Order is not applicable.
- Based on our audit procedures and according to the information and explanation given to us, the Company has not granted any loans or advances in the nature of loans either repayable on demand or without specifying any terms or period of repayment and hence the question of aggregate amount, percentage thereof to the total loans granted, aggregate amount of loans granted to Promoters, related parties as defined in clause 76 of section 2 of the Act does not arise. Accordingly, paragraph 3(iii)(f) of the Order is not applicable.

Based on our audit procedures and according to the information and explanation given to us, the Company has neither given any loan, guarantees and security nor made any investment during the year covered under section 185 and 186 of the Act. Therefore paragraph 3(iv) of the Order is not applicable to the Company.

Based on our audit procedures & according to the information and explanation given to us, the Company has not accepted any deposits or amounts which are deemed to be deposits within the meaning of the Act and the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Act and the rules framed thereunder. No order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal. Accordingly, paragraph 3(v) of the Order is not applicable to the Company.

The Company is not required to maintain cost records specified by the Central Government under sub section (1) of section 148 of the Act. Accordingly, paragraph 3(vi) of the Order is not applicable to the Company.

- According to the information and explanations given to us and the records of the Company examined by us, the Company has been generally regular in depositing undisputed statutory dues including Goods and Service Tax, Provident Fund, Employees' State Insurance, Income-tax, Sales-tax, Service tax, Duty of Customs, Duty of Excise, Value added tax, Cess and any other material statutory dues as applicable with the appropriate authorities, though there has been a slight delay in a few cases of Profession tax.
- According to the information and explanation given to us and the records of the Company examined by us, no undisputed amounts payable in respect of statutory dues were in arrears, as at 31 March 2024 for a period of more than six months from the date they became payable except as under:

Nature of the Statute	Nature of the Dues	Amount (Rs. In lacs)	Period to which it relates	Due date	Date of payment
Income tax	Professional Tax Payment	0.15	April'23 to Sept'23	15-10-2023	NA

- There are no statutory dues referred to in sub-clause (a) which have not been deposited on account of any dispute.

As per the information and explanations given by the management and on the basis of our examination of the records of the Company, no amount has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961. Accordingly, paragraph 3(viii) of the order is not applicable to the Company.

- Based on our audit procedures and as per the information and explanations given by the management, the Company has not defaulted in repayment of loans or other borrowings or in payment of interest thereon to any lender.
- 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 been declared willful defaulter by any bank or financial institution or government or government authority.
- According to the information and explanations given to us and the records of the Company examined by us, term loans were applied for the purpose for which the loans were obtained.
- According to the information and explanations given to us and the records of the Company examined by us, funds raised on short-term basis have, prima facie, not been used during the year for long-term purposes by the Company.
- According to the information and explanations given to us and the records of the Company examined by us, the Company does not have any subsidiary, associate or joint venture and hence the question of the Company taking loan from any entity or person on account of or to meet the obligations of its subsidiaries, joint ventures or associate companies does not arise. Accordingly, paragraph 3(ix)(e) of the Order is not applicable to the Company
- According to the information and explanations given to us and the records of the Company examined by us, the Company does not have any subsidiary, associate or joint venture and hence the question of the Company raising any loans during the year on pledge of securities held in its subsidiaries, joint ventures or associate companies does not arise. Accordingly, paragraph 3(ix)(f) of the Order is not applicable to the Company.

The Company has not raised any money during the year by way of initial public offer/further public offer (including debt instruments) hence, the requirement to report on clause 3(x)(a) of the Order is not applicable to the Company.

During the year, the Company has not made any preferential allotment or private placement of shares or convertible debentures (fully or partly or optionally) and hence reporting under clause (x)(b) of the Order is not applicable to the Company.



To the best of our knowledge and belief and according to the information and explanations given to us, we report that no material fraud by the Company or on the Company has been noticed or reported during the year except for the cases mentioned in Note 51U of the financial statement.

According to the information and explanations given to us including the representation made to us by the management of the Company, no report under sub-section 12 of Section 143 of the Act has been filed by secretarial auditor or by cost auditor or by us in Form ADT-4 as prescribed under Rule 13 of Companies (Audit and Auditors) Rules, 2014, with the Central Government of India for the period covered by our audit.

We have taken into consideration the whistleblower complaints received by the company during the year and shared with us for reporting under this clause.

The Company is not a Nidhi company in accordance with Nidhi Rules 2014. Accordingly, paragraph 3(xii)(a) to (c) of the Order is not applicable.

In our opinion and according to the information and explanations given to us, the transactions with related parties are in compliance with Section 177 and 188 of the Act, where applicable, and the details of the related party transactions have been disclosed in the financial statements as required by the applicable accounting standards.

To the best of our knowledge and belief and according to the information and explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.

We have considered the reports of the Internal Auditors of the Company issued till date for the period under audit.

On the basis of the information and explanations given to us, in our opinion, during the year the Company has not entered into any non-cash transactions with its directors or persons connected with its directors and hence provisions of section 192 of the Companies Act, 2013 are not applicable to the Company.

Based on our audit procedures and according to the information and explanations given to us, the Company is required to be registered under Section 45-IA of Reserve Bank of India Act, 1934 (2 of 1934) and the registration has been obtained.

Based on our audit procedures and according to the information and explanations given to us, the Company has not conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi)(b) of the Order is not applicable to the Company.

Based on our audit procedures and according to the information and explanations given to us, the Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India and hence the questions of fulfilling criteria of a CIC, and in case the Company is an exempted or unregistered CIC, whether it continues to fulfill such criteria, do not arise. Accordingly, paragraph 3(xvi)(c) of the Order is not applicable to the Company.

Based on our audit procedures and according to the information and explanations given to us, none of the group companies are Core Investment Company (CIC) and hence the question of number of CICs which are part of the Group does not arise. Accordingly, paragraph 3(xvi)(d) of the Order is not applicable to the Company.

Based on our audit procedures and according to the information and explanations given to us, the Company has not incurred cash losses in the financial year and in the immediately preceding financial year.

There has been no resignation of the statutory auditors during the year and accordingly this clause is not applicable.

According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that the Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the company as and when they fall due.

Based on our audit procedures and according to the information and explanations given to us, in respect of other than ongoing projects, the company spent the required amount, there is no amount pending to be transferred to a Fund specified in Schedule VII to the Companies Act within a period of six months of the expiry of the financial year in compliance with second proviso to sub-section (5) of section 135 of the said Act.

Based on our audit procedures and according to the information and explanations given to us, the Company is not required to transfer unspent amount under sub-section (5) of section 135 of the Companies Act, pursuant to ongoing project to special account in compliance with provision of sub-section (6) of section 135. Accordingly, paragraph 3(xx)(b) of the Order is not applicable to the Company.

For **PKF Sridhar & Santhanam LLP**

Chartered Accountants

Firm's Registration No.003990S/S200018

**Seethalakshmi M**

Partner

Membership No. 208545

UDIN: 24208545BKAEMN4564

Place of Signature: Bengaluru

Date: May 15, 2024

Referred to in paragraph 2 on 'Report on Other Legal and Regulatory Requirements' of our report of even date

Report on the Internal Financial Controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

We have audited the internal financial controls with reference to financial statements of Varthana Finance Private Limited ("the Company") as of 31 March 2024 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

### **Managements and Board of Directors' Responsibility for Internal Financial Controls**

The Company's Management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note"). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### **Auditors' Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

### **Meaning of Internal Financial Controls with reference to financial statements**

A Company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with 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 with reference to financial statements**

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2024, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note.

For **PKF Sridhar & Santhanam LLP**

Chartered Accountants

Firm's Registration No.003990S/S200018

**Seethalakshmi M**

Partner

Membership No. 208545

UDIN: 24208545BKAEMN4564

Place of Signature: Bengaluru

Date: May 15, 2024

## Varthana Finance Private Limited

Balance Sheet as at 31 March 2024 (All amounts in ₹ lakhs unless otherwise stated)

ASSETS Financial assets	As at 31 March 2024	As at 31 March 2023
Cash and cash equivalents	27,272	12,718
Bank balances other than cash and cash equivalents	2,664	2,291
Derivative financial instruments	-	394
Loans	1,22,143	89,863
Investments	7,875	2,505
Other financial assets	104	94
<b>Total</b>	<b>1,60,058</b>	<b>1,07,865</b>

Non-financial assets	As at 31 March 2024	As at 31 March 2023
Current tax assets (net)	164	736
Deferred tax assets (net)	2,164	2,974
Property, plant and equipment	505	433
Other intangible assets	411	420
Intangible assets under development	264	-
Other non-financial assets	717	583
<b>Total</b>	<b>4,225</b>	<b>5,146</b>

<b>Total Assets</b>	<b>1,64,283</b>	<b>1,13,012</b>
---------------------	-----------------	-----------------

## LIABILITIES AND EQUITY

Financial liabilities	As at 31 March 2024	As at 31 March 2023
Derivative financial instruments	477	-
Trade payables	-	-
Total outstanding dues of micro enterprises and small enterprises	101	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	553	279
Debt securities	22,859	15,280
Borrowings (other than debt securities)	83,712	45,027
Other financial liabilities	1,375	10,913
<b>Total</b>	<b>1,09,077</b>	<b>71,499</b>

Non-financial liabilities	As at 31 March 2024	As at 31 March 2023
Current tax liabilities (net)	90	-
Provisions	531	456
Other non financial liabilities	835	796
<b>Total</b>	<b>1,456</b>	<b>1,252</b>

Equity	As at 31 March 2023	As at 31 March 2022
Equity share capital	38	38
Instruments entirely equity in nature	5,696	5,606
Other equity	48,016	34,617
<b>Total</b>	<b>53,750</b>	<b>40,261</b>

<b>Total liabilities and equity</b>	<b>1,64,283</b>	<b>1,13,012</b>
-------------------------------------	-----------------	-----------------

For **PKF Sridhar & Santhanam LLP**  
Chartered Accountants  
Firm's Registration No.003990S/S200018

**Seethalakshmi M - Partner**

Membership No: 208545  
Place: Bengaluru  
Date: 15 May 2024

For and on behalf of the Board of Directors of  
**Varthana Finance Private Limited**

**Steven Hardgrave - Director**

DIN: 02189073  
Place: Bengaluru  
Date: 15 May 2024

**Brajesh Mishra - Director**

DIN: 02292429  
Place: Bengaluru  
Date: 15 May 2024

**Talib Lokhandwala  
Chief Financial Officer**

Place: Bengaluru  
Date: 15 May 2024

**Pragati Mour -  
Company Secretary**

Place: Bengaluru  
Date: 15 May 2024

**Varthana Finance Private Limited**  
**Statement of Profit and Loss for the year ended 31 March 2024 (All amounts in ₹ lakhs unless otherwise stated)**

Income	Year ended 31 March 2024	Year ended 31 March 2023
Revenue from operations		
Interest income	18,672	15,928
Fees and commission income	945	596
Net gain on fair value changes	708	225
Net gain on derecognition of financial instruments under amortised cost category	4,659	-
Bad debt recoveries	2,806	1,596
Total revenue from operations	27,790	18,345
Other income	637	361
<b>Total income</b>	<b>28,427</b>	<b>18,706</b>

Expenses	Year ended 31 March 2024	Year ended 31 March 2023
Finance costs	9,576	6,383
Impairment on financial instruments	5,248	3,228
Employee benefit expenses	6,392	5,931
Depreciation, amortization and impairment	470	259
Other expenses	2,551	2,175
<b>Total expenses</b>	<b>24,237</b>	<b>17,976</b>

<b>Profit before tax</b>	<b>4,190</b>	<b>730</b>
--------------------------	--------------	------------

Tax expense	Year ended 31 March 2024	Year ended 31 March 2023
Current tax	230	2
Deferred tax	867	184
<b>Profit for the year</b>	<b>3,093</b>	<b>544</b>

## Other comprehensive income

Items that will not be reclassified to profit or loss	Year ended 31 March 2024	Year ended 31 March 2023
Re-measurement gain/ (loss) on the defined benefit plan	(12)	9
Income tax relating to the above item	3	(2)

Items that may be reclassified to profit or loss	Year ended 31 March 2024	Year ended 31 March 2023
Fair value gain/ (loss) on derivate financial instruments	(216)	397
Income tax relating to the above item	54	(100)
<b>Other comprehensive income for the year, net of tax</b>	<b>(170)</b>	<b>304</b>

<b>Total comprehensive income for the year</b>	<b>2,922</b>	<b>848</b>
--	--------------	------------

Earnings per equity share	Year ended 31 March 2024	Year ended 31 March 2023
Basic and Diluted	1,110	220
Diluted	1,110	220

For **PKF Sridhar & Santhanam LLP**  
Chartered Accountants  
Firm's Registration No.003990S/S200018

**Seethalakshmi M - Partner**

Membership No: 208545  
Place: Bengaluru  
Date: 15 May 2024

For and on behalf of the Board of Directors of  
**Varthana Finance Private Limited**

**Steven Hardgrave - Director**

DIN: 02189073  
Place: Bengaluru  
Date: 15 May 2024

**Brajesh Mishra - Director**

DIN: 02292429  
Place: Bengaluru  
Date: 15 May 2024

**Talib Lokhandwala  
Chief Financial Officer**

Place: Bengaluru  
Date: 15 May 2024

**Pragati Mour -  
Company Secretary**

Place: Bengaluru  
Date: 15 May 2024



—

varthana

—