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VARTHANA FINANCE PRIVATE LIMITED

Annual Report FY 2025



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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 the operational efficiency of the schools.



Our Vision

To transform affordable education in India



Our Mission

To impact 10 million students by 2026



Steve Hardgrave
Wholetime Director and
Executive Vice Chairman

Brajesh Mishra
Managing Director
and CEO

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 2025 and the Auditors' Report thereon.

1. Highlight or summary of the Financial Statement:

Particulars	FY 2024-2025 (Rs in Lakhs)	FY 2023-2024 (Rs in Lakhs)
Gross income	32,569	28,427
Net Profit / (Loss) for the year before Interest, Depreciation and Taxes (EBIDTA)	20,079	14,235
Less: Financial charges	16,411	9,576
Profit/(Loss) before Depreciation and Tax	3,668	4,660
Less: Depreciation	501	470
Profit/(Loss) before Tax	3,167	4,190
Less: Taxes	801	1,097
Net profit carried to balance sheet	2,366	3,093

2. State of the Company's Affairs:

Performance Highlights:

For the year ending March 31, 2025, total revenue from operation of the Company was Rs. 32,569 Lakhs, higher by 15% as compared to the previous year. The Company closed its accounts with a positive net profit of Rs. 2,366 Lakhs as compared to a net profit of Rs. 3,093 Lakhs in the last fiscal. Provisions and write-offs amounted to Rs. 1,858 Lakhs for the year ended March 31, 2025, a decrease of 65% over the previous year.

Operational Highlights:

School Finance Business

The school finance business contributed to 85% of the loan book and continues to grow at a robust pace. Disbursements increased from Rs. 678 Cr in FY24 to Rs. 901 Cr, resulting in AUM of Rs. 1605 Cr for the vertical, up 43% from last year. 64% came from acquiring new clients while 36% came from top up loans to existing client. 89% of the loans in value terms were secured and the direct channel continues to be the dominant channel for sourcing business. Your company focus has been to improve the operating leverage for this business which can be seen from improvement in the key metrics. Income increased by 44% from Rs. 185 Cr in FY24 to Rs. 266 Cr in FY25, while opex for the vertical increased only by 13% from 77 Cr to 87 Cr. This has resulted in a pre-provisioning operating profit of Rs. 43 Cr, up 87% from last year. A robust 3.3% return on assets indicates that our company continues to be a dominant player in the sector with a wide spread distribution sourcing high quality loans while maintaining excellent yield discipline. A strong emphasis on productivity, managing costs by centralization of activities and continued improvements in the loan origination system has helped the business achieve these metrics.

Student Loan Business

The student loans business vertical of your company posted a growth of 88% in disbursements, up from 180 Cr last year to 340 Cr in FY25, resulting in a growth of 83% in the AUM, which stood at 291 Cr as on March 31, 2025. Income increased 104% from 24 Cr in FY24 to 49 Cr in FY25. At the same time, opex increased only by 24%, up from 17 Cr in FY24 to 21 Cr in FY25. GNPA increased from 6 Cr in FY24 to 15 Cr in FY25. The losses for the business increased from a PBT of -16 Cr in FY24 to -25 Cr in FY25. Delinquency has been higher on account of adverse partner selection in the past and job assurance programs. Selection of the right partner institutes continues to be a critical success factor.

Other significant developments

The pre-Covid portfolio has wound down to just 125 Cr. Similarly, the restructured portfolio is all but resolved. Of the 196 Cr that was restructured, 27 Cr remains as live restructured, 85 Cr was either written off or sold to ARC – of which 34 Cr has already been recovered and 84 Cr has been converted to standard or has run down. This is another proof point of your company's ability to recover overdue amounts.

Post March 2020, 462.8 Cr is the size of the portfolio that was ever in 90DPD. Of this, 143.8 Cr has been resolved by way of principal collection, 52.1 Cr was recovered after write off, 42.3 Cr was recovered by ARC and 56.1 Cr remains live as non-90DPD loans. This again is a reflection of the improving quality of the book and the company's ability to collect.

On liabilities, the company was able to raise debt amounting to 1071Cr during the year. The cost of incremental borrowing has been coming down with every transaction.

The Management Discussion and Analysis Report as required under the RBI NBFC - Corporate Governance Direction is annexed to the report as **Annexure B** 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 2024-2025.

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, 2025.

The Company's capital adequacy ratio was 28.53 % as on March 31, 2025, 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 2025 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

- a. Options granted; 5,575
- b. Options vested; 0
- c. Options exercised, Nil
- d. The total number of shares arising as a result of exercise of option; Nil
- e. Options lapsed; 810
- f. The exercise price; 15,051
- g. Variation of terms of options; Vesting schedule was accelerated by one year
- h. Money realized by exercise of options, Nil
- i. Total number of options in force; 11,080
- j. Employee-wise details of options granted to;
 - I. Key managerial personnel; NA
 - II. Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year : NIL
 - III. Identified employees who were granted options, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant; NA

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

8. Material changes and commitments, if any, affecting the financial position of the Company which has occurred since 31st March 2025 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 2025, 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. 473 Lakhs 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 2025.

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. Brahmanand Hegde

Was appointed as an Independent Director with effect from July 05, 2024

Ms. Nandita Ganapathy

Was appointed as Nominee Director of the Company with effect from 15.05.2024

Mr. Steven Edwin Hardgrave

Was appointed as CEO in addition to his current designation as Whole-time Director of the company with effect from 12.02.2025

Mr. Brajeshkumar Sirishkumar Mishra

Designation has been changed from Director to Whole-time Director of the company with effect from 12.02.2025

Mr. Nirav Avinashbhai Khambhati

Ceased to be Nominee Director of the Company with effect from 01.04.2024

Ms. Treasa Mathew

Ceased to be Nominee Director of the Company with effect from 25.10.2024

Ms. Divya Venkatavaraghavan

Ceased to be Nominee Director of the Company with effect from 07.03.2025

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:

Ms. Pragati Mour

Company Secretary of the Company has resigned with effect from 14.08.2024

Ms. Vidya Sridharan

Was appointed as Company Secretary of the Company with effect from 16.08.2024

Ms. Vidya Sridharan

Company Secretary of the Company has resigned with effect from 13.02.2025

Mr. Talib Akther Lokhandwala

Ceased to be the CFO of the Company with effect from 09.03.2025

13. Statutory Auditor & Audit Report:

The Company in adherence to the RBI Guidelines has appointed M/s. N. A. Shah Associates LLP, Chartered Accountants, (FRN.: 116560W / W100149), Mumbai, as the Statutory Auditors for FY 2024-2025 in the Annual General Meeting held on 5th July, 2024.

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 2024-2025. The Secretarial Audit Report for the financial year 2024-2025 is annexed to this Report as **Annexure A** and is self-explanatory in nature. Secretarial Auditors have issued their Audit Report containing Six observations which is given below along with the Management Response.

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, 2025:

8 (Eight) Board Meetings were held during the financial year on:

15th May 2024, 14th August 2024, 9th September 2024, 27th September 2024, 7th November 2024, 13th November 2024, 23rd December 2024 and 12th February 2025. 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	8	6
Mr. Ankit Singhal	8	7
Mr. Brahmanand Hegde	8	8
Mr. Brajesh Mishra	8	8
Ms. Divya Venkatavaraghavan*	8	3
Ms. Nandita Ganapathy**	7	5
Mr. Ramanathan Kumar	8	6
Mr. Steven Hardgrave	8	7
Ms. Treasa Mathew*	4	2

Ms. Treasa Mathew and Ms. Divya Venkatavaraghavan

Resigned w.e.f. October 25, 2024 and March 07, 2025 respectively.

Ms. Nandita Ganapathy

Appointed as Nominee Director w.e.f. May 15, 2024.

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	NIL
Foreign Exchange Expenditure	3,163

22. Net Worth of the Company:

Particulars	Standalone (Amount in Rs. Lakhs)	
	As on 31.03.2025	As on 31.03.2024
Net-worth of the company	55,908	53,750

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 on 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 is attached as Annexure C to this report.

Based on the recommendations of Corporate Social Responsibility (CSR) Committee vide their meeting dated March 28, 2025, the Board vide its meeting dated May 14, 2025, had approved spending of CSR funds for the FY 2024-2025 amounting to Rs. 35,08,000/- to establish a Scholarship Program under the Kind Circle Initiative to provide educational Opportunities to deserving students. via implementing agencies as recommended by the CSR Committee

The Company has spent the required amount of CSR expenditure as on March 31, 2025.

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 2024-2025.

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:

- a. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any.
- b. 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.
- c. 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.
- d. The directors had prepared the annual accounts on a going concern basis; and
- e. 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.
- f. 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**

sd/-

Steven Hardgrave
Whole time Director & CEO
(02189073)

sd/-

Brajesh Mishra
Whole time Director & COO
(02292429)

Date: 14/05/2025

Place: Bangalore

To,
The Members,
VARTHANA FINANCE PRIVATE LIMITED
Varasiddhi, 3rd Floor, No. 5BC-110 Service Road,
3rd Block HRBR Layout, Bangalore -560043,
Karnataka, India

I have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. VARTHANA FINANCE PRIVATE LIMITED (hereinafter called "the Company") bearing CIN: U65923KA1984PTC096528. Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31.03.2025, complied with the statutory provisions listed hereunder and also that the Company has proper Board processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31.03.2025 according to the provisions of:

- I. The Companies Act, 2013 (the Act) and the rules made thereunder;
- II. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- III. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- IV. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;
- V. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'): -
 - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 - **(Not Applicable to the Company during the Audit Period)**
 - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.
 - c. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
 - d. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 - **(Not Applicable to the Company during the Audit Period)**
 - e. The Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021. - **(Not Applicable to the Company during the Audit Period)**
 - f. Securities and Exchange Board of India (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008;
 - g. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - h. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021; **(Not Applicable to the Company during the Audit Period).**

- i. The Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018; **(Not Applicable to the Company during the Audit Period).**
- j. The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018;
- k. The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021;
- l. The management has identified and confirmed the following laws as specifically applicable to the Company;
- m. I also verified the Master Direction - Reserve Bank of India (Non - Banking Financial Company - Scale Based Regulation) Directions, 2023 (Updated as on February 27, 2025) issued by the Reserve Bank of India along with other Notifications, Guidelines, Circulars, Directions.
- n. Insurance Regulatory and Development Authority Act, 1999 and rules and regulations made thereunder.
- o. The Listing Agreements entered into by the Company with Bombay Stock Exchanges(s) w.r.t Debt listing.
- p. The Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013.

I have also examined compliance with the applicable clauses of the Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India.

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

I further report that the compliance by the Company of applicable financial laws such as direct and indirect tax laws and maintenance of financial records and books of accounts have not been reviewed in this audit since the same have been subject to review by the statutory financial auditors, tax auditors, and other designated professionals.

I further report that the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Further, during the period under review, the following changes took place in the Composition of the Board of Directors and KMP of the Company:

1. Mr. Nirav Avinashbhai Khambhati, ceased to be Nominee Director of the Company with effect from 01.04.2024
2. Ms. Nandita Ganapathy, was appointed as Nominee Director of the Company with effect from 15.05.2024
3. Ms. Treasa Mathew, ceased to be Nominee Director of the Company with effect from 25.10.2024
4. Mr. Steven Edwin Hardgrave, was appointed as CEO in addition to his current designation as Whole-time Director of the company with effect from 12.02.2025
5. Mr. Brajeshkumar Sirishkumar Mishra, designation has been changed from Director to Whole-time Director of the company with effect from 12.02.2025

6. Ms. Divya Venkatavaraghavan, ceased to be Nominee Director of the Company with effect from 07.03.2025
7. Ms. Pragati Mour, Company Secretary of the Company has resigned with effect from 14.08.2024
8. Ms. Vidya Sridharan was appointed as Company Secretary of the Company with effect from 16.08.2024.
9. Ms. Vidhya Sridharan has resigned as Company Secretary of the Company with effect from 13.02.2025.
10. Mr. Talib Akther Lokhandwala, ceased to be the CFO of the Company with effect from 09.03.2025

Further, adequate notices have been given to all the directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and consent to shorter notice has been taken, wherever required.

All decisions at the Board Meetings and Committee Meetings are carried out with the requisite majority of the Directors of the Company.

I further report that there are adequate systems and processes in the company, commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period the company has the following events/actions having a major bearing on the company's affairs in pursuance of the above-mentioned laws, rules, regulations, guidelines, standards, etc. referred to above.

1. During the period under review, the Company has allotted the following securities on the private placement basis:
 - I. 2,700 Rated, Senior, Secured, Unlisted, Taxable, Transferable, Redeemable NonConvertible Debentures ("NCDs" or "Debentures") having face Value of INR 1,00,000/- (Indian Rupees One Lakhs Only) each, with total allotment amounting to INR 27,00,00,000/- (Indian Rupees Twenty-Seven Crores only) on 16.05.2024 to Triodos Fair Share Fund.
 - II. 2,000 Rated, unlisted, unsubordinated, secured, transferable, redeemable, NonConvertible Debentures ("NCDs" or "Debentures") having face Value of INR 1,00,000/- (Indian Rupees One Lakhs Only) each, with total allotment amounting to INR 20,00,00,000/- (Indian Rupees Twenty Crore only) on 12.07.2024 to Northern Arc Capital Limited.
 - III. 25,000 Senior, Secured, Rated, Listed, Redeemable, Taxable, Transferable, INR denominated Non-Convertible Debentures ("NCDs" or "Debentures") having face Value of INR 10,000/- (Indian Rupees Ten Thousand Only) each, with total allotment amounting to INR 25,00,00,000/- (Indian Rupees Twenty-Five Crores only) on 16.09.2024 to below mentioned allottees:
 - a. Ambium Finserve Private Limited,
 - b. Moneyboxx Finance Limited,
 - c. Neo Wealth Partners Private Limited.
 - IV. 2,400 Rated, Taxable, Listed, Secured, Redeemable, Non-Convertible Debentures ("NCDs" or "Debentures") on a Private Placement basis face value of INR 1,00,000/- (Indian Rupees One Lakh Only) each, with total allotment amounting to INR 24,00,00,000/- (Indian Rupees Twenty-Four Crores Only) on 27.09.2024 to AK Capital Finance Limited.

- V. 1,500 Secured, rated, listed, United States Dollar denominated bonds ("NCDs" or "Debentures") on a Private Placement basis face value of USD 10,000 (United States Dollar Ten Thousand only) /INR 8,45,200/- (Indian Rupees (Eight Lakh Forty Five Thousand Two Hundred Only) each, with total allotment amounting to 15,000,000 (USD)/INR 1,26,78,00,000 /- (Indian Rupees One Hundred and Twenty-Six Crores Seventy Eight Lakhs Only) on 29.11.2024 to BlueOrchard Microfinance Fund.
 - VI. 1,000 Fully Paid, Rated, Listed, Senior, Secured, Redeemable, Taxable, Transferable, Redeemable, Non-Convertible Debentures ("Debentures") having face Value of INR 1,00,000/- (Indian Rupees One Lakhs Only) each, with total allotment amounting to INR 10,00,00,000/- (Indian Rupees Ten Crores Only) on 06.12.2024 to Vivriti Capital Limited.
 - VII. 75,000 Senior, Secured, Rated, Listed, fully-paid, Redeemable, Taxable, Non-Convertible Debentures ("Debentures") having a face value of INR 10,000/- (Indian Rupees Ten Thousand Only) each, with an aggregating to INR 75,00,00,000 /- (Indian Rupees Seventy Five Crores Only) on 29.01.2025 to below mentioned allottees:
 - a. Oxyzo Financial Services Private Limited,
 - b. Ambium Finserve Private Limited,
 - c. OFB Tech Private Limited,
 - d. IKF Finance Limited.
 - VIII. Re-classification of USD term loan facility aggregating to USD 12,000,000 (United States Dollars Twelve Million Only) provided by BlueEarth Impact Fund I L.P., BlueEarth Impact Fund II, BlueEarth Credit Strategies II and Ceniarth Wales Interests L.P. in to 1,200 Secured, Rated, Listed, United States Dollars Denominated Bonds Having Face Value of USD 10,000 (United States Dollars Ten Thousand Only)/ INR 8,33,300 (Indian Rupees Eight Lakhs Thirty-Three Thousand Three Hundred only) each aggregating upto USD 12,000,000 (United States Dollars Twelve Million Only) / 99,96,00,000 (Indian Rupees Ninety-Nine Crore Ninety Six Lakhs only) on 29.01.2025 to below mentioned allottees
 - a. BlueEarth Impact Fund I L.P.
 - b. BlueEarth Impact Fund II
 - c. BlueEarth Credit Strategies II
 - IX. 2,500 senior, secured, listed, redeemable, transferable, taxable, INR denominated NonConvertible Debentures ("NCDs" / "Debentures") on a Private Placement basis face value of INR 1,00,000/- (Indian Rupees One Lakh Only) each, with total allotment amounting to INR 25,00,00,000/- (Rupees Twenty-Five Crores only) on 27.03.2025 to AK Capital Finance Limited
2. The Company has passed an ordinary resolution and special resolution, respectively at the Annual General Meeting held on 05.07.2024 for the below-mentioned items:
 - a. a) To approve the appointment of Mr. Brahmanand Hegde as an independent director of the Company.
 - b. To approve issuance of Non-Convertible Debentures/Bonds upto a limit of Rs.1,500 Crores.
 - c. To approve additional ESOP Pool in the name of the Company.
 3. The Company has passed the following resolutions at the Extra-Ordinary General Meeting held 29.01.2025:
 - a. Alteration of Articles of Association of the Company
 - b. Increase the limits for borrowing by way of Non-Convertible Debentures (NCD)/Bonds to Rs. 1,500 Crores.

I further report that the following are my observations:

1. Upon reviewing the Company's login on the Bombay Stock Exchange Limited ("BSE") Listing Centre website, we observed that BSE has levied SOP fines, the details of which are as follows:
 - a. Rs. 11,800 /- levied for non-compliance with Regulation - 60(2) for the period ended July, 2021
 - b. Rs. 34,220/- levied for non-compliance with Regulation - 13(3) for the period ended March, 2021
 - c. Rs. 55,460/- levied for non-compliance with Regulation - 54(2) for the period ended March, 2021
 - d. Rs. 50,740/- levied for non-compliance with Regulation - 13(3) for the period ended December, 2020
2. The Company has paid a SOP fine of 3,00,900 and 4,08,280 to BSE Limited for noncompliance with Regulation 13 (Investor Grievances) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, pertaining to the financial year ended 2019. However, the Company has settled these fines and subsequently applied for a waiver via letter dated September 29, 2024.
3. During the year under review, the company has not filed the closure of trading window in the XBRL format for the Quarter ended September 2024 and December 2024. However, the PDF submission of the same was done within timeline.
4. During the year under review, pursuant to Regulation 3(5) of SEBI (Prohibition of Insider Trading) Regulations, 2015, the Company purchased the Structured Digital Database (SDD) software. However, is in the process of setting up the same.
5. As on the date of this report, Ms. Vidya Sridharan, resigned from the Company as a Company Secretary and Compliance officer of the Company w.e.f 13.02.2025. However pursuant to Regulation 6(1A) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, any vacancy caused due to resignation is required to be filled within 3 months from the date of such resignation, as on the signing of the said report, the Company has not appointed the Compliance Officer.

sd/-

Name: Pramod S.

Company Secretary in Practice

Membership Number: A36020 COP: 13335

UDIN: A036020G000336804

Peer Review Certificate no. 1491/2021

Place: Bangaluru

Date: May 14, 2025

Note: This report is to be read with "Annexure A" which forms an integral part of this report.

To,
The Members,
VARTHANA FINANCE PRIVATE LIMITED
Varasiddhi, 3rd Floor, No. 5BC-110 Service Road,
3rd Block HRBR Layout, Bangalore -560043,
Karnataka, India

My Secretarial Audit Report of report date, for the Financial Year 2024-25 is to be read along with this letter.

Management's Responsibility

1. It is the responsibility of the management of the Company to maintain secretarial records, devise proper systems to ensure compliance with the provisions of all applicable laws and regulations and to ensure that the systems are adequate and operate effectively.

Auditors' Responsibility

2. My responsibility is to express an opinion on these secretarial records, standards and procedures followed by the company with respect to secretarial compliance based on my audit.
3. I believe that audit evidence and information obtained from the company's management is adequate and appropriate for me to provide a basis for my opinion.
4. I have followed the audit practices and process as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices I have followed provide a reasonable basis for my opinion.
5. Wherever required, I have obtained the management's representation about the compliance of laws, rules and regulations and happening of events etc.
6. I have relied on the Information and documents provided by the Company and the audit is carried out based on the same.

Disclaimer

7. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the Management has conducted the affairs of the Company.
8. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

sd/-

Name: Pramod S.

Company Secretary in Practice

Membership Number: A36020 COP: 13335

UDIN: A036020G000336804

Peer Review Certificate no. 1491/2021

Place: Bangaluru

Date: May 14, 2025

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

With the pandemic behind us, the world was hoping to settle down and try covering the lost ground. Key challenges for countries globally remained increasing economic output, fighting poverty, eradicating fatal diseases and prevent climate change going out of hand. All hopes of ‘business as usual’ were dashed as we once again face a scenario that does not have a recent precedent. There are more wars being fought around the globe and at the same time the world’s largest economy has taken an extreme stance on world trade by way of tariffs and a rather inconsistent and unpredictable approach on resetting economic relations with trade partners. This has increased volatility in the markets to a very large extent and it is expected that capital deployment, investments and new projects globally will be muted. The other major factor pertains to inflation and its impact on interest rates. We have seen most large economies trying to maintain a delicate balance between lowering interest rates and keeping inflation in check even as political and fiscal priorities keep getting into conflict. That said, we have seen that these global stances do not directly impact the lending rates within India.

On global trends specific to education, more and more countries find themselves turning away foreign students. Canada, US, UK and Australia were the most preferred destinations and there is a clear sense that the intakes in these countries will be significantly lower than the past for students from India. One can expect foreign universities to explore collaborations to impart education onshore. Further, banks and finance companies focused on the study abroad lending business will have to pivot and look for opportunities within the country.

Coming to the Indian economy, our GDP growth has made us the fourth largest economy in the world. The push for growth continues with RBI systematically reducing interest rates on a regular basis. GST collections indicate that more and more enterprises are coming under the formal sector, which augurs well for the economy as a whole. While the growth in the economy has been impressive, the per capita income continues to remain low. Similarly, the income disparity continues to remain very high.

Coming to the regulatory stance, we expect the interest rates to remain soft in the near future. Unfortunately this has not resulted in a proportionate access to cheaper capital for NBFCs as a whole. Very clear directives from RBI to banks to keep NBFC exposures in check coupled with the stress on MFI focused NBFCs have resulted in making it more difficult for small and mid-sized NBFCs to access bank funding and at lower rates. We expect this stance to continue in the near future.

As far as the job markets are concerned, we are witnessing a significant reduction in demand for entry level jobs. While the IT sector is particularly impacted, this trend is visible in other sectors as well. Most of the institutes that had job assurance programs as a part of their offering are finding it very difficult to place their students.

On population and India's demographic dividend – the youth, it is now established that birth rates have been declining in most of the states in India. As the median age of the country's population increases, sectors like health care and geriatric care will see an increase in demand. Even as the population growth stabilizes, we do not expect any impact on demand for private schools slowing down in the medium term. The movement of children from government schools to private schools is back with a vengeance in the post covid era. Another point to note is that the out of school population of school going children continues to be very high at 150 mn children.

AI has emerged as the single biggest item to catch the fancy of people across the globe. Capabilities continue to improve at an exponential pace and there is a threat to a lot of jobs as one of the immediate impact of the new technology. Varthana continues to track this phenomenon closely with a special focus on use cases that can help automate processes, help analyze mountains of data and help improve controls.

In conclusion, the outlook remains stable for the company. The private school sector has remained robust and recession proof; this resilience is expected to have the same positive effect on the company. At the same time, increase in competitive activity and yield pressures is expected to remain, making it even more important for the company to be able to reduce its cost of funds. The student loans business will continue to grow in a cautious manner to factor in for the volatilities.

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

As on March 31, 2025, the Company was present across 15 states and the total gross loan portfolio as on March 31, 2025, was Rs. 1897 Cr and the disbursements for the year were at Rs. 1240.26 Cr in addition to fund raising of Rs. 1063.16 Cr.

Total revenue from operations for the year was Rs. 325.48 Cr, an increase of 15% over the last year. Provisions and write-offs amounted to Rs. 18.58 Cr for the year ended March 31, 2025, an decrease of 65% over the previous year. The Company reported a net profit of Rs. 23.66 Cr.

	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Total No. of Loans Disbursed	2,389	2,069	2,785	2474	6516	21659	37,472
No. of Secured Loans	1,231	840	1270	287	633	1619	976
No. of Unsecured Loans	737	817	1025	249	464	1300	1301
No. of ECLGS Loans	-	-	136	567	15	0	0
No. of Student Loans	421	412	354	1371	5404	18740	38124
No. of Active School Loans	4,069	4,267	5,924	6247	4486	5,037	4951
No. of Active Student Loans	400	575	571	1661	6113	20,859	41,580
Total Disbursements (₹Crore)	534	351	96	123	372.5	857.4	1240.3
Secured Disbursements (₹ Crore)	497	317	67	59	286.3	608.8	800.4
Unsecured Disbursements (₹ Crore)	36	30	9	8	32.3	68.5	100.9
ECLGS (₹ Crore)	-	-	17	43	2.0	-	-
Student Loan Disbursements (₹ Crore)	2	4	3	13	51.8	180.1	339
Total Outstanding Loan Portfolio (₹ Crore)	1,099	1,104	1,045	946	938.43	1281.13	1897
% Secured	95%	95%	95%	97%	91%	91%	77%
% Unsecured	5%	5%	5%	3%	9%	9%	23%
Total Headcount	535	706	627	722	715	750	766
Relationship Managers	200	227	173	185	178	161	163
Branches	30	36	36	36	39	40	43
States	14	14	14	14	16	16	15

	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25
PAR 1-30 DPD	2.76%	5.10%	4.68%	5.66%	7.47%	4.0%	2.2%
PAR 31-90 DPD	7.44%	9.00%	6.37%	16.04%	7.61%	3.45%	6.29%
PAR 90+ DPD	1.46%	6.40%	2.44%	11.17%	6.72%	2.32%	1.75%
GNPA %	1.90%	7.17%	2.91%	12.07%	8.35%	2.84%	1.94%
NNPA %	0.59%	4.29%	1.41%	5.92%	5.86%	1.47%	0.93%
GNPA (₹ Lakhs)	1,999	7,854	3,043	11,509	7,712	3,861	3,593
NNPA (₹ Lakhs)	615	4,550	1,449	5,271	5,271	1,326	1,697
Gross Loan Portfolio (₹ Lakhs)	1,05,442	1,09,484	1,03,826	95,315	92,331	1,25,667	1,82,873
Net Loan Portfolio (₹ Lakhs)	1,04,058	1,05,049	96,065	83,985	89,891	1,20,431	1,78,100

Opportunities and Threats

Opportunities

- Growing interest by banks and NBFCs for co-lending and business correspondent arrangements
- Digital lending enablement at schools creating need for investments in related infrastructure
- Expanding to unserved geographies
- Policy tailwinds like NEP to keep demand for infra and quality improvements up
- Digital underwriting tools like video PD and AI integrations to improve underwriting quality and reduce turnaround time
- Cross-sell opportunities
- Linkages between the school loans business and the student loans business

Threats

- Intensifying competition to put pressure on yields and faster portfolio attrition
- Talent drain to competition
- Regulatory overreach at schools may impact margins in school operations
- Credit risk in unforeseen volatile times resulting in prolonged school closure due to health scares, climate related disruptions or society related disruptions.
- 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. It will be critical to maintain higher levels of liquidity and to seek co-lending partners to further manage this area.

Risks – Concerns and Management

The key risks that the company continues to monitor on a regular basis include credit risk, concentration risk, liquidity risk, HR risk, market risk, reputational risk and strategic risk. These are core to the success of the organization and are monitored separately for both lines of business. The two businesses are at different stages of their growth trajectory and accordingly, the risks manifest themselves in a different manner. Similarly, the nature of business requires different parameters to be tracked. For instance, end use verification is unique to the school loans business whereas the partner level risk – concentration and FLDG cover – are specific to the student loans business. At the organization level, maintaining sufficient liquidity and adequate capital are the key levers to manage unforeseen circumstances. The company has guardrails for these parameters to track the metrics as Green, Amber or Red. Trends on whether these risks are worsening, improving or are stable are also monitored on a quarterly basis.

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 recognizes 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. Varthana was recognized as among "India's Top 25 Workplaces in BFSI 2024".

A total of 786 employees were on the rolls of the Company as of March 31, 2025.

At Varthana, we are successful 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.

1. Brief outline on CSR Policy of the Company:

Philosophy:

Varthana Finance Private Limited (“Varthana”, “the Company”) recognizes that business enterprises are economic organs of the society and draw on the societal resources; it is this belief that a Company's performance must be measured by its contribution to build economic, social and environmental capital towards enhancing societal sustainability.

In line with this belief, the Company continues to and shall further endeavour to undertake Corporate Social Responsibility ("CSR") programs which shall be replicable, scalable and sustainable.

CSR Vision and Guiding Principles

- Our CSR vision is to work for the welfare and sustainable development of the community in and around our areas of operation, besides need based response to the requirements in other parts of the country with major focus on the education sector in line with the vision of the Company.
- The Company will observe in letter and spirit the cardinal principles and underlying objectives of the Government in prescribing CSR and for this purpose always strive to design CSR programs within the broad scope of the activities listed under Schedule-VII to the Companies Act, 2013 as amended from time to time.
- The Company shall endeavour to adopt best practices and integrate them into its CSR activities.

2. Composition of CSR Committee:

Sl. No.	Name of the Director	Designation/ Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1.	Mr. Anand Sudarshan	Independent Director	1	0
2.	Mr. Steven Hardgrave	Whole time Director & CEO	1	1
3.	Mr. Brajesh Mishra	Whole time Director & COO	1	1

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

The composition of CSR committee, CSR Policy and CSR programmes approved by the Board can be accessed on the website of the Company at www.varthana.com

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

Not Applicable

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

Sl. No.	Financial Year	Amount available for set-off from preceding financial years (in Rs.)	Amount required to be setoff for the financial year, if any (in Rs.)
Not applicable			

6. Average net profit of the company as per section 135(5);

Rs. 17,53,57,511

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

Rs. 35,07,150

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

NIL

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

NIL

(d) Total CSR obligation for the financial year (7a+7b-7c):

Rs. 35,07,150

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

Total Amount Spent for the Financial Year. (in Rs.)	Amount Unspent (in Rs.)				
For the FY 2024-2025: Rs. 35,08,000	Total Amount transferred to Unspent CSR Account as per section 135(6).		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5).		
	Amount	Date of Transfer	Name of the Fund	Amount	Date of Transfer
	Not applicable		Not applicable		

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

1	2	3	4	5		6	7
Sl. No.	Name of the Project	Item from the list of activities In Schedule VII to the Act.	Local area (Yes/No)	Location of the project.		Project Duration	Amount Allocated for the Project (in Rs.)
				State	District		
1	Buddy4study India Foundation	(ii) Promoting Education	No - Nationwide approach	Nationwide approach		9 months	35,08,000
							TOTAL 35,08,000

8	9	10	11
Amount spent in The current Financial Year (in Rs.)	Amount transferred to Unspent CSR Account for The project as per Section 135(6) (in Rs.)	Mode of Implementation – Direct (Yes/No).	Mode of Implementation – Through Implementing Agency
			Name CSR Registration number.
35,08,000	Nil	No	Buddy4study India Foundation CSR00000121

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

1	2	3	4	5	
Sl. No.	Name of the Project	Item from the list of activities In Schedule VII to the Act.	Local area (Yes/No)	Location of the project.	
				State	District
NIL					

6	7	8	
Amount spent for The project (in Rs.)	Mode of Implementation – Direct (Yes/No).	Mode of Implementation - Through Implementing Agency	
		Name	CSR Registration number.
NIL			

(d) Amount spent in Administrative Overheads:

NIL

(e) Amount spent on Impact Assessment, if applicable:

NIL

(f) Total amount spent for the Financial Year (8b+8c+8d+8e):

Rs. 35,08,000

(g) Excess amount for set-off, if any

Sl. No.	Particulars	Amount (in Rs.)
(i)	Two percent of average net profit of the company as per section 135 (5)	Rs. 35,07,150
(ii)	Total amount spent for the Financial Year	Rs. 35,08,000
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Rs. 850
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	NIL
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	NIL

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

1	2	3	4
Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in Rs.)	Amount spent in the reporting Financial Year (in Rs.)
1	FY 2022-2023	NA	Rs. 10,80,500
2	FY 2023-2024	NA	Rs. 1,10,000
3	FY 2024-2025	NA	Rs. 35,08,000

5			6
Amount transferred to any fund specified under Schedule VII as per section 135(6), if any.			Amount remaining to be spent in Succeeding financial years. (in Rs.)
Name of the fund	Amount (in Rs.)	Date of Transfer	
NA	NA	NA	NIL
NA	NA	NA	NIL
NA	NA	NA	NIL

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

NIL

1	2	3	4	5	6
Sl. No.	Project ID	Name of the Project	Financial Year in which the project was commenced.	Project Duration	Total amount allocated for the project (in Rs.)
Not applicable					

7	8	9
Amount spent on the project in the reporting Financial Year (in Rs.)	Cumulative amount spent at the end of reporting Financial Year. (in Rs.)	Status of the project - Completed /Ongoing.
Not applicable		

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year

(Asset-wise details).

(a) Date of creation or acquisition of the capital asset(s):

NIL

(b) Amount of CSR spent for creation or acquisition of capital asset:

NIL

(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.:

NIL

(d) Provide details of the capital asset(s) created or acquired (Including complete address and location of the capital asset):

NIL

11. Specify reason(s), if the company has failed to spend two per cent of the average not profit as per section 135(5)

For and on behalf of Varthana Finance Private Limited

sd/-

Steven Hardgrave
Chairman of CSR Committee
Whole time Director & CEO
(02189073)

sd/-

Brajesh Mishra
Whole time Director & COO
(02292429)

Date: 14/05/2025

Place: Bangalore

Independent Auditors' Report

To the Members of Varthana Finance Private Limited

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

We have audited the Ind AS financial statements of Varthana Finance Private Limited ('the Company'), which comprise the Balance Sheet as at 31st March 2025, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended, and notes to the Ind AS financial statements, including a summary of material accounting policies and other explanatory information (hereinafter referred to as 'the Ind AS financial statements').

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid Ind AS 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 (Ind AS) prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March 2025, and its profit including other comprehensive income, the 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 Companies Act, 2013. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Ind AS 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 together with the ethical requirements that are relevant to our audit of the Ind AS financial statements under the provisions of the Companies Act, 2013, 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 Ind AS financial statements

Emphasis of matter

1. We refer to Note 39 (E.6) of the Ind AS financial statements with regards to the management's view on adjusting the First Loss Default Guarantee (FLOG) balance against the Expected Credit Loss (ECL) provision and clarification provided to the Reserve Bank of India (RBI) on the said matter.
2. We refer to note 56 of the Ind AS financial statements with regards to the deviation in covenants for lending arrangements in respect of which a formal waiver of the lenders is in the process of being obtained.

Our opinion is not qualified in respect of the above matters.

Key Audit Matter

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

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

Impairment losses on loan portfolio:

Refer note 3 (k) to the accompanying Ind AS financial statements for material accounting policies, note 6 for loan assets and note 39 (E.5) for credit risk disclosures.

As at 31st March 2025, the company has reported gross loan assets of 1, 85,329 Lakhs against which an impairment of 4,772 Lakhs has been recorded.

Ind AS 109, Financial instruments requires the company to provide for impairment of its financial assets using the expected credit loss ('ECL') approach which involves estimates for probability of loss on the financial assets over their life, considering reasonable and supportable information about past events, current conditions and forecasts of future economic conditions which could impact the credit quality of the Company's financial assets.

In this process, the company has applied a three-stage approach based on changes in credit quality to measure expected credit loss on loans which is as follows:

- If the loan is not credit-impaired on initial recognition, then it is classified in 'Stage 1', and its credit risk is continuously monitored by the company i.e. the default in repayment is within the range of 0 to 30 days.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, it is moved to 'Stage 2' but is not yet deemed to be credit-impaired, i.e. The default in repayment is within the range of 31 to 90 days.
- If the loan is credit-impaired, then it is then moved to 'Stage 3' i.e. the default in repayment is more than 90 days

The Expected Credit Loss (ECL) is measured at 12-month ECL for Stage 1 loan assets and at lifetime ECL for Stage 2 and Stage 3 loan assets. The significant management judgement and assumptions involved in measuring EGL are as follows:

- determining the criteria for a significant increase in credit risk ('SICR')
- factoring in future economic assumptions
- techniques used to determine probability of default, loss given default and exposure at default

These parameters are derived from the Company's internally developed statistical models, other historical data and macroeconomic factors.

Considering the significance of the above matter for the impairment to the overall financial statements and the degree of management's estimates and judgments involved, this area required significant auditor attention required to test such complex accounting estimates. Therefore, we have identified this as a key audit matter for current year audit.

How the matter was addressed in our audit

Our audit procedures in relation to expected credit losses were focused on obtaining sufficient appropriate audit evidence as to whether the expected credit losses recognized in the Ind AS financial statements were reasonable and the related disclosures in the financial statements made by the management were adequate. These procedures that included, but were not limited to, the following:

- Obtained an understanding of the modelling techniques adopted by the company including the key inputs and assumptions including how management calculates the expected credit losses. Ensured completeness and the appropriateness of the data on which the calculation is based Since modelling assumptions and parameters were based on historical data, we assessed whether historical experience was representative of current circumstances and was relevant view of the recent impairment losses incurred within the portfolios

- Considered the Company's accounting policies for estimation of expected credit loss of loans and assessing compliance with the policies in terms of Ind AS 109.
- Tested the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions considered for calculation, recording and monitoring of the impairment loss recognized. We have also evaluated the controls over the modelling process, validation of data and related approvals.
- Assessed the critical assumptions and input data used in the estimation of expected credit loss models for specific key credit risk parameters, such as the transfer logic between stages, probability of default (PD) or loss given default (LGD).
- Performed an assessment of the adequacy of the credit losses expected within 12 months by reference to credit losses actually incurred on similar portfolios historically.
- Obtained written representations from management on whether they believe significant assumptions used in calculation of expected credit losses are reasonable.
- Assessed the appropriateness and adequacy of the related presentation and disclosures in note 39 (D) "Financial risk management" to the financial statements in accordance with the applicable accounting standards.

Information other than the Ind AS financial statements & auditors report thereon

The Company's Board of Directors is responsible for the other information. The other information obtained at the date of this auditors' report is directors' report but does not include Ind AS financial statements and our auditors' report thereon. The said reports are expected to be made available to us after the issue of our auditors' report.

Our opinion on the Ind AS 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 Ind AS financial statements, our responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the Ind AS financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the above said reports, if we conclude that there is material misstatement therein, we are required to communicate the matter to those charged with governance and take necessary actions, as applicable under the relevant laws and regulations. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the Ind AS financial statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these Ind AS financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act read with the Companies (Indian Accounting Standard) Rules, 2015 as amended from time to time.

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 Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error

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

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

auditors' responsibilities for the audit of Ind AS financial statements

Our objectives are to obtain reasonable assurance about whether the Ind AS 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 Ind AS financial statements.

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

- Identify and assess the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the Ind AS 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 Ind AS financial statements, including the disclosures, and whether the Ind AS financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the Ind AS financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the Ind AS financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the Ind AS financial statements.

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 to them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Other Matter

The Ind AS financial statements of the Company for the year ended 31st March 2024 were audited by another auditor whose report dated 15th May 2024 expressed unmodified opinion. We have relied on the said Ind AS financial statement for the purpose of confirming the opening balances on assets, equity and liabilities as on 1st April, 2024 in respect of the year under audit.

Our opinion is not modified in respect of the above matter.

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 "Annexure - A", a statement on the matters specified in paragraphs 3 and 4 of the Order.
2. As required by Section 143(3) of the Act, we report that:
 - a. We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b. In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books, read with our comments stated in the paragraph 2(i)(vi) below on reporting under Rule 11 (g) of the Companies (Audit and Auditors) Rules, 2014.
 - c. The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Changes in Equity and the Cash Flow Statement dealt with by this Report are in agreement with the books of account.
 - d. In our opinion, the aforesaid Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act
 - e. On the basis of the written representations received from the directors as on 31st March 2025 taken on record by the Board of Directors, none of the directors is disqualified as on 31st March 2025, from being appointed as a director in terms of Section 164(2) of the Act
 - f. Our comments relating to the maintenance of accounts and other matters connected therewith are as stated in paragraph 2(i)(vi) below on reporting under Rule 11 (g) of the Companies (Audit and Auditors) Rules, 2014.
 - g. With respect to adequacy of internal financial controls over financial reporting of the Company and operating effectiveness of such controls, refer to our separate report given in "Annexure - B". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
 - h. Since the Company is a private limited company, provisions of section 197 of the Act read with schedule V to the Act in respect of managerial remuneration are not applicable. Therefore, reporting as required by Section 197(16) of the Act is not applicable to the Company;

- i. 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, as amended from time to time, in our opinion and to the best of our information and according to the explanations given to us:
 - I. The Company has disclosed the impact of pending litigations as at 31st March 2025 on its financial position in note 43 of its Ind AS financial statements.
 - II. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - III. There are no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.
 - IV. The Management has represented that, to the best of our knowledge and belief, as disclosed in the note 60 (v) to the Ind AS financial statements,
 - no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company (Ultimate Beneficiaries) or provide any guarantee, security or the like on behalf of ultimate beneficiaries.
 - 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, 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 the audit procedures that have been 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 (iv) contain any material misstatement.

- V. The Company has not declared or paid dividend during the year. Hence our comments on compliance with section 123 of the Companies Act 2013 does not arise.
- VI. Based on our examination which included test checks, the company has used an accounting software and loan management softwares for maintaining its books of account for the financial year ended 31st March 2025 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 software except that the loan management softwares does not capture the details of "what" changes were made. Further, during the course of our audit we did not come across any instance of audit trail feature being tampered with. Additionally, the audit trail, to the extent maintained, has been preserved by the company as per the statutory requirements for record retention.

For N. A. Shah Associates LLP

Chartered Accountants

Firm Registration No.: 116560W/W100149

sd/-

Prashant Daftary

Partner

Membership No.: 117080

UDIN: 25117080BMJBDM4486

Place: Mumbai

Date: 14th May 2025

(Referred to in paragraph 1 under the heading of 'Report on other legal and regulatory requirements' of our report of even date.)

- I. a. (A) The Company has maintained proper records showing full particulars including quantitative details and situation of Property, plant and equipment.

(B) The Company has maintained proper records showing full particulars of intangible assets.
- b. The company has a regular programme of physical verification of its property, plant and equipment by which all the assets were physically verified by the management in a phased manner over a period of three years, which in our opinion, is reasonable having regards to the size of the Company and nature of the assets. Pursuant to the programme company computers and Office equipments were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- c. The Company does not own any immovable property other than properties where the Company is the lessee and the lease agreements are duly executed in the favour of the Company. Thus, clause (i)(c) of paragraph 3 of the Order is not applicable
- d. The Company has not revalued any of its Property, Plant or Equipment and Intangible Assets during the year. Thus, clause (i)(d) of paragraph 3 of the Order is not applicable.
- e. According to the information and explanation given to us as at 31st March 2025, no proceedings have been initiated during the year or are pending against the company as at 31st March 2025 for holding any benami property under the Benami Transactions {Prohibition} Act, 1988 (as amended in 2016) and rules made thereunder. Refer note 60 (i) to the Ind AS financial statements.
- II. a. The Company is Non-Banking Financial Company (NBFC) and it does not hold any inventory. Therefore clause (ii)(a) of paragraph 3 of the Order relating to inventory is not applicable.
- b. The Company has been sanctioned working capital limits in excess of Rs. 500 Lakhs in aggregate from banks on the basis of security of current assets of the Company. However, based on information and explanation given to us, there is no requirement to submit the quarterly returns or statements with banks. The Company has not taken any loan from financial institution.
- III. According to the information and explanation given to us. during the year the Company has not made investments in companies and other parties but has granted secured/ unsecured loans or advances in the nature of loans to companies, firms, Limited Liability Partnerships or any other parties. The Company has not made investments in companies, firms or limited liability partnership. The Company has also not provided any guarantee or security to companies, firms, Limited Liability Partnerships or any other parties during the year.
 - a. Since principal business of company is to give loans, the requirement of clause (iii)(a) paragraph 3 of the Order is not applicable.
 - b. In our opinion and considering the information and explanations given to us, investment made and the terms and conditions of the grant of loans, during the year are, prima facie, not prejudicial to the Company's interest The Company has not provided any guarantee and also not given security to any party.

- c. In respect of loans and advances in the nature of loans, granted by the Company as part of its business of providing loans and advances in the nature of loans, the schedule of repayment of principal and payment of interest has been stipulated by the Company. Having regard to the voluminous nature of loan transactions, it is not practicable to furnish entity-wise details of amount, due date for repayment or receipt and the extent of delay in this report (as suggested in the Guidance Note on CARO 2020, issued by the Institute of Chartered Accountants of India for reporting under this clause), in respect of loans and advances which were not repaid I paid when they were due or were repaid/ paid with a delay, in the normal course of lending business. Further, except for loans where there are delays or defaults in repayment of principal and/ or payment of interest as at the balance sheet date, in respect of which the Company has disclosed asset classification in note 39 (E 5) to the Ind AS financial statements in accordance with Ind AS and the guidelines issued by the Reserve Bank of India, the parties are repaying the principal amounts, as stipulated, and are also regular in payment of interest, as applicable.
 - d. In respect of loans and advances, in the nature of loans, as stated above considering the nature of business and voluminous transactions it is not practical to give the details of number of parties with overdue amounts in excess of 90 days. The company has disclosed in the details of amount overdue for more than 90 days as on 31st March 2025 in note 39 (E. 5) of the financial statements. In such instances, in our opinion, reasonable steps have been taken by the Company for recovery of the overdue amount of principal and interest.
 - e. Since principal business of company is to give loans, the requirement of clause (iii)(e) paragraph 3 of the Order is not applicable.
 - f. 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 the Act does not arise Accordingly, clause (iii) (f) of paragraph 3 of the Order is not applicable
- IV. According to information and explanation given to us, the Company has complied with the provisions of section 185 and 186 of the Act in respect of loans granted, investments made, guarantees and security provided, as applicable.
 - V. In our opinion and according to the information and explanation given to us, the Company has not accepted any deposits or amounts which are deemed to deposits from the public during the year in terms of directive issued by Reserve Bank of India or the provisions of Sections 73 to 76 or any other relevant provisions of the Act and the rules framed there under We are informed that no order relating to the Company has been passed by the National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal.
 - VI. The Central Government has not prescribed maintenance of cost records under section 148(1) of the Act for any of the activities of the company. Accordingly, clause (vi) of paragraph 3 of the Order is not applicable to the Company.

VII. In respect of statutory dues:

- a. According to the information and explanations given to us and on the basis of our examination of records of the Company, in respect of amounts deducted/ accrued in the books of account, the Company has been generally regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, duty of customs, duty of excise, goods and services tax, cess and any other statutory dues. as applicable to the Company, during the year with the appropriate authorities by the Company. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.
- b. There are no statutory dues referred to in sub-clause (a) above which have not been deposited on account of disputes.

VIII. According to the information and explanation given to us and based on the procedures carried out during the course of our audit, we have not come across any transactions relating to previously unrecorded income that have been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961).

- IX.
 - a. repayment of loans or other borrowings or in the payment of interest thereon to any lender except in case of two loans where the first instalment of interest was delayed by 1 day.
 - b. According to the information and explanations given to us and on the basis of our audit procedures, we report that the company has not been declared wilful defaulter by any bank or financial institution or government or any other lender.
 - c. As per the information and explanation given to us and on an overall examination of the financial statements of the Company, the Company has utilized the money obtained by way of term loans in current and earlier years for the purposes for which they were obtained. Further, idle/surplus funds which were not required for immediate utilisation have been invested in readily realisable liquid investments
 - d. According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the financial statements of the company, we report that no funds raised on short-term basis have been used for long-term purposes by the company. Further, as a part of business operations, funds raised by the company for a period ranging between 3 to 5 years have been used for on lending as advances to customers for a period ranging between 1 to 10 years.
 - e. The Company does not have any subsidiary, associate or joint venture. Accordingly, clause (ix) (e) of paragraph 3 of the Order is not applicable.
 - f. The Company does not have any subsidiary, associate or joint venture. Accordingly, clause (ix) (f) of paragraph 3 of the Order is not applicable.
- X.
 - a. The Company did not raise any money by way of initial public offer or further public offer (Including debt instruments) during the year. I heretore, clause {x}(a) ot paragraph 3 ot the Order is not applicable.
 - b. preferential allotment or private placement of shares or convertible debentures (fully, partially or optionally convertible) during the year_ Therefore, reporting under clause (x)(b) of paragraph 3 of the Order is not applicable.

- XI.
 - a. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, we report that no fraud by the company or no fraud on the company has been noticed or reported during the year.
 - b. No report under section 143(12) of the Companies Act has been filed in Form ADT-4 as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 with the Central Government, during the year and up to the date of this report.
 - c. We have taken into consideration the whistleblower complaints received by the company during the year and shared with us for reporting under this clause.
- XII. In our opinion and according to the information and explanation given to us, the Company is not a Nidhi company. Therefore, clause (xii) of paragraph 3 the Order is not applicable
- XII. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties is in compliance with sections 188 of the Act where applicable and details of such transactions have been disclosed in the financial statements, as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under section 133 of the Act. The Company is a private limited company and therefore the provisions of section 177 of the Act are not applicable to the Company.
- XIV.
 - a. In our opinion and based on our examination, the Company has an internal audit 'tern commensurate with the size and nature of its business.
 - b. We have considered the internal audit reports of the Company issued for the period under audit.
- XV. According to 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. Therefore, clause (xv) of paragraph 3 the Order is not applicable.
- XVI.
 - a. In our opinion and according to the information and explanation given to us. the Company is registered under section 45-IA of the Reserve Bank of India Act, 1934.
 - b. The Company has conducted Non-Banking Financial activities after obtaining valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934. According to the information and explanations given to us, the Company is not into the business of conducting any Housing Finance activities.
 - c. 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 Therefore, clause (xvi)(c) of paragraph 3 of the Order is not applicable to the Company.
 - d. Based on the information and explanations given to us and as represented by the management of the Company, there is no CIC within the Group (as defined in the Core Investment Companies (Reserve Bank) Directions, 2016) and accordingly reporting under clause (xvi)(d) of paragraph 3 of the Order is not applicable.
- XVII. The Company has not incurred any cash loss during the financial year ended 31st March 2025 and the immediately preceding financial year. Therefore, clause(xvii) of paragraph 3 of the Order is not applicable to the Company

- XVII. The Company has not incurred any cash loss during the financial year ended 31st March 2025 and the immediately preceding financial year. Therefore, clause(xvii) of paragraph 3 of the Order is not applicable to the Company
- XVIII. During the year, there has been a change in auditors on account of completion of the term and as explained reappointment was not possible on account of RBI regulations as regards appointment of auditors. This change is not considered to be a resignation and therefore, the clause (xviii) of paragraph 3 of the Order is not applicable. Further, there were no issues, objections or observations which were raised by the erstwhile auditors.
- XIX. According to the information and explanations given to us and on the basis of the financial ratios, ageing and expected dates of realization of financial assets and payment of financial liabilities, other information accompanying the financial statements and 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 indicating that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due with in a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- XX. a. According to the information and explanation given to us and on the basis of examination of records, there are no unspent amounts towards Corporate Social Responsibility (CSR) on other than ongoing projects requiring a transfer to a Fund specified in Schedule VII to the Companies Act in compliance with second proviso to sub-section (5) of Section 135 of the said Act. Accordingly, reporting under clause (xx)(a) of paragraph 3 of the Order is not applicable.
- b. According to the information and explanation given to us and on the basis of examination of records, there are no ongoing projects and hence no amount is required to be transferred to Fund specified in Schedule VII to the Companies Act in compliance with second proviso to sub-section (6) of Section 135 of the said Act. Accordingly, reporting under clause (xx)(a) of paragraph 3 of the Order is not applicable.
- XXI. Reporting under clause xxi of the Order is not applicable at the standalone level of reporting.

For N. A. Shah Associates LLP
Chartered Accountants
Firm Registration No.: 116560W/W100149

sd/-

Prashant Daftary
Partner
Membership No.: 117080
UDIN: 25117080BMJBDM4486

Place: Mumbai
Date: 14th May 2025

(Referred to in paragraph 2g under the heading "Report on other legal and regulatory requirements" of our report of even date)

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

Opinion

We have audited the internal financial controls over financial reporting of Varthana Finance Private Limited ("the Company"), as of 31st March 2025, in conjunction with our audit of the Ind AS financial statements of the Company for the year then ended.

system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31st March 2025, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI').

Management's Responsibility for Internal Financial Controls

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

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by JCAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, 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 auditors' judgment, including the assessment of the risks of material misstatement of the Ind AS 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 system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting 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 Ind AS 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 Ind AS financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

Because of the inherent limitations of internal financial controls over financial reporting, 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 over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For N. A. Shah Associates LLP

Chartered Accountants

Firm Registration No.: 116560W/W100149

sd/-

Prashant Daftary

Partner

Membership No.: 117080

UDIN: 25117080BMJBDM4486

Place: Mumbai

Date: 14th May 2025

Varthana Finance Private Limited
Balance Sheet as at 31st March 2025
(All amounts in ₹ Lakhs unless otherwise stated)

ASSETS	Notes	As at 31 March 2025	As at 31 March 2024
Financial asset			
Cash and cash equivalents	4	26,741	27,220
Bank balances other than cash and cash equivalents	5	12,465	2,716
Loans	6	1,80,557	1,22,143
Investments	7	6,029	7,875
Other financial assets	8	954	104
		2,26,746	1,60,058
Non-financial assets			
Current tax assets (net)	9	406	164
Deferred tax assets (net)	10	2,385	2,164
Property, plant and equipment	11	538	505
Other intangible assets	12	718	411
Intangible assets under development	12	47	264
Other non-financial assets	13	1,142	717
		5,236	4,225
Total assets		2,31,982	1,64,283
LIABILITIES AND EQUITY			
Liabilities			
Financial liabilities			
Trade payables	14		
Total outstanding dues of micro enterprises and small enterprises		2	101
Total outstanding dues of creditors other than micro enterprises and small enterprises		607	553
Derivative financial instruments	17	23	477
Debt securities	15	38,012	22,859
Borrowings (other than debt securities)	16	1,34,680	83,712
Other financial liabilities	18	1,130	1,375
		1,74,427	1,09,077
Non-financial liabilities			
Current tax liabilities (net)	19	-	90
Provisions	20	643	531
Other non-financial liabilities	21	1,004	835
		1,647	1,456
Equity			
Equity share capital	22	38	38
Instruments entirely equity in nature	23	5,696	5,696
Other equity	24	50,174	48,016
		55,908	53,750
Total liabilities and equity		2,31,982	1,64,283

Summary of material accounting policies (Note 1 to 3).

The accompanying notes form an integral part of the financial statements.

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

For N. A. Shah Associates LLP
Chartered Accountants
Firm Registration : 6560W 00149

sd/-

Prashant Daftary
Partner
Membership No.: 117080

Place: Bengaluru
Date: 14 May 2025

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

sd/-

Steven Edwin Hardgrave
Director & CEO
DIN: 02189073

Place: Bengaluru
Date: 14 May 2025

sd/-

Brajesh Kumar Mishra
Director
DIN: 02292429

Place: Bengaluru
Date: 14 May 2025

Varthana Finance Private Limited
Statement of Profit and Loss for the year ended 31 March 2025
(All amounts in ₹ lakhs unless otherwise stated)

	Notes	Year ended 31 March 2025	Year ended 31 March 2024
Income			
Revenue from Operations			
Interest income	25	28,340	18,638
Fees and commission income	25	1,104	945
Net gain on fair value changes	26	669	708
Net gain on security receipts	25	174	-
Net gain on derecognition of financial instruments under amortised cost category	25	866	4,659
Bad debt recoveries	25	1,121	2,806
Other operating income	26.1	274	621
Total revenue from operations		32,548	28,377
Other income	27	21	50
Total Income		32,569	28,427
Expenses			
Finance costs	28	16,411	9,576
impairment on financial instruments	29	1,858	5,248
Employee benefit expenses	30	7,493	6,392
Depreciation, amortization and impairment	31	501	470
Other expenses	32	3,139	2,551
Total expenses		29,402	24,237
Profit before tax		3,167	4,190
Tax expense			
Current tax	33	945	230
Deferred tax	33	(144)	867
Profit for the year		2,366	3,093
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Re-measurement gain/(loss) on the defined benefit plan		(17)	(12)
Income tax relating to the above item		4	3
Items that may be reclassified to profit or loss			
Fair value gain/(loss) on derivative financial instruments		(290)	(216)
Income tax relating to the above item		73	54
Other comprehensive Income for the year, net of tax		(230)	(171)
Total comprehensive income for the year		2,136	2,922
Earnings per equity share			
Basic (₹)	34	849.02	1,109.67
Diluted (₹)	34	848.91	1,109.53

Summary of material accounting policies (Note 1 to 3).
The accompanying notes form an integral part of the financial statements.
This is the Statement of Profit and Loss referred to in our report of BVen date.

For N. A. Shah Associates LLP
Chartered Accountants
Firm Registration : 116560W/W100149

sd/-

Prashant Daftary
Partner
Membership No.: 117080

Place: Bengaluru
Date: 14 May 2025

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

sd/-

Steven Edwin Hardgrave
Director & CEO
DIN: 02189073

Place: Bengaluru
Date: 14 May 2025

sd/-

Brajesh Kumar Mishra
Director
DIN: 02292429

Place: Bengaluru
Date: 14 May 2025

Varthana Finance Private Limited
Cash Flow Statement for the year ended 31 March 2025
(All amounts in ₹ lakhs unless stated otherwise)

	Year ended 31 March 2025	Year ended 31 March 2024
Cash flow from Operating activities	3,167	4,190
Profit before tax		
Adjustment for:	(28,340)	(18,638)
Interest income	501	470
Depreciation and amortisation expenses	21	67
Employee stock option plan expense	1,858	5,248
Impairment on financial instruments	(174)	-
Gain on redemption of investment in SR	(669)	(708)
Profit on sale of investments in mutual funds		
Net gain on derecognition of financial instruments under amortised cost category	(866)	561
Provision for employee benefits	185	142
Finance Cost	16,411	9,576
Net gain on amortisation of processing fees and financial assets	593	1,432
Interest accrued on non-performing assets	76	157
	(7,237)	2,517
Cash flow from interest on loans	27,199	18,825
Cash outflow towards finance cost	(14,760)	(8,727)
Operating profit before working capital changes	5,202	12,615
Changes in working capital:		
Increase (decrease) in other financial liabilities	(273)	942
Increase (decrease) in other non-financial liabilities	79	(40)
Increase/(decrease) in other payables	(45)	375
(Increase)/decrease in loans and advances	(59,204)	(39,099)
(Increase)/decrease in Investment in security receipts	1,548	(6,073)
(Increase)/decrease in other financial assets	17	(10)
(Increase)/decrease in other non-financial assets	(425)	(134)
(Increase)/decrease in margin money deposit (net)	(9,749)	(374)
Cash Used from operations	(62,850)	(31,798)
Income taxes paid (net of refunds)	(1,276)	432
Net cash flow used from operating activities (A)	(64,126)	(31,366)
Cash flows from investing activities		
Purchase of Property, plant and equipment	(628)	(800)
Sale proceeds from Property, plant and equipment	4	4
Purchase of investment	(1,27,683)	(1,05,790)
Proceeds from sale of investments in mutual funds	1,28,352	1,06,702
Net cash flow generated from Investing activities (B)	45	116
Cash flows from financing activities		
Lease payments (Including interest on lease payments)	(219)	(215)
Long-term borrowings availed	1,22,489	92,857
Long-term borrowings Repaid	(58,668)	(46,838)
Net cash flow generated from/ (used in) financing activities (C)	63,602	45,804
Net (decrease)/increase in cash and cash equivalents (A + B + C)	(479)	14,554
Cash and cash equivalents at the beginning of the year	27,220	12,718
Cash and cash equivalents at the end of the year	26,741	27,272
Components of cash and cash equivalent		
Cash in hand: ₹ 19,829 (2024: ₹ 17,138)	0	0
Balances with banks in current and deposit accounts	26,741	27,272
Total cash and cash equivalent	26,741	27,272

The above Statement of Cash Flows has been prepared under the 'Indirect Method' as set out in Ind AS 7, 'Statement of Cash Flows'.

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

For N. A. Shah Associates LLP

Chartered Accountants
Firm Registration : 116560W/W100149

sd/-

Prashant Daftary
Partner
Membership No.: 117080

Place: Bengaluru
Date: 14 May 2025

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

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Steven Edwin Hardgrave
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