

## Annexure II to the Independent Auditor's Report of even date to the members of Navi Finserv Private Limited (Chaitanya Rural Intermediation Development Services Private Limited) on the financial statements for the year ended 31 March 2020

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

1. In conjunction with our audit of the financial statements of Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited) ('the Company') as at and for the year ended 31 March 2020, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Company as at that date.

### Management's Responsibility for Internal Financial Controls

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

### Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over

Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the IFCoFR and their operating effectiveness. Our audit of IFCoFR includes obtaining an understanding of IFCoFR, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

### Meaning of Internal Financial Controls over Financial Reporting

6. A company's IFCoFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's IFCoFR include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

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

### **Opinion**

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively

as at 31 March 2020, 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.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

**Manish Gujral**

Partner

Membership No.: 105117

UDIN: 20105117AAAADA8249

Place: Mumbai

Date: 30 June 2020

# Balance sheet

as at 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

Particulars	Notes	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
<b>I ASSETS</b>				
<b>1 Financial assets</b>				
Cash and cash equivalents	7	1,944.54	329.40	81.91
Bank balances other than cash and cash equivalents	8	26.73	135.25	79.48
Trade receivables	9	451.15	-	245.36
Loans	10	10,894.06	5,154.08	5,399.25
Investments	11	3,54,293.18	6,413.31	5,585.93
Other financial assets	12	33.95	31.78	16.02
<b>2 Non-financial assets</b>				
Deferred tax asset (net)	13	721.80	51.88	50.31
Property, plant and equipment	14	36.29	43.90	38.80
Right to use asset		3.16	10.74	18.33
Other intangible assets	15	1.67	1.21	0.43
Other non-financial assets	16	117.01	77.07	68.12
<b>Total Assets</b>		<b>3,68,523.54</b>	<b>12,248.62</b>	<b>11,583.94</b>
<b>II LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>1 Financial liabilities</b>				
Payables				
I Trade payables				
(i) total outstanding dues of micro enterprises and small enterprises		-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		-	-	-
II Other payables				
(i) total outstanding dues of micro enterprises and small enterprises	17	-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	17	47.47	284.79	198.45
Debt securities	18	2,47,366.95	-	-
Borrowings (other than debt securities)	19	23,722.71	2,999.63	2,645.55
Subordinated liabilities	20	992.48	991.43	990.20
Other financial liabilities	21	531.68	124.69	20.30
<b>2 Non Financial liabilities</b>				
Current tax liabilities (net)	22	529.42	14.19	5.68
Provisions	23	56.52	45.05	46.20
Other non financial liabilities	24	71.28	21.26	16.27
<b>Total liabilities</b>		<b>2,73,318.51</b>	<b>4,481.04</b>	<b>3,922.65</b>
<b>3 Equity</b>				
Equity share capital	25	15,132.90	2,631.14	2,631.14
Other equity	26	80,072.13	5,136.44	5,030.15
<b>Total Equity</b>		<b>95,205.03</b>	<b>7,767.58</b>	<b>7,661.29</b>
<b>Total liabilities and equity</b>		<b>3,68,523.54</b>	<b>12,248.62</b>	<b>11,583.94</b>

See accompanying notes forming part of the financial statements.

**As per our report of even date**

For **Walker Chandio & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

For and on behalf of the Board of Directors of  
**Navi Finserv Private Limited** (formerly known as Chaitanya Rural Intermediation Development Services Private Limited)

**Manish Gujral**  
Partner  
Membership No. 105117

**Samit Shetty**  
Chief Executive Officer  
DIN: 02573018

**Sachin Bansal**  
Director  
DIN: 02356346

**Ankit Agarwal**  
Director  
DIN: 08299808

**Dimple J Shah**  
Company Secretary  
Membership no.: ACS A36349

Mumbai  
30 June 2020

Bengaluru  
30 June 2020

Bengaluru  
30 June 2020

Bengaluru  
30 June 2020

Bengaluru  
30 June 2020

# Statement of Profit and Loss

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

Particulars	Notes	For the year ended 31 March 2020	For the year ended 31 March 2019
<b>Revenue from operations</b>			
(i) Interest income	27	7,433.41	1,574.22
(ii) Fees and commission income	28	80.82	3.83
(iii) Net gain on fair value changes	29	-	14.58
(iv) Net gain on derecognition of financial instruments under amortised cost category	30	7.88	11.83
<b>(I) Total revenue from operations</b>		<b>7,522.11</b>	<b>1,604.46</b>
(II) Other income	31	0.63	10.00
<b>(III) Total income (I+II)</b>		<b>7,522.74</b>	<b>1,614.46</b>
<b>Expenses</b>			
(i) Finance costs	32	982.14	534.78
(ii) Fees and commission expenses	33	859.41	434.84
(iii) Net loss on fair value changes	34	2,323.11	-
(iv) Impairment on financial instruments	35	767.63	22.87
(v) Employee benefits expenses	36	322.06	262.43
(vi) Depreciation and amortisation expense	37	24.37	24.86
(vii) Other expenses	38	699.52	226.89
<b>(IV) Total expenses</b>		<b>5,978.24</b>	<b>1,506.67</b>
<b>(V) Profit before tax (III - IV)</b>		<b>1,544.50</b>	<b>107.79</b>
<b>(VI) Tax expense</b>			
(1) Current tax	39	1,243.87	29.88
(2) Deferred tax credit	39	-671.00	-1.43
<b>Total tax expense</b>		<b>572.87</b>	<b>28.45</b>
<b>(VII) Profit for the year (V - VI)</b>		<b>971.63</b>	<b>79.34</b>
<b>(VIII) Other comprehensive income</b>			
(i) Items that will not be reclassified to profit and loss			
Remeasurement of the net defined benefit (liability)/asset		4.29	-0.56
(ii) Income tax relating to the above		-1.08	0.14
<b>(VIII) Other comprehensive income</b>		<b>3.21</b>	<b>-0.42</b>
<b>(IX) Total comprehensive income for the year (VII + VIII)</b>		<b>974.84</b>	<b>78.92</b>
<b>(X) Earnings per equity share</b>			
Basic (₹)	40	1.49	0.30
Diluted (₹)		1.48	0.30

See accompanying notes forming part of the financial statements.

**As per our report of even date**For **Walker Chandio & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

For and on behalf of the Board of Directors of

**Navi Finserv Private Limited** (formerly known as Chaitanya Rural Intermediation Development Services Private Limited)**Manish Gujral**

Partner

Membership No. 105117

Mumbai

30 June 2020

**Samit Shetty**

Chief Executive Officer

DIN: 02573018

Bengaluru

30 June 2020

**Sachin Bansal**

Director

DIN: 02356346

Bengaluru

30 June 2020

**Ankit Agarwal**

Director

DIN: 08299808

Bengaluru

30 June 2020

**Dimple J Shah**

Company Secretary

Membership no.: ACS A36349

Bengaluru

30 June 2020

# Cash Flow Statement

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
<b>A. Cash flow from Operating activities</b>		
Profit before tax	1,544.50	107.79
Depreciation, amortisation and impairment	16.78	17.27
Depreciation on right of use asset	7.59	7.59
Interest expense on lease liability	0.58	1.11
Impairment allowance on loans	479.65	(18.08)
Impairment allowance on investments	264.00	-
Loss/(gain) on sale of mutual funds and securities	74.57	(14.58)
Effective interest rate adjustment for financial instruments	85.81	36.80
Net loss on fair value changes on investment	2,178.78	-
<b>Operating profit before working capital changes</b>	<b>4,652.26</b>	<b>137.90</b>
<b>Movements in Working capital:</b>		
(Decrease)/increase in loans	(6,285.17)	231.00
(Decrease)/increase in receivables	(451.15)	245.36
Decrease/(increase) in bank deposits	108.52	(55.77)
Decrease in interest accrued on investments	891.19	-
(Increase) in other financial assets	(2.17)	(15.76)
(Increase) in other non-financial assets	(39.94)	(8.95)
(Decrease)/increase in payables	(237.32)	86.34
Increase in other financial liabilities	406.99	104.39
Increase in non-financial liabilities	50.02	4.99
Increase/(decrease) in provisions	15.76	(1.71)
<b>Cash generated from operations</b>	<b>(891.01)</b>	<b>727.79</b>
Direct taxes paid (net of refunds)	1,236.59	21.37
<b>Net cash flows (used in)/from operating activities (A)</b>	<b>(2,127.60)</b>	<b>706.42</b>
<b>B. Cash flow from Investing activities</b>		
Purchase of securities	(1,42,983.21)	(4,853.00)
Sale of securities	95,964.79	4,867.58
Repayment of principle towards investment in debt instruments	20,459.94	-
Investment in subsidiary company	(14,685.44)	(800.00)
Purchase of property, plant and equipment and intangible assets	(9.63)	(23.15)
<b>Net cash flows (used in) investing activities (B)</b>	<b>(41,253.55)</b>	<b>(808.57)</b>
<b>C. Cash flow from Financing activities*</b>		
Increase in equity shares	19,856.44	-
Buy back of equity shares	(3,063.43)	-
Proceeds from issue of debentures	25,000.00	-
Repayment of debentures	(17,500.00)	-
Proceeds from term loans availed	26,575.00	1,800.00
Repayment of term loans	(5,863.32)	(1,442.32)
Lease payments	(8.40)	(8.04)
<b>Net cash flows from financing activities (C)</b>	<b>44,996.29</b>	<b>349.64</b>
<b>Net increase in cash and cash equivalents (A+B+C)</b>	<b>1,615.14</b>	<b>247.49</b>
Cash and cash equivalents at the beginning of the year	329.40	81.91
<b>Cash and cash equivalents at the end of the year</b>	<b>1,944.54</b>	<b>329.40</b>

\* Refer note 20.1 for reconciliation of liabilities arising from financing activities

# Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

## 38 Other expenses (contd..)

\*Auditor fees and expenses comprises of:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
As auditor:		
- Statutory audit fees	14.00	1.25
- Tax audit fees	2.00	-
- Out of pocket	0.13	-
In any other manner:		
- Certification	4.50	-

## 39 Tax expense

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Current tax	1,243.87	29.88
Deferred tax	-671.00	-1.43
<b>Total</b>	<b>572.87</b>	<b>28.45</b>

The reconciliation of estimated income tax expense at statutory income tax rate to income tax expense reported in statement of profit and loss is as follows:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
<b>Profit before tax (III - IV)</b>	<b>1,544.50</b>	<b>107.79</b>
Income tax rate	25.17%	27.82%
<b>Expected income tax expense</b>	<b>388.72</b>	<b>29.99</b>
<b>Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense</b>		
Tax on expense not eligible for deduction	178.51	18.82
Impact of different tax rate on certain items	4.95	-
Others	0.69	-20.36
<b>Total income tax expense</b>	<b>572.87</b>	<b>28.45</b>

## 40 Earnings per share (basic and diluted)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Net profit for the year	971.63	79.34
Weighted-average number of equity shares for basic EPS	650.83	263.11
Weighted-average number of potential equity shares for diluted EPS	656.42	268.45
Par value per share		
Earnings per share - Basic	1.49	0.30
Earnings per share - Diluted	1.48	0.30

# Summary of significant accounting policies and other explanatory information

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

## 57. Exposures

### (i) Exposure to Real Estate Sector:-

Particulars	As at 31 March 2020	As at 31 March 2019
<b>A. Direct exposure</b>		
<b>i) Residential mortgages</b>	<b>1,348.88</b>	<b>1,183.72</b>
(Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented;)		
<b>ii) Commercial real estate:</b>		
(Lending secured by mortgages on commercial real estates office buildings, retails space, multipurpose commercial premises, multi-family residential buildings, multi - tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits)		
<b>iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -</b>		
a) Residential	Nil	Nil
b) Commercial real estate	Nil	Nil

### ii) Exposure to capital market

The Company does not have any exposure to capital market as at 31 March 2020 and 31 March 2019.

## 58. Details of financing of parent company products

The Company has not financed parent company products during the year ended 31 March 2020 and 31 March 2019.

## 59. Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the NBFC

The Company does not have single or group borrower exceeding the limits during the year ended 31 March 2020 and 31 March 2019

## 60. Unsecured advances

The Company has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorisations, etc. The unsecured advances of ₹ 1,902.98 lakhs (31 March 2019: ₹ 455.05 lakhs) disclosed in Note 10 are without any collateral or security.

## 61 Registration obtained from other financial sector regulators:-

The Company is registered with following other financial sector regulators:

- (a) Ministry of Corporate Affairs (MCA)
- (b) Ministry of Finance (Financial Intelligence Unit)
- (d) Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI)

## 62. Related party transactions

Please refer to note no 42 for related party transactions and related disclosures.