

## **CLARIFICATION WITH RESPECT TO DISCLOSURES IN ANNUAL REPORTS FOR THE FY 2022-2023**

### **1. DISCLOSURE REGARDING PROVISIONS**

The Company had made the sufficient provisions as per IRAC norms as well as per the ECL policy of the company. You are requested to kindly see the following calculations: -

As per the Notification Date March 13, 2020 (DOR (NBFC).CC.PD.No.109/22.10.106/2019-20). Extract of the same is as follows.

Prudential Norms for ECL

- a. NBFCs/ ARCs shall hold impairment allowances as required by Ind AS. In parallel NBFCs/ARCs shall also maintain the asset classification and compute provisions as per extant prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP) including borrower/beneficiary wise classification, provisioning for standard as well as restructured assets, NPA ageing, etc. A comparison (as per the template in Appendix) between provisions required under IRACP and impairment allowances made under Ind AS 109 should be disclosed by NBFCs/ARCs in the notes to their financial statements to provide a benchmark to their Boards, RBI supervisors and other stakeholders, on the adequacy of provisioning for credit losses.
- b. Where impairment allowance under Ind AS 109 is lower than the provisioning required under IRACP (including standard asset provisioning), NBFCs/ARCs shall appropriate the difference from their net profit or loss after tax to a separate 'Impairment Reserve'. The balance in the 'Impairment Reserve' shall not be reckoned for regulatory capital. Further, no withdrawals shall be permitted from this reserve without prior permission from the Department of Supervision, RBI.

We are covered under the Applicability of IND-AS since FY 2021-22 and NBFCs to which IND-AS is applicable shall have to hold impairment allowance as required by IND-AS 109. As per the above notification we also required to compute provision as per IRACP norms and a comparison of the same we need to disclosed in our notes to financial statements and same is also complied in FY 2022-23 and FY 2023-24.

We inadvertently did not mention the provision required as per IRACP norm against the standard asset which is 0.25% (as per the prevailing RBI's guidelines) of outstanding of standard asset while giving disclosure in the Annual Accounts for financial year 2022-2023.

However, when we compare our impairment allowance as per IND-AS 109 and IRACP (Including provision against standard asset) is higher by Rs. 467.25 Lakhs. For details, please refer the table below:-

**Table showing details for the year ended on 31.03.2023**

(Amount in Lakhs)

Asset Classification		Gross Carrying Amount	Loss Allowances (Provisions) as required under Ind AS 109	Provisions as per IRACP norms	Difference between IND AS 109 provision and IRACP Norms
Standard Asset	Stage 1	88,428.79	87.41	221.07	- 133.66
	Stage 2	1,159.87	24.60	2.90	21.70
Sub-standard Asset (NPA)	Stage 3	2,720.46	1,828.59	1249.38	579.21
Total		92,309.12	1,940.60	1,473.35	467.25

To ensure compliance with RBI norms, we rectified the presentation of provisioning report in the financial year 2023-24. The table below shows the provisions created as per our board-approved ECL policy in our books of accounts and provisions reported under IRAC norms as shown in the Annual Accounts for the financial year 2023-2024:

**Table showing details for the year ended 31.03.2024**

(Amount in Lakhs)

Asset Classification		Gross Carrying Amount	Loss Allowances (Provisions) as required under Ind AS 109	Provisions as per IRACP norms	Difference between IND AS 109 provision and IRACP Norms
Standard Asset	Stage 1	91,620.28	92.09	374.72	-282.63
	Stage 2	2,012.31	51.98	-	51.98
Sub-standard Asset (NPA)	Stage 3	3,739.69	2,222.08	1,541.39	680.69
Total		97,372.28	2,366.15	1,916.11	450.04

## **2. Correction in Disclosure of Note No. 111 in the Annual Report for the Financial Year 2022-23**

### **Annual Report for Financial year 2022-23:-**

#### **Old Note as given in Annual Report earlier**

111. Divergence in Asset Classification and Provisioning

NBFCs shall disclose details of divergence as per the table given below, if either or both of the following conditions are satisfied:

a. the additional provisioning requirements assessed by RBI (or National Housing Bank(NHB) in the case of Housing Finance Companies) exceeds 5 percent of the reported profits before tax and impairment loss on financial instruments for the reference period, or

b. The additional Gross NPAs identified by RBI/NHB exceeds 5 percent of the reported Gross NPAs for the reference period.

<b>S. No.</b>	<b>Particulars</b>	<b>Amount (Rs. In Lakhs)</b>
1	Gross NPAs as on March 31 2023 as reported by NBFC	2720.45
2	Gross NPAs as on March 31 2023 as assessed by Reserve Bank of India/NHB	2720.45
3	Divergence in Gross NPAs (2-1)	-
4	Net NPAs as on March 31 2023 as reported by NBFC	891.87
5	Net NPAs as on 31 <sup>st</sup> March 2023 as assessed by Reserve Bank of India/NHB	1471.07
6	Divergence in Net NPAs (5-4)	579.20
7	Provisions for NPAs as on March 31 2023 as reported by NBFC	1828.59
8	Provisions for NPAs as on March 31 2023 as assessed by Reserve Bank of India/NHB	1249.38
9	Divergence in provisioning (8-7)	(579.20)
10	Reported Profit before tax and impairment loss on financial instruments for the year ended March 31 2023	9119.65
11	Reported Net Profit After Tax (PAT) for the year ended March 31 2023	3941.25
12	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31 2023 after considering divergence in provisioning	4520.45

\* March 31, 2023 is the close of the reference period in respect of which divergences were assessed

#### **Correct information (as per the directions of Reserve Bank of India)**

**Note:** previously in the financial statements for the year ended March 31 2023 the following table was wrongly showing information regarding the assessment done by Reserve Bank of India whereas no assessment was done by Reserve Bank of India as on date of signing of the financial statements (i.e. May 29, 2023) for the financial year 2022-2023 hence the corrected table is given below:-

### 111. Divergence in Asset Classification and Provisioning

S. No.	Particulars	Amount (Rs. In Lakhs)
1	Gross NPAs as on March 31 2023 as reported by NBFC	2720.45
2	Gross NPAs as on March 31 2023 as assessed by Reserve Bank of India	No assessment was done by Reserve Bank of India as on date of signing of the financial statements (i.e. May 29, 2023) for the financial year 2022-2023
3	Divergence in Gross NPAs (2-1)	Not applicable as no assessment was done by Reserve Bank of India as on date of signing of the financial statements (i.e. May 29, 2023) for the financial year 2022-2023
4	Net NPAs as on March 31 2023 as reported by NBFC	891.87
5	Net NPAs as on 31 <sup>st</sup> March 2023 as assessed by Reserve Bank of India	No assessment was done by Reserve Bank of India as on date of signing of the financial statements (i.e. May 29, 2023) for the financial year 2022-2023
6	Divergence in Net NPAs (5-4)	Not Applicable as no assessment was done by Reserve Bank of India as on date of signing of the financial statements (i.e. May 29, 2023) for the financial year 2022-2023
7	Provisions for NPAs as on March 31 2023 as reported by NBFC	1828.59
8	Provisions for NPAs as on March 31 2023 as assessed by Reserve Bank of India	No assessment was done by Reserve Bank of India as on date of signing of the financial statements (i.e. May 29, 2023) for the financial year 2022-2023
9	Divergence in provisioning (8-7)	Not Applicable as no assessment was done by Reserve Bank of India as on date of signing of the financial statements (i.e. May 29, 2023) for the financial year 2022-2023
10	Reported Profit before tax and impairment loss on financial instruments for the year ended March 31 2023	9119.65
11	Reported Net Profit After Tax (PAT) for the year ended March 31 2023	3941.25
12	Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31 2023 after considering divergence in provisioning	4520.45

Note: The Reserve Bank of India during the month of December 2023 assessed following divergence in the provision for standard assets for the financial year 2022-2023:-

Particulars	Amount (Rs. In Lakhs)	%
Standard Assets- Stage 1 as on March 31 2023	88428.79	
Standard Assets- Stage 2 as on March 31 2023	1159.87	
Total Standard Assets as on March 31 2023	89588.66	
Provisions made by the company as per ECL Policy as on March 31 2023	112.01	0.125%

Provisions as on March 31 2023 as assessed by Reserve Bank of India	358.35	0.40%
Divergence in provisioning for Standard Assets	(-) 246.34	(-) 0.275%

Accordingly, the Adjusted (notional) Net Profit after Tax (PAT) for the year ended March 31 2023 after considering divergence in provisioning will be Rs. 4274.11 Lakhs instead of Rs. 4520.45 Lakhs.

However the overall provisions on all assets including standard assets, sub-standard assets, doubtful assets is as under:-

(A) As at 31st March, 2023:

(Rs. In Lakhs)

Asset Classification	Asset classification	Gross Carrying Amount	Loss Allowances (Provisions) as required under Ind AS 109	Provisions as per IRACP norms	Excess Provision over IRAC Norms
Performing Assets					
Standard assets	Stage I	88,428.79	87.41	-	87.41
	Stage II	1,159.87	24.60	-	24.60
Sub-standard	Stage III	847.02	423.51	145.90	277.61
Doubtful	Stage III	1,873.44	1,405.08	1,103.48	301.60
<b>Total</b>		<b>92,309.12</b>	<b>1,940.60</b>	<b>1,249.38</b>	<b>691.22</b>