

INDOSTAR CAPITAL FINANCE LIMITED

Regd Office: One World Centre, Tower 2A, 20th Floor, Jupiter Mills Compound, S B Marg, Mumbai - 400013, India

Tel: +91 22 43157000 Fax: +91 22 43157010

CIN: L65100MH2009PLC268160 Website: www.indostarcapital.com E: investor.relations@indostarcapital.com

STATEMENT OF CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER ENDED 30 JUNE 2022

(Rs. in Lakhs)

Sr. No.	Particulars	Quarter ended			Year ended
		30 June 2022	31 March 2022	30 June 2021	31 March 2022
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
1	Income				
	(a) Revenue from operations				
	Interest income	27,700	31,961	24,159	1,06,716
	Fees and commission income	1,254	532	1,317	4,439
	Net gain on fair value changes	515	192	1,000	2,403
	Net gain on derecognition of financial instruments measured at amortised cost category	1,913	1,377	-	2,711
	Total revenue from operations	31,382	34,062	26,476	1,16,269
	(b) Other income	39	34	50	1,160
	Total income (a+b)	31,421	34,096	26,526	1,17,429
2	Expenses				
	(a) Finance costs	14,806	13,885	13,868	53,954
	(b) Net loss on derecognition of financial instruments measured at amortised cost category	-	-	14	-
	(c) Impairment on financial instruments	(233)	1,03,634	8,230	1,15,847
	(d) Employee benefits expenses	5,484	4,272	4,903	20,504
	(e) Depreciation and amortisation expense	991	956	797	3,538
	(f) Other expenses	3,730	3,321	3,639	13,222
	Total expenses (a+b+c+d+e+f)	24,778	1,26,068	31,451	2,07,065
3	Profit/(loss) before tax (1-2)	6,643	(91,972)	(4,925)	(89,636)
4	Provision for taxation				
	Current tax	398	280	234	1,326
	Tax of earlier years	-	2	-	2
	Deferred tax	152	(16,888)	(1,477)	(17,313)
	Tax expenses	550	(16,606)	(1,243)	(15,985)
5	Profit/(loss) after tax (3-4)	6,093	(75,366)	(3,682)	(73,651)
6	Other comprehensive income, net of tax				
	(a) Items that will not be reclassified to profit or loss				
	- Remeasurements of the defined benefit plans	33	22	12	48
	(b) Items that will be reclassified to profit or loss				
	- Debt instruments through other comprehensive income	-	21	-	5
	Total other comprehensive income, net of tax (a+b)	33	43	12	53
7	Total comprehensive Income (5+6)	6,126	(75,323)	(3,670)	(73,598)
8	Paid up equity share capital (Face value of Rs. 10)	13,608	13,608	12,379	13,608
9	Preference share capital (Face value of Rs. 10)	-	-	1,207	-
10	Other equity				2,79,300
11	Earnings per share (* not annualised)				
	Basic (Rs.)	*4.50	*(55.38)	*(3.76)	(59.51)
	Diluted (Rs.)	*4.50	*(55.38)	*(3.76)	(59.51)



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- 1 Segment wise revenue, result, total assets and total liabilities in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended.

Sr. no.	Particulars	Quarter ended			Year ended
		30 June 2022	31 March 2022	30 June 2021	31 March 2022
		(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	Gross segment revenue from continuing operations				
(a)	Large corporate	4,392	8,742	5,869	27,440
(b)	SME	5,885	4,425	4,519	17,978
(c)	Commercial vehicles	14,668	15,841	11,760	52,080
(d)	Housing finance	5,555	4,384	2,992	14,482
(e)	Unallocated	921	704	1,386	5,449
	Segment revenue from continuing operations	31,421	34,096	26,526	1,17,429
	Segment results				
(a)	Large corporate	3,698	6,200	2,233	19,308
(b)	SME	3,552	(7,631)	(1,324)	(3,627)
(c)	Commercial vehicles	979	(91,500)	(1,715)	(96,586)
(d)	Housing finance	2,148	1,900	606	4,609
(e)	Unallocated	(3,734)	(941)	(4,725)	(13,340)
	Profit/(loss) before tax	6,643	(91,972)	(4,925)	(89,636)
	Segment assets				
(a)	Large corporate	1,18,300	1,43,631	2,03,162	1,43,631
(b)	SME	1,33,086	1,47,259	1,34,645	1,47,259
(c)	Commercial vehicles	3,85,851	4,18,207	3,69,221	4,18,207
(d)	Housing finance	1,36,406	1,29,449	95,658	1,29,449
(e)	Unallocated	1,58,390	1,27,601	1,55,554	1,27,601
	Total assets	9,32,033	9,66,147	9,58,240	9,66,147
	Segment liabilities				
(a)	Large corporate	72,181	90,027	1,21,300	90,027
(b)	SME	91,043	1,05,897	86,261	1,05,897
(c)	Commercial vehicles	2,58,262	2,92,185	2,50,578	2,92,185
(d)	Housing finance	85,130	79,807	73,642	79,807
(e)	Unallocated	1,25,907	1,05,323	63,547	1,05,323
	Total liabilities	6,32,523	6,73,239	5,95,328	6,73,239

- 2 The Group reports quarterly financial results on consolidated basis, pursuant to Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulation, 2015 read with SEBI circular dated 5 July 2016. The standalone financial results are available on the website of the Company at www.indostarcapital.com and on the website of the BSE Ltd. at www.bseindia.com and the National Stock Exchange of India Ltd. at www.nseindia.com.

The key information of the standalone financial results of the Company are given below:

Particulars	Quarter ended			Year ended
	30 June 2022	31 March 2022	30 June 2021	31 March 2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenue from operations (including other income)	25,864	29,186	24,560	1,05,355
Profit/(loss) before tax	4,492	(93,825)	(5,544)	(94,085)
Profit/(loss) after tax	4,492	(76,725)	(4,149)	(76,919)

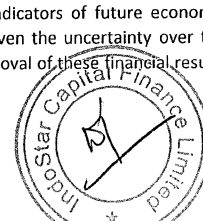
- 3 The unaudited consolidated financial results of IndoStar Capital Finance Limited ("the Company") and its subsidiaries (together referred to as "the Group") for the quarter ended 30 June 2022 have been reviewed by the Audit Committee and subsequently approved at the meeting of the Board of Directors held on 14 August 2022. The unaudited consolidated financial results have been subjected to limited review by the Statutory Auditor of the Company.
- 4 The Secured Listed Non-Convertible Debentures of the Company as on 30 June 2022 are secured by first pari-passu charge on a freehold land owned by the Company and/or standard receivables and / or cash / cash equivalent and / or such other asset as mentioned in the respective offer documents. The total asset cover required for secured listed non convertible debentures has been maintained as per the terms and conditions stated in the respective offer documents.

5 **Estimation of uncertainty relating to COVID-19 global health pandemic:**

In assessing the recoverability of loans, receivables, goodwill and investments, the Group has considered internal and external sources of information upto the date of approval of these financial results. The Group has performed stress testing on the assumptions used and based on current indicators of future economic conditions, the Group expects to recover the carrying amount of these assets. The Group has developed estimates and applied management overlays for the purpose of determination of the provision for impairment of financial assets.

The financial results, includes the potential impact of the COVID-19 pandemic on the Group's financial results which are dependent on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether Government mandated or elected by the Company and its subsequent impact on the recoverability's on the Group's assets.

The Group has, based on current available information and based on the policy approved by the Board, determined the provision for impairment of financial assets including the additional overlay for uncertainty over the potential macro-economic impact of the pandemic. Based on the current indicators of future economic conditions, the Group considers this provision to be adequate and expects to recover the carrying amount of these financial assets. Given the uncertainty over the potential macro-economic condition, the impact of the global health pandemic may be different from that estimated as at the date of approval of these financial results and the Group will continue to closely monitor any material changes to future economic conditions.



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- 6 Pursuant to certain observations and control deficiencies identified during the course of the statutory audit of the annual financial statements of the Company for the year ended 31 March 2022, the Audit Committee of the Company had approved the appointment of an independent external agency for conducting a review of the policies, procedures and practices of the Company relating to the sanctioning, disbursement and collection of the commercial vehicle (CV) loan portfolio and small and medium enterprises (SME) loans along with assessing the adequacy of the expected credit loss allowance ("Loan Portfolio Review"). The above review included:
- (a) Review existence of the borrowers of the CV and SME loans;
 - (b) Assess the quality and risks pertaining to the loan portfolio for CV and SME loans;
 - (c) Review of: (i) loan files for the period January 2022 to March 2022, (ii) operational risk management framework and (iii) internal control framework for the CV and SME loans; and upon completion of (a), (b) and (c), the Audit Committee has also additionally initiated a review for undertaking root cause analysis of deviations to policies and gaps in the internal financial controls and systems (including of control gap/control override and individuals involved) and has appointed an external law firm along with an external agency in this regard ("Conduct Review")

The Conduct Review is ongoing and is expected to be completed by September 2022. Upon receipt of findings of the aforementioned Conduct Review, the Company shall take appropriate redressal and accountability measures.

7 Material uncertainty relating to Going Concern:

The Company has incurred losses during the previous years due to COVID-19 pandemic and the resultant deterioration and defaults in its loan portfolio. As a result, as at 30 June 2022, the Company exceeded the threshold specified for gross non-performing assets (GNPA) and/or net non-performing assets (NNPA) ratios for certain borrowing arrangements. Additionally, certain borrowing arrangements have overriding clause to terminate, reduce, suspend or cancel the facility in future, at the absolute discretion of the lender. Due to this, the total liabilities exceed the total assets maturing within twelve months by Rs. 172,444 lakhs as at 30 June 2022.

While some of the lenders have option to terminate, reduce, suspend or cancel the facility in future the Management expects that lenders, based on customary business practice, may increase the interest rates relating to these borrowing arrangements which is expected to continue till the time GNPA / NNPA ratio exceed thresholds.

The Company has an established track record of accessing diversified sources of finance. However, there can be no assurance of success of management's plans to access additional sources of finance to the extent required, on terms acceptable to the Company, and to raise these amounts in a timely manner. This represents a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

Management's Plan to address the Going Concern uncertainty:

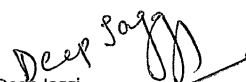
Subsequent to the quarter end and till the adoption of these financial results, the Company has raised incremental financing of Rs. 38,000 lakhs from banks and financial institutions on the basis of strong global relationships of the promoters of the Company. As at 30 June 2022, the Company is in compliance with the required capital adequacy ratios and has cash and cash equivalents aggregating Rs. 25,507 lakhs, liquid investments aggregating Rs. 42,364 lakhs and has pool of loan assets eligible for securitization in the event any lenders recall their facilities. As at the date of adoption of these financial results, none of the lenders have recalled their borrowings. Further, after due approvals by the Board of Directors of the Company, Management may also plan to raise additional financing through monetization of a portion of its holding in its 100% subsidiary IndoStar Home Finance Private Limited.

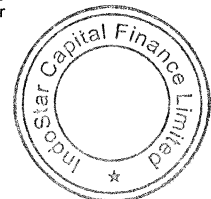
Accordingly, the Management considers it appropriate to prepare these financial results on a going concern basis and that the Company will be able to pay its dues as they fall due and realise its assets in the normal course of business.

- 8 The Group has concluded that it is impracticable to determine the prior period – specific effects, if any, of the impairment allowance, loan assets written off and changes in fair value of financial guarantee contracts recorded during the financial year ended 31 March 2022 in respect of loan assets, investment in security receipts and impairment thereon because significant judgements have been applied in determining the staging of the loan assets and the related impairment allowance for events and conditions which existed as on 31 March 2022 and the Group believes it is not practicable to apply the same judgement without hindsight for the prior period(s).
- 9 The figures for the last quarter of the current year and of the previous year are the balancing figures between audited figures in respect of the full financial year and the published year-to-date unaudited figures upto third quarter of the respective financial years.
- 10 Figures for the previous periods / year have been regrouped, and / or reclassified wherever considered necessary to make them comparable to the current periods / year presentation.

Place: Mumbai
Date: 14 August 2022

For and on behalf of the Board of Directors of
IndoStar Capital Finance Limited


Deep Jaggi
Chief Executive Officer
DIN: 09412860



INDEPENDENT AUDITOR'S REVIEW REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL RESULTS

TO THE BOARD OF DIRECTORS OF INDOSTAR CAPITAL FINANCE LIMITED

1. We have reviewed the accompanying Statement of Consolidated Unaudited Financial Results of **INDOSTAR CAPITAL FINANCE LIMITED** (the "Parent" / the "Company") and its subsidiaries (the Parent and its subsidiaries together referred to as "the Group"), for the quarter ended 30 June, 2022 ("the Statement") being submitted by the Parent pursuant to the requirement of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
2. This Statement, which is the responsibility of the Parent's Management and approved by the Parent's Board of Directors, has been prepared in accordance with the recognition and measurement principles laid down in the Indian Accounting Standard 34 "Interim Financial Reporting" ("Ind AS 34"), prescribed under Section 133 of the Companies Act, 2013 read with relevant rules issued thereunder and other accounting principles generally accepted in India. Our responsibility is to express a conclusion on the Statement based on our review.
3. We conducted our review of the Statement in accordance with the Standard on Review Engagements (SRE) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Institute of Chartered Accountants of India (ICAI). A review of interim financial information consists of making inquiries, primarily of Parent's personnel responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing specified under Section 143(10) of the Companies Act, 2013 and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We also performed procedures in accordance with the circular issued by the SEBI under Regulation 33(8) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, to the extent applicable.

4. The Statement includes the results of the following entities:
 - a. IndoStar Capital Finance Limited – Parent
 - b. IndoStar Home Finance Private Limited – Subsidiary
 - c. IndoStar Asset Advisory Private Limited – Subsidiary
5. As at 30 June, 2022, the gross loan balances relating to Commercial Vehicle (CV) loans and Small and Medium Enterprises (SME) loans of the Parent are ₹335,576 lakhs and ₹136,043 lakhs, respectively out of total gross loans of ₹603,299 lakhs. The impairment allowance of ₹59,279 lakhs as at 30 June, 2022 includes impairment allowance of ₹38,789 lakhs and ₹7,872 lakhs for CV and SME loans, respectively. Further, the security receipts relating to CV loans and related impairment allowance are ₹52,934 lakhs and ₹24,577 lakhs, respectively and the fair value of the financial guarantee relating to CV loans included within other financial liabilities is ₹3,008 lakhs as at 30 June, 2022. The Parent has recorded a reversal of impairment allowance (net of recoveries) of ₹330 lakhs for the quarter ended 30 June, 2022 (includes ₹4,280 lakhs



reversal for CV loans (net off loan assets written off), ₹632 lakhs reversal for SME loans, ₹6,360 lakhs charge for investment in Security Receipts and ₹15 lakhs charge for changes in fair value of financial guarantee contracts).

As a result of control deficiencies in the CV and SME loans portfolio identified during the audit for the year ended 31 March, 2022, the Audit Committee of the Parent, appointed an external agency to:

- (a) review existence of the borrowers for the CV and SME loans;
- (b) assess the quality and risks pertaining to the loan portfolio for CV and SME loans;
- (c) review of: (i) loan files for the period January 2022 to March 2022, (ii) operational risk management framework and (iii) internal control framework for the CV and SME loans.

Further, the Audit Committee of the Parent has also appointed an external law firm to review the transactions pertaining to the CV and SME loans portfolio for (i) identifying the root cause of control deficiencies, (ii) evaluating the business rationale for transactions executed through deficient controls and (iii) examining documentation and interacting with identified employees / ex-employees to understand the transactions which were processed through deficient controls ("Conduct review").

As per information and explanations provided to us and as described in Note 6 to the Statement, the external law firm has not submitted their findings relating to the Conduct review stated above to the Audit Committee of the Parent. Further, the Parent has concluded that it is impracticable to determine the prior period-specific effects, if any, of the impairment allowance, loan assets written off and changes in fair value of financial guarantee contracts recorded during the quarter ended 30 June, 2021 and quarter and year ended 31 March, 2022 in respect of account balances identified above and explained by the Parent in Note 8 of the Statement. As a result, we are unable to determine whether (i) any adjustments are required for prior period(s) relating to the impairment recorded for the quarter ended 30 June, 2021 and quarter and year ended 31 March, 2022 and (ii) any additional adjustments to the quarter ended 30 June, 2022 and prior period(s) are required relating to the outcome of the conduct review for:

- i) the impairment allowance and therefore the carrying value of CV and SME loans;
- ii) the impairment allowance and therefore the carrying value of investment in security receipts relating to CV loans;
- iii) the fair value of financial guarantee contracts relating to CV portfolio;
- iv) interest income and fees and commission income relating to CV and SME loans for any consequential impact arising due to i) to iii) above;

This matter was also qualified in our report on the consolidated financial results for the quarter and year ended 31 March, 2022.

6. Based on our review conducted and procedures performed as stated in paragraph 3 above and based on the consideration of the review report of the other auditor referred to in paragraph 9 below, except for the possible effects of the matter described in paragraph 5 above, nothing has come to our attention that causes us to believe that the accompanying Statement, has not been prepared in accordance with the recognition and measurement principles laid down in the aforesaid Indian Accounting Standard and other accounting principles generally accepted in India, and has not disclosed the information required to be disclosed in terms of Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, including the manner in which it is to be disclosed, or that it contains any material misstatement.



7. As discussed in Note 7 to the Statement, total liabilities of the Parent exceed the total assets maturing within 12 months by ₹172,444 lakhs and for certain borrowings, the gross non-performing asset (GNPA) and/or net non-performing asset (NNPA) ratios have exceeded thresholds as at 30 June, 2022. These events or conditions, along with other matters as set forth in Note 7 to the Statement, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The Statement has been prepared on a going concern basis for the reasons stated in the said Note.

Our conclusion on the Statement is not modified in respect of this matter.

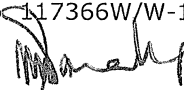
8. We draw attention to Note 5 to the Statement, which describes the effect of continuing uncertainty, if any, arising from COVID-19 pandemic on significant assumptions relating to the measurement of financial assets for the period ended 30 June, 2022.

Our conclusion on the Statement is not modified in respect of this matter.

9. We did not review the financial information of one subsidiary included in the consolidated unaudited financial results, whose financial information reflect total revenue from operations of ₹5,535 lakhs for the quarter ended 30 June 2022, total net profit after tax of ₹1,599 lakhs for the quarter ended 30 June 2022 and total comprehensive income of ₹1,600 lakhs for the quarter ended 30 June 2022, as considered in the Statement. This financial information has been reviewed by other auditor whose report has been furnished to us by the Management and our conclusion on the Statement, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, is based solely on the reports of the other auditor and the procedures performed by us as stated in paragraph 3 above.

Our conclusion on the Statement is not modified in respect of these matters.

For **DELOITTE HASKINS & SELLS LLP**
Chartered Accountants
(Firm's Registration No. 117366W/W-100018)



Neville M. Daruwalla
Partner

Membership No. 118784
(UDIN: 22118784AOZTHW7382)

Place: Mumbai
Date: August 14, 2022