

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 and nine months ended 31 December, 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 the 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 31 December, 2022, as per the unaudited books of account of the Parent, the gross loan balances relating to Commercial Vehicle (CV) loans and Small and Medium Enterprises (SME) loans are ₹314,409 lakhs and ₹118,645 lakhs, respectively out of total gross loans of ₹565,489 lakhs. The impairment allowance of ₹55,012 lakhs as at 31 December, 2022 includes impairment allowance of ₹32,267 lakhs and ₹8,978 lakhs for CV and SME loans, respectively. Further, the security receipts relating to CV loans and related impairment allowance are ₹47,917 lakhs and ₹24,577 lakhs, respectively and the fair value of the financial guarantee relating to CV loans included within other financial liabilities is ₹1,548 lakhs as at 31 December, 2022. The Parent has recorded a reversal of impairment allowance (net of recoveries) of ₹3,890 lakhs for the nine months ended 31 December, 2022 (includes ₹8,940 lakhs reversal of impairment for CV loans, ₹292 lakhs



reversal of impairment for SME loans, ₹6,360 lakhs impairment for investment in Security Receipts and ₹1,445 lakhs as credit to profit and loss 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 ("the Loan Portfolio Review").

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 5 to the Statement, the findings relating to the Conduct review for the CV loan portfolio is submitted to the Audit Committee of the Parent and the Conduct review in relation to the SME loan portfolio is currently on-going. The Audit Committee of the Parent, amongst others, is in the process of evaluating financial impact arising out of the findings, if any and determining further remedial and accountability measures. 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 and nine months ended 31 December, 2021, year ended 31 March, 2022 and earlier periods in respect of account balances identified above and explained by the Parent in Note 7 to 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 and nine months ended 31 December, 2021, year ended 31 March, 2022 and earlier periods and (ii) any additional adjustments to the quarter and nine months ended 31 December, 2022 and earlier 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, quarter ended 30 June, 2022 and quarter and half year ended 30 September, 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 7 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. 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 ₹4,547 lakhs and ₹15,767 lakhs for the quarter and nine months ended 31 December, 2022, respectively, total net profit after tax of ₹525 lakhs and ₹3,467 lakhs for the quarter and nine months ended 31 December, 2022, respectively and total comprehensive income of ₹529 lakhs and ₹3,475 lakhs for the quarter and nine months ended 31 December 2022, respectively 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 report 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 this matter.



Place: Mumbai
Date: February 14, 2023

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

Neville M. Daruwalla
Partner
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STATEMENT OF CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2022

(Rs. in Lakhs)

Sr. No.	Particulars	Quarter ended			Nine Months ended		Year ended
		31 December 2022 (Unaudited)	30 September 2022 (Unaudited)	31 December 2021 (Unaudited)	31 December 2022 (Unaudited)	31 December 2021 (Unaudited)	31 March 2022 (Audited)
1	Income						
	(a) Revenue from operations						
	Interest income	26,263	26,089	26,125	80,052	74,755	1,06,716
	Fees and commission income	1,360	1,435	1,528	4,049	3,907	4,439
	Net gain on fair value changes	660	706	513	1,881	2,211	2,403
	Net gain on derecognition of financial instruments measured at amortised cost category	(156)	1,178	(413)	2,935	1,334	2,711
	Total revenue from operations	28,127	29,408	27,753	88,917	82,207	1,16,269
	(b) Other income	44	43	1,055	126	1,126	1,160
	Total income (a+b)	28,171	29,451	28,808	89,043	83,333	1,17,429
2	Expenses						
	(a) Finance costs	13,541	14,637	12,502	42,984	40,069	53,954
	(b) Impairment on financial instruments	(1,317)	(2,016)	4,266	(3,566)	12,213	1,15,647
	(c) Employee benefits expenses	6,139	5,809	5,998	17,432	16,232	20,504
	(d) Depreciation and amortisation expense	1,023	1,024	919	3,038	2,582	3,538
	(e) Other expenses	4,924	4,368	3,168	13,022	9,901	13,222
	Total expenses (a+b+c+d+e)	24,310	23,822	26,853	72,910	80,997	2,07,065
3	Profit/(loss) before tax (1-2)	3,861	5,629	1,955	16,133	2,336	(89,636)
4	Tax expenses						
	Current tax	341	139	383	878	1,046	1,326
	Tax of earlier years	-	-	-	-	-	2
	Deferred tax	(146)	330	119	336	(425)	(17,313)
	Total tax expenses	195	469	502	1,214	621	(15,985)
5	Profit/(loss) after tax (3-4)	3,666	5,160	1,453	14,919	1,715	(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	20	39	29	92	26	48
	(b) Items that will be reclassified to profit or loss						
	- Debt instruments through other comprehensive income	2	-	(93)	2	(16)	5
	Total other comprehensive income, net of tax (a+b)	22	39	(64)	94	10	53
7	Total comprehensive income (5+6)	3,688	5,199	1,389	15,013	1,725	(73,598)
8	Paid up equity share capital (Face value of Rs. 10)	13,608	13,608	13,608	13,608	13,608	13,608
9	Other equity						2,79,300
10	Earnings per share (" not annualised)						
	Basic (Rs.)	*2.69	*3.77	*0.66	*10.96	*(0.67)	(59.51)
	Diluted (Rs.)	*2.69	*3.77	*0.66	*10.96	*(0.67)	(59.51)

Notes

- 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.

(Rs. in Lakhs)

Sr. no.	Particulars	Quarter ended			Nine Months ended		Year ended
		31 December 2022 (Unaudited)	30 September 2022 (Unaudited)	31 December 2021 (Unaudited)	31 December 2022 (Unaudited)	31 December 2021 (Unaudited)	31 March 2022 (Audited)
	Gross segment revenue from continuing operations						
(a)	Large corporate	4,163	4,609	4,902	13,164	18,698	27,440
(b)	SME	3,800	3,874	4,387	13,559	13,553	17,978
(c)	Commercial vehicles	14,266	14,197	14,187	43,132	37,141	52,080
(d)	Housing finance	4,565	5,714	3,290	15,833	9,196	14,482
(e)	Unallocated	1,377	1,057	2,042	3,355	4,745	5,449
	Segment revenue from continuing operations	28,171	29,451	28,803	89,043	83,333	1,17,429
	Segment results						
(a)	Large corporate	1,552	279	1,990	5,529	13,108	19,308
(b)	SME	725	214	1,650	4,491	2,004	(3,627)
(c)	Commercial vehicles	3,914	6,688	415	11,581	(5,086)	(96,586)
(d)	Housing finance	720	1,811	1,028	4,679	2,709	4,609
(e)	Unallocated	(3,050)	(3,363)	(3,128)	(10,147)	(12,399)	(13,340)
	Profit/(loss) before tax	3,861	5,629	1,955	16,133	2,336	(89,636)
	Segment assets						
(a)	Large corporate	1,11,239	1,15,965	1,63,899	1,11,239	1,63,899	1,43,631
(b)	SME	1,14,491	1,23,148	1,54,441	1,14,481	1,54,441	1,47,259
(c)	Commercial vehicles	3,62,944	3,71,142	4,35,684	3,62,944	4,35,684	4,18,207
(d)	Housing finance	1,38,072	1,31,509	1,13,919	1,38,072	1,13,919	1,29,449
(e)	Unallocated	1,61,227	1,57,735	1,03,254	1,61,227	1,03,254	1,27,601
	Total assets	8,87,963	8,99,469	9,71,197	8,87,963	9,71,197	9,66,147
	Segment liabilities						
(a)	Large corporate	62,121	64,810	97,170	62,121	97,170	50,027
(b)	SME	74,464	78,701	99,818	74,461	99,818	1,05,897
(c)	Commercial vehicles	2,63,619	2,80,924	2,82,527	2,63,619	2,82,527	2,32,185
(d)	Housing finance	84,677	78,638	65,600	84,677	65,600	79,807
(e)	Unallocated	94,527	91,401	58,239	94,527	58,239	1,05,323
	Total liabilities	5,79,438	5,94,474	6,03,354	5,79,438	6,03,354	6,73,239



INDOSTAR CAPITAL FINANCE LIMITED

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STATEMENT OF CONSOLIDATED UNAUDITED FINANCIAL RESULTS FOR THE QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2022

- 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			Nine Months ended		Year ended
	31 December 2022	30 September 2022	31 December 2021	31 December 2022	31 December 2021	31 March 2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Revenue from operations (including other income)	23,742	23,735	26,085	73,341	76,169	1,05,355
Profit/(loss) before tax	3,110	3,817	958	11,419	(260)	(94,085)
Profit/(loss) after tax	3,110	3,817	718	11,419	(194)	(76,919)
Total Comprehensive Income	3,128	3,854	651	11,505	(185)	(76,872)

- 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 and nine months ended 31 December 2022 have been reviewed by the Audit Committee and subsequently approved at the meeting of the Board of Directors held on 14 February 2023. 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 31 December 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 As indicated in the prior reporting periods, following to the conclusion of the "Loan Portfolio Review", wherein the final findings were submitted to the Audit Committee on August 5, 2022, the Company submitted its financial statements for the quarter and financial year ended March 31, 2022 after undertaking the relevant provisioning. Thereafter, the financial results of the Company for the quarters ended June 30, 2022 and September 30, 2022 were reviewed by the Audit Committee and approved by the Board of Directors of the Company with the noting that the Conduct Review is ongoing. As of date, the external law firm has submitted its findings to the Audit Committee in relation to commercial vehicle portfolio and the Conduct review in relation to SME portfolio is on-going and near completion. The Company under the guidance and supervision of the Audit Committee is in the process of reviewing the findings thereon, including determining further remedial and accountability measures which requires qualitative evaluation and likely to be concluded by the time of issuance of the year end audited financial statements for the financial year ending March 31, 2023. The Company, since has initiated corrective measures to strengthen controls and ensure improvement in the process and control environment of the Company including by way of senior managerial level changes and appointments, improving entity level controls, policy related changes, process improvements and technological enhancements.
- 6 During the period ended 31 December 2022 and till the adoption of these financial results, the Company has raised incremental financing of Rs. 200,500 lakhs from banks and financial institutions and Rs. 87,698 lakhs through securitisation. As at 31 December 2022, the Company is in compliance with the required capital adequacy ratios and has cash and cash equivalents aggregating Rs. 21,596 lakhs, liquid investments aggregating Rs. 60,676 lakhs and has pool of loan assets eligible for securitisation. As at the date of adoption of these financial results, none of the lenders have recalled their borrowings. Further, the Company has continued to service all its contractual debt obligations on time, in the same manner, as it has previously serviced. Pursuant to infusion of long-term financing and available liquidity / facilities with the Company, the Management has concluded that the previously reported material uncertainty on the Company's ability to continue as a going concern no longer exists. Accordingly, the Management considers it appropriate to prepare these financial results on a going concern basis.
- 7 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 quarter and financial year ended 31 March 2022 and previous periods 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).
- 8 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.

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

BOBBY KANUBHAI
PARIKH

Bobby Parikh
Non-Executive Independent Chairman
DIN: 00019437

Place: Mumbai
Date: 14 February 2023

