

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

TO THE BOARD OF DIRECTORS OF INDOSTAR CAPITAL FINANCE LIMITED

1. We have reviewed the accompanying Statement of Standalone Unaudited Financial Results of **INDOSTAR CAPITAL FINANCE LIMITED** ("the Company"), for the quarter and nine months ended 31 December, 2022 ("the Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 and Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.
2. This Statement, which is the responsibility of the Company's Management and approved by the Company'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 Company'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.
4. As at 31 December, 2022, as per the unaudited books of account, 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 Company 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 Company, 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 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 and the Conduct review in relation to the SME loan portfolio is currently on-going. The Audit Committee of the Company, 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 Company 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 Company 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 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.

5. Based on our review conducted as stated in paragraph 3 above, except for the possible effects of the matter described in paragraph 4 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.



Place: Mumbai
Date: February 14, 2023

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

Neville M. Daruwalla
Partner
(Membership No. 118784)
(UDIN: 23118784BGXGDZ3144)

STATEMENT OF STANDALONE 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	22,113	21,760	23,051	67,322	66,929	95,575
	Fees and commission income	1,188	1,306	1,470	3,556	3,759	3,847
	Net gain on fair value changes	582	659	495	1,691	2,137	2,310
	Net gain on derecognition of financial instruments, measured at amortised cost category	(163)	-	32	723	2,236	2,487
	Total revenue from operations	23,720	23,725	25,048	73,292	75,061	1,04,219
	(b) Other income	22	10	1,037	49	1,108	1,136
	Total Income (a+b)	23,742	23,735	26,085	73,341	76,169	1,05,355
2	Expenses						
	(a) Finance costs	12,070	13,065	11,916	38,375	38,533	51,431
	(b) Impairment on financial instruments	(1,374)	(2,186)	4,170	(3,890)	11,909	1,15,077
	(c) Employee benefits expenses	4,860	4,484	5,300	13,917	14,423	17,627
	(d) Depreciation and amortisation expense	941	935	881	2,809	2,478	3,382
	(e) Other expenses	4,135	3,620	2,860	10,711	9,086	11,923
	Total expenses (a+b+c+d+e)	20,632	19,918	25,127	61,922	76,429	1,99,440
3	Profit/(loss) before tax (1-2)	3,110	3,817	958	11,419	(260)	(94,085)
4	Tax expenses						
	Current tax	-	-	-	-	-	-
	Deferred tax	-	-	240	-	(66)	(17,166)
	Tax expenses	-	-	240	-	(66)	(17,166)
5	Profit/(loss) after tax (3-4)	3,110	3,817	718	11,419	(194)	(76,919)
6	Other comprehensive income, net of tax						
	(a) Items that will not be reclassified to profit or loss						
	- Remeasurements of the defined benefit plans	17	37	26	85	25	42
	(b) Items that will be reclassified to profit or loss						
	- Debt instruments through other comprehensive income	1	-	(93)	1	(16)	5
	Total other comprehensive income (a+b)	18	37	(67)	86	9	47
7	Total comprehensive income (5+6)	3,128	3,854	651	11,505	(185)	(76,872)
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						2,74,194
10	Earnings per share (* not annualised)						
	Basic (Rs.)	*2.29	*2.81	*0.08	*8.39	*(2.19)	(62.06)
	Diluted (Rs.)	*2.29	*2.80	*0.08	*8.39	*(2.19)	(62.06)

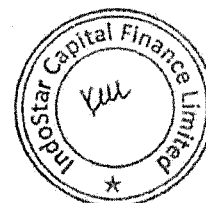
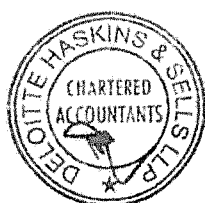
Notes

- The unaudited standalone financial results of IndoStar Capital Finance Limited ("ICFL" or "the Company") 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 financial results have been subjected to limited review by the Statutory Auditors of the Company.
- The Company has provided segmental information as per Ind AS 108 - Operating Segments in the consolidated financial results.
- 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.
- Disclosure pursuant to RBI Notification - RBI/DOR/2021-22/86/DOR.STR.REC.51/21.04.048/2021-22 dated 24 September 2021, as amended, on "Transfer of Loan Exposures" are given below:

(a) Details of stressed loans transferred during the nine months ended 31 December 2022

(Rs. in Lakhs)

Description	To Asset Reconstruction Companies (ARC)	
	NPA	SMA
Number of accounts	4,820	3,475
Aggregate principal outstanding of loans transferred	48,195	26,141
Weighted average residual tenor of the loans transferred (in month)	31	24
Net book value of loans transferred (at the time of transfer)	23,276	13,963
Aggregate consideration	23,276	13,963
Additional consideration realized in respect of accounts transferred in earlier years	-	-



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

(b) Details of loans acquired during the nine months ended 31 December 2022:

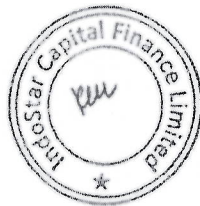
Description	(Rs. in Lakhs)	
	From lenders listed in Clause 3	
	NPA	SMA
Aggregate principal outstanding of loans acquired	-	3,758
Aggregate consideration paid	-	3,758
Weighted average residual tenor of the loans acquired (in month)	-	47

(c) Details of loans not in default that are transferred through assignment during the quarter and nine months ended 31 December 2022:

Description	(Rs. in Lakhs)	
	Quarter ended 31 December 2022	Nine months ended 31 December 2022
(i) No. of accounts	-	108
(ii) Aggregate value (net of provisions) of accounts assigned Rs. in Lakhs	-	9,013
(iii) Aggregate consideration	-	9,013
(iv) Additional consideration realized in respect of accounts transferred in earlier years	-	-
(v) Aggregate gain / loss over net book value	-	-
(vi) Weighted average maturity (No. of Years)	-	13
(vi) Weighted average holding period (months)	-	13
(vii) Retention of beneficial economic interest	-	10%

- 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 Company 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 Company 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.

Place: Mumbai
 Date: 14 February 2023



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

