

Independent Auditor's Report on the Financial Results of Electronica Finance Limited pursuant to the Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended

To
The Board of Directors of Electronica Finance Limited

Report on the audit of the Financial Results

Opinion

We have audited the accompanying statement of financial results of Electronica Finance Limited (the "Company"), for the year ended March 31, 2020 ("Statement"), attached herewith, being submitted by the Company pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended (the "Listing Regulations").

In our opinion and to the best of our information and according to the explanations given to us, the Statement:

- i. is presented in accordance with the requirements of the Listing Regulations in this regard; and
- ii. gives a true and fair view in conformity with the applicable accounting standards and other accounting principles generally accepted in India, of the net profit and other comprehensive income and other financial information of the Company for the year ended March 31, 2020.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013, as amended ("the Act"). Our responsibilities under those Standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Results" section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note 10 to the Statement, which describes the uncertainty caused by Novel Coronavirus (COVID-19) pandemic with respect to the Company's estimates of impairment of loans to customers and that such estimates may be affected by the severity and duration of the pandemic. Our opinion is not modified in respect of this matter.

Management's Responsibilities for the Financial Results

The Statement has been prepared on the basis of the annual financial statements. The Board of Directors of the Company are responsible for the preparation and presentation of the Statement that gives a true and fair view of the net profit and other comprehensive income of the Company and other financial information in accordance with the applicable accounting standards prescribed under Section 133 of the Act read with relevant rules issued thereunder and other accounting principles generally accepted in India and in compliance with Regulation 52 of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records,

relevant to the preparation and presentation of the Statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the Statement, the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Results

Our objectives are to obtain reasonable assurance about whether the Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Statement.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Statement, including the disclosures, and whether the Statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Further, we report that the figures for the half year ended March 31, 2020 represent the derived figures between the audited figures in respect of the financial year ended March 31, 2020 and the published unaudited figures for the half year ended September 30, 2019, which were subjected to a limited review by us, as required under the Listing Regulations.

For **S.R. Batliboi & Co. LLP**

Chartered Accountants

ICAI Firm Registration Number: 301003E/E300005

**JAYESH
MANHARLAL
GANDHI**

Digitally signed by JAYESH
MANHARLAL GANDHI
DN: cn=JAYESH MANHARLAL
GANDHI, c=IN, o=Personal,
email=darshana.barge@srb.in
Location: Mumbai
Date: 2020.06.26 20:09:20
+05'30'

per **Jayesh Gandhi**

Partner

Membership Number: 037924

UDIN: 20037924AAAADY3363

Mumbai

June 26, 2020

Electronica Finance Limited
(CIN: U65910PN1990PLC057017)
Regd. Office: 101/1, Erandawane 'Audumbar', Dr. Ketkar Road, Pune Pune MH 411004
Phone No.: 020-25459716, Website: www.eff.co.in
Statement of audited financial results for the year ended March 31, 2020

Particulars	(Rs. in Lakhs)	
	As at March 31, 2020 (Audited)	As at March 31, 2019 (Audited)
ASSETS		
Financial Assets		
Cash and cash equivalents	5,430.25	787.87
Bank balances other than cash and cash equivalents	1,393.24	1,491.36
Loans	80,269.27	76,743.18
Investments	12.89	12.75
Other financial assets	742.54	773.27
Sub-total - Financial assets	87,848.19	79,808.43
Non financial assets		
Current tax assets (net)	116.80	107.59
Deferred tax assets (net)	743.04	744.52
Investment property	116.85	119.00
Property, plant and equipment	6,506.98	4,077.77
Capital work in progress	96.60	1,570.77
Intangible assets	96.73	113.05
Other non financial assets	691.16	711.43
Sub-total - Non-financial assets	8,368.16	7,444.13
Total Assets	96,216.35	87,252.56
LIABILITIES AND EQUITY		
Liabilities		
Financial Liabilities		
Debt securities	12,358.25	15,221.30
Borrowings (Other than debt securities)	52,701.81	38,477.02
Subordinated liabilities	896.72	2,740.82
Other financial liabilities	13,070.86	14,770.11
Sub-total - Financial liabilities	79,027.64	71,209.25
Non financial liabilities		
Current tax liabilities (net)	546.99	840.20
Provisions	129.79	153.53
Other non financial liabilities	120.26	225.10
Sub-total - Non-financial liabilities	797.04	1,218.83
Equity		
Equity share capital	2,253.46	2,253.46
Other equity	14,138.21	12,571.02
	16,391.67	14,824.48
Total liabilities and equity	96,216.35	87,252.56

For and on Behalf of Board of Directors
Electronica Finance Limited

Ms. Shilpa Pophale
Managing Director
DIN 00182457

Place: Pune
Date: June 26, 2020



Electronica Finance Limited
(CIN: U65910PN1990PLC057017)
Regd. Office: 101/1, Erandawane 'Audumbar', Dr. Ketkar Road, Pune Pune MH 411004
Phone No.: 020-25459716, Website: www.efl.co.in
Statement of audited financial results for the year ended March 31, 2020

Particulars	Half year ended		Year ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	(Audited)	(Unaudited)	(Audited)	(Audited)
Revenue from operations				
Interest income	8,006.96	6,588.58	14,708.82	12,676.10
Fees and commission income	394.05	328.14	609.24	699.11
Net gain on sale of financial assets at amortised cost	229.60	156.90	295.96	156.90
Sale of services	68.96	63.06	166.68	151.69
Recoveries of financial assets written off	11.54	69.18	38.53	172.48
Net gain on fair value changes	757.31	339.99	757.31	339.99
Total revenue from operations	9,468.42	7,545.85	16,576.54	14,196.27
Other income	144.66	102.68	249.39	205.88
Total Revenue	9,613.08	7,648.53	16,825.93	14,402.15
Expenses				
Finance costs	4,596.70	4,093.02	8,269.06	7,115.64
Impairment on financial instruments	558.28	470.22	850.83	1,090.47
Employee benefit expenses	1,772.48	1,354.53	3,425.84	2,811.74
Depreciation and amortisation expenses	201.45	195.92	374.25	350.22
Other expenses	836.04	625.54	1,453.35	1,034.37
Total expenses	7,964.95	6,739.23	14,373.33	12,402.44
Profit before tax	1,648.13	909.30	2,452.60	1,999.71
Tax expense:				
Current tax	479.18	483.10	698.24	901.03
Deferred tax	25.03	(344.81)	8.46	(283.61)
Tax for previous year	-	48.04	-	48.04
Total Tax expense	504.21	186.33	706.70	665.46
Profit for the period	1,143.92	722.97	1,745.90	1,334.25
Other comprehensive income (OCI)				
Items that will not be reclassified to profit or loss:				
Remeasurement gains / (losses) on defined benefit plans	27.76	3.80	27.76	3.80
Tax impact on above	(6.99)	(1.11)	(6.99)	(1.11)
Total other comprehensive income	20.77	2.69	20.77	2.69
Total comprehensive income	1,123.15	720.28	1,725.13	1,331.56
Earnings per equity share				
(Nominal value of share Rs. 10)				
Basic EPS	5.08	3.21	7.75	5.92
Diluted EPS	4.37	3.20	7.16	5.91

For and on Behalf of Board of Directors
Electronica Finance Limited

Ms. Shilpa Pophale
Ms. Shilpa Pophale
Managing Director
DIN 00182457

Place: Pune
Date: June 26, 2020



Electronica Finance Limited
(CIN: U65910PN1990PLC057017)
Regd. Office: 101/1, Erandawane 'Audumbar', Dr. Ketkar Road, Pune Pune MH 411004
Phone No.: 020-25459716, Website: www.efl.co.in
Statement of audited financial results for the year ended March 31, 2020

1. The above results have been reviewed by the Audit Committee and approved by the Board of Directors at their respective meetings held on June 26, 2020, in accordance with the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended.

2. The Company has adopted Indian Accounting Standards ('Ind AS') notified under Section 133 of the Companies Act 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, from April 1, 2019 and the effective date of such transition is April 1, 2018. Such transition has been carried out from the erstwhile Accounting Standards notified under the Act, read with relevant rules issued thereunder and guideline issued by the Reserve Bank of India ('RBI') (collectively referred to as 'the Previous GAAP'). Accordingly, the impact of transition has been recorded in the opening reserves as at April 1, 2018 and the corresponding figures presented in these results have been restated / reclassified.

3. Results for the half year ended March 31, 2019 have been restated as per Ind AS and have not been reviewed / audited. However, the management has exercised due diligence to ensure that the financial results provide a true and fair view of the Company's affairs.

4. The results for the half year ended March 31, 2020 being the derived figures between audited figures in respect of full financial year ended March 31, 2020 and the published year to date figures up to the half year ended September 30, 2019 of the current financial year which were subjected to limited review by statutory auditors of the Company.

5. As required by paragraph 32 of Ind AS 101, net profit reconciliation between the figures reported under Previous GAAP and Ind AS is as under :

Particulars	(Rs. in Lakhs)	
	For the half year ended March 31, 2019	For the year ended March 31, 2019
	(Unaudited)	(Audited)
Net profit after tax as reported under Previous GAAP	1,154.57	2,030.30
<u>Adjustments increasing/(decreasing) net profit after tax as reported under Previous GAAP</u>		
Adoption of EIR* for amortisation of income - financial assets at amortised cost	(172.66)	(226.79)
Net adjustment for income on assignment	(361.01)	(361.01)
Loyalty bonus	19.62	19.62
Adoption of EIR for amortisation of expenses - financial liabilities at amortised cost	5.30	(67.71)
Expected Credit Loss	(171.41)	(232.48)
Fair value of cash collateral	(15.77)	(15.77)
Leases	(5.65)	(16.70)
Depreciation on investment properties	(14.31)	(14.31)
Tax effect on above adjustments	281.60	216.41
Actuarial loss on employee defined benefit plan recognised in other comprehensive income	2.69	2.69
<u>as per Ind AS 19</u>		
Net profit after tax as per Ind AS	722.97	1,334.25
Other comprehensive income, net of tax	(2.69)	(2.69)
Total comprehensive income	720.28	1,331.56

* EIR = Effective Interest Rate

6. As required by paragraph 32 of Ind AS 101, equity reconciliation between the figures reported under Previous GAAP and Ind AS is as under :

Particulars	(Rs. in Lakhs)	
	As at March 31, 2019	
	(Audited)	
Equity as reported under Previous GAAP	16,133.13	
<u>Adjustments increasing/(decreasing) equity as reported under Previous GAAP</u>		
Adoption of EIR* for amortisation of income - financial assets at amortised cost	(2,067.93)	
Net adjustment for income on assignment	467.56	
Loyalty bonus	(628.47)	
Adoption of EIR for amortisation of expenses - financial liabilities at amortised cost	203.92	
Expected Credit Loss	(684.21)	
Fair value of cash collateral	880.47	
Leases	(0.26)	
Depreciation on investment properties	(18.93)	
Tax effect on above adjustments	539.20	
Equity as per Ind AS	14,824.48	



7. The Company operates in a single business segment i.e. financing, which has similar risks and returns for the purpose of Ind AS 108. The Company operates in a single geographical segment i.e. domestic.

8. Pursuant to The Taxation Laws (Amendment) Ordinance 2019, promulgated on September 20, 2019, the Company exercised the option permitted u/s 115BAA of the Income Tax Act, 1961 to compute income tax at the revised rate (i.e. 25.17%) from the current financial year. As a result, the charge on account of remeasurement of deferred tax assets during the year ended March 31, 2020 aggregates to Rs 73 lakhs.

9. During the year the company has raised funds of Rs. 10,716 lakhs by allotment of Compulsory Convertible Preference Shares (CCPS).

10. The Covid-19 pandemic has resulted in a significant decrease in the economic activities across the country, on account of lockdown that started on March 24, 2020. The lockdown also affected the Company's business operations in the last week of March 2020. Further, in accordance with the RBI guidelines relating to 'Covid-19 Regulatory Package' dated March 27, 2020, the Company offered EMI moratorium to its customers.

The estimates and associated assumptions applied in preparing these financial results, especially for determining the impairment allowance for the Company's financial assets (Loans), are based on historical experience and other emerging/ forward looking factors on account of the pandemic and support to MSMEs announced by various regulators. The Company believes that the factors considered are reasonable under the current circumstances. The Company has used early indicators of moratorium and delayed payment observed along with an estimation of potential stress on probability of default and exposure at default due to Covid-19 situation in developing the estimates and assumptions to assess the impairment loss allowance on Loans.

Accordingly, the Company has recognized an additional impairment on loans of Rs. 166 lakhs.

Given the dynamic nature of the pandemic situation, these estimates are subject to uncertainty and may be affected by the severity and duration of the pandemic. In the event the impacts are more severe or prolonged than anticipated, this will have a corresponding impact on the carrying value of financial assets, the financial position and performance of the Company.

11. In view of the matters mentioned in note 10 above, the Company has assessed the impact of the COVID-19 pandemic on its liquidity and ability to fulfil its obligations as and when they are due and has evaluated the asset-liability maturity (ALM) pattern in various time buckets as prescribed under the guidelines issued by the RBI. With the gradual relaxation of lockdown rules, as well as resumption of commercial activities by borrowers in a majority of geographies in which the Company operates, management is confident that collections will resume, albeit likely at a lower level than earlier.

The Company has also commenced operations to resume disbursements at some of the branches. In addition, management has considered various stimulus packages announced by the Government of India which will directly or indirectly benefit NBFCs and also its MSME borrowers, current status/outcomes of discussions with the Company's lenders to seek/extend moratorium and various other financial support from other banks and financial institutions in determining the Company's liquidity position over the next 12 months from the end of reporting period. Based on the foregoing and necessary stress tests, management believes that the Company will be able to fulfil its obligations as and when these become due in the foreseeable future.

12. Figures for the previous periods have been regrouped, wherever necessary, to make them comparable with the current period

For and on Behalf of Board of Directors
Electronica Finance Limited

Ms. Shilpa Pophale
Managing Director
DIN 00182457

Place: Pune
Date: June 26, 2020

