
Walker Chandiook & Co LLP

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

To the Board of Directors of Fincare Small Finance Bank Limited

Opinion

1. We have audited the accompanying annual financial results ('the Statement') of Fincare Small Finance Bank Limited ('the Bank') for the year ended 31 March 2020, being submitted by the Bank pursuant to the requirements of Regulation 52 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (as amended) ('Listing Regulations').
2. In our opinion and to the best of our information and according to the explanations given to us, the Statement:
 - (i) presents financial results in accordance with the requirements of Regulation 52 of the Listing Regulations; and
 - (ii) gives a true and fair view in conformity with the applicable accounting standards prescribed under section 133 of the Companies Act, 2013 ('the Act') read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended), the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India (RBI) from time to time ('RBI Guidelines') and other accounting principles generally accepted in India, of the net profit after tax and other financial information of the Bank for the year ended 31 March 2020.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing ('SAs') specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statement* section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('the ICAI') 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

4. We draw attention to Note 8 to the accompanying financial results, which describes the economic and social disruption the Bank is facing as a result of COVID-19 pandemic including the moratorium period offered to borrowers as directed by the Reserve Bank of India. The full extent of impact of the events on the Bank's operations and financial metrics will depend on future developments which are uncertain at this time.

Our opinion is not modified in respect of this matter.

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

Management's and Those Charged with Governance Responsibilities for the Statement

5. This Statement has been prepared on the basis of the annual financial statements. The Bank's Board of Directors is responsible for the preparation and presentation of the Statement that gives a true and fair view of the net profit after tax and other financial information of the Bank in accordance with the AS prescribed under section 133 of the Act read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended) the relevant provisions of the Banking Regulation Act, 1949 and RBI Guidelines and other accounting principles generally accepted in India, and in compliance with Regulation 52 of the Listing Regulations including SEBI Circulars. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank 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 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.
6. In preparing the Statement, the Board of Directors is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Statement

7. 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, specified under section 143(10) of the Act, 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 this Statement.
8. As part of an audit in accordance with the 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 Bank has in place an adequate internal financial controls system over financial reporting 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 management.

**Fincare Small Finance Bank Limited
Independent Auditor's Report on Annual Financial Results of the Bank pursuant to the Regulation 52 of
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- Conclude on the appropriateness of the management's 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 Bank'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 Statement 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 Bank 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.
9. 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.
10. 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.

Other Matters

11. The Statement includes the financial results for the half year ended 31 March 2020, being the balancing figures between the audited figures in respect of the full financial year and the published unaudited year-to-date figures up to the half year ended 30 September 2019, which were subjected to limited review by us.

For **Walker Chandniok & Co LLP**
Chartered Accountants
Firm Registration No:001076N/N500013

Manish Gujral
Partner
Membership No:105117

UDIN No:20105117AAAACD4344

Place: Mumbai
Date: 08 June 2020

Fincare Small Finance Bank Limited
(formerly Disha Microfin Limited)
Profit and Loss account for the year ended 31 March 2020

(₹ in lakhs)

Particulars	Half year ended 31 March 2020 (Un-audited)	Half year ended 31 March 2019 (Un-audited)	Year ended 31 March 2020 (Audited)	Year ended 31 March 2019 (Audited)
I. Income				
Interest earned	59,563	33,653	107,026	60,515
Other income	9,441	3,633	14,546	6,973
Total income	69,004	37,286	121,572	67,488
II. Expenditure				
Interest expended	25,219	12,463	45,150	22,907
Operating expenses	23,045	16,510	42,613	29,581
Provision and contingencies	13,992	2,347	19,464	4,802
Total expenditure	62,256	31,320	107,227	57,290
III. Profit/(loss)				
Net profit for the period/year	6,748	5,966	14,345	10,198
Balance in profit and loss brought forward from			(618)	(7,955)
Total profit	6,748	5,966	13,727	2,243
IV. Appropriation/transfer				
Transfer to statutory reserves			3,587	2,550
Transfer to other reserves			433	311
Transfer to capital reserves			-	-
Balance carried over to balance sheet			9,707	(618)
Total	-	-	13,727	2,243
Earnings per equity share of ₹10 each				
Basic and diluted (₹)	11.07	11.21	24.43	22.41
Face value per share (₹)	10.00	10.00	10.00	10.00

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FINCARE SMALL FINANCE BANK LIMITED

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 www.fincarebank.com

CIN No. U67120GJ1995PLC025373

Fincare Small Finance Bank Limited

(formerly Disha Microfin Limited)

Balance Sheet as at 31 March 2020

(₹ in lakhs)

Particulars	As at 31 March 2020 (Audited)	As at 31 March 2019 (Audited)
Capital and liabilities		
Capital	6,361	5,644
Reserves and surplus	84,016	60,856
Deposits	485,393	204,321
Borrowings	136,816	128,307
Other liabilities and provisions	19,041	17,846
Total Capital and Liabilities	711,627	417,174
Assets		
Cash and balances with Reserve Bank of India	105,853	14,191
Balances with banks and money at call and short notice	2,437	37,867
Investments	100,696	70,066
Advances	481,558	276,469
Fixed assets	4,036	3,307
Other assets	17,047	15,164
Total Assets	711,627	417,174
Contingent liabilities	1,937	11,475
Bills for collection	-	-

Notes

- The above audited financial results ('the Statement') of Fincare Small Finance Bank Limited ('the Bank') for the year ended 31 March 2020 have been reviewed by the Audit Committee of the Board and approved by the Board of Directors at their respective meetings held on 08 June 2020.
- The amounts of half year ended 31 March 2020 and 31 March 2019 are the balancing amounts between the audited amounts in respect of the full financial year ended 31 March 2020 and 31 March 2019 respectively and the published half year ended 30 September 2019 and 30 September 2018 respectively. Results published for half year ended 30 September 2019 was subjected to limited review by the statutory auditors.
- EPS disclosed for the half year ended 31 March 2020 and 31 March 2019 are not annualised.
- There are no changes to the significant accounting policies adopted during the year ended 31 March 2020 as compared to those followed for the year ended 31 March 2019.
- The capital adequacy ratio ('CRAR') has been computed as per the operating guidelines vide RBI notification RBI/2016-17/81 followed for the year. The Bank has followed Basel II standardized approach for credit risk in accordance with the operating guidelines issued by the RBI for Small Finance Banks, further no separate capital charge for market risk and operational risk have been computed in the view of the exemption contained on the RBI Notification DBR.NBD.NO.4502/16.13.218/2017-18 dated 8 November 2020.
- During the half year ended 31 March 2020, the Bank has allotted 7,174,500 equity shares through rights issue at an issue price of ₹ 131.47 per share.
- During the year ended 31 March 2020, the Bank has revised the accounting estimate for writing off loan portfolio in accordance with the resolution passed by the Board of Directors. As a result, the loans written off during the year ended 31 March 2020 is higher by ₹ 1,750 lakhs. However, the same does not have an impact on the results for the year.
- (i) The Novel Coronavirus (Covid-19) pandemic (declared as such by the World Health Organization on 11 March 2020), has contributed to a significant decline and volatility in the economic activity, in the global and Indian markets. The Government of India announced a 40-day nation-wide lockdown to contain the spread of the virus till 03 May 2020, which was further extended till 31 May 2020. This has significantly impacted the livelihood of individuals and various business operations, consequently impacting the Bank's regular operations including lending and collection activities due to restrictions on the movement of employees across different states to reach the borrowers.
(ii) Pursuant to the Reserve Bank of India circular dated 27 March 2020 and 23 May 2020 allowing lending institutions (including banks) to offer moratorium to borrowers, the Bank has extended moratorium to its borrowers in accordance with its Board approved policy. The moratorium period wherever extended, shall be excluded from the number of days past-due for the purpose of asset classification in respect of all accounts classified as standard as on 29 February 2020. In management's view providing moratorium to borrowers at a mass scale based on RBI directives, by itself is not considered to result in a significant increase in credit risk for such borrowers. The Bank has made a provision amounting to ₹ 268 lakhs as per the RBI guideline – "COVID 19 Regulatory Package-Asset Classification and Provisioning" dated 17 April 2020. Further, the Bank has made an additional provision amounting to ₹ 8,250 lakhs owing to the probable impact of Covid-19 based on the information available as on date. Given the unique nature and scale of the economic impact of this pandemic, and its timing being close to the year-end, the additional provision is based on various assumptions.
The full extent of impact of the pandemic on the Bank's operations and financial metric (including impact on provision for loan portfolio) will depend on future developments including governmental and regulatory measures and the Bank's responses thereto, which are uncertain at this time.
(iii) Further, in view of the matters mentioned in notes (i) and (ii) above, the Bank has assessed the impact of the Covid-19 pandemic on its liquidity and ability to repay its obligations as and when they are due. With the gradual relaxation of lockdown rules, as well as resumption of commercial activities by borrowers in majority of the geographies in which the Bank operates, the management is confident that collections will resume, though at a lower level than earlier. In this regard, the Bank has readiness with optimal workforce to deal with normal business operations, while continuing to comply with regulatory guidelines on businesses, social distancing etc. The Bank staff has also commenced field visits to meet its customers and expect the resumption of the JLG borrower meetings, post the lockdown period. Based on the foregoing and necessary stress tests considering various scenarios, the management believes that the Bank will be able to fulfill its obligations as and when these become due in the foreseeable future.

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Fincare Small Finance Bank Limited

(formerly Disha Microfin Limited)

9 The Government of India, vide the Taxation Laws (Amendment) Ordinance, 2019 dated 20 September 2019 inserted a new section 115BAA in the Income Tax Act, 1961, which provides an option to an entity for paying income tax at reduced rates as per the provisions/conditions defined in the said section. The Bank has a one time option to opt for a reduced Maximum Marginal Tax Rate ("MMR") of 25.17% instead of 29.12% in the current financial year up to 31 March 2020 or in the future financial years. The Bank has decided to exercise the option of lower rate, with effect from FY 2020. Accordingly, the Bank has recognised the provision for income tax and re-measured the deferred tax asset as at 31 March 2019 based on the rate prescribed under Section 115BAA. The net impact due to this change has resulted in the tax expense for FY 2020 being higher by ₹ 79 lakhs (net of the write off of MAT credit asset as at 31 March 2019).

10 Amounts for the previous year/period have been regrouped/reclassified, wherever necessary, to correspond with the current period's classification/disclosures.

**For and on behalf of the Board of Directors of
Fincare Small Finance Bank Limited
(formerly Disha Microfin Limited)**

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YADAV Date: 2020.06.08
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Rajeev Yadav
MD & CEO
DIN: 00111379

Place: Bengaluru
Date: 08 June 2020

Fincare Small Finance Bank Limited

(formerly Disha Microfin Limited)

Audited statement of financial results for the half year ended 31st March 2020

Annexure I

Disclosures under Regulation 52(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements)
1 Credit rating:

Deposit instrument	Name of rating agency	Rating assigned
Non-Convertible Debentures	ICRA Limited	[ICRA] A (Stable)
Term loans (Long)	ICRA Limited	[ICRA] A (Stable)
Term loans (Short)	ICRA Limited	[ICRA] A (Stable)
Fixed Deposit	ICRA Limited	[ICRA] MA+ (Stable)
Certificate of Deposit	CRISIL Limited	CRISIL A1+

There has been no change in the aforesaid rating from the previous period.

2 Debt-Equity ratio:

Debt-Equity ratio of the Bank as on 31 March 2020 is 1.51 as per audited Financial Results of the Bank.

3 Previous due date for payment of principal/interest on Non Convertible Debentures ("NCDs")

NCD	ISIN number	Due date (from 01 April 2019 to 31 March 2020)	
		Principal	Interest
350, 10.90% Debentures of ₹1,000,000 each	INE519Q08012	Not due	16-Oct-19
350, 10.90% Debentures of ₹1,000,000 each	INE519Q08012	13-Jan-20	13-Jan-20
250, 10.75% Debentures of ₹100,000 each	INE519Q08129	30-Nov-19	30-Nov-19
2500, 12.60% Debentures of ₹100,000 each	INE519Q08020	Not due	29-Nov-19
2500, 12.60% Debentures of ₹100,000 each	INE519Q08020	Not due	29-Feb-20
3700, 11.30% Debentures of ₹100,000 each	INE519Q08145	Not due	20-Sep-19
3700, 11.30% Debentures of ₹100,000 each	INE519Q08145	Not due	20-Mar-20
3800, 11.30% Debentures of ₹100,000 each	INE519Q08137	Not due	22-Sep-19
3800, 11.30% Debentures of ₹100,000 each	INE519Q08137	Not due	22-Mar-20
1000, 12.87% Debenture of ₹10,00,000 each	INE519Q08152	Not due	30-Mar-20

The Company has paid the interest and principal on NCDs on the respective due dates mentioned above.

4 Next due date for payment of principal/interest on Non-convertible Preference Shares - Not applicable.
5 Outstanding redeemable preference shares - Not applicable.
6 Debenture Redemption Reserve (DRR) - No DRR is required in respect of privately placed debentures in terms of Rule 18(7)(b)(ii) of the Companies (Share Capital and Debenture) Rules, 2014.
7 Net worth as on 31 March 2019- ₹ 85,341 lakhs
8 Net Profit after tax - ₹ 14,345 lakhs
9 Earnings per share - ₹ 24.43 per share
For and on behalf of the Board of Directors

 Rajeev Yadav
 MD & CEO
 DIN: 00111379

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 RAJEEV YADAV
 Date: 2020.06.08
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 Place: Bengaluru
 Date: 8 June 2020

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