

Licensed Finance Company by the Monetary Board of Central Bank of Sri Lanka under the Finance Business Act No. 42 of 2011. Company Reg No. PB 4963.



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**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF MAHINDRA IDEAL FINANCE LIMITED**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of MAHINDRA IDEAL Finance Limited ("the Company"), which comprise the statement of financial position as at 31 March 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Company give a true and fair view of the financial position of the Company as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics) and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is 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 management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are 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 SLAuSs 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 these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, 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, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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 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 statements 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 financial statements, including the disclosures, and whether the financial statements represent 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.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

[Signature]

21 April 2023
Colombo

Members: W. R. H. Fernando FCA FCMA, W. N. de Silva ACA FCMA, M. S. de Silva FCP, M. P. de Silva FCA, W. H. de Silva ACA ACMA, W. A. S. P. Fernando FCA FCMA, M. A. M. Fernando FCA ACMA, M. L. H. P. Fernando FCA, A. P. B. Fernando FCA FCMA, A. J. H. Fernando FCA, D. N. Fernando FCA FCMA, M. M. Fernando FCA FCMA, M. A. A. Fernando FCA FCMA, M. S. S. Fernando FCA, A. A. J. R. Fernando ACA ACMA, M. P. V. N. Fernando FCA, N. M. Fernando FCA FCMA, S. E. Fernando FCA FCMA, P. S. Fernando FCA FCMA, T. P. H. Fernando FCA FCMA, S. E. Fernando FCA FCMA
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Key Financial Data for the year ended 31st March 2023 (Audited)

In Rupees Million	Current Period		Previous Period	
	From 01/04/2022 To 31/03/2023	As a % of Interest Income	From 01/04/2021 To 31/03/2022	As a % of Interest Income
Interest Income	1,805	100%	1,242	100%
Interest Expenses	(922)	-51%	(328)	-26%
Net Interest Income	884	49%	914	74%
Gains /(losses) from trading activities	-	-	-	-
Other Income	119	7%	79	6%
Operating Expenses (excluding impairment)	(684)	-38%	(504)	-41%
Impairment	(71)	-4%	(88)	-7%
Profit/ (Loss) Before Tax	248	14%	401	32%
Taxes	(161)	-9%	(162)	-13%
Profit/ (Loss) After Tax	87	5%	239	19%

Key Financial Data as at 31st March 2023 (Audited)

In Rupees Million	As at 31/03/2023	As a % of Total Assets	As at 31/03/2022	As a % of Total Assets
Assets				
Cash and Bank Balance	611	7%	423	5%
Government Securities	458	5%	249	3%
Due from related parties	42	0%	16	0%
Loans (Excluding Due from Related Parties)	7,081	81%	7,168	84%
Investment in Equity	-	-	-	-
Property, Plant and Equipment	488	6%	366	4%
Other Assets	111	1%	263	3%
Total Assets	8,792	100%	8,485	100%
Liabilities				
Due to Banks	1,509	17%	1,958	23%
Due to Related Parties (Deposits)	225	3%	202	2%
Deposits from Customers	3,263	37%	1,993	23%
Other Borrowings	481	5%	915	11%
Other Liabilities	480	5%	672	8%
Total Liabilities	5,957	68%	5,739	68%
Equity				
Stated Capital	1,908	22%	1,908	22%
Statutory Reserve Fund	48	1%	44	1%
Retained Earnings	878	10%	794	9%
Total Equity	2,835	32%	2,746	32%
Net Asset Value Per Share	19.46		18.86	

Note : Amounts stated are in net of impairment and depreciation

Selected Key Performance Indicators

Item	As at 31/03/2023		As at 31/03/2022	
	Actual	Required	Actual	Required
Regulatory Capital Adequacy (%)				
Tier 1 Capital Adequacy Ratio	48.92	8.50	38.62	7.00
Total Capital Adequacy Ratio	49.93	12.50	39.68	11.00
Capital Funds to Deposit Liabilities Ratio	81.29	10.00	125.11	10.00
Quality of Loan Portfolio (%) (on 90 days past due basis)				
Gross Stage 3 Loans Ratio	20.55		13.53	
Net Stage 3 Loans Ratio	18.28		11.92	
Net Stage 3 Loans to Core Capital Ratio	46.61		32.04	
Stage 3 Impairment Coverage Ratio	11.05		11.84	
Total Impairment Coverage Ratio	3.74		3.34	
Profitability (%)				
Net Interest Margin	10.05		10.77	
Return on Assets	1.74		3.66	
Return on Equity	3.07		8.71	
Cost to Income Ratio	68.18		50.75	
Liquidity (%)				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	307		245	
Liquid Assets to External Funds	19.52		10.61	
Memorandum Information				
Number of Branches	27		20	
External Credit Rating	Fitch Ratings AA- (Ika) Watch Negative		Fitch Ratings AA- (Ika) Outlook Stable	
Regulatory penalties imposed last 6 months (Amount Rs. Mn)	0.0005		-	

CERTIFICATION:

We, the undersigned, being the Chief Executive Officer, the Head of Finance and the Assistant Manager - Compliance of Mahindra Ideal Finance Limited certify jointly that:

(a) The above statements have been prepared in compliance with the format and definitions prescribed by the Central Bank of Sri Lanka (CBSL);

(b) The information contained in these statements have been extracted from the unaudited financial statements of the Licensed Finance Company unless indicated as audited.

D. M. Weerasekara,
(Sgd.) Chief Executive Officer.
Date: 21.04.2023

Rohit Agarwalla,
(Sgd.) Head of Finance.
Date: 21.04.2023

Sarini Mallawarachchi,
(Sgd.) Assistant Manager - Compliance.
Date: 21.04.2023