Bizloan Private Limited

Summary of significant accounting policies and other explanatory information for the year ended March 31, 2024

1. General Information

Bizloan Private Limited (the "Company") is a Private Limited Company domiciled in India and incorporated on December 26, 2016 under the provisions of the Companies Act, 2013 (the "Act"). The registered office of the Company is located at AN-21-B, Shalimar Bagh, New Delhi – 110088.

The Company is a non-deposit accepting Non-Banking Financial Company ('NBFC -ND') and is registered with the Reserve Bank of India ("RBI") as NBFC – ND – Type II on August 24, 2017 and thereafter commenced its business for providing financing to Micro, Small and Medium Enterprises (MSME's) w.e.f. September 3, 2017.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These financial statements have been prepared in accordance with Generally Accepted Accounting Principles ("GAAP") in India, on a going concern basis, under the historical cost convention, on accrual basis and in accordance with the applicable accounting standards issued by the Institute of Chartered Accountants of India (ICAI) and specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014, as amended and Companies (Accounting Standard) Amendment Rule, 2021, other accounting pronouncements of the Institute of Chartered Accountants of India ("ICAI"), relevant provision of the Companies Act, 2013, and the applicable guidelines / directions / notifications / circulars issued by the Reserve Bank of India ("RBI Directions"), as amended from time to time. The notified Accounting Standards are followed by the Company in so far as they are not inconsistent with the RBI Directions. Accounting policies have been consistently applied except where a newly issued accounting standard or a guideline is initially adopted or a revision to the existing accounting standard requires a change in the accounting policy hitherto in use. Further, the financial statements are presented in the general format specified in Division I of Schedule III to the Act. The management evaluates all recently issued or revised accounting standards on an ongoing basis.

An asset or liability is respectively classified as current when it is expected to be realized or settled in the Company's normal operating cycle or within 12 months after the reporting date. Current assets and liabilities include the current portion of non-current assets and non-current liabilities respectively. All other assets and liabilities are classified as non-current as required by Schedule III of the Companies Act, 2013.

2.2 Use of estimates

The preparation of financial statements in conformity with GAAP in India requires the management to make estimates, judgements and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates. On an ongoing basis, estimates are evaluated based on historical experience and on various other assumptions that are believed to be reasonable, the results of which forms the basis for making judgments about the carrying value of assets and liabilities. Actual results could differ from those estimates. Any revision to estimates or difference between the actual result and estimates are recognized in the period in which the results are known / materialized.

2.3 Significant accounting policies

i. Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises of purchase price, borrowing costs if capitalization criteria are met, directly attributable cost of bringing the asset to its working condition for the intended use and initial estimate of decommissioning, restoring and similar liabilities. Any trade discounts and rebates are deducted in arriving at the purchase price. Expenditure on renovation/ modernisation relating to existing assets is added to the cost of such assets where it increases its performance / life significantly.

Gains or losses arising from de-recognition of property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is derecognized.

Depreciation on property, plant and equipment

Depreciation on property, plant and equipment is calculated on a straight-line basis over the useful life of the asset estimated by management/which for the purpose has been taken as prescribed in schedule II of Companies Act, 2013. Depreciation on addition or on sale/discard of a property, plant & equipment is calculated pro-rata from / upto the date of such addition or sale/discard.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

ii. Intangible assets

Intangible assets are carried at cost of acquisition less amortisation. Subsequent expenditure is capitalised only when it increases the future economic benefits from the specific asset to which it relates. Assets which are not ready for their intended use are shown as intangible assets under development which comprises of all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management.

Intangible assets are amortized over their estimated useful lives from the date they are available for use based on the expected pattern of consumption of economic benefits of the asset. Intangible asset is being amortised over a period of 3-5 years based on estimated useful life as ascertained by the management.

iii. Impairment of property, plant and equipment and intangible assets.

At each balance sheet date, the management reviews the carrying amounts of its assets included in each cash generating unit to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment. Recoverable amount is the higher of an asset’s net selling price and value in use. In assessing value in use, the estimated future cash flows expected from the continuing use of the asset and from its disposal are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of time value of money and the risks specific to the asset. Reversal of impairment loss is recognised as income in the statement of profit and loss.

iv. **Loans**

Loans are stated at the amount advanced, as reduced by the amounts received up to the balance sheet date and loans assigned. Loans have been classified as 'short term loans and advances' and 'long-term loans and advances' according to their tenure.

v. **Asset Classification & Provisioning Norms**

a. Assets Classification

Loans to Customers are classified as Standard and Non-performing assets, based on the criteria laid down below:

Assets Classification	**Criteria**
Standard assets	The assets in respect of which, no default in repayment of principal or payment of interest is perceived and which does not disclose any problem not carry more than normal risk attached to business.
Non-Performing assets	An asset for which interest / principal payment has remained overdue for a period of 90 days or more.

b. Provisioning Norms

Provisioning Norms for SME Loans: The Company follows prudential norms as provided by the RBI for the same and also Company has the practice of creating additional provision as and when considered appropriate, by the management on prudence / conservative basis. Refer table below:

Particulars	**Past due**	**Provisioning Policy**	
		Unsecured Portion	**Secured Portion**
Standard Assets	0-90 Days	0.25%	0.25%
Non Performing Assets			
Sub-Standard Assets	91 Days - 21 Months	10%	10%
Doubtful Assets (D1, D2, D3)	21 - 33 Months	100%	20%
	33 - 57 Months		30%
	> 57 Months		40%
Loss Assets	--	100%	

vi. **Revenue Recognition**

The Company has recognized all incomes on accrual basis of accounting as per the provisions of Accounting Standard - 9 "Revenue Recognition" prescribed under section 133 of Companies Act, 2013 ('Act') read with read with the Companies (Accounting Standards) Rules, 2021.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

a. Interest Income:
Interest income on loans is recognized on accrual basis except in the case of non-performing assets where it is recognized upon realization and any such income recognized before the asset became non-performing and remaining unrealized is reversed considering the directions issued by the Reserve Bank of India from time to time.

Interest income on deposits with banks is recognized on an accrual basis taking into account the amount of outstanding deposit and the applicable interest rate.

b. **Pre-Closure Charges:** Pre-Closure charges are levied and accounted at the time of Pre-Closure of the loan.

c. **Fee Income:** Loan Processing fee and documentation fee received upfront or upon renewal are considered to be accrued at the time of entering into a binding agreement upon its receipt and are recognized accordingly.

d. **Consultancy fee, commission and brokerage income:** Consultancy fee, Commission and brokerage income earned for the services rendered are recognized as and when they are due.

e. **Dividend Income:** Dividend income is recognized when the shareholder's right to receive payment is established by the balance sheet date. Dividend from the units of mutual funds is recognized on the receipt basis in accordance with NBFC Regulations.

f. **Income for Assignment of loans:** In case of assignment of loans, the loans assigned are derecognized when all the rights, title, future receivable and interest thereon along with all the risk and rewards of ownership are transferred to the purchaser of assigned loans. On derecognition, loss arising is recognized upfront, however premium is amortized based on receivables over the remaining tenure of loans.

Income on retained interest in the assigned assets, if any, is accounted on accrual basis except in case of non-performing assets wherein interest income is recognized on receipt basis as per directions issued by the Reserve Bank of India from time to time.

g. All other income is recognized on an accrual basis, when there is no uncertainty as to its ultimate realization/collection.

vii. **Borrowing costs**

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings.

Borrowing costs, which are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period which they are incurred.

viii. **Employee Benefits**

a. Short-term employee benefits

Employee benefits payable wholly within twelve months of receiving employee services are classified as short-term employee benefits. These benefits include salaries and wages, bonus and ex-gratia etc. The undiscounted amount of short-term employee benefits to be paid in exchange for employee services is recognized as an expense as the related service is rendered by employees.

b. Post employment benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays specified contributions to a separate entity and has no obligation to pay any further

amounts. The Company makes specified monthly contributions towards employee provident fund and ESI to Government administered fund which is a defined contribution plan. The Company's contribution is recognized as an expense in the Statement of Profit and Loss during the period in which the employee renders the related service.

Defined benefit plans

The employees' Gratuity fund is the Company's defined benefit plan. The liability with respect to gratuity is determined based on the actuarial valuation on projected unit credit method as at the balance sheet date. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the Statement of profit and loss. Actuarial gains and losses in respect of post-employment and other long term benefits are charged to the Statement of Profit and Loss Statement.

Other Long-Term Benefit

Entitlements to annual leave are recognized when they accrue to employees. Leave entitlements can be availed or accumulated while in service of employment, subject to restriction on the maximum number of accumulations. The Company determines the liability for such accumulated leave entitlements based on the actuarial valuation on projected unit credit method as at the balance sheet date.

Termination benefits

Termination benefits are recognised as an expense when, as a result of a past event, the Company has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

ix. **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, cheques, draft on hand/remittance in transit, bank balances and deposits with original maturities of three months or less and that are readily convertible to known amount of cash and cash equivalent and which are subject to an insignificant risk of changes in value.

x. **Loan origination cost**

Loan origination costs such as credit verification, agreement stamping, direct selling agent commission and valuation charges are recognized as expense in the year of sanction and disbursement of loan.

xi. **Provisions, Contingent liability & Contingent assets**

Provisions
A provision is recognized when the Company has a present obligation as a result of past event. It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingent Liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

Contingent Assets

Contingent assets are neither recognized nor disclosed in the financial statements.

xii. **Leases**

Operating Leases

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as operating leases. Lease rentals under operating leases are recognised in the statement of profit and loss on a straight-line basis.

Finance Leases

Assets taken on lease by the Company in its capacity as lessee, where the Company has substantially all the risks and rewards of ownership are classified as finance lease. Such a lease is capitalised at the inception of the lease at lower of the fair value or the present value of the minimum lease payments and a liability is recognised for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost so as to obtain a constant periodic rate of interest on the outstanding liability for each year. An assets under finance lease is depreciated on a straight line basis over the useful life of assets or the lease term whichever is lower.

xiii. **Tax Expenses**

Tax expense comprises of current tax and deferred tax. Current tax is measured at the amount expected to be paid to the tax authorities, using the applicable tax rates. Deferred income tax reflect the current period timing differences between taxable income and accounting income and reversal of timing differences of earlier years/period. Deferred tax assets are recognised only to the extent that there is a reasonable certainty that sufficient future income will be available except that deferred tax assets, in case there are unabsorbed depreciation or losses, are recognised if there is virtual certainty that sufficient future taxable income will be available to realise the same.

Deferred tax assets are reviewed as at each balance sheet date and written down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized

Advance taxes and provisions for current income taxes are presented in the balance sheet after off-setting advance tax paid and income tax provision arising in the same tax jurisdiction for relevant tax paying units and where the Company is able to and intends to settle the asset and liability on a net basis.

Minimum Alternative Tax ('MAT') under the provisions of the Income-tax Act, 1961 is recognised as current tax in the Statement of Profit and Loss. The credit available under the Act in respect of MAT paid is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the period for which the MAT credit can be carried forward for set-off against the normal tax liability. MAT credit recognised as an asset is reviewed at each balance sheet date and written down to the extent, the aforesaid convincing evidence no longer exists.

xiv. **Earnings per share**

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders (after deducting preference dividends and attributable taxes) by the weighted average number of equity shares outstanding during the period. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the period is adjusted for events such as bonus issue, bonus element in a rights issue, share split, and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

xv. **Segment Reporting**

The Company's operating businesses are organized and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operate.

Inter-segment transfers
The Company generally accounts for intersegment sales and transfers at cost plus appropriate margins.

Allocation of common costs
Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items
Unallocated items include general corporate income and expense items which are not allocated to any business segment.

Segment accounting policies
The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.