



**& Associates**

Chartered Accountants

Floor 3, Enterprise Centre, Nehru Road  
Near Domestic Airport, Vile Parle (E)  
Mumbai -400099  
Tel: +91 22 3358 9800

**Independent Auditor's Report on Half yearly Financial Results and Year to Date Financial Results of the Bank pursuant to the Regulation 52 read with Regulation 63(2) of the SEBI (Listing Obligations and Disclosure Requirements), 2015**

**TO THE BOARD OF DIRECTORS OF SURYODAY SMALL FINANCE BANK LIMITED**

**Report on the Audit of the Financial Results**

#### **Opinion**

We have audited the accompanying Financial Results of Suryoday Small Finance Bank Limited ("the Bank") for the half year and year ended March 31, 2020 ("the Statement"), being submitted by the Bank pursuant to the requirements of Regulation 52 read with Regulation 63(2) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("Listing Regulations").

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

- i. is presented in accordance with the requirements of the Listing Regulations; and
- ii. gives a true and fair view in conformity with the recognition and measurement principles laid down in the applicable accounting standards as per section 133 of the Companies Act, 2013 ("the Act") read with Companies (Accounts) Rules, 2014, as amended to the extent applicable, the relevant provisions of the Banking Regulation Act, 1949, the circulars, guidelines and directions issued by the Reserve Bank of India ("the RBI") from time to time ("the RBI Guidelines") and other accounting principles generally accepted in India of the net profit and other financial information for the half year ended and 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 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 together with the ethical requirements that are relevant to our audit of the Statement, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Emphasis of Matter**

We draw attention to Note 5 and Note 6 to the financial results, which describes that the extent to which the COVID-19 Pandemic will impact the Bank's financial results will depend on future developments, which are highly uncertain.

Our opinion is not modified in respect of this matter.

### **Board of Directors' Responsibility for the Statement**

This Statement has been compiled from the annual audited financial statements. The Bank's Board of Directors are responsible for the preparation of the Statement that gives a true and fair view of the net profit and other financial information of the Bank in accordance with the Accounting Standards specified under section 133 of the Act, the RBI Guidelines and other accounting principles generally accepted in India and in compliance with 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 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 give a true and fair view and are free from material misstatement, whether due to fraud or error which have been used for the purpose of preparation of the Statement by the Board of Directors of the Bank, as aforesaid.

In preparing the Statement, the Board of Directors are 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 of the Bank are also responsible for overseeing the Bank's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Statement**

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 this 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 Bank has 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 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 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.

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**

- a. The comparative financial information of the Bank provided in the Statement for the corresponding half year and year ended March 31, 2019 have been audited by the predecessor auditor who expressed an unmodified opinion on those financial information dated May 29, 2019.
- b. The Statement includes the results for the half year ended March 31, 2020, being the balancing figure 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 September 30, 2019 of the current financial year which were subject to limited review by us.

Our opinion is not modified in respect of the above matters.

For MSKC & Associates (Formerly known as R. K. Kumar & Co.)  
Chartered Accountants  
ICAI Firm Registration Number: 001595S

*Tushar Kurani*

Tushar Kurani  
Partner  
Membership No. 118580  
UDIN: 20118580AAAABK6148

Mumbai  
May 27, 2020

<b>SURYODAY SMALL FINANCE BANK LIMITED</b> (Scheduled Commercial Bank)				
Regd. Off: 1101, Sharda Terraces, Plot No. 65 Sector -11 CBD Belapur , Navi Mumbai - 400614 CIN No U65923MH2008PLC261472 <b>STANDALONE FINANCIAL RESULTS</b>				
(₹ in Lakhs)				
Particulars	Half year Ended March 31, 2020	Half year Ended March 31, 2019	Year Ended March 31, 2020	Year Ended March 31, 2019
	Audited (Refer note 7)	Audited (Refer note 7)	Audited	Audited
<b>I. INCOME</b>				
Interest Earned	40,079	29,893	76,669	53,011
Other Income	4,387	3,018	8,745	6,692
<b>Total</b>	<b>44,466</b>	<b>32,911</b>	<b>85,414</b>	<b>59,703</b>
<b>II. EXPENDITURE</b>				
Interest Expended	14,525	10,861	27,618	19,129
Operating Expenses	15,080	10,894	27,212	19,353
Provisions and contingencies (Refer note 4 & 6)	12,289	6,340	19,490	12,561
<b>Total</b>	<b>41,894</b>	<b>28,095</b>	<b>74,320</b>	<b>51,043</b>
<b>III. PROFIT/(LOSS)</b>				
Net Profit for the period/year	2,572	4,816	11,094	8,660
Balance in profit and loss account brought forward	21,132	10,157	12,610	6,313
<b>Total</b>	<b>23,704</b>	<b>14,973</b>	<b>23,704</b>	<b>14,973</b>
<b>IV. APPROPRIATIONS</b>				
Transfer to Statutory Reserve	-	-	(2,774)	(2,165)
Transfer to Investment Fluctuation Reserve	-	-	(711)	(194)
Transfer to Capital Reserve	-	-	(15)	(4)
Balance carried over to Balance Sheet	-	-	20,204	12,610
<b>V. Earnings Per Equity Share</b> (Face value per share Rs.10)				
Basic	3.10	7.11	13.38	12.79
Diluted	3.08	7.01	13.27	12.61
(Half yearly earnings per share is not annualised)				

**Notes:**

- The above results have been approved by the Board of Directors at its meeting held on May 27, 2020. The financial results for the Half year and year ended March 31, 2020 have been subjected to an audit by the statutory auditors of the Bank. The report thereon is unmodified.
- During the year, the Bank issued 45,00,000 equity shares under private placement pursuant to shareholder's approval aggregating to ₹ 63.00 crores. Equity shares aggregating to 5,11,649 were allotted pursuant to exercise of stock options during the year amount to ₹ 6.67 crores.
- In accordance with RBI guidelines, small finance banks are required to make Pillar 3 disclosures including leverage ratio and liquidity coverage ratio under the Basel II Framework. The Bank's Pillar 3 disclosures are available on its website at the following link: <https://www.suryodaybank.com/regulatory-disclosure>. The disclosures have not been subjected to audit or review by the statutory auditors.
- The Bank increased floating provision on micro finance loans (JLG) classified as standard asset by 0.5% in the half year ended March 31, 2020 in view of heightened uncertainty due to COVID-19. Accordingly, the Bank carries floating provision of 2% on standard micro finance loans amounting to ₹ 53.22 Crores. The provision is made over and above the minimum regulatory requirement for standard assets and NPA provisioning by RBI. The floating provision is netted-off from advances.
- The SARS-CoV-2 virus responsible for COVID-19 continues to spread across the globe and India, which has contributed to a significant decline and volatility in global and Indian financial markets and a significant decrease in global and local economic activities. On March 11, 2020, the COVID-19 outbreak was declared a global pandemic by the World Health Organisation. Numerous governments and companies including the Bank, have introduced a variety of measures to contain the spread of the virus. On March 24, 2020, the Indian government announced a strict 21-day lockdown which was further extended till May 31, 2020 across the country to contain the spread of the virus. The extent to which the COVID-19 pandemic will impact the Bank's results will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Bank.

*R. B. Patil*



6. Update on COVID-19:

**Business continuity**

- a. As essential services, the Bank continues to service its customers in possible ways and focusing on optimum customer experience.
- b. Emergency response teams monitoring the situation; Implementing actions on real time.
- c. Board and Committee meetings held through video conferencing.
- d. Virtual private networks, making portable devices available where needed. Work from home during lockdown for all employees.

**Moratorium & Related Provisioning**

In accordance with the RBI guidelines relating to COVID-19 Regulatory Package dated March 27, 2020 and April 17, 2020, the Bank has granted a moratorium of three months on the payment of all instalments and / or interest, as applicable, falling due between March 1, 2020 and May 31, 2020 to all eligible borrowers, even if overdue, as on February 29, 2020. For all such accounts where the moratorium is granted, the asset classification shall remain stand still during the moratorium period (i.e. the number of days past-due shall exclude the moratorium period for the purposes of asset classification under the Income Recognition, Asset Classification and Provisioning norms). The Bank has made provision of 10% amounting to ₹ 10.87 crores (March 31, 2019: Nil) on overdue standard accounts as on February 29, 2020 following RBI guidelines relating to COVID-19 Regulatory package issued on April 17, 2020 and clarification provided by RBI to IBA dated May 6, 2020.

RBI vide its Statement on Developmental and Regulatory Policies dated May 22, 2020, decided to permit lending institutions to extend the moratorium on term loan instalments by another three months, i.e., from June 1, 2020 to August 31, 2020. As the moratorium/deferment is being provided specifically to enable borrowers to tide over COVID-19 disruptions, the same will not be treated as changes in terms and conditions of loan agreements due to financial difficulty of the borrowers and, consequently, will not result in asset classification downgrade. The Bank is in the process of assessing the impact of policy changes as notified by RBI.

The Bank holds provisions of ₹ 55.12 crores, other than provision on overdue standard accounts as at February 29, 2020 against the potential impact of COVID-19 based on the information available at this point in time. The provisions held by the Bank are in excess of the RBI prescribed norms.

Excluding additional provision related to COVID 19 and increase in floating provision by 0.5% in March 2020, profit after tax would have been ₹ 85.06 crores and ₹ 170.27 crores for half year and year ended March 31, 2020.

**Business Impact**

- a. Disbursement has been sluggish during the lockdown period, the Bank continues to grow its retail deposits. Retail loan book growth will gradually resume post the lock-down restrictions are likely to be lifted in a phased manner in the respective zones and moratorium period is over.
- b. The Bank has undertaken various initiatives to focus on efficiency improvements including rationalization of cost.

7. The figures of the half year ended March 31, 2020 and March 31, 2019 are the balancing figures between audited figures in respect of the full financial years and the published half year ended September 30 of the respective financial years.

8. The Reserve Bank of India, vide its circular dated April 17, 2020, has decided that Banks shall not make any further dividend payouts from profits pertaining to the financial year ended March 31, 2020 until further instruction, with a view that Banks must conserve capital in an environment of heightened uncertainty caused by COVID-19. The Board of Directors of the Bank has not proposed any final dividend for the year ended March 31, 2020.

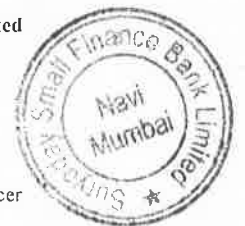
9. Previous period/year's figures have been re-grouped/re-classified wherever necessary to correspond with the current period/year's presentation.

Place: Mumbai  
Date: May 27, 2020

For Suryoday Small Finance Bank Limited



**R. Baskar Babu**  
Managing Director & Chief Executive Officer



Segment information in accordance with the extant RBI guidelines and Accounting Standard on Segment Reporting (AS 17):

(₹ in Lakhs)					
Sr. No.	Particulars	Half year Ended March 31, 2020	Half year Ended March 31, 2019	Year Ended March 31, 2020	Year Ended March 31, 2019
		Audited	Audited	Audited	Audited
1	<b>Segment Revenue</b>				
a	Retail banking	42,743	32,527	81,391	59,077
b	Treasury	3,347	2,639	7,013	4,442
c	Corporate	1,627	574	2,820	815
d	Other banking operations	288	202	573	395
	<b>Total Revenue</b>	<b>48,005</b>	<b>35,942</b>	<b>91,797</b>	<b>64,729</b>
	Less: Inter segment Revenue <sup>1</sup>	(3,539)	(3,031)	(6,383)	(5,026)
	<b>Income from operations</b>	<b>44,466</b>	<b>32,911</b>	<b>85,414</b>	<b>59,703</b>
2	<b>Segment Results<sup>2</sup></b>				
a	Retail banking	3,560	7,424	15,361	13,326
b	Treasury	243	415	733	462
c	Corporate	(568)	189	(449)	231
d	Other banking operations	-	-	-	-
e	Unallocated	(125)	(118)	(247)	(181)
	<b>Profit Before Tax</b>	<b>3,110</b>	<b>7,910</b>	<b>15,398</b>	<b>13,838</b>
3	<b>Segment Assets</b>				
a	Retail banking	3,34,546	2,68,454	3,34,546	2,68,454
b	Treasury	1,63,505	91,835	1,63,505	91,835
c	Corporate	32,611	11,982	32,611	11,982
d	Other banking operations	485	1,099	485	1,099
e	Unallocated	5,305	2,776	5,305	2,776
	<b>Total</b>	<b>5,36,452</b>	<b>3,76,146</b>	<b>5,36,452</b>	<b>3,76,146</b>
4	<b>Segment Liabilities</b>				
a	Retail banking	2,89,753	1,62,302	2,89,753	1,62,302
b	Treasury	1,34,720	1,23,989	1,34,720	1,23,989
c	Corporate	5,198	1,165	5,198	1,165
d	Other banking operations	105	586	105	586
e	Unallocated	53	41	53	41
	<b>Total</b>	<b>4,29,829</b>	<b>2,88,083</b>	<b>4,29,829</b>	<b>2,88,083</b>
5	<b>Capital employed : Segment Assets - Segment Liabilities</b>				
a	Retail banking	44,793	1,06,152	44,793	1,06,152
b	Treasury	28,785	(32,154)	28,785	(32,154)
c	Corporate	27,413	10,817	27,413	10,817
d	Other banking operations	380	513	380	513
e	Unallocated	5,252	2,735	5,252	2,735
	<b>Total</b>	<b>1,06,623</b>	<b>88,063</b>	<b>1,06,623</b>	<b>88,063</b>

**Note:**

- Inter-segment revenue is based on internally approved yield curve or at an agreed transfer rate on the funding provided by one business segment to another. Transaction cost is levied between segments on cost plus basis.
- The Bank has made additional provision of ₹ 65.99 crores (Retail banking ₹ 57.43 crores and Corporate banking ₹ 8.56 crores) for potential impact of COVID-19 as at March, 2020. Without COVID-19 additional provision segment result for Retail banking and Corporate would have been ₹ 93.03 crores and ₹ 2.88 crores for Half year ended March 31, 2020 and ₹ 211.04 crores and ₹ 4.07 crores for the year ended March 31, 2020 respectively.

Balance Sheet as at March 31, 2020

(₹ in Lakhs)

Particulars	As at	As at
	March 31, 2020	March 31, 2019
	Audited	Audited
<b>CAPITAL AND LIABILITIES</b>		
Capital	8,659	8,158
Reserves and Surplus	97,964	79,905
Deposits	2,84,871	1,59,343
Borrowings	1,26,462	1,12,423
Other Liabilities and Provisions	18,496	16,317
<b>Total</b>	<b>5,36,452</b>	<b>3,76,146</b>
<b>ASSETS</b>		
Cash and Balances with Reserve Bank of India	6,053	4,830
Balances with banks and money at call and short notice	77,707	22,806
Investments	80,820	66,439
Advances	3,53,194	2,67,958
Fixed Assets	3,873	1,898
Other Assets	14,805	12,215
<b>Total</b>	<b>5,36,452</b>	<b>3,76,146</b>
Contingent Liabilities	462	2,854

For Suryoday Small Finance Bank Limited



R. Baskar Babu  
Managing Director & Chief Executive Officer



Place: Mumbai  
Date: May 27, 2020

**Disclosures under Regulation 52(4) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

1. The previous due date of payment of interest on non convertible debentures was March 26, 2020 & the same was paid on the due date. The next due date of payment of interest on non convertible debentures was April 01, 2020 and was paid on the due date.
2. Networth as at 31st March 2020 is ₹ 1066.23 crores and networth net off intangible assets and deferred tax asset is ₹ 1009.48 crores.
3. Privately placed redeemable non-convertible secured debentures are secured against hypothecation of pool of loans with a security cover of 1 to 1.10 times of the outstanding of respective debentures. The Bank has not issued non-convertible debentures after conversion into a small finance bank.
4. CRISIL has reaffirmed CD rating of A1+ on 30 Nov 2019. ICRA reaffirmed CD Rating of A1+ and NCD rating of A (Stable) on 23 March 2020.
5. Capital Redemption Reserve / Debenture Redemption Reserve: Debenture Redemption Reserve is not required in respect of privately placed debentures in terms of Rule 18(7)(b)(ii) of Companies (Share Capital and Debentures) Rules, 2014.
6. Outstanding Redeemable Preference Shares (quantity and value): Nil.
7. Analytical Ratio:


Particulars	Year Ended March 31, 2020	Year Ended March 31, 2019
	Audited	Audited
(i) Capital Adequacy Ratio	29.57%	35.03%
(ii) Debt to Equity ratio (Debt includes borrowings & deposits) (X)	3.86	3.09
(iii) Gross NPA (%)	2.79%	1.81%
(iv) Net NPA (%)*	0.57%	0.44%
(v) Return on Equity (ROE) \$	11.21%	14.26%
(v) Return on Assets(ROA) ** \$	2.53%	2.98%

\* Include Floating Provisions as at year end to the extent permissible.

\*\* Return on Assets has been computed as a percentage of profit after tax to monthly average total assets.

\$ Excluding additional provision related to COVID 19 and increase in floating provision by 0.5% in March 2020, ROE and ROA would have been 17.21% and 3.88%.

For Suryoday Small Finance Bank Limited



**R. Baskar Babu**  
Managing Director & Chief Executive Officer



Place: Mumbai  
Date: May 27, 2020