

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 MAHINDRA IDEAL FINANCE LIMITED**

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of Mahindra Ideal Finance Limited ("Company") which comprise the statement of financial position as at 31 March 2024, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cashflows for the year then ended, and notes to the financial statements, including material accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 March 2024 and of its financial performance and its 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 for Professional Accountants 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.

Other information included in the Company's 31 March 2024 Annual Report

Management is responsible for the other information included in the Company 31 March 2024 annual report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 to 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.

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, actions taken to eliminate threats or safeguards applied.

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.

18 April 2024
Colombo

Partners: D.R. Narendranathan FCA (OMA, LLB)(London), A.P.A. Gunaratne FCA (OMA, M.A. Y. De Silva FCA, M.C. G.S. Manulunga FCA, W.B.S.P. Fernando FCA (OMA, B.E. Weerasinghe FCA (OMA, R.N. de Saranam ACA (OMA, M.V.A. De Silva FCA, N.M. Sujanaratne ACA (OMA, M.L.K.H.L. Fonseka FCA, M.P.V.K.N. Sujanaratne FCA, A.J.R. Perera FCA (OMA, N.Y.P.L. Fernando ACA, D.N. Gunaratne ACA (OMA, C.A. Yegorova ACA (OMA)
Principals: P.P. Rajaratne FCA (OMA, HBA (US/IL); D.B. Gnanadasaran ACA, M.S.P. Perambare ACA (ACMA/LLB) (Colombo), D.L. Karunathilaka ACA, W.S.J. De Silva BSc (Hons) MS (Mgt. IT, V. Shalivhan B.Com (CIP)
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Key Financial Data for the year ended 31st March 2024 (Audited)

In Rupees Million	Current Period		Previous Period	
	From 01/04/2023 To 31/03/2024	As a % of Interest Income	From 01/04/2022 To 31/03/2023	As a % of Interest Income
Interest Income	2,154	100%	1,805	100%
Interest Expenses	(1,062)	-49%	(922)	-51%
Net Interest Income	1,092	51%	884	49%
Gains/(losses) from trading activities	-	-	-	-
Other Income	155	7%	119	7%
Operating Expenses (excluding Impairment)	(963)	-45%	(684)	-38%
Impairment	50	2%	(71)	-4%
Profit/(Loss) Before Tax	334	16%	248	14%
Taxes	(231)	-11%	(161)	-9%
Profit/(Loss) After Tax	103	5%	87	5%

Key Financial Data as at 31st March 2024 (Audited)

In Rupees Million	As at 31/03/2024		As at 31/03/2023	
	As at 31/03/2024	As a % of Total Assets	As at 31/03/2023	As a % of Total Assets
Assets				
Cash and Bank Balance	1,468	12%	611	7%
Government Securities	1,819	14%	458	5%
Due from related parties	22	0%	42	0%
Loans (excluding Due from Related Parties)	8,521	67%	7,081	81%
Investment in Equity	-	-	-	-
Property, Plant and Equipment	577	5%	488	6%
Other Assets	243	2%	111	1%
Total Assets	12,650	100%	8,792	100%
Liabilities				
Due to Banks	3,227	26%	1,509	17%
Due to Related Parties (Deposits)	273	2%	225	3%
Deposits from Customers	4,931	39%	3,263	37%
Other Borrowings	617	5%	481	5%
Other Liabilities	670	5%	480	5%
Total Liabilities	9,718	77%	5,957	68%
Equity				
Stated Capital	1,908	15%	1,908	22%
Statutory Reserve Fund	53	0%	48	1%
Retained Earnings	971	8%	878	10%
Total Equity	2,932	23%	2,835	32%
Net Asset Value Per Share	20.13		19.46	

Note : Amounts stated are in net of impairment and depreciation

Selected Key Performance Indicators

Item	As at 31/03/2024		As at 31/03/2023	
	Actual	Required	Actual	Required
Regulatory Capital Adequacy (%)				
Tier 1 Capital Adequacy Ratio	40.35	8.50	48.92	8.50
Total Capital Adequacy Ratio	41.37	12.50	49.93	12.50
Capital Funds to Deposit Liabilities Ratio	56.34	10.00	81.29	10.00
Quality of Loan Portfolio (%) (on 90 days past due basis)				
Gross Stage 3 Loans Ratio	5.25		20.55	
Net Stage 3 Loans Ratio	4.24		18.28	
Net Stage 3 Loans to Core Capital Ratio	12.25		46.61	
Stage 3 Impairment Coverage Ratio	19.35		11.05	
Total Impairment Coverage Ratio	1.90		3.74	
Profitability (%)				
Net Interest Margin	8.63		10.05	
Return on Assets	1.59		1.74	
Return on Equity	3.52		3.07	
Cost to Income Ratio	77.21		68.18	
Liquidity (%)				
Available Liquid Assets to Required Liquid Assets (Minimum 100%)	390		307	
Liquid Assets to External Funds	22.41		19.52	
Memorandum Information				
Number of Branches	32		27	
External Credit Rating	FITCH RATING AA-(lka) Outlook stable		Fitch Ratings AA- (lka) Watch Negative	
Regulatory penalties imposed last 6 months (Amount Rs. Mn)	-		0.0005	

CERTIFICATION:

We, the undersigned, being the Chief Executive Officer, the Chief Financial Officer and the Compliance Officer 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: 18.04.2024

Rohit Agarwalla
(Sgd.) Chief Financial Officer
Date: 18.04.2024

Sameera Kaumudi
(Sgd.) Assistant General Manager - Compliance
Date: 18.04.2024