Management Discussion and Analysis

Economy Overview

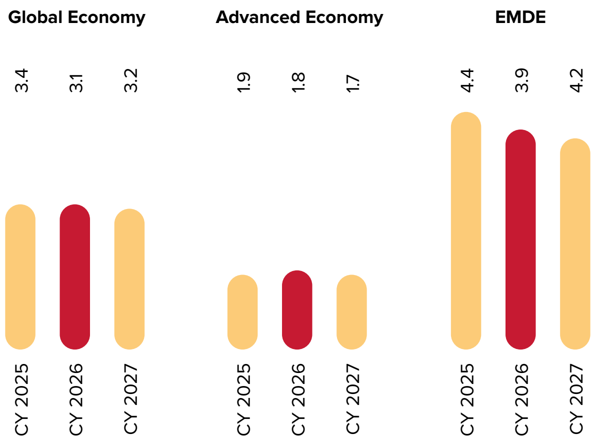
Global Economy[1]

Amid persistent geopolitical turbulence and evolving trade dynamics, global growth remained broadly stable during the year. Global GDP expanded by 3.4%, exhibiting notable resilience. Steady private investment and supportive fiscal policies across major economies helped facilitate this performance. Inflation moderated to 4.1%. The relative stability in currency movements and cross-border capital inflows created space for several central banks to gradually recalibrate their monetary policy. In some countries, reductions in interest rates helped sustain economic activity.

Growth remained divergent across regions. A 1.9% growth was recorded in Advanced Economies. The US economy maintained its growth momentum on the back of healthy technology investments. Growth in the Eurozone remained subdued. Higher aerospace exports facilitated the growth of the economy of France.

Conversely, Emerging Market and Developing Economies (EMDEs) outpaced their advanced counterparts, expanding by 4.4% during the year. This growth is propelled by strong domestic demand and export activity in China.

Global Growth Projections



Source: IMF World Economic Outlook

Outlook[2]

Global output is projected to sustain growth of 3.1% in CY 2026, broadly in line with the prior year. This outlook indicates continued resilience in aggregate demand. Stronger domestic demand and expanding trade linkages across Asia are expected to bolster growth momentum. However, the outlook remains subject to elevated uncertainty, with persistent geopolitical conflicts and tariff-related trade disruptions posing downside risks.

Encouragingly, the convergence of an accommodative fiscal stance and sustained investments in advanced technologies is expected to propel growth. These factors are anticipated to support business confidence, encouraging businesses around the world to expand investment and production.

Inflationary pressures are foreseen to moderate further. This is likely to translate into stable currency movements and a gradual easing in nominal wage growth. This environment may allow several central banks to continue cautiously easing monetary policy, which could in turn augment economic activity.

However, elevated public debt levels in several major economies could place upward pressure on borrowing costs and tighten financial conditions if fiscal adjustments are delayed. In this context, prudent debt management and policies that encourage private investment are essential to maintain economic stability and support sustainable growth.

Recent geopolitical developments have further added to global uncertainty. The escalation of tensions in West Asia has raised concerns around energy supply disruptions and volatility in commodity markets. In this context, sustained policy coordination and stable financial conditions are foreseen to be critical to preserving global economic momentum.

Outlook for Inflation

Inflation is expected to moderate to 3.8% in CY 2026 and further to 3.4% in CY 2027.

Indian Economy

India's economy maintained its steady growth momentum in FY 2025-26, expanding by 7.7%. This can be attributed to a confluence of factors, such as stable macroeconomic fundamentals, continued policy support and steady expansion across crucial sectors. Despite external economic turbulence, India remained one of the fastest-growing major economies worldwide.

Inflation eased during the year to 2.8%, which was well within the Reserve Bank of India (RBI's) target range of 2% to 6%[3]. This decline in price pressures provided greater policy flexibility and allowed the Monetary Policy Committee to reduce the repo rate by 100 basis points YoY to 5.25%. The sequential cuts in repo rate are expected to support credit conditions and fuel financial sector activity.[4]

Policy initiatives also supported domestic demand. The GST 2.0 rationalisation helped reduce input costs for the Micro, Small and Medium Enterprises (MSMEs) and also eased the indirect tax burden on consumers. These measures contributed to stronger consumption, elevated purchasing power and increased credit demand. Further, under the Pradhan Mantri Mudra Yojana (PMMY), the government is funding micro and small enterprises

[1] https://www.imf.org/-/media/files/publications/weo/2026/january/english/text.pdf
[2] https://www.imf.org/-/media/files/publications/weo/2026/january/english/text.pdf
[3] https://www.mospi.gov.in/uploads/latestReleases/latest_release_1770891893893_6b458c0a-c327-4fef-a554-41131ea67273_Press_Relase_of_CPI_for_Jan26.pdf
[4] https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/0BUL2002206F396B049E0627497EAEF853A3FD2B7F79.PDF

in manufacturing, trading, services and related agricultural activities, disbursing around ₹ 36.18 Lakhs crore across 55.45 crore loan accounts[5].

Collectively, these developments bring the resilience of the economy to the fore. Robust domestic demand and strong fundamentals are expected to sustain the growth momentum.

Outlook[6]

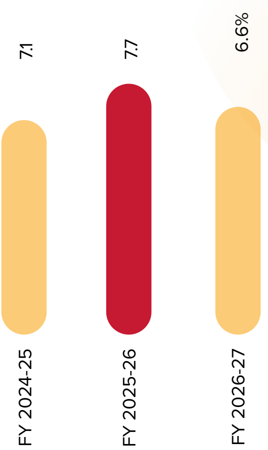
India's growth outlook remains favourable. GDP is expected to grow by 6.6% in FY 2026-27 despite external turbulence. Growth is likely to be supported by moderating inflation and favourable supply-side conditions, which are anticipated to strengthen domestic demand and support investment activity.

Investment momentum is also foreseen to remain steady, supported by healthy financial conditions, robust credit growth and continued infrastructure spending. Policy measures outlined in the Union Budget 2026–27 aim to further support manufacturing activity by strengthening the MSME sector, easing cost pressures and encouraging domestic production of critical technologies to enhance competitiveness and scalability.

The year ahead is foreseen to be a year of calibrated adjustments. Domestic demand and investment activity are envisioned to be the primary growth drivers. During the year, India continued to broaden its trade engagement through multiple trade agreements with partner nations. The recently concluded FTA with EU is expected to expand market access, strengthen supply chain integration and support overall economic momentum.

Overall, domestic demand resilience, reform continuity and targeted fiscal support position the country well for the year ahead, notwithstanding external uncertainties.

GDP Growth Trend in India (%)



Source: MOSPI Second Advance Estimates RBI Bulletin, February 2026

Industry Overview

Non-Banking Financial Sector

The Non-Banking Financial Company sector continues to exhibit notable resilience, attributable to steady capitalisation and a strong growth momentum. Even as episodic asset-quality pressures and macroeconomic uncertainty moderated the pace of expansion, retail assets under management grew by nearly 17% in FY 2025-26. This performance reaffirmed the sector's position as one of the fastest-growing segments within the financial system.

Growth during the year was particularly visible in vehicle finance and personal or consumption-linked lending, where the reduction in GST rates encouraged households to advance discretionary purchases. This led to a demand augmentation.

Looking ahead, NBFC-retail Asset Under Management (AUM) (excluding HFCs) is expected to grow at a steady pace of 16-18% and exceed ₹ 30 Lakhs crore by FY 2026-27[7].

Promoting Ease of Doing Business for NBFCs

Regulatory measures aimed at simplifying operational requirements are also envisioned to support sectoral expansion. NBFCs without public funds and customer interface, with asset size below ₹ 1,000 crore, may no longer need to register. Additionally, some NBFCs might not require prior approval to open more than 1,000 branches, which would make it easier to expand[8]. This move could significantly ease geographic expansion and improve credit penetration across underserved regions.

MSME Industry[9]

Micro, Small and Medium Enterprises (MSMEs) remain integral to India's industrial growth. The industry significantly contributes to the manufacturing output, export activity and employment creation. With more than 7.47 crore enterprises, this sector represents the second-largest employer in the country after agriculture. These facts convey the expansive economic footprint of the industry.

As India's manufacturing sector becomes progressively more integrated in global value chains, MSMEs are playing an increasingly critical role in strengthening supply chains, increasing local production and supporting balanced regional development. Moreover, MSME credit remained the primary driver of the industrial credit growth during the year.

Policy support has also gathered momentum. The Union Budget 2026-2027 introduced several measures to nurture MSMEs as future growth champions. The steps include the establishment of a ₹ 10,000 crore SME Growth Fund. This is aimed at improving liquidity access while strengthening managerial and professional capabilities across the sector.[10]

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[5] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2219907&reg=3&lang=2

[6] https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/0BUL2002206F396B049E0627497EAEF853A3FD2B7F79.PDF

[7] https://www.icra.in/Research/ViewResearchReport/nbfc-retail-assets-under-management-to-cross-₹-30-Lakhs-crore-by-fy2027/6759

[8] https://rbidocs.rbi.org.in/rdocs/Bulletin/PDFs/0BUL2002206F396B049E0627497EAEF853A3FD2B7F79.PDF

[9] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2219984&reg=3&lang=2

[10] https://www.pib.gov.in/PressReleasePage.aspx?PRID=2228306&reg=3&lang=2

MSME Contribution

35.4%
Manufacturing

48.58%
Exports

31.1%
GDP

32.8 crore
Employment generated

Powering MSMEs

The MSME sector witnessed a milestone in digital transformation, with formalisation on the rise.

Digital Transformation Milestone of MSMEs: Accelerating Formalization

(01.07.2020 to 17.12.2025)

7.30 crore+
Total Registrations

4.37 crore Registrations
Udyam Registration Portal

2.92 crore Registrations
Udyam Assist Platform

Source: Union Budget 2026-27: Building Champion MSMEs for a Global India

Housing Finance Industry

Expansion of India's housing finance industry is being buoyed by rapid urbanisation, sustained demand for residential housing and improving household incomes. The demand, once largely concentrated in metropolitan cities, is now notably spreading across Tier-2 and Tier-3 cities. Expanding employment opportunities and improving physical infrastructure are gradually altering local housing demand patterns.

Competitive intensity within the sector has also increased. While Public sector banks are seeking to stimulate demand through relatively lower lending rates, NBFCs are differentiating themselves through faster loan processing, digitally enabled applications and quicker credit approvals. These developments are improving customer experience and accessibility.

Policy support has further strengthened the outlook of the industry. The government's decision to rationalise GST rates of crucial construction materials and related services is expected to improve housing affordability.

Together with ongoing urbanisation and infrastructure expansion, these measures are anticipated to reaffirm the progress towards the 'Housing for All' vision, while supporting inclusive urban growth.

Vehicle Financing Industry

The Indian vehicle financing industry is undergoing a transformative phase, supported by favourable interest rates, faster digital loan processes and improved credit assessment methods. Collectively, these factors are expanding access to vehicle financing and driving sustained long-term growth.

An important shift is also underway in the pre-owned vehicles segment, which is gaining prominence within the broader vehicle finance ecosystem. The share of used-vehicle loans is expected to rise as NBFCs deepen their penetration in this segment. This trend is likely to gradually raise the share of pre-owned assets within overall NBFC vehicle loan portfolios. The share is expected to rise steadily to over 41% by 2027[11].

Opportunities

Digital-First Lending Models	Digitalisation is changing the NBFC landscape. Loan applications, credit checks, approvals and collections are now being executed through digital and online platforms. This is reducing costs and reducing turnaround times. These systems are also strengthening compliance oversight as structured digital records provide transparency and reduce overall risks.
FinTech Partnerships and Embedded Finance	Collaborations between NBFCs and fintech platforms are opening new pathways for customer acquisition and distribution. This is enabling NBFCs to offer loans directly on apps and marketplaces. Such partnerships are enabling organisations to broaden their customer reach while improving loan accessibility and lowering acquisition costs.
Data-Based Lending	Information drawn from GST data, bank statements, UPI transactions and other alternative sources is helping lenders to evaluate creditworthiness of borrowers with greater precision, thereby reducing default risks.
Expansion into Tier II and Tier III Cities	Rising digital adoption across smaller cities is presenting new opportunities for NBFC growth. Lenders are extending their presence beyond metropolitan centres and tapping into new customer segments.

[11]https://www.icra.in/Research/ViewResearchReport/lenders-shift-focus-to-pre-owned-vehicles-returns-adjusted-for-risk-remain-healthy/6732

Challenges		
Increasing regulatory oversight		The RBI has introduced guidelines that include stricter capital adequacy rules, asset clarification and provisioning requirements. These measures have elevated the compliance burden on NBFCs. Smaller NBFCs may find it difficult to keep up with these changes, which may hinder their growth.
Governance and Risk Management		Weak governance and inadequate risk management practices are the root of many crises in the NBFC sector. Without strong internal controls, transparency and accountability, there can be mismanagement, fraud and financial instability.
Liquidity Management		Liquidity management remains critical challenge for NBFCs, especially during periods of economic stress. Liquidity risk arises from the mismatch between the maturities of assets, such as long-term loans and liabilities, such as short-term borrowings, which can create liquidity problems and affect their ability to meet financial obligations.

Company Overview

Veritas Finance Limited is an Indian Non-Banking Financial Company (NBFC) registered with the Reserve Bank of India (RBI). Established in 2015 and headquartered in Chennai, the Company primarily focuses on providing retail credit and financial services to underserved segments, such as Micro, Small and Medium Enterprises (MSMEs) and self-employed individuals.

With an extensive branch network spanning multiple states, Veritas Finance has built a strong presence in emerging markets where access to credit remains limited. Its growth is supported by a diversified loan portfolio, prudent risk management practices, technology-driven operations and a customer-centric approach.

The Company is led by experienced financial professionals and aims to make credit easily accessible and positively impact millions of Indians working in the informal sector.

₹ 9,134 crores
Total loan book

511
Total branches (including 67 Service centres)

2.3 Lakhs+
Customers across various regions

Our Services

The Company provides an expansive suite of loans to support MSMEs and salaried customers in semi-urban and rural areas.

Secured: Medium-term

- Rural Business Loans (Financial inclusion loans and Small Business Loans)
- Used Commercial Vehicle loans

Secured: Long-term

- Affordable Home Loans

Unsecured: Short-term

- Working Capital Loans

Our Core Strengths

Customer-Focused Strategy

A close understanding of customers in rural and semi-urban markets has been one of the guiding tenets of the Company. Its approach to lending places strong emphasis on the realities of these communities, where access to timely and flexible credit can make a difference to livelihoods and businesses. The Company's diverse portfolio of offerings encompasses Rural Business Loans, Affordable Housing Loans, Used Commercial Vehicle Loans and Unsecured Working Capital Loans. These products aim to support small businesses and individuals while promoting economic growth and financial inclusion.

People as a Core Strength

The Company's workforce represents one of its most valuable assets. With a total workforce of 8,329 employees as of March 2026 and a strong 'teeth-to-tail' ratio of approximately 46%, its skilled and motivated frontline team brings together local insight and strong customer engagement capabilities. This allows the Company to build long-term relationships and deliver consistent service quality.

Extensive Distribution Network

The Company's distribution network forms a crucial pillar of its outreach. It operates in 10 states and 1 Union Territories with a focus on the Southern, Eastern and Central regions of India. It has a strong network of 444 branches and 67 service centres, giving it an expansive presence in rural and semi-urban areas. This network provides proximity to borrowers, supports efficient service delivery and establishes the Company as a trusted financial partner for communities across the country.

Technology-Enabled Loan Processing

By using digital platforms and process automation, the Company has created an efficient loan disbursement system that significantly reduces turnaround time. Its technology-driven processes enable faster approvals and quicker disbursement of funds. This leads to higher customer satisfaction and improved overall business performance through timely credit delivery.

Robust Governance Framework

The Company follows established governance practices that emphasise accountability, transparency and ethical conduct. These principles guide its decision-making processes and support responsible business operations.

Business Performance

Operational Overview

Portfolio Growth

Particulars	FY 2025-26	FY 2024- 25	% of Growth
Rural Business Loan	5,906.76	5,097.71	15.87%
Affordable Housing Loan	1,952.49	1,408.63	38.61%
Vehicle Loan	824.68	325.49	153.37%
Unsecured Working Capital Loan	450.36	516.81	-12.86%
TOTAL	**9,134.29**	**7,348.64**	**24.30%**

Capital

Particulars	FY 2025-26	FY 2024- 25
Equity Share Capital	131.36	131.36
Reserves and Surplus	2995.52	2,651.81
Net worth	**3,126.88**	**2,783.17**

Diversified Funding Profile

Particulars	FY 2025-26	FY 2024- 25
Term Loan from Banks	4,994.66	3,838.21
Cash Credit from Banks	19.00	5.98
Term Loan from NBFCs/DFIs	594.74	440.07
Non-Convertible Debentures (Banks, Mutual Funds, NBFCs, HNI, etc)	955.85	568.31
Securitisation - (PTCs) (Mutual Funds, NBFCs)	809.85	776.67
Total	**7,374.10**	**5,629.24**

Financial Overview

The key financial highlights of the FY 2025-26

Balance Sheet

The summarised version of the Company's Balance Sheet is given below: (₹ in Crores)

Particulars	FY 2025-26	FY 2024- 25	YOY Growth %
Cash and Cash Equivalents and Short-term Investments	1,460.98	1,128.32	29.48%
Loan Assets	8,933.43	7,187.88	24.28%
Other Assets	239.24	199.44	19.96%
TOTAL	**10,633.65**	**8,515.64**	**24.87%**
Liabilities			
Net-worth	3,126.88	2,783.17	12.35%
Borrowings	7,374.10	5,629.24	31.00%
Other Liabilities	132.67	103.23	28.53%
TOTAL	**10,633.65**	**8,515.64**	**24.87%**

Statement of Profit and Loss

(₹ in Crores)

Particulars	FY 2025-26	FY 2024- 25	YOY Growth %
Revenue from operations	1,844.21	1,550.68	18.93%
Other Income	4.39	6.72	-34.67%
Total Income (A)	**1,848.60**	**1,557.39**	**18.70%**
Finance Cost	580.14	483.09	20.09%
Other Operating Cost	624.31	514.64	21.31%
Provisions and Losses	208.07	171.34	21.44%
Total Expense (B)	**1,412.52**	**1,169.07**	**20.82%**
Profit before tax (PBT) (A-B)	**436.08**	**388.32**	**12.30%**
Current and Deferred Tax	105.69	93.21	13.38%
Profit After Tax (PAT)	330.39	295.11	11.96%
Other Comprehensive Income	(2.48)	(2.92)	-15.07%
Total Comprehensive income, net of Income Tax	**327.91**	**292.19**	**12.23%**

Key Financial Ratios

Particulars	FY 2025-26	FY 2024- 25
PBT / Total Income	23.59%	24.93%
NIM	14.06%	14.69%
Return on Total Assets (ROTA)	3.54%	3.94%
Return on Equity (ROE)	11.25%	11.52%
EPS		
Basic (₹.)	25.17	22.44
Diluted (₹.)	24.99	22.25
Debt/ Equity	2.36x	2.02x
Capital Adequacy	33.19	37.82

Credit Rating

During the year, CARE Ratings upgraded the Company's long-term credit rating to **'CARE AA-'** with a Stable outlook from **'CARE A+'** with a Positive outlook for its long-term bank facilities and non-convertible debentures. The rating agency also reaffirmed the **'CARE A1+'** for the Company's short-term bank facilities and Commercial Paper issuance. The upgrade signals the Company's strong growth in AUM, comfortable capitalisation and healthy profitability.

Investments

The Investment Policy approved by the Board of Directors guides the deployment of temporary cash surpluses, arising from timing differences between cash inflows and outflows. Such surplus funds are primarily invested in liquid or overnight mutual fund schemes and/or fixed deposits with banks/ NBFCs and investment in Government securities and treasury bills.

The investment function focuses on maintaining adequate liquidity to support business requirements while safeguarding the capital. Investments are therefore made in short-term, high-quality instruments that offer a balance between safety and optimal returns. This approach is aligned with the Company's prudent risk management framework. As of March 31, 2026, the investment in Fixed deposits free of lien stood at ₹ 685.58 crores, investment in liquid schemes of mutual funds stood at ₹ 100.07 crores and investment in govt. securities/T-bills stood at ₹ 60.20 crores.

Asset Liability Management

The Company follows a careful and sensible Asset-Liability Management (ALM) approach to maintain a balance between its assets and liabilities. To ensure adequate liquidity, it usually holds two months' cash requirements through unused credit lines or cash equivalents. This disciplined ALM framework is a core strength of the Company.

For interest rate management, the Company uses a mix of fixed- and floating-rate borrowings. Most of its loans, except home loans, are offered at fixed rates, but its borrowings include both fixed- and floating-rate instruments. The Company actively manages interest rate movements to maintain a healthy net interest spread and ensure steady profitability.

Information Technology

Veritas Finance Limited continues to advance its digital capabilities by adopting new-age technologies that improve operational efficiency and enrich customer experience. Through process automation, the Company has reduced manual effort, improved turnaround times and simplified workflows. This has allowed the Company to deliver a smoother and more efficient loan lifecycle.

The Company's digital initiatives also focus on ensuring secure and reliable access to critical data. This supports quick and well-informed decision-making. By strengthening its IT infrastructure and building a scalable technology foundation, Veritas is laying the groundwork for sustained long-term growth in the years ahead while improving stakeholder experience.

Enterprise Risk Management

The Company has established a comprehensive Enterprise Risk Management (ERM) framework designed to identify, assess, monitor and mitigate both internal and external risks. This framework encompasses risk assessments, control reviews, identification of residual risks and the implementation of appropriate mitigation measures. Continuous monitoring mechanisms ensure that risks remain with acceptable thresholds while enabling effective and timely oversight.

Risk Management Structure and Board Governance

The Risk Management Committee (RMC) meets on a quarterly basis to review and oversee the effectiveness of the Company's risk management framework, in line with the requirements of the Reserve Bank of India's Scale-Based Regulations. The Board provides strong governance oversight and guides risk management practices through established mechanisms, such as the Internal Capital Adequacy Assessment Process (ICAAP), Enterprise Risk Management (ERM) and Operational Risk Management systems. These processes facilitate regular stress testing and help ensure that adequate capital buffers are in place to match the Company's evolving business strategy.

Foresight and Governance of Emerging Risks

Veritas Finance Limited utilises an Early Warning System (EWS) powered by machine learning based collection scorecards. This system helps in the early identification of stress signals in borrower accounts, allowing for timely intervention and more proactive credit risk management.

Key Risk Indicators and Risk Appetite Statement

A clear Risk Appetite Statement (RAS) and a system of Key Risk Indicators (KRI) enable continuous monitoring of risk exposures across the organisation. Any deviations from established thresholds trigger prompt corrective actions to ensure alignment with the Company's defined risk tolerance and to maintain operational resilience.

Risks	Impact	Mitigation measures
Credit Risk	The Company is exposed to the risk of borrower or counterparty defaults, which may affect loan recoveries and the timely fulfilment of financial obligations.	The Company manages credit risk through an in-house sourcing and credit decision-making framework supported by analytical scorecards. Regular portfolio monitoring and a collections framework enable proactive oversight of credit quality and concentration risks at both individual account and portfolio levels.
Liquidity Risk and Interest Rate Risk	As a retail-focused lender, the Company's performance is closely linked to the availability and the cost of capital. Changes in macroeconomic factors, such as inflation, economic growth, central bank policies, regulatory measures and global developments can raise borrowing costs. This may affect lending rates and overall profit margins.	To manage liquidity risk, the Company has put in place a comprehensive Asset-Liability Management (ALM) policy. This policy helps identify possible short-term liquidity gaps and enables timely corrective actions. The Company maintains a diversified lender base comprising both public and private sector banks, NBFCs and mutual funds. Liquidity buffers and critical ratios are monitored on a regular basis to ensure adequate funding and financial stability.
Compliance and Regulatory Risk	Alterations in regulations or non-compliance with applicable laws may adversely affect the Company's operations, reputation and financial performance.	The Company's Compliance function actively monitors regulatory developments and ensures adherence through a strong risk-based compliance framework. This is backed by an integrated Compliance Management system.
Operational Risk	Operational disruptions can happen due to problems in internal processes, failures in technology, cybersecurity breaches, employee fraud, or other related events.	The Company handles operational risks like process gaps, technology failures, cybersecurity threats and employee fraud. It does this through a strong risk-based internal audit system, clear standard operating procedures, regular staff training, scheduled branch audits, organised fraud investigations, ongoing monitoring of key risk indicators and thorough third-party risk management practices.

Risks		Impact	Mitigation measures
Information Technology Risk		This risk stems from problems or failures in IT systems that can impact data availability, accuracy and security. Cybersecurity risks include hacking, phishing and ransomware. These threats can disrupt operations or expose sensitive information about the Company and its customers.	The Company has clear IT policies that follow regulatory guidelines. It has strong access controls and log monitoring systems to protect servers and prevent cyber threats. There are also strict measures to ensure customer data privacy. An IT Strategy and Steering Committee oversees the IT governance practices.
Conduct and Reputation Risk		Unethical conduct, non-compliance with regulations, misleading communications or failure to meet stakeholder expectations could damage the Company's reputation and erode stakeholder trust.	The Company promotes a culture of ethical conduct through regular training programmes and clearly defined policies. A strong customer grievance redressal mechanism and transparent stakeholder communication help address concerns promptly. Dedicated teams are in place to manage and mitigate reputational risks effectively.

Outlook

Human Resource

The Company believes that its people are its greatest strength. It remains resolute on its commitment to provide a supportive and inclusive work environment that encourages learning, collaboration and professional growth. By nurturing a culture of mutual respect, the Company ensures that its workforce remains motivated and contributes meaningfully towards the achievement of organisational objectives.

Internal Control Systems

The Company's system of internal controls aims to provide a high level of assurance regarding the effectiveness and efficiency of operations, the adequacy of safeguards for assets, the reliability of financial controls, and compliance with applicable laws and regulations. An internal control framework, including internal financial controls with clear delegation of authority and standard operating procedures, is available across all businesses and functions. There is clear segregation of duties among different functions. To protect assets from losses caused by unauthorized use or disposal, the Company has implemented effective systems to ensure assets and transactions are authorized, recorded, and reported. Key operational processes (finance and operations) are centralized at the head office for better oversight. The Company has established a strong IT security system to safeguard information. By deploying robust Loan Management Systems, it has further enhanced its system controls. All policies are reviewed and approved by the board periodically.

Pursuant to the RBI's Guidelines on Risk-Based Internal Audit (RBIA) System for select NBFCs and UCBs dated February 03, 2021 – every NBFC with asset size of ₹ 5,000 crore and above is required to have an in-house internal audit function. Accordingly, the Company has appointed a Chief Audit Officer (CAO) and has formulated a Risk based Internal Audit framework covering branches and HO processes which is commensurate with the size and nature of its business. This risk-centric approach allows Strategic Alignment, Proactive Risk Management, Optimized Resource Allocation and Enhanced Stakeholder Confidence.

The CAO reports to the Audit Committee of the Board of Directors of the Company. The CAO conducts comprehensive audits of functional areas and operations of the Company to examine the adequacy of and compliance with policies, plans and statutory requirements. Any significant observations from the audit are reported to the Audit Committee and follow-up actions are taken accordingly. The Audit Committee also reviews the adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations.

Cautionary Statement

Certain statements in this Report may be forward-looking and are stated as may be required by applicable laws and regulations. Actual results may vary from those expressed or implied, depending upon economic conditions, Government policies and other incidental/related factors.