

# MSKA & Associates

Chartered Accountants

- xiv.
- (a) In our opinion and based on our examination, the Company has an internal audit system commensurate with the size and nature of its business.
  - (b) We have considered internal audit reports issued by internal auditors during our audit in accordance with the guidance provided in SA 610 - 'Using the work of Internal Auditors'.
- xv. According to the information and explanations given to us, in our opinion during the year the Company has not entered into non-cash transactions with directors or persons connected with its directors and hence, provisions of section 192 of the Act are not applicable to Company. Accordingly, the provisions stated in paragraph 3(xv) of the Order are not applicable to the Company.
- xvi.
- (a) The Company is required to and has been registered under Section 45-IA of the Reserve Bank of India Act, 1934 as Non-Banking Financial Company.
  - (b) In our opinion, the Company has not conducted any Non-Banking Financial activity without any valid Certificate of Registration from Reserve Bank of India. Hence, the reporting under paragraph clause 3 (xvi)(b) of the Order are not applicable to the Company.
  - (c) The Company is not a Core investment Company (CIC) as defined in the regulations made by Reserve Bank of India. Hence, the reporting under paragraph clause 3 (xvi)(c) of the Order are not applicable to the Company.
  - (d) The Company does not have any group. Hence the provisions stated in paragraph clause 3 (xvi) (d) of the order are not applicable to the Company.
- xvii. According to the information and explanations provided to us, the Company has not incurred cash losses in the current financial year and in the immediately preceding financial year. Hence, the provisions stated in paragraph 3 (xvii) of the Order are not applicable to the Company.
- xviii. There has been no resignation of the statutory auditors during the year. Hence, the provisions stated in paragraph 3 (xviii) of the Order are not applicable to the Company.
- xix. According to the information and explanations given to us and based on our examination of financial ratios, ageing and expected date of realisation of financial assets and payment of liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans, we are of the opinion that no material uncertainty exists as on the date of audit report and the Company is capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date, will get discharged by the Company as and when they fall due.
- xx. According to the information and explanations given to us, the provisions of section 135 of the Act are applicable to the Company. The Company has made the required contributions during the year and there are no unspent amounts which are required to be transferred to the special account as on the date of our audit report. Accordingly, the provisions of paragraph 3(xx)(a) to (b) of the Order are not applicable to the Company.

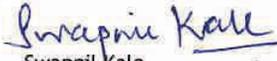


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- xxi. According to the information and explanations given to us, the Company does not have any Subsidiary, Associate or Joint Venture. Accordingly, reporting under clause 3(xxi) of the Order is not applicable.

For M S K A & Associates  
Chartered Accountants  
ICAI Firm Registration Number: 105047W

  
Swapnil Kale  
Partner

Membership Number: 117812  
UDIN: 22117812AJMCIV7951



Mumbai  
May 24, 2022

## ANNEXURE B TO THE INDEPENDENT AUDITOR'S REPORT OF EVEN DATE ON THE FINANCIAL STATEMENTS OF UGRO CAPITAL LIMITED

[Referred to in paragraph 2(f) under 'Report on Other Legal and Regulatory Requirements' in the Independent Auditor's Report of even date to the Members of UGRO Capital Limited on the Financial Statements for the year ended March 31, 2022]

**Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

### Opinion

We have audited the internal financial controls with reference to financial statements of UGRO Capital Limited ("the Company") as of March 31, 2022 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2022, based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "ICAI") (the "Guidance Note").

### Management's Responsibility for Internal Financial Controls

The Company's Management is responsible for establishing and maintaining internal financial controls based on the internal control with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether an adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.



# MSKA & Associates

Chartered Accountants

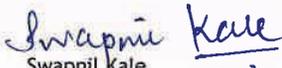
## Meaning of Internal Financial Controls With reference to Financial Statements

A Company's internal financial control with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Company's internal financial control with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## Inherent Limitations of Internal Financial Controls With reference to financial statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For M S K A & Associates  
Chartered Accountants  
ICAI Firm Registration Number: 105047W

  
Swapnil Kale  
Partner

Membership Number: 117812  
UDIN: 22117812AJMCIV7951



Mumbai  
May 24, 2022

Balance Sheet as at March 31, 2022

(Rupees in lakh)

Particulars	Note No.	As at March 31, 2022	As at March 31, 2021
<b>I. ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	3	6,574.94	12,365.55
Bank balances other than cash and cash equivalents above	4	12,260.25	19,238.99
Derivative financial instruments	5	22.29	-
Loans	6	2,45,048.34	1,28,269.61
Investments	7	6,943.99	5,522.75
Other financial assets	8	789.62	680.88
		<b>2,71,639.43</b>	<b>1,66,077.78</b>
<b>Non-financial assets</b>			
Current tax assets (net)	9	164.23	-
Deferred tax assets (net)	10	4,381.63	4,293.55
Property, plant and equipment	11	430.43	468.60
Right of use assets	12	2,538.28	1,094.31
Capital work in progress	13	20.25	-
Intangible assets under development	14	568.54	388.41
Other intangible assets	15	2,602.04	2,062.02
Other non-financial assets	16	3,077.73	1,093.91
		<b>13,783.13</b>	<b>9,400.80</b>
<b>TOTAL ASSETS</b>		<b>2,85,422.56</b>	<b>1,75,478.58</b>
<b>II. LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Financial liabilities</b>			
Payables	17		
(A) Trade payables			
(I) total outstanding dues of micro enterprises and small enterprises		0.08	0.01
(II) total outstanding dues of creditors other than micro enterprises and small enterprises		666.93	218.24
(B) Other payables			
(I) total outstanding dues of micro enterprises and small enterprises		-	-
(II) total outstanding dues of creditors other than micro enterprises and small enterprises		15.04	107.36
Debt securities	18	70,376.77	31,557.55
Borrowings (other than debt securities)	19	1,09,807.09	45,011.94
Other financial liabilities	20	4,722.81	2,118.22
		<b>1,85,588.72</b>	<b>79,013.32</b>
<b>Non-financial liabilities</b>			
Current tax liabilities (net)	21	126.07	144.13
Provisions	22	2,607.22	939.67
Other non-financial liabilities	23	364.23	137.64
		<b>3,177.52</b>	<b>1,221.44</b>
<b>TOTAL LIABILITIES</b>		<b>1,88,766.24</b>	<b>80,234.76</b>
<b>Equity</b>			
Equity share capital	24	7,055.94	7,052.86
Other equity	25	89,600.38	88,190.96
<b>TOTAL EQUITY</b>		<b>96,656.32</b>	<b>95,243.82</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>2,85,422.56</b>	<b>1,75,478.58</b>

Significant accounting policies 1  
Corporate information 2  
See accompanying notes forming part of the financial statements  
The notes referred to above form an integral part of the financial statements

As per our report of even date attached  
For **M S K A & Associates**  
Chartered Accountants  
Firm's Registration No : 105047W

*Swapnil Kale*  
**Swapnil Kale**  
Partner

Membership No : 117812  
Place : Mumbai  
Date : May 24, 2022



For and on behalf of the Board of Directors of  
**UGRO CAPITAL LIMITED**

*Shachindra Nath*  
**Shachindra Nath**  
Executive Chairman  
& MD  
DIN : 00510618  
Mumbai  
May 24, 2022

*Abhijit Sen*  
**Abhijit Sen**  
Independent Director & Chairman -  
Audit Committee  
DIN : 00002593  
Mumbai  
May 24, 2022

*Amit Gupta*  
**Amit Gupta**  
Chief Financial Officer  
Mumbai  
May 24, 2022

*Aniket Karandikar*  
**Aniket Karandikar**  
Company Secretary  
Mumbai  
May 24, 2022

Statement of Profit and Loss for the year ended March 31, 2022

(Rupees in lakh)

Particulars	Note No.	For the year ended March 31, 2022	For the year ended March 31, 2021
<b>Revenue from operations</b>			
Interest income	26	27,215.28	14,683.43
Net gain on derecognition of financial instruments under amortised cost category	27	2,852.50	129.42
Net gain on fair value changes	28	33.67	34.68
Fees and commission income	29	626.01	133.54
<b>Total revenue from operations</b>		<b>30,727.46</b>	<b>14,981.07</b>
Other Income	30	614.13	352.77
<b>Total income</b>		<b>31,341.59</b>	<b>15,333.84</b>
<b>Expenses</b>			
Finance costs	31	13,738.92	4,456.24
Impairment on financial instruments	32	2,941.54	1,961.71
Employee benefits expenses	33	7,289.06	4,532.67
Depreciation, amortization and impairment	34	1,233.26	1,173.91
Other expenses	35	4,121.03	1,996.40
<b>Total expenses</b>		<b>29,323.81</b>	<b>14,120.93</b>
<b>Profit before exceptional items and tax</b>		<b>2,017.78</b>	<b>1,212.91</b>
<b>Exceptional items</b>		-	-
<b>Profit before tax</b>		<b>2,017.78</b>	<b>1,212.91</b>
<b>Tax Expense:</b>			
(1) Current tax			
-Tax as per minimum alternate tax		660.90	482.99
(2) Deferred tax benefit (Net)		(98.18)	(2,142.83)
<b>Total tax expenses</b>		<b>562.72</b>	<b>(1,659.84)</b>
<b>Profit for the year (A)</b>		<b>1,455.06</b>	<b>2,872.75</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit and loss			
-Remeasurements of the defined benefit obligations		25.67	19.19
-Income tax relating to items that will not be reclassified to profit and loss		(7.47)	(5.59)
<b>Subtotal (B)</b>		<b>18.20</b>	<b>13.60</b>
Items that will be reclassified to profit and loss			
-The effective portion of Gains and Loss on hedging instrument in a cash flow hedge		9.00	-
-Income tax relating to items that will be reclassified to profit and loss		(2.62)	-
<b>Subtotal (C)</b>		<b>6.38</b>	<b>-</b>
<b>Other comprehensive income for the year (net of tax) (D) = (B) + (C)</b>		<b>24.58</b>	<b>13.60</b>
<b>Total comprehensive income for the year (E) = (A) + (D)</b>		<b>1,479.64</b>	<b>2,886.35</b>
<b>Earnings per equity share (face value of Rs 10 each)</b>			
Basic (Rs)	36	2.06	4.07
Diluted (Rs)		2.05	4.07

Significant accounting policies 1  
Corporate information 2  
See accompanying notes forming part of the financial statements  
The notes referred to above form an integral part of the financial statements

As per our report of even date attached  
For **M S K A & Associates**  
Chartered Accountants  
Firm's Registration No : 105047W

*Swapnil Kale*  
Swapnil Kale  
Partner

Membership No : 117812  
Place : Mumbai  
Date : May 24, 2022



For and on behalf of the Board of Directors of  
**UGRO CAPITAL LIMITED**

*Shachindra Nath*  
Shachindra Nath  
Executive Chairman  
& MD  
DIN : 00510618  
Mumbai  
May 24, 2022

*Amit Gupta*  
Amit Gupta  
Chief Financial Officer  
Mumbai  
May 24, 2022



*Abhijit Sen*  
Abhijit Sen  
Independent Director &  
Chairman - Audit Committee  
DIN : 00002593  
Mumbai  
May 24, 2022

*Aniket Karandikar*  
Aniket Karandikar  
Company Secretary  
Mumbai  
May 24, 2022

Cash Flow Statement for the year ended March 31, 2022

Particulars	(Rupees in lakh)	
	For the year ended March 31, 2022	For the year ended March 31, 2021
<b>Cash flow from operating activities :</b>		
Net profit before tax	2,017.78	1,212.91
<b>Adjustments for:</b>		
Employee stock option expense	(107.15)	205.11
Depreciation, amortisation and impairment	1,233.26	1,173.91
Impairment on financial instruments	2,941.54	1,961.71
Net gain on sale of financial instruments / fair valuation of financial instruments	(33.67)	(34.68)
Provision for gratuity	38.20	37.62
Provision for compensated absences	116.66	23.84
<b>Operating profit before working capital changes</b>	<b>6,206.62</b>	<b>4,580.42</b>
<b>Change in working capital:</b>		
Increase in Loans	(1,19,713.41)	(46,950.53)
Increase in Other Non-Financial Assets	(1,983.82)	(452.85)
(Increase)/Decrease in Other Financial Assets	(137.91)	8,305.18
Increase/(Decrease) in Trade payables	356.44	(495.70)
Increase/(Decrease) in other non-financial liabilities	226.59	(11.29)
Increase in other financial liabilities	1,086.80	409.36
Increase in provisions	1,618.35	98.50
<b>Cash (used in) operating activities</b>	<b>(1,12,340.34)</b>	<b>(34,516.91)</b>
Income taxes paid	(841.33)	(195.14)
<b>Net cash (used in) operating activities (A)</b>	<b>(1,13,181.67)</b>	<b>(34,712.05)</b>
<b>Cash flow from investing activities :</b>		
Purchase of property, plant and equipment	(133.85)	(34.74)
Proceeds from / (Investments in) bank deposits of maturity greater than 3 months	6,978.74	(5,147.68)
Sale of investments	4,327.30	7,285.50
Purchase of investments	(5,733.91)	(5,522.75)
Payments for intangible assets	(1,300.33)	(1,172.06)
<b>Net cash generated from / (used in) investing activities (B)</b>	<b>4,137.95</b>	<b>(4,591.73)</b>
<b>Cash flow from financing activities :</b>		
Proceeds from issuance of equity share capital during the year	36.92	-
Principal payment of lease liabilities	(407.17)	(320.89)
Net proceeds from borrowings through secured NCDs and Commercial paper	38,828.21	27,563.88
Net proceeds from borrowings from banks and financial institutions	64,795.15	23,551.70
<b>Net cash generated from financing activities (C)</b>	<b>1,03,253.11</b>	<b>50,794.69</b>
<b>Net increase / (decrease) in cash and cash equivalents (A)+(B)+(C)</b>	<b>(5,790.61)</b>	<b>11,490.91</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>12,365.55</b>	<b>874.64</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>6,574.94</b>	<b>12,365.55</b>
<b>Components of cash and cash equivalents</b>		
Cash on hand	-	-
Balance with banks :		
in current accounts	6,174.61	6,764.51
in Fixed deposits (maturing within a period of three months)	400.33	5,601.04
<b>TOTAL</b>	<b>6,574.94</b>	<b>12,365.55</b>

Significant accounting policies 1  
Corporate information 2  
See accompanying notes forming part of the financial statements  
The notes referred to above form an integral part of the financial statements.

As per our report of even date attached  
For **M S K A & Associates**  
Chartered Accountants  
Firm's Registration No : 105047W

*Swapnil Kale*  
Swapnil Kale  
Partner

Membership No : 117812  
Place : Mumbai  
Date : May 24, 2022



For and on behalf of the Board of Directors of  
**UGRO CAPITAL LIMITED**

*Shachindra Nath*  
Shachindra Nath  
Executive Chairman  
& MD  
DIN : 00510618  
Mumbai  
May 24, 2022

*Amit Gupta*  
Amit Gupta  
Chief Financial Officer  
Mumbai  
May 24, 2022



*Abhijit Sen*  
Abhijit Sen  
Independent Director &  
Chairman - Audit Committee  
DIN : 00002593  
Mumbai  
May 24, 2022

*Aniket Karandikar*  
Aniket Karandikar  
Company Secretary  
Mumbai  
May 24, 2022

## Statement of changes in equity for the year ended March 31, 2022

## A. Equity Share Capital (Refer Note 24 below)

(Rupees in lakh)			
As at March 31, 2022			
Balance at the beginning of the year	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in equity share capital during the year (Issued during the year)
7,052.86	-	7,052.86	3.08
			7,055.94

## As at March 31, 2021

Balance at the beginning of the year	Changes in Equity Share Capital due to prior period errors	Restated balance at the beginning of the current reporting period	Changes in equity share capital during the year (Issued during the year)
7,052.86	-	7,052.86	-
			7,052.86

## B. Other equity (Refer Note 25 below)

## As at March 31, 2022

Particulars	Statutory reserve u/s 45-IC	Reserves & Surplus							Total	
		Capital Reserve	Securities Premium	Retained Earnings	Employee stock options outstanding	Debt Instruments through Other Comprehensive Income	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges		Revaluation Surplus
Balance at the beginning of the current reporting period	2,110.47	1,046.00	77,673.45	6,507.18	853.86	-	-	-	-	88,190.96
Total Comprehensive Income for the current year	-	-	-	18.20	-	-	-	6.38	-	24.58
Dividends	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	1,455.06	-	-	-	-	-	1,455.06
Transfer to Reserve Fund u/s 45 IC of Reserve Bank of India Act, 1934	291.01	-	-	(291.01)	-	-	-	-	-	-
Share based payment for the year	-	-	-	-	(107.15)	-	-	-	-	(107.15)
Premium on ESOP exercised during the year	-	-	36.93	-	-	-	-	-	-	36.93
Transfer to Retained Earnings on allotment of shares pursuant to ESOP Scheme	-	-	13.53	-	(13.53)	-	-	-	-	-
Transfer to Retained Earnings on lapse of options pursuant to ESOP Scheme	-	-	-	286.32	(286.32)	-	-	-	-	-
<b>Balance at the end of the current reporting period</b>	<b>2,401.48</b>	<b>1,046.00</b>	<b>77,723.91</b>	<b>7,975.75</b>	<b>446.86</b>	<b>-</b>	<b>-</b>	<b>6.38</b>	<b>-</b>	<b>89,600.38</b>



Statement of changes in equity for the year ended March 31, 2022

B. Other equity (Refer Note 25 below)  
As at March 31, 2021

Particulars	Reserves & Surplus										Total
	Statutory reserve u/s 45-IC	Capital Reserve	Securities Premium	Retained Earnings	Employee stock options scheme outstanding	Debt Instruments through Other Comprehensive Income	Equity Instruments through Other Comprehensive Income	Effective portion of Cash Flow Hedges	Revaluation Surplus		
Balance at the beginning of the current reporting period	1,535.92	1,046.00	77,673.45	4,195.38	648.75	-	-	-	-	-	85,099.50
Changes in accounting policy or prior period errors	-	-	-	-	-	-	-	-	-	-	-
Restated balances at the beginning of the current reporting period	-	-	-	-	-	-	-	-	-	-	-
Total Comprehensive Income for the current year	-	-	-	13.60	-	-	-	-	-	-	13.60
Dividends	-	-	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	2,872.75	-	-	-	-	-	-	2,872.75
Transfer on allotment of shares pursuant to ESOP Scheme	-	-	-	-	-	-	-	-	-	-	-
Transfer to Reserve Fund u/s 45-IC of Reserve Bank of India Act, 1934	574.55	-	-	(574.55)	-	-	-	-	-	-	205.11
<b>Balance at the end of the current reporting period</b>	<b>2,110.47</b>	<b>1,046.00</b>	<b>77,673.45</b>	<b>6,507.18</b>	<b>853.86</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>88,190.96</b>

As required by section 45-IC of the RBI Act, 1934, the Company maintains a reserve fund and transfers there a sum not less than twenty per cent of its net profit every year as disclosed in the statement of profit and loss and before any dividend is declared. The Company cannot appropriate any sum from the reserve fund except for the purpose specified by Reserve Bank of India from time to time. Till date RBI has not specified any purpose for appropriation of Reserve Fund maintained u/s 45-IC of RBI Act, 1934.

Significant accounting policies  
Corporate Information

See accompanying notes forming part of the financial statements  
The notes referred to above form an integral part of the financial statements

As per our report of even date attached  
For M S K A & Associates  
Chartered Accountants

*Swapnil Kale*  
Swapnil Kale  
Partner

Membership No : 117812  
Place : Mumbai  
Date : May 24, 2022



For and on behalf of the Board of Directors of  
UGRO CAPITAL LIMITED

*Shachindra Nath*

Shachindra Nath  
Executive Chairman & MD  
DIN : 00510618  
Mumbai  
May 24, 2022

*Abhijit Sen*

Abhijit Sen  
Independent Director & Chairman - Audit Committee  
DIN : 00002593  
Mumbai  
May 24, 2022

*Amit Gupta*  
Amit Gupta  
Chief Financial Officer  
Mumbai  
May 24, 2022

*Aniket Karandikar*  
Aniket Karandikar  
Company Secretary  
Mumbai  
May 24, 2022



## **UGRO CAPITAL LIMITED**

**CIN:L67120MH1993PLC070739**

### **Notes forming part of the financial statements (continued)**

*For the year ended March 31, 2022*

#### **1. Significant Accounting Policies**

##### **(1) Statement of compliance**

The financial statements have been prepared in accordance with the provisions of the Companies Act, 2013 and the Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 (as amended from time to time) issued by the Ministry of Corporate Affairs in exercise of the powers conferred by section 133 of the Companies Act, 2013. In addition, the guidance notes/announcements issued by the Institute of Chartered Accountants of India (ICAI) are also applied along with compliance with other statutory promulgations which require a different treatment. Any directions issued by the RBI or other regulators are implemented as and when they become applicable.

Further, the Company has complied with all the directions related to Implementation of Indian Accounting Standards prescribed for Non-Banking Financial Companies (NBFCs) in accordance with the RBI notification no. RBI/2019-20/170 DOR NBFC).CC.PD.No.109/22.10.106/2019-20 dated 13 March 2020.

Accounting policies have been consistently applied except where a newly issued accounting standard is initially adopted or a revision to the existing accounting standard requires a change in the accounting policy hitherto in use.

##### **(2) Basis of preparation**

The financial statements have been prepared on a historical cost convention on the accrual basis except for certain financial instruments which are measured at fair values at the end of each reporting period as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company considers the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and / or disclosure purposes in these financial statements is determined on this basis.

Fair value measurements are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety.

- Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices.;
- Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and place limited reliance on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.; and
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level.

##### **(3) Application of new and revised Ind AS**

All the Ind AS issued and notified by the Ministry of Corporate Affairs under the Companies (Indian Accounting Standards) Rules, 2015 (as amended) till the financial statements are authorised for issue have been considered in preparing these financial statements.



## UGRO CAPITAL LIMITED

CIN:L67120MH1993PLC070739

### Notes forming part of the financial statements (continued)

For the year ended March 31, 2022

#### (4) Presentation of financial statements

The Balance Sheet, the Statement of Changes in Equity and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Division III to Schedule III to the Companies Act, 2013 ("the Act") applicable for Non-Banking Financial Companies ("NBFC"). The Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS 7 "Statement of Cash Flows". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Schedule III to the Act, are presented by way of notes forming part of the financial statements along with the other notes required to be disclosed under the notified accounting Standards and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### (5) Functional and presentation currency

These financial statements are presented in Indian rupees (INR or Rs.) which is also the Company's functional currency. All accounts are rounded-off to the nearest lakh with two decimals, unless otherwise stated.

#### (6) Use of estimates and judgements

The preparation of financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities (including contingent liabilities) and disclosures as of the date of the financial statements and the reported amounts of revenue and expenses for the reporting period. Actual results could differ from these estimates. Accounting estimates and underlying assumptions are reviewed on an ongoing basis and could change from period to period. Appropriate changes in estimates are recognised in the periods in which the Company becomes aware of the changes in circumstances surrounding the estimates. Any revisions to accounting estimates are recognised prospectively in the period in which the estimate is revised and future periods.

#### (7) Property, plant and equipment

Tangible property, plant and equipment are stated at cost less accumulated depreciation and impairment, if any. The cost of an item of property, plant and equipment is recognised if it is probable that future economic benefits associated with the item will flow to the company and the cost thereof can be measured reliably. All property, plant and equipment are initially recognised at cost. Cost comprises the purchase price and any directly attributable cost to bring the asset to its working condition for its intended use. Subsequent expenditure incurred on assets put to use is capitalised only when it increases the future economic benefits/ functioning capability from/ of such assets. Advances paid towards acquisition of property, plant and equipment, outstanding at each balance sheet date is classified as capital advances under other non-financial assets and the cost of assets not put to use before such date are disclosed under Capital work-in-progress.

Depreciation is recognised so as to write-off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each financial year, with the effect of any changes in estimate accounted for on a prospective basis. Assets purchased during the year are depreciated on the basis of actual number of days the asset has been put to use in the year. Assets individually costing Rs. 5,000/- or less are fully depreciated in the year of purchase.

Estimated useful life of assets is as below:

Category of PPE	Estimated useful life as assessed by the Company	Estimated useful life under Schedule II to the Act
Office Equipments	5 years	5 years
Computer	3 years	3 years
Leasehold improvements	Tenure of lease agreements	Tenure of the lease agreements
Furniture fixture and fittings	10 years	10 years



## **UGRO CAPITAL LIMITED**

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### **Notes forming part of the financial statements (continued)**

*For the year ended March 31, 2022*

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

Changes in the expected useful life are accounted for by changing the depreciation period or methodology, as appropriate and treated as changes in accounting estimates.

The Management believes that these estimated useful lives are realistic and reflect fair approximation of the period over which the assets are likely to be used.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of profit and loss.

#### **(8) Intangible assets**

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. Intangible assets are stated at original cost net of tax/ duty credits availed, if any, less accumulated amortisation and cumulative impairment. Direct expenses (including salary costs) and administrative and other general overhead expenses that are specifically attributable to acquisition of intangible assets are allocated and capitalised as a part of the cost of the intangible assets.

Intangible assets not ready for the intended use on the date of the Balance Sheet are disclosed as "Intangible assets under development".

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each financial year, with the effect of any changes in estimate being accounted for on a prospective basis.

Estimated useful life of Software is 5 years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in the statement of profit or loss when the asset is derecognised.

#### **(9) Impairment of tangible and intangible assets**

The Company assesses at each Balance Sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The recoverable amount is the higher of an asset's net selling price and its value in use. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. A previously recognised impairment loss is increased or reversed depending on changes in circumstances. However, the carrying value after reversal is not increased beyond the carrying value that would have prevailed by charging usual depreciation/amortisation if there were no impairment.

#### **(10) Revenue recognition**

Revenue (other than those items to which Ind AS 109 Financial Instruments is applicable) is measured at fair value for the consideration received or receivable. Amounts disclosed as revenue are net of goods and services tax ('GST') and amounts collected on behalf of third parties. Ind AS 115 Revenue from Contracts with Customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers.



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**Notes forming part of the financial statements (continued)**

*For the year ended March 31, 2022*

The Company recognizes revenue from contracts with customers based on a five-step model as set out in Ind AS 115:

Step 1: Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognise revenue when (or as) the Company satisfies a performance obligation.

Specific policies for the Company's different sources of revenue are explained below:

(i) Interest Income:

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time proportionate basis, by reference to the principal outstanding and at the effective interest rate applicable. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The interest income is calculated by applying the Effective Interest Rate (EIR) Method to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the Effective Interest Rate (EIR) Method to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)).

(ii) Other Financial Charges

Cheque bouncing charges, pre- payment charges, foreclosure charges and initial margin money etc. are recognised on a point-in-time basis and are recorded when realised, since the probability of collecting such monies is established when the customer pays.

(iii) Dividend Income:

Dividend Income is recognised once the unconditional right to receive the dividend is established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

(iv) Net gain or fair value change:

Any differences between the fair values of the financial assets classified as fair value through the profit or loss, held by the Company on the balance sheet date is recognised as an unrealised gain / loss in the statement of profit and loss. In cases there is a net gain in aggregate, the same is recognised in "Net gains or fair value changes" under revenue from operations and if there is a net loss the same is disclosed under "Expenses", in the statement of profit and loss.



## UGRO CAPITAL LIMITED

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### **Notes forming part of the financial statements (continued)**

*For the year ended March 31, 2022*

(v) **Advisory Fees and Other Income:**

Advisory fees and Other Income are recognised when the company satisfies the performance obligation at fair value of the consideration received or receivable. The Company recognises such revenue from contracts with customers based on a five-step model as set out in Ind AS 115.

(vi) **Income from de-recognition of assets:**

Gains arising out of de-recognition transactions comprise the difference between the interest on the loan portfolio and the applicable rate at which the transaction is entered into with the transferee, also known as the right of excess interest spread (EIS). The future EIS basis the scheduled cash flows on execution of the transaction, discounted at the applicable rate entered into with the transferee is recorded upfront in the statement of profit and loss. EIS is evaluated and adjusted for ECL and expected prepayment.

### **(11) Leases**

The Company follows Ind AS 116-Leases for accounting for contracts which are in the nature of leases. Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### **Company as a lessee**

The Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Company recognises right-of-use asset representing its right to use the underlying asset for the lease term at the lease commencement date. The right-of-use assets are depreciated using the straight-line method from the commencement date over the lease term. Right-of-use assets are tested for impairment whenever there is any indication that their carrying amounts may not be recoverable. Impairment loss, if any, is recognised in the statement of profit and loss.

The Company measures the lease liability at the present value of the lease payments that are not paid at the commencement date of the lease. The lease liability is subsequently remeasured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

The Company recognises the amount of the re-measurement of lease liability as an adjustment to the right-of-use asset. Where the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognises any remaining amount of the re-measurement in the statement of profit and loss.



## **UGRO CAPITAL LIMITED**

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### **Notes forming part of the financial statements (continued)**

*For the year ended March 31, 2022*

The Company has elected not to apply the requirements of Ind AS 116 to short-term leases of all assets that have a lease term of 12 months or less and leases for which the underlying asset is of low value. The lease payments associated with these leases are recognized as an expense on a straight-line basis over the lease term.

#### **Finance Lease**

The Company does not have leases that were classified as finance leases. Hence, there is no impact on application of this standard.

#### **As a lessor**

The Company does not have any lease agreement in which it is a lessor. Hence, there is no impact on application of this standard.

### **(12) Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

#### **(12.1) Current tax**

Current Tax is determined at the amount of tax payable in respect of taxable profit for the year as per the Income tax Act, 1961. Taxable profit differs from 'profit before tax' as reported in the financial statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The entity's current tax is calculated using tax rate that has been enacted by the end of the reporting period.

#### **(12.2) Deferred tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflect the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set-off the current tax assets against the current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

#### **(12.3) Current and deferred tax for the year**

Current and deferred tax are recognised in the statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.



## UGRO CAPITAL LIMITED

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### **Notes forming part of the financial statements (continued)**

*For the year ended March 31, 2022*

#### **(12.4) Minimum alternate tax (MAT)**

Minimum alternate tax (MAT) paid in accordance with the tax laws, is recognised as an asset in the Balance Sheet when it is probable that the future economic benefit associated with it will flow to the Company.

#### **(13) Employee Benefits**

##### **(13.1) Retirement benefit costs and termination benefits**

###### **Defined contribution plans –**

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

The state governed provident fund scheme, employee state insurance scheme and National Pension Scheme (NPS) are defined contribution plans.

###### **Defined benefit plans –**

For defined benefit plans in the form of gratuity, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Re-measurement, comprising actuarial gains and losses is reflected immediately in the balance sheet with a charge or credit recognised in other comprehensive income in the period in which they occur. Re-measurement recognised in other comprehensive income is reflected immediately in retained earnings and is not reclassified to profit or loss. Past service cost is recognised in the statement of profit and loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- re-measurement

The Company presents the first two components of defined benefit costs in the statement of profit and loss in the line item 'Employee benefits expense'. Curtailment gains and losses are accounted for as past service costs.

The present value of the defined benefit plan liability is calculated using a discount rate which is determined by reference to market yields at the end of the reporting period on government bonds.

##### **(13.2) Short term and other long-term employee benefits**

A liability is recognized for benefits accruing to employees in respect of salaries and annual leave in the period, the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognized in respect of other long-term employee benefits are measured at the present value of estimated future cash outflows expected to be made by the Company in respect of services provided by employees up to the reporting date.



## UGRO CAPITAL LIMITED

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### **Notes forming part of the financial statements (continued)**

*For the year ended March 31, 2022*

The cost of short-term compensated absences is accounted as under:

- (i) in case of accumulated compensated absences, when employees render the services that increase their entitlement of future compensated absences; and
- (ii) in case of non-accumulating compensated absences, when the absences occur.

#### **(13.3) Compensatory Payments (Loss of Earned Bonus)**

The company amortizes the compensatory payments over the period of twelve months, since amount is recoverable if an employee leaves the organization within a year.

#### **(13.4) Share based payments**

The Company recognizes compensation expense relating to share-based payments in the statement of profit and loss using fair value in accordance with Ind AS 102 – Share-based payments. The estimated fair value of the award is charged to income on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was in-substance, multiple awards with a corresponding increase to share options outstanding amount. The Company has switched from Black-Scholes Model to the Binomial Model for assessing the fair value of the options on the grant date during the year. The share price of the Company was simulated using a binomial model. The simulation was done from each valuation date to maturity of the ESOP.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in the statement of profit and loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve. If a grant lapses after the vesting period, the cumulative discount recognised as expense in respect of such grant is transferred to the general reserve within equity.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

#### **(14) Finance costs**

Finance costs include interest and other ancillary borrowing costs. Ancillary costs include issue costs such as loan processing fee, arranger fee, stamping expense and rating expense etc. The Company recognises interest expense and other ancillary cost on the borrowings as per Effective Interest Rate Method, which is calculated by considering any ancillary costs incurred and any premium payable on its maturity.

Finance costs are charged to the Statement of Profit and Loss.



## **UGRO CAPITAL LIMITED**

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### **Notes forming part of the financial statements (continued)**

*For the year ended March 31, 2022*

#### **(15) Provisions, contingent liabilities and contingent assets**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

A Contingent liability is disclosed unless the possibility of an outflow of resources embodying the economic benefits is remote. Contingent assets are neither recognised nor disclosed in the Financial Statements.

Provisions, contingent liabilities, and contingent assets are reviewed at each Balance Sheet date and adjusted to reflect the current best estimates.

#### **(16) Commitments**

Commitments are future liabilities for contractual expenditure, classified and disclosed as follows:

- (a) estimated amount of contracts remaining to be executed on capital account and not provided for;
- (b) uncalled liability on shares and other investments partly paid;
- (c) funding related commitment to associate companies; and
- (d) other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

#### **(17) Foreign Currencies**

(i) The functional currency and presentation currency of the Company is Indian Rupee (INR). Functional currency of the Company has been determined based on the primary economic environment in which the Company operates considering the currency in which funds are generated, spent and retained.

(ii) Transactions in currencies other than the Company's functional currency are recorded on initial recognition using the exchange rate at the transaction date. At each Balance Sheet date, foreign currency monetary items are reported at the prevailing closing spot rate. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated.

Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the Statement of Profit and Loss in the period in which they arise.

#### **(18) Cash and cash equivalents**

Cash and cash equivalents include cash at banks and cash on hand, demand deposits with banks, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to know amounts of cash and which are subject to an insignificant risk of changes in value.

#### **(19) Segment reporting**

Operating segments are those components of the business whose operating results are regularly reviewed by the chief operating decision making body in the Company to make decisions for performance assessment and resource allocation. The reporting of segment information is the same as provided to the management for the purpose of the performance assessment and resource allocation to the segments. Segment accounting policies are in line with the accounting policies of the Company.



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## **UGRO CAPITAL LIMITED**

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### **Notes forming part of the financial statements (continued)**

*For the year ended March 31, 2022*

## **(20) Financial Instruments**

### **(20.1) Recognition of financial instruments**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instruments.

### **(20.2) Initial measurement of financial instruments**

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from their respective fair value on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in the statement of profit and loss.

A financial asset and a financial liability is offset and presented on a net basis in the balance sheet when there is a current legally enforceable right to set-off the recognised amounts and it is intended to either settle on net basis or to realise the asset and settle the liability simultaneously.

### **(20.3) Classification and subsequent measurement of financial instruments**

#### **(20.3.1) Financial assets**

All regular way purchases or sales of financial assets are recognised and derecognised on a trade-date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

#### **(20.3.1.1) Financial assets carried at amortised cost (AC)**

A financial asset is measured at amortised cost if it is held within a business model whose objective is to hold the asset in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at amortised cost (except for debt instruments that are designated as at fair value through profit or loss on initial recognition)

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### **Effective Interest Rate Method**

The Effective Interest Rate Method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The Effective Interest Rate is the rate that exactly discounts estimated future cash receipts (including all fees that form an integral part of the effective interest rate, transaction costs and premiums or discounts) through the expected life of the instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.



## UGRO CAPITAL LIMITED

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### Notes forming part of the financial statements (continued)

For the year ended March 31, 2022

#### (20.3.1.2) Financial assets at fair value through other comprehensive income (FVTOCI)

A financial asset is measured at FVTOCI if it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (except for debt instruments that are designated as at fair value through profit or loss on initial recognition):

- the asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Movements in the carrying amount of such financial assets are recognised in other comprehensive income (OCI). When the investment is disposed of, the cumulative gain or loss previously accumulated in this reserve is reclassified to the statement of profit and loss.

#### (20.3.1.3) Financial assets at fair value through profit or loss (FVTPL)

A financial asset which is not classified in any of the above categories is measured at FVTPL.

Debt instruments that do not meet the amortised cost criteria or FVTOCI criteria are measured at FVTPL. In addition, debt instruments that meet the amortised cost criteria or the FVTOCI criteria but are designated at FVTPL are measured at FVTPL.

A financial asset that meets the amortised cost criteria or debt instruments that meet the FVTOCI criteria may be designated at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instrument at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'Revenue from operations' line item.

#### (20.4) Impairment of financial asset

The Company applies the expected credit loss model for recognising impairment loss on financial assets measured at amortised cost, debt instruments at FVTOCI and other contractual rights to receive cash or other financial assets.

Expected credit losses are the weighted average of credit losses with the respective risks of default occurring as the weights. Credit loss is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The Company estimates cash flows by considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) through the expected life of that financial instrument.

