

B S R & Associates LLP

Chartered Accountants

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Independent Auditors' Report on Annual Financial Results under Regulation 52 read with Regulation 63(2) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the year ended 31 March 2020

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Toyota Financial Services India Limited

Opinion

We have audited the accompanying annual financial results of Toyota Financial Services India Limited (hereinafter referred to as the "Company") for the year ended 31 March 2020, attached herewith, being submitted by the Company pursuant to the requirement of Regulation 52 read with Regulation 63(2) of the Securities and Exchange Board of India ("SEBI") (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ('Listing Regulations').

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

- a. are presented in accordance with the requirements of Regulation 52 read with Regulation 63(2) of the Listing Regulations in this regard; and
- b. give a true and fair view in conformity with the recognition and measurement principles laid down in the applicable Indian Accounting Standards, and other accounting principles generally accepted in India, of the net loss and other comprehensive income and other financial information for the year ended 31 March 2020.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing ("SAs") specified under section 143(10) of the Companies Act, 2013 ("the Act"). Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Annual Financial Results* section of our report. We are independent of the Company, in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act, and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained, is sufficient and appropriate to provide a basis for our opinion on the annual financial results.

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Independent Auditors' report (continued)
Toyota Financial Services India Limited

Emphasis of Matter

As described in Note 13 to the annual financial results, in respect of accounts overdue but standard at 29 February 2020 where moratorium benefit has been granted, the staging of those accounts at 31 March 2020 is based on the days past due status as on 29 February 2020 in accordance with the Reserve Bank of India COVID-19 Regulatory Package. Further, the extent to which the COVID-19 pandemic will impact the Company's financial performance is dependent on future developments, which are highly uncertain.

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

Management's and Board of Directors' Responsibilities for the Annual Financial Results

These annual financial results have been prepared on the basis of the annual financial statements.

The Company's Management and the Board of Directors are responsible for the preparation and presentation of these annual financial results that give a true and fair view of the net loss and other comprehensive income and other financial information in accordance with the recognition and measurement principles laid down in Indian Accounting Standards prescribed under Section 133 of the Act and other accounting principles generally accepted in India and in compliance with Regulation 52 read with Regulation 63(2) of the Listing Regulations. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the annual financial results that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the annual financial results, the Management and the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process

Auditor's Responsibilities for the Audit of the Annual Financial Results

Our objectives are to obtain reasonable assurance about whether the annual financial results as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial results.

Independent Auditors' report (continued)
Toyota Financial Services India Limited

Auditor's Responsibilities for the Audit of the Annual Financial Results (continued)

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial results, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3) (i) of the Act, we are also responsible for expressing our opinion through a separate report on the complete set of financial statements on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the financial results made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual financial results or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial results, including the disclosures, and whether the annual financial results represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Independent Auditors' report (continued)
Toyota Financial Services India Limited

Other Matter

The annual financial results include the results for the half year ended 31 March 2020 and the corresponding previous period half year ended 31 March 2019 being the balancing figure between the audited figures in respect of the full financial year and the published unaudited year to date figures for the half year ended 30 September 2019 and 30 September 2018 respectively, which were subject to limited review by us.

For **B S R & Associates LLP**

Chartered Accountants

Firm's Registration No. 116231W / W-100024

ROHIT
JOSEPH
ALEXANDER

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ROHIT JOSEPH
ALEXANDER
Date: 2020.06.25
21:12:29 +05'30'

Rohit Alexander

Partner

Place: Bangalore
Date: 25 June 2020

Membership Number: 222515
UDIN: 20222515AAAABC1106

Statement of Audited Financial Results for the half year and year ended 31 March 2020

(Amounts are in Rs. Million, except per share data)

S.No.	Particulars	Half year ended		Year ended	
		31 March 2020	31 March 2019	31 March 2020	31 March 2019
		(Audited)*	(Audited)*	(Audited)	(Audited)
1	Revenue				
	(a) Interest Income	3,351.29	3,373.04	6,851.70	6,687.44
	(b) Rental Income	18.67	6.51	32.13	9.33
	(c) Fees and commission income	1.45	-	1.45	-
	(d) Others	150.72	142.92	311.83	300.07
	Total revenue from operation	3,522.13	3,522.47	7,197.11	6,996.84
	(e) Other Income	86.37	71.35	152.39	132.15
	Total revenue (a+b+c+d+e)	3,608.50	3,593.82	7,349.50	7,128.99
2	Expenses				
	(a) Finance costs	2,192.52	2,299.35	4,575.43	4,462.17
	(b) Net loss on fair value changes	312.46	-	356.15	-
	(c) Impairment on financial instruments	1,153.40	806.36	1,791.92	1,028.45
	(d) Employee benefit expenses	220.96	211.00	436.89	412.47
	(e) Depreciation, amortisation and impairment	60.26	16.40	109.49	30.42
	(f) Other expenses	334.13	270.41	634.49	646.13
	Total expenses (a+b+c+d+e+f)	4,273.73	3,603.52	7,904.37	6,579.64
3	Profit/ (loss) before tax for the period (1-2)	(665.23)	(9.70)	(554.87)	549.35
4	Tax expense:				
	(a) Current tax	130.37	(50.00)	259.77	134.50
	(b) Deferred tax charge / (credit)	(297.58)	53.90	(317.15)	56.63
	Total tax expense (a+b)	(167.21)	3.90	(57.38)	191.13
5	Profit / (loss) after tax for the period (3-4)	(498.02)	(13.60)	(497.49)	358.22
6	Other comprehensive income (OCI)				
	Items that will not be reclassified to statement of profit or loss				
(i)	Remeasurement of defined benefit plan	2.49	(0.44)	(0.53)	(0.15)
(ii)	Income tax relating to items that will not be reclassified to statement of profit or loss	(0.63)	0.05	0.13	0.05
	Total other comprehensive income for the period (net of taxes) (i+ii)	1.86	(0.39)	(0.40)	(0.10)
7	Total comprehensive income / (loss) for the period (5+6)	(496.16)	(13.99)	(497.89)	358.12
8	Paid up equity share capital	9,579.73	9,579.73	9,579.73	9,579.73
9	Earnings per share				
	(a) Basic EPS (in Rupees) #	(0.52)	(0.01)	(0.52)	0.37
	(b) Diluted EPS (in Rupees) #	(0.52)	(0.01)	(0.52)	0.37
	Face value per share (in Rupees)	10.00	10.00	10.00	10.00

* Refer Note no. 14

Refer Note no. 15



Statement of Audited Financial Results for the half year and year ended 31 March 2020 (Continued)

Balance Sheet		(Amounts are in Rs. Million)	
S.No.	Particulars	As at	As at
		31 March 2020	31 March 2019
		(Audited)	(Audited)
A	Assets		
1	Financial assets		
	(a) Cash and cash equivalents	5,371.56	2,902.36
	(b) Derivative financial Instruments	345.76	-
	(c) Trade receivables	5.06	27.89
	(d) Loans	68,771.44	74,348.11
	(e) Other financial assets	49.03	34.58
	Total financial assets	74,542.85	77,312.94
2	Non-financial assets		
	(a) Current tax assets (net)	264.58	172.89
	(b) Deferred tax assets (net)	596.07	274.56
	(c) Property, plant and equipment	132.00	103.19
	(d) Other intangible assets	44.20	46.50
	(e) Intangible assets under development	35.92	11.39
	(f) Right-of-use assets	93.45	-
	(g) Other non-financial assets	83.93	105.03
	Total non-financial assets	1,250.15	713.56
	Total Assets	75,793.00	78,026.50
B	Liabilities and Equity		
1	Financial liabilities		
	(a) Trade Payables		
	(i) Total outstanding dues of micro enterprises and small enterprises	0.15	0.21
	(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	421.66	1,228.54
	(b) Debt securities	26,404.12	41,631.30
	(c) Borrowings (other than debt securities)	35,206.59	21,010.37
	(d) Lease liabilities	100.49	-
	(e) Other financial liabilities	0.42	24.77
	Total financial liabilities	62,133.43	63,895.19
2	Non-financial liabilities		
	(a) Provisions	101.13	52.72
	(b) Other non-financial liabilities	38.32	54.04
	Total non-financial liabilities	139.45	106.76
3	Equity		
	(a) Equity share capital	9,579.73	9,579.73
	(b) Other equity	3,940.39	4,444.82
	Total equity	13,520.12	14,024.55
	Total Liabilities and Equity	75,793.00	78,026.50

Notes:

- Toyota Financial Services India Limited ('the Company') is a Non-Banking Finance Company registered with the Reserve Bank of India.
- The above financial results has been prepared in accordance with Indian Accounting Standards ('Ind AS') notified under Section 133 of the Companies Act, 2013 ('the Act') and Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2016 and the other accounting principles generally accepted in India. Any application guidance/ clarifications/ directions issued by the Reserve Bank of India or other regulators are implemented as and when they are issued/ applicable.
- The audited financial results have been reviewed by the Audit Committee on 25 June 2020 and recommended for adoption to the Board of Directors. The Board of Directors of the Company have considered and approved the same at its meeting held on 25 June 2020.
- The statutory auditor have carried out audit of the annual financial results as required under Regulation 52 read with Regulation 63(2) of the SEBI (Listing Obligation & Disclosure Requirements) Regulations, 2015 ("Listing Regulation") and have issued an unmodified opinion thereon.
- Other equity include Statutory Reserve as per Section 451C of Reserve Bank of India Act, 1934, balance in securities premium and retained earnings.
- The Company's operating segments are established in the manner consistent with the components of the Company that are evaluated regularly by the Chief Operating Decision Maker as defined in Ind AS 108 - 'Operating Segments'. The Company is engaged primarily in the business of vehicle financing and there are no separate reportable segments as per Ind AS 108.



Statement of Audited Financial Results for the half year and year ended 31 March 2020 (Continued)

- 7 The secured, redeemable, non-convertible debentures of the Company are listed on the wholesale debt market of National Stock Exchange (NSE) and are secured through first ranking exclusive charge by way of hypothecation over the loan receivables.
- 8 During the year, the Company has issued 1500 secured, rated, listed, redeemable Non Convertible Debentures, on Private Placement basis, of the face value Rs. 10,00,000/- each aggregating Rs 1,500 million which were allotted on 17 March 2020 and listed with NSE on 26 March 2020.
- 9 During the year, Company has issued INR denominated ECB Bond amounting to Rs.3,500 million for a tenure of 3 years and has availed FCY denominated ECB Loan amounting to USD 170 million for a tenure of 3 years, in multiple tranches as per ECB framework of RBI.
- 10 Ms Renu Rajani, completed her tenure as independent director on 19 August 2019 and in her place the shareholders appointed Mr Ashok Rao Baswa as Independent Director of the Company effective 19 August 2019 for a period of one year under section 149 of the Companies Act, 2013.
- 11 Effective 01 April 2019, the Company has adopted Ind AS 116 (Leases) and applied it to all lease contracts existing on 01 April 2019 using the modified retrospective approach. Based on the same and as permitted under the specific transitional provisions in the standard, the Company is not required to restate the comparative figures.
As at the date of transition, the adoption of the new standard resulted in the recognition of Right-of-use asset of Rs. 104.34 million and a lease liability of Rs. 116.45 million. The effect of this adoption is not material to the profit for the period and earnings per share.
- 12 The Taxation Laws (Amendment) Ordinance, 2019 contain substantial amendments in the Income Tax Act 1961 and the Finance (No.2) Act, 2019 provide domestic companies a non-reversible option to pay corporate tax at concessional rate effective April 01, 2019, subject to certain conditions. During the current year, the Company has opted for the reduced rates at 25.17% against 34.94% earlier. Accordingly, opening deferred tax assets has been remeasured at new rates which has one time adverse impact of Rs. 76.81 Million reduction of PAT for the year ended 31 March 2020.
- 13 The Covid-19 pandemic has resulted in significant decrease in the economic activities across the country, on account of lockdown that started on 24 March 2020. The lockdown affected the Company's business operations starting from last week of March 2020. Even though lockdown has been eased from most part of the country there still remains a high level of uncertainty with respect to return to normalcy of business operation due to increase in COVID-19 cases.

In accordance with Moratorium policy, framed as per guidelines issued by Reserve Bank of India (RBI) dated 27 March, 2020 and 23 May, 2020 relating to 'COVID-19 - Regulatory Package' and approved by Board of Directors of the Company, the Company has offered/ would offer moratorium on payment of instalments and/or interest, as applicable, falling due between 1 March 2020 and 31 August 2020 to its eligible customers based on requests. In respect of accounts overdue but standard, day past due remains status quo as of 29 February 2020 for the eligible customers under moratorium. The Company continues to recognize interest income during moratorium period. As per assessment done by the Company and in the absence of other customer related credit risk indicators, the granting of moratorium period does not result in automatically triggering of significant increase in credit risk criteria of Ind AS 109.

Based on other information available up to the date of approval of these financial statements the Company assessed impact on its assets including expected credit loss on its loan portfolio and liabilities including Asset Liability Management ("ALM") position. Based on the detailed evaluation, the Company has:

- a) made additional provision for credit losses on its loan portfolio against the impact of COVID-19 by the way of management overlays of Rs.827 million. Further, in terms of the requirement as per RBI notification no. RBI/2019-20/170 DOR (NBFC) CC.PD.No.109/22.10.106/2019-20 dated 13 March 2020 on Implementation of Indian Accounting Standards, Non-Banking Financial Companies (NBFCs) are required to create an impairment reserve for any shortfall in impairment allowances under Ind AS 109 and Income Recognition, Asset Classification and Provisioning (IRACP) norms (including provision on standard assets). The impairment allowances under Ind AS 109 made by the company exceeds the total provision required under IRACP (including standard asset provisioning), as at 31 March 2020 and accordingly, no amount is required to be appropriated to impairment reserve.
- b) stress tested its ALM position as at 31 March 2020 and the Company has a positive cumulative mismatch across all maturity buckets. Further, the liquidity position held in form of high-quality liquid assets and undrawn committed bank lines.

The final impact of the global health pandemic is very uncertain and the actual impact on these financials statements may be different than that estimated based on the conditions prevailing as at date of the approval of financial statements. The management will continue to closely monitor the material changes in the macro-economic factors impacting the operations of the company.

- 14 The figures for the half year ended 31 March 2020 and the corresponding half year ended in the previous year as reported in these annual financial results are the balancing figures between audited figures in respect of the full financial year and the published year-to-date figures for the half year ended 30 September of the respective financial years.
- 15 Earnings per equity share for the half year ended 31 March 2020 and 31 March 2019 have not been annualized.
- 16 Information as required by Regulation 52 (4) of the Securities and Exchange Board of India (Listing Obligation & Disclosure Requirements) Regulations, 2015 has been made to the stock exchange in this regard.
- 17 The Company is a "Large Corporate" as per criteria under SEBI circular SEBI/HO/DDHS/CIR/P/2018/144. Necessary disclosure would be made to the stock exchanges in this regard.
- 18 Previous period figures have been regrouped and reclassified, wherever necessary, to make them comparable with current period figures.

For Toyota Financial Services India Limited

Narayananswamy Raja
Managing Director & CEO

Place: Bangalore
Date: June 25, 2020

