

# **VOLKSWAGEN FINANCE**

**PRIVATE LIMITED**

Directors' Report  
For the Financial Year ended March 31, 2022

## **DIRECTORS' REPORT**

To  
The Members,  
Volkswagen Finance Private Limited

Your Directors have pleasure in presenting Directors Report of the Company together with the Audited Financial Statements for the year ended 31<sup>st</sup> March, 2022.

### **FINANCIAL PERFORMANCE**

The Company's performance during the Financial Year 2021-22 as compared to the previous Financial Year is summarized below:

(Rs. in lacs)

| Particular                                      | Standalone                          |                                     | Consolidated                        |                                     |
|---|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|   | Financial year ended March 31, 2022 | Financial year ended March 31, 2021 | Financial year ended March 31, 2022 | Financial year ended March 31, 2021 |
| Total Income                                    | 17,558                              | 35,234                              | 19,653                              | 36,909                              |
| Less: Expenditure                               | 2,660                               | 32,078                              | 7,740                               | 33,949                              |
| <b>Less: Exceptional item</b>                   | <b>48,530</b>                       | <b>-</b>                            | <b>48,530</b>                       | <b>-</b>                            |
| <b>Profit / (Loss) before tax</b>               | <b>(33,632)</b>                     | <b>3,156</b>                        | <b>(36,617)</b>                     | <b>2960</b>                         |
| Less: Tax expense                               | 8,733                               | 927                                 | 8,774                               | 915                                 |
| <b>Profit / (Loss) after Tax</b>                | <b>(42,366)</b>                     | <b>2,229</b>                        | <b>(45,391)</b>                     | <b>2,045</b>                        |
| Other Comprehensive Income (net of tax)         | 3                                   | 1                                   | 4                                   | 1                                   |
| <b>Total Comprehensive Income as per Ind AS</b> | <b>(42,363)</b>                     | <b>2,230</b>                        | <b>(45,387)</b>                     | <b>2,046</b>                        |

### **OPERATIONAL PERFORMANCE**

For the Financial Year ended March 31, 2022, your Company has incurred a loss of Rs. (33,632) lacs as against Profit of Rs. 3,156 lacs in the previous Financial Year and the Profit/(Loss) after Tax of Rs. (42,366) lacs as against profit of Rs. 2,229 lacs in the previous Financial Year. The Total Income for the year under consideration was Rs. 17,558 lacs and total expenditure was Rs. 2,660 lacs. The loss on sale of the retail portfolio was Rs. 48,530 which is shown separately. The tax expense for the year was Rs. 8,733 lacs comprising of deferred tax which has been expensed off.

During the year the Company sold its Retail Portfolio. The Company also stopped financing the dealers from January 01, 2022. The Company also took a decision of not renewing its Corporate Agency License for the insurance business. The Company has invested the funds received on sale of portfolio in fixed deposits and is well funded to take care of all its liabilities for the next twelve months.

## CONSOLIDATED FINANCIAL STATEMENTS

As required under Section 129 (3) of the Companies Act, 2013, Consolidated Financial Statement of the Company and its subsidiary Company Kuwy Technology Service Private Limited is attached to the Financial Statements. The Consolidated Financial Statements have been prepared in accordance with Indian Accounting Standard as prescribed under Section 133 of the Companies Act, 2013 read with the Companies (Indian Accounting Standards) Rules 2015 as amended. The Audited Consolidated Financial Statements together with Auditors Report forms part of the Financial Statements. The Consolidated loss after tax for the year is Rs. (45,391) lacs.

## CAPITAL ADEQUACY RATIO

Your Company's total Capital Adequacy Ratio (CAR), as of March 31, 2022, stood at 237.40% of the aggregate risk weighted assets on balance sheet and risk adjusted value of the off-balance sheet items, which is well above the regulatory minimum of 15%. The increase in the ratio is due to the reduction in the loan book.

## COMPANY PERFORMANCE

The Company decided to discontinue its wholesale lending business w.e.f. January 01, 2022 and retail loan portfolio and written off retail portfolio was sold to Kotak Mahindra Bank Limited and Kotak Mahindra Prime Limited. It has been decided to continue retail presence in the market through strategic investments in Kuwy Technology Service Private Limited. In addition to above, 2021 was very challenging on account of pandemic and lock down restrictions imposed by government in first quarter of the year. During the Financial Year 2021-22, the Company was present via Dealer Funding for Volkswagen, Skoda, Audi, Porsche and Lamborghini. Retail Loan book declined substantially on account of sale of portfolio to Kotak Group and wholesale earning assets also reduced during the year, primarily due to no disbursements from December 2021 onwards and dealer exits. Majority of the earning assets outstanding under dealer portfolio are under default.

### Brand wise performance at a glance (as at March 31, 2022)

|              | INR Lac               |                          |
|--------------|-----------------------|--------------------------|
|              | Retail Earning Assets | Wholesale Earning Assets |
| Volkswagen   | 48                    | 3,925                    |
| Audi         | 102                   | 7,957                    |
| Skoda        | 34                    | 6,437                    |
| Porsche      | -                     | 3,623                    |
| Lamorghini   | -                     | -                        |
| Ducati       | -                     | -                        |
| Man          | -                     | -                        |
| Scania       | 3,010                 | 11,879                   |
| Used T&B     | 128                   | 731                      |
| KUWY         | -                     | 3,625                    |
| <b>Total</b> | <b>3,323</b>          | <b>38,176</b>            |

## MANAGEMENT DISCUSSION & ANALYSIS REPORT

The Management Discussion & Analysis Report is enclosed as Annexure 'A' to this Report.

## **REPORT ON PERFORMANCE OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE COMPANIES**

The Company has one subsidiary Company i.e. Kuwy Technology Service Private Limited. A report on the performance and financial position of associate Company as per the Companies Act, 2013 is provided in Consolidated Financial Statements.

Pursuant to Rule 5 of the Companies (Accounts) Rules, 2014, the details of Associate Company as required in Form AOC-1 are enclosed as per Annexure "B".

## **COMPLIANCES PERTAINING TO DOWNSTREAM INVESTMENT**

The Company has complied with FEMA provisions pertaining to Downstream Investment in Kuwy Technology Service Private Limited. In accordance with para 9.7.1 RBI Master Direction on Foreign Investment in India, the Company has also obtained certificate from Statutory Auditor and there are no adverse remarks.

## **DIVIDEND**

In the view to conserve resources, your Directors do not recommend any dividend for the year under review.

## **TRANSFER TO RESERVES**

During the year, the Company has not transferred any amount to the Special Reserve under section 45 IC of the Reserve Bank of India Act, 1934.

## **SHARE CAPITAL**

### **Authorised Share Capital**

The Authorised Share Capital of the Company as on March 31, 2022 was INR 16,290,000,000/- (Indian Rupees Sixteen Billion Two Hundred Ninety Million Only) comprising of 1,629,000,000 equity shares of INR 10/- (Indian Rupees Ten only).

### **Paid-up Share Capital**

The issued and paid-up Equity Share Capital as on March 31, 2022 was INR 11,688,021,440/- (Indian Rupees Eleven Billion Six Hundred Eighty-Eight Million Twenty-one Thousand Four Hundred Forty Only) comprising of 1,168,802,144 equity shares of INR 10/- (Indian Rupees Ten only).

The Company has neither issued any equity shares including shares with differential rights as to dividend, voting or otherwise, nor has issued any sweat equity, Employee Stock Options, during the year under review.

The Board of Directors at its Meeting held on June 01, 2022, has granted in-principle approval for reduction of Equity Share Capital of the Company, subject to approval from National Company Law Tribunal, Mumbai Bench and such other regulatory authorities as may be applicable for an amount not exceeding 50% of the cash/bank balances.

## **CREDIT RATINGS**

During the year, India Ratings and Research (Ind-Ra) has affirmed the Company's Long-Term Issuer Rating at 'IND AAA/Stable and Short-Term Issuer Rating at 'IND A1+/Stable. Since no funding requirement can be foreseen on account of the current business operations, credit rating with ICRA Limited and India Rating for Commercial Paper, Non-Convertible Debentures and bank lines have been surrendered.

## **DEPOSITS**

The Company is registered as Non-Deposit Accepting Non-Banking Financial Company (NBFC ND) with Reserve Bank of India. The Company did not hold any public deposits at the beginning of the year nor has it accepted any public deposits during the year under review. Further, the Company is exempt from the provisions of Chapter V of the Companies Act, 2013 read with the relevant Rules pertaining to public deposits.

## **MATERIAL CHANGES AND COMMITMENTS- CHANGES IN THE OVERALL BUSINESS STRATEGY**

Pursuant to the decision of the Board of Directors, the Company has sold its retail portfolio and written off retail portfolio to Kotak Mahindra Bank Limited and Kotak Mahindra Prime Limited and the agreement in respect thereof have been executed on September 15, 2021. Wholesale business was also discontinued from January 01, 2022.

Further, the Board of Directors at its Meeting held on February 07, 2022 have authorized VWFPL to enter into Memorandum of Understanding (MOU) with Kuwy Technology Service Pvt. Ltd (KUWY) for servicing of its customers and the Company has not renewed its Corporate Agency License expiring on March 31, 2022.

Further, pursuant to the decision of the Board of Directors at its Meeting held on June 01, 2022, the Company has made an application with Reserve Bank of India for surrender of its NBFC license as there is no intention of continuing financial activities as its principle business.

## **DISCLOSURE OF INTERNAL CONTROLS / INTERNAL FINANCIAL CONTROLS**

As part of the internal control framework, the management has developed extensive policies and procedures through the Local Organizational Hand Book (L-OHB) for ensuring the orderly and efficient conduct of its business. The Company has set up Process Management function to design processes and workflow that maximize efficiency, maintain high levels of customer experience, and comply with regulatory and audit requirements. The Company has established risk measurement and evaluation procedures in line with Volkswagen Group guidelines. In order to mitigate operational risks, the Company has put in place extensive internal controls which includes audit trails, appropriate segregation of operations to ensure maker-checker concept at each stage, post transaction monitoring processes at the back end to ensure independent checks and balances, adherence to the laid down policies and procedures of the Company and to all applicable regulatory guidelines. The monitoring and reporting of frauds is undertaken by Risk Management department and the Board reviews the fraud report on quarterly and annual basis recommending various measures for system and process corrections. The fraud cases involving Rs. 25 lacs and above are monitored

and reviewed by the Audit Committee of the Board to ensure adequate assessment of punitive or preventive aspects of frauds. The Company has internal financial control system that was operating effectively as on March 31, 2022.

Audit is carried out for examining and evaluating the adherence to Company's policies, safeguarding of its assets, controls over accuracy and completeness of the accounting records.

For F.Y 2021-22, the external audit agency assisted the Internal Auditor, the Management and the Board of Directors in assessing and assuring the adequacy and effectiveness of internal controls and risk management by performing regular audits within the Company according to its annual plan.

Further, external party carries out evaluation of Internal Financial Controls of the Company on an annual basis. Report on the same is discussed at the Audit Committee and suggestions provided by the evaluator and Committee is noted by the Management. Adequate Financial Controls are operative for all the business activities of the Company during the review. The Company has also implemented Compliance Management System for effective monitoring of applicable regulatory requirements.

The Board is of the view that the preparation of Financial Statements for external purposes is in accordance with relevant accounting standards and regulatory requirements.

#### **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS**

No orders have been passed by any Regulator or Court or Tribunal which can have impact on the going concern status of the Company and its future operations.

#### **PARTICULARS OF CONTRACTS OR ARRANGEMENT WITH RELATED PARTIES**

All related party transactions that were entered during the financial year were on an arm's length basis and were in the ordinary course of business. During the year, the Company had not entered into any contract/ arrangement/ transaction with related parties which could be considered material in accordance with the Policy on Related Party Transactions. Pursuant to section 134(3) (h) read with Rule 8(2) of the Companies (Accounts) Rules, 2014, there are no transactions to be reported under Section 188(1) of the Companies Act, 2013. However, as a good governance practice, prior approval from the Board was obtained for transactions with related party which were on arm's length basis and in the ordinary course of business.

The policy on Related Party Transactions as approved by the Board is annexed as Annexure 'C' and is also uploaded on the Company's website.

#### **PARTICULARS OF LOANS, GUARANTEES, INVESTMENTS AND SECURITIES**

For the Financial Year ended March 31, 2022, the provisions of section 186 of the Act, except sub section 1, are not applicable to the loans, guarantees and securities made by the Company as it is established with the object of and engaged in the business of financing industrial enterprises.

### **DISCLOSURE UNDER OTHER SECTIONS OF THE COMPANIES ACT, 2013**

During the year under review, the Company has not issued any shares under Section 43, 54 and 62 of the Act and hence no information as per provisions of the Act read with the Companies (Share Capital and Debenture) Rules, 2014 is furnished.

Further, there has been no change in the capital structure of the Company during the year under review.

### **DISCLOSURE UNDER RBI DIRECTIONS ON CORPORATE GOVERNANCE**

The disclosure requirement including credit rating, under Sub-regulation 2 of Regulation 70 of the Master Directions - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 are forming part of the notes to accounts.

### **DISCLOSURE UNDER LIQUIDITY RISK MANAGEMENT FRAMEWORK**

As required under Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies issued by RBI on November 04, 2019, disclosure of liquidity risk in desired format is available on Website of the Company at [Investor Information \(vwfs.co.in\)](http://Investor Information (vwfs.co.in))

### **MATTERS RELATED TO DIRECTORS AND KEY MANAGERIAL PERSONNEL**

The Board of Directors of the Company consists of judicious mix of Independent and Non-Independent Directors who collectively steer the Company in attaining its corporate objectives.

Following is the composition of the Board of Directors as on March 31, 2022:

| <b>Sr. No</b> | <b>Name of Directors</b>    | <b>Designation</b>                            |
|---------------|-----------------------------|---|
| 1.            | Mr. Ashish Deshpande        | Managing Director and Chief Executive Officer |
| 2.            | Mr. Ralf Teichmann          | Director (Non-Executive)                      |
| 3.            | Dr. Christian Rosswag       | Managing Director and Chief Financial Officer |
| 4.            | Ms. Rupa Vora               | Independent Director                          |
| 5.            | Mr. Jambunathan Subramanian | Independent Director                          |

None of the Non-Executive Directors and Independent Directors had any pecuniary relationships or transactions with the Company during the year under review except receipt of sitting fees.

During the year under review, the following changes took place in composition of the Board of Directors & Key Managerial Personnel of the Company:

#### **a. Board of Directors**

As a good governance practice, the Company continues to have Independent Directors as Board members.

- **Appointments**

Mr. Ralf Teichmann (DIN 09107391) was appointed as an Additional Director (Non-Executive) of the Company with effect from April 01, 2021.

Upon the recommendation of the Nomination and Remuneration Committee, the Board of Directors appointed Ms. Minal Shah (DIN: 09291597) (Maiden Name: Ms. Minal Sheth) as Managing Director and CFO of the Company for a period of 7 Months effective from August 31, 2021 until March 31, 2022. The Reserve Bank of India has granted approval for the said appointment.

Upon the recommendation of the Nomination and Remuneration Committee, the Board of Directors appointed Dr. Christian Rosswag (DIN: 09382572) as Managing Director and CFO of the Company for a period of 3 years w.e.f November 01, 2021 until October 31, 2024. The Reserve Bank of India has granted approval for the said appointment.

Upon the recommendation of the Nomination and Remuneration Committee, the Board of Directors re-appointed Mr. Ashish Deshpande (DIN 08314277) as Managing Director and CEO of the Company w.e.f March 01, 2022 for a further period of 1 year until February 28, 2023. The Reserve Bank of India has granted approval for the said re-appointment.

Based on the recommendation of the Nomination and Remuneration Committee and Board of Directors, the Members of the Company at its 12<sup>th</sup> Annual General Meeting held on September 28, 2021 approved the appointment of (i) Ms. Minal Shah as Managing Director and Chief Financial Officer of the Company for a period of 7 months effective from August 31, 2021 until March 31, 2022; (ii) Mr. Jorg Thielemann (DIN 09037877) as Non- Executive Director and (iii) Mr. Ralf Teichmann (DIN 09107391) as Non- Executive Director.

Based on the recommendation of the Nomination and Remuneration Committee and Board of Directors, the Members of the Company at its Extra-Ordinary General Meeting held on December 29, 2021 approved the appointment of Dr. Christian Rosswag (DIN: 09382572) as Managing Director and CFO of the Company for a period of 3 years w.e.f November 01, 2021 until October 31, 2024.

Based on the recommendation of the Nomination and Remuneration Committee and Board of Directors, the Members of the Company at its Extra-Ordinary General Meeting held on March 29, 2022 approved the re-appointment of Mr. Ashish Deshpande (DIN 08314277) as Managing Director and CEO of the Company w.e.f March 01, 2022 for a further period of 1 year until February 28, 2023.

- **Resignations**

Mr. Jorg Thielemann resigned the office as a Director of the Company w.e.f October 29, 2021. Ms. Minal Shah resigned the office as the Managing Director and Chief Financial Officer of the Company w.e.f October 31, 2021.

The Board of Directors places on record its sincere appreciation for contribution made by Mr. Jorg Thielemann and Ms. Minal Shah during their tenure as Directors of the Company.

- **Declaration by Independent Directors**

All Independent Directors have given declarations that they meet the criteria of Independence as laid down under Section 149(6) of the Companies Act, 2013 and have complied with the Code for Independent Directors prescribed in Schedule IV to the Act.

The Company has also received confirmations from Independent Directors pertaining to inclusion of their name in the Data Bank. The Board is of the opinion that the Independent Directors appointed during the year possess integrity, expertise and experience.

- **Fit and Proper Criteria & Code of Conduct**

All the Directors meet the fit and proper criteria stipulated by the Reserve Bank of India ("RBI"). All the Directors of the Company have affirmed compliance with the Code of Conduct of the Company.

**b. Key Managerial Personnel**

- **Appointments**

Ms. Jinal Visrodia was appointed as Company Secretary & Compliance Officer of the Company w.e.f. June 28, 2021.

Ms. Minal Shah (DIN: 09291597) was appointed as Managing Director and Chief Financial Officer of the Company for a period of 7 Months effective from August 31, 2021 until March 31, 2022.

Mr. Ashish Deshpande (DIN 08314277) was re-appointed as Managing Director and Chief Executive Officer of the Company w.e.f. March 01, 2022 for a period of 1 year until February 28, 2023.

- **Resignations**

Ms. Harshada Pathak resigned as the Company Secretary & Compliance Officer of the Company w.e.f April 05, 2021.

Ms. Minal Shah resigned the office as the Managing Director and Chief Financial Officer of the Company w.e.f October 31, 2021.

**DIRECTORS' RESPONSIBILITY STATEMENT**

In terms of Section 134(3)(c) of the Companies Act, 2013, your Directors confirm that to the best of their knowledge and belief and according to the information and explanations obtained by them -

- (i) in the preparation of the annual accounts for the year ended March 31, 2022, the applicable accounting standards have been followed and there are no material departures in adoption of these standards;

- (ii) appropriate accounting policies have been selected and applied consistently and judgments and estimates that are reasonable and prudent has been made so as to give a true and fair view of the state of affairs of the Company as at March 31, 2022 and of the loss of the Company for that year;
- (iii) proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act have been taken for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) the annual accounts for the year ended March 31, 2022 have been prepared on a going concern basis;
- (v) the internal financial controls to be followed by the Company have been laid down and that such internal financial controls are adequate and were operating effectively
- (vi) proper systems have been devised to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## **DISCLOSURES RELATED TO BOARD, COMMITTEES AND POLICIES**

### **Board Meetings**

The Board of Directors met 5 times during the financial year ended 31<sup>st</sup> March 2022 in accordance with the provisions of the Act and rules made there under and the dates on which they met during the financial year under review are as under:

| <b>Sr. No.</b> | <b>Date of the Board Meeting</b> |
|----------------|----------------------------------|
| 1.             | May 25, 2021                     |
| 2.             | June 28, 2021                    |
| 3.             | August 27, 2021                  |
| 4.             | November 10, 2021                |
| 5.             | February 7, 2022                 |

| <b>Sr. No.</b> | <b>Name of Directors</b>    | <b>Number of Meetings attended</b> |
|----------------|-----------------------------|------------------------------------|
| 1              | Mr. Ashish Deshpande        | 5                                  |
| 2              | Dr. Christian Rosswag*      | 2                                  |
| 3              | Mr. Ralf Teichmann          | 5                                  |
| 4              | Ms. Rupa Vora               | 5                                  |
| 5              | Mr. Jambunathan Subramanian | 5                                  |
| 6              | Mr. Jorg Thielemann%        | 3                                  |

\*Appointed as MD & CFO effective from November 01, 2021

% Appointed as Additional Director (Non-Executive) effective from March 01, 2021 and resigned as Director effective from October 29, 2021

### **Committees of the Board**

The Company has various Committees which have been constituted with specific terms of reference/scope to focus effectively on issues and ensure expedient resolution of diverse matters and the same are in compliance with the requirements of the relevant provisions of applicable laws and statutes. The Composition and other details of statutory Committees are as follows:

#### **a. Audit Committee:**

The Company has a duly constituted Audit Committee in compliance Chapter XI of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016. The scope of the Audit Committee *inter alia* includes, examination of the financial statement and the auditors' report thereon, approval or any subsequent modification of transactions of the Company with related parties; recommending to the Board the appointment, remuneration and terms of appointment of auditors of the Company, oversight of the Company's financial reporting process and vigil mechanism and review of Internal Audit Reports.

#### **Composition of the Audit Committee as on March 31, 2022:**

1. Mr. Ralf Teichmann, Non-Executive Director
2. Ms. Rupa Vora, Independent Director
3. Mr. Jambunathan Subramanian, Independent Director

#### **Meetings held during the Financial Year 2021-22:**

| Sr. No. | Date of the Meeting             |
|---------|---------------------------------|
| 1.      | 28 <sup>th</sup> June, 2021     |
| 2.      | 27 <sup>th</sup> August, 2021   |
| 3.      | 10 <sup>th</sup> November, 2021 |
| 4.      | 7 <sup>th</sup> February, 2022  |

#### **Attendance record:**

| Sr. No. | Name of Directors           | Number of Meetings attended |
|---------|-----------------------------|-----------------------------|
| 1.      | Mr. Ralf Teichmann          | 4                           |
| 2.      | Ms. Rupa Vora               | 4                           |
| 3.      | Mr. Jambunathan Subramanian | 4                           |

#### **b. Nomination and Remuneration Committee:**

The Company has constituted Nomination and Remuneration Committee in accordance with Chapter XI of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 which has been authorized to establish the criteria for selection to the Board, to evaluate the proposed candidate on fit and proper criteria as may be prescribed by RBI. The compliances

as prescribed under Section 178 of the Companies Act, 2013 applicable to listed public company are being adhered as a good governance practice.

**Composition of the Nomination & Remuneration Committee as on March 31, 2022:**

1. Mr. Ralf Teichmann, Non-Executive Director
2. Ms. Rupa Vora, Independent Director
3. Mr. Jambunathan Subramanian, Independent Director

**Meetings held during the Financial Year 2021-22:**

| Sr. No. | Date of the Meeting             |
|---------|---------------------------------|
| 1.      | 25 <sup>th</sup> May, 2021      |
| 2.      | 28 <sup>th</sup> June, 2021     |
| 3.      | 27 <sup>th</sup> August, 2021   |
| 4.      | 10 <sup>th</sup> November, 2021 |
| 5.      | 7 <sup>th</sup> February, 2022  |

**Attendance record:**

| Sr. No. | Name of Directors           | Number of Meetings attended |
|---------|-----------------------------|-----------------------------|
| 1.      | Mr. Ralf Teichmann          | 5                           |
| 2.      | Ms. Rupa Vora               | 5                           |
| 3.      | Mr. Jambunathan Subramanian | 5                           |

The Company has followed the procedure where evaluation of Directors' individual performance, evaluation of performance of Board and its Committees is carried by the Board of Directors. Additionally, evaluation of performance of Non-Independent Directors is carried out by Independent Directors at their separate meeting.

The Remuneration Policy sets out the guidelines for the Remuneration of the Directors and Key Managerial Persons of the Company. Guideline on Director's Appointment and Remuneration defines the overall framework for determining appointment of Directors, which includes qualifications, positive attributes, fit & proper criteria and Independence, evaluation methodology and evaluation criteria for appointment of Independent Directors.

The aforesaid policies are available on the website of the Company at following link:  
<https://www.vwfs.co.in/Compliance.html>

**c. Corporate Social Responsibility (CSR) Committee:**

The Corporate Social Responsibility (CSR) Committee monitors the CSR Policy of the Company and allocates the amount of expenditure to be incurred on CSR activities as enumerated in Schedule VII to the Companies Act, 2013. The CSR Policy of the Company defines the overall framework of CSR, the Policy has been amended to include changes in Schedule VII to the Companies Act, 2013, as amended from time to time. The budgeted spent for F.Y 2022-23 being less than the amount prescribed under section 135(9) of the Companies Act, 2013, based on recommendation of the CSR Committee, the Board of

Directors at its adjourned Meeting held on June 30, 2022 have considered dissolution of CSR Committee with immediate effect and the CSR Policy has been amended accordingly,

The aforesaid Policy is also available on the website of the Company at following link:  
<https://www.vwfs.co.in/Compliance.html>

#### **Composition of the Corporate Social Responsibility Committee as on March 31, 2022**

1. Mr. Ashish Deshpande, Managing Director & CEO
2. Ms. Rupa Vora, Independent Director
3. Mr. Jambunathan Subramanian, Independent Director

#### **Meetings held during the Financial Year 2021-2022:**

| <b>Sr. No.</b> | <b>Date of the Meeting</b>     |
|----------------|--------------------------------|
| 1.             | 28 <sup>th</sup> June, 2021    |
| 2.             | 7 <sup>th</sup> February, 2022 |

#### **Attendance record:**

| <b>Sr. No.</b> | <b>Name of Directors</b>    | <b>Number of Meetings attended</b> |
|----------------|-----------------------------|------------------------------------|
| 1              | Mr. Ashish Deshpande        | 2                                  |
| 2              | Ms. Rupa Vora               | 2                                  |
| 3              | Mr. Jambunathan Subramanian | 2                                  |

#### **Update on CSR activities of the Company for F.Y. 2021-22**

The Company was required to spend Rs. 3,461,794/- on CSR activities for the financial year 2021-22. Rs. 3,287,867 out of which excess spent of Rs. 1,73,927/- has been set-off. Rs. 517,100/- have been spent towards CSR activity WOTR, Rs. 173,090/- administrative expenses incurred were Rs. 173,090/- and balance of Rs. 2,597,677 has been spent towards PM Cares.

The Annual Report on CSR activities has been enclosed as Annexure "D".

#### **Social impact and Employee Engagement of CSR Activities of the Company**

##### **I. Watershed Organization Trust (WOTR)**

The Company has partnered with Watershed Organization Trust (WOTR) – Maharashtra for participatory watershed development and eco-systems restoration, adaptive sustainable agriculture, integrated and efficient water management, and climate change adaptation, with a special emphasis on vulnerable communities, farmers, and women. The project is being implemented in 3 villages in Karauli district, Rajasthan.

The objectives of the project are:

- Sustainable and inclusive approaches for soil conservation, regeneration of degraded lands and
- improved soil health, availability of water for irrigation and better livestock management are being planned for enhanced overall productivity; Enhance the capacities of the village level institution to become proactive catalyst in the development endeavors of their own village through training and awareness generation.



## II. PM Cares

Considering the operational difficulty in monitoring the projects on account of resurgence of Covid-19 pandemic and manpower constraints due to changes in business strategy, a contribution was made to PM Cares Fund for the overall national welfare

### d. Asset and Liability Management Committee:

The Company has duly constituted the Asset and Liability Committee to monitor the asset liability framework of the Company in accordance with RBI guidelines in this regard. The Minutes of the Asset and Liability Committee are regularly placed before the Board for oversight.

### **Composition of the Asset Liability Management Committee as on March 31, 2022:**

1. Mr. Ashish Deshpande, Managing Director & CEO
2. Dr. Christian Rosswag, Managing Director & CFO
3. Ms. Minal Shah, Head of Controlling and Risk Management
4. Ms. Sangeeta Panchdhari, Head of Finance
5. Ms. Jinal Visrodia, Company Secretary & Compliance Officer

### **Meetings held during the Financial Year 2021-22:**

| Sr. No. | Date of the Meeting |
|---------|---------------------|
| 1.      | June 25, 2021       |
| 2.      | September 29, 2021  |
| 3.      | December 21, 2021   |
| 4.      | March 31, 2022      |

**Attendance record of Board Members:**

| Sr. No. | Name of Directors               | Number of Meetings attended |
|---------|---------------------------------|-----------------------------|
| 1.      | Mr. Ashish Deshpande            | 4                           |
| 2.      | Dr. Christian Rosswag*          | 2                           |
| 3.      | Ms. Minal Shah <sup>&amp;</sup> | 1                           |

\* Dr. Christian Rosswag was appointed as Managing Director and CFO w.e.f. November 01, 2021

<sup>&</sup>Appointed as MD & CFO effective from August 31, 2021 and resigned as MD & CFO of the Company effective October 31, 2021

**e. Risk Management Committee & Framework:**

The Company as part of its Risk Management Framework continuously identifies, assesses and manages its strategic/market, equity, credit, liquidity, operational, compliance, legal, reputational risk etc., and also ensures that appropriate frameworks for risk management operates in the Company. Thereby, it adequately identifies and addresses the elements of risk faced by the business.

The said Risk Management Framework has been adopted by the Board of Directors as the Risk Management Policy of the Company under the regulatory requirement.

The Company has constituted a Risk Management Committee in accordance with RBI directions in this regard. The Minutes of the Risk Management Committee are regularly placed before the Board for oversight.

**Composition of the Risk Management Committee as on March 31, 2022:**

1. Mr. Ashish Deshpande, Managing Director & CEO
2. Dr. Christian Rosswag, Managing Director & CFO
3. Ms. Minal Shah, Head of Risk Management
4. Ms. Aditi Rathi, Credit Assessment
5. Ms. Jinal Visrodia, Company Secretary & Compliance Officer

**Meetings held during the Financial Year 2021-22:**

| Sr. No. | Date of the Meeting |
|---------|---------------------|
| 1.      | May 10, 2021        |
| 2.      | July 29, 2021       |
| 3.      | November 02, 2021   |
| 4.      | January 31, 2022    |

**Attendance record of Board Members:**

| Sr. No. | Name of Directors      | Number of Meetings attended |
|---------|------------------------|-----------------------------|
| 1.      | Mr. Ashish Deshpande   | 4                           |
| 2.      | Dr. Christian Rosswag* | 1                           |

\* Dr. Christian Rosswag was appointed as Managing Director and CFO w.e.f. November 01, 2021

#### **f. Information Technology (IT) Strategy Committee:**

The Reserve Bank of India has issued Master Directions - Information Technology Framework for the NBFC Sector, 2017 (Master Directions) on June 08, 2017, with the objective of benchmarking various aspects of the Information Technology to the best practices and enhancing safety, security, efficiency in processes leading to benefits for NBFCs and their customers. The focus areas of the Master Directions are IT Governance, IT Policy, Information & Cyber Security, IT Operations, IS Audit, Business Continuity Planning and IT Services Outsourcing.

In line with the Master Directions issued by RBI, the Board at its Meeting held on July 20, 2017 has formulated the IT Strategy Committee and approved the Charter (terms of reference) enlisting its roles and responsibilities. The Committee has been reconstituted on February 07, 2022 to include Mr. Arvind Mahajan as Chief Information Officer w.e.f. February 10, 2022 in place of Ms. Isha Agarwal who has resigned from the Organization.

#### **Composition of the IT Strategy Committee as on March 31, 2022:**

1. Ms. Rupa Vora, Independent Director and Chairperson of the Committee
2. Mr. Ashish Deshpande, Managing Director and CEO
3. Dr. Christian Rosswag, Managing Director and CFO
4. Mr. Arvind Mahajan, Chief Information Officer

#### **Meetings held during the Financial Year 2021-22:**

| <b>Sr. No.</b> | <b>Date of the Meeting</b> |
|----------------|----------------------------|
| 1.             | September 09, 2021         |
| 2.             | March 01, 2022             |

#### **Attendance record of Board Members:**

| <b>Sr. No</b> | <b>Name of Directors</b>        | <b>Number of Meetings attended</b> |
|---------------|---------------------------------|------------------------------------|
| 1             | Mr. Ashish Deshpande            | 2                                  |
| 2             | Dr. Christian Rosswag*          | 1                                  |
| 3             | Ms. Rupa Vora                   | 2                                  |
| 4             | Ms. Minal Shah <sup>&amp;</sup> | 1                                  |

\*Appointed as MD & CFO effective from November 01, 2021

<sup>&</sup>Appointed as MD & CFO effective from August 31, 2021 and resigned as MD & CFO of the Company effective October 31, 2021.

#### **VIGIL MECHANISM**

The Company encourages a free and open culture in its dealings with its employees, vendors, business partners and hence has established Whistle Blowing system which serves as vigil mechanism as envisaged in section 177 (9) of the Companies Act, 2013, for the directors and employees to report their genuine concerns or grievances about unethical behaviour, actual or suspected fraud or violation of the law or company's code of conduct. The whistle blowing mechanism provides for adequate safeguards against victimization of persons who use such mechanism and is monitored by the Audit Committee. No alerts were

received by the Company through Whistle Blowing system during the Financial Year 2021-22. The Policy is available on the website of the Company at following link: <https://www.vwfs.co.in/Compliance.html>

### **ANNUAL EVALUATION OF DIRECTORS, COMMITTEES AND BOARD**

The formal annual evaluation of the performance of the Board and that of its Committees has been carried out through a structured evaluation process covering various aspects of the Board's functioning such as the Board structure & composition, effectiveness of Board processes, information flow and functioning, quality of relationship between the Board and the Management, establishment and delineation of the responsibilities to Committees etc. The performance of individual Directors was evaluated on parameters such as professional conduct, performance of duties, role and function, contribution to the Board/Committees/Senior management etc. by peer review and self-evaluation process.

The Directors were satisfied with the evaluation results, which reflected the overall engagement of the Board and its Committees with the Company. As directed, Independent Directors were involved in discussions on important matters.

### **DISCLOSURE UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 AND OTHER DISCLOSURES AS PER RULE 5 OF COMPANIES (APPOINTMENT & REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014:**

The disclosures as required under Section 197(12) of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are not applicable to the Company for the year under review.

### **Payment of Remuneration / Commission to Directors from holding company**

The Managing Directors of the Company are not in receipt of remuneration/commission from the holding Company.

### **AUDITORS AND REPORTS**

The matters related to Auditors and their Reports are as under:

#### **Statutory Auditors**

The Shareholders of the Company at their Annual General Meeting held on July 16, 2019 had appointed M/s S. R. Batliboi & Co. LLP, Chartered Accountants (Firm Registration No. 301003E/E300005) as Statutory Auditors of the Company for a period of 5 years from the conclusion of Tenth Annual General Meeting until conclusion of Fifteenth Annual General Meeting.

Pursuant to the RBI Circular dated April 27, 2021, issued by the Reserve Bank of India on appointment of Statutory Auditors ("RBI Circular"), Non-Banking Financial Companies (NBFCs) from FY 2021-22 are required to appoint the Statutory auditors for a continuous period of 3 years, subject to the firms satisfying the eligibility norms each year. NBFCs have the flexibility to adopt these guidelines from H2 (second half) of FY 2021-22 in order to ensure that there is no disruption.

Pursuant to the restrictions on the number of audits a firm can undertake as prescribed under the aforesaid circular, M/s S.R.Batliboi & Co LLP, Chartered Accountants, informed the Company about their inability to continue as statutory auditors of the Company.

The Shareholders of the Company at the Extra-Ordinary General Meeting held on December 13, 2021 have appointed M/s. Batliboi & Purohit, Chartered Accountants (Firm Registration No. 101048W) as Statutory Auditors of the Company for a term of three consecutive years from F.Y. 2021-22 until F.Y 2023-24 to hold office from conclusion of Extra-Ordinary General Meeting dated December 13, 2021 till the conclusion of Fifteenth Annual General Meeting. The Auditors have confirmed that they are not disqualified within the meaning of Sections 139 and 141 of the Companies Act, 2013, read with Companies (Audit and Auditors) Rules, 2014 to continue as the Statutory Auditors of the Company.

#### **Observations of Statutory Auditors on Accounts for the year ended March 31, 2022**

The Statutory Auditors report on standalone financial statement does not contain any observation or qualification requiring explanation or comments from the Board under Section 134(3) of the Act. The Statutory Auditors have given unmodified opinion on audit of standalone and consolidated financial statements of the Company for the year ended March 31, 2022 and Companies (Audit Report) Order, 2016.

The Statutory Auditors have not reported any incident of fraud to the Audit Committee of the Company in the year under review.

#### **SECRETARIAL AUDIT REPORT FOR THE YEAR ENDED MARCH 31, 2022**

Provisions of Section 204 read with Section 134(3) of the Act, mandates to obtain Secretarial Audit Report from Practicing Company Secretary. M/s. Aashish K. Bhatt & Associates, Practicing Company Secretaries had been appointed to carry on the Secretarial Audit and provide a Secretarial Audit Report for the financial year 2021-22.

Secretarial Audit Report issued by M/s. Aashish K. Bhatt & Associates, Practicing Company Secretaries in Form MR-3 for the financial year 2021-22 forms part to this report as Annexure "E".

With regard to the observations made in the Secretarial Audit Report, due to technical issue there was a delay in filing forms and since the company has stopped retail and wholesale funding, it was not able to meet the 50-50 criteria as prescribed by RBI. For observation regarding integration between MIS system and reporting under COSMOS/XBRL, considering the current business scenario & cost involved, the company to continue reporting as per current method. Decision on the same will be taken based on changes in the business strategy in future. The Board of Directors at its Meeting held on June 01, 2022 have decided to surrender NBFC license issued by RBI as there is no intention of carrying on finance business as its principal activity. Requirement of maintenance of separate bank account by MISP under IRDA norms has been partially complied. RBI vide its circular dated December 14, 2020 has decided to permit banks to open specific accounts which are stipulated under various statutes and instructions of other regulators/ regulatory departments, without any restrictions. However due to ambiguity in the indicative list of guidelines, many banks are unable to cater the requirement of opening a separate account. The Board of Directors at its Meeting held on February 07, 2022 have authorized VWFPL to enter into Memorandum of understanding (MOU) with Kuwy Technology Service Pvt. Ltd (KUWY) for servicing of its customers and VWFPL will not be renewing its Corporate Agency License expiring on March 31, 2022

The Secretarial Auditors have not reported any incident of fraud to the Audit Committee of the Company in the year under review.

## **COST RECORDS**

Maintenance of cost records as specified by the Central Government under section 148(1) of the Companies Act, 2013, is not required by the Company as the Company does not fall under the ambit of prescribed class of Companies who are required to make and maintain cost records.

## **OTHER DISCLOSURES**

Other disclosures as per provisions of Section 134 of the Act read with Companies (Accounts) Rules, 2014 and allied laws are furnished as under:

## **ANNUAL RETURN**

Pursuant to the provisions of Section 134(3)(a) of the Act, Annual Return in Form MGT-7 referred to in sub-section (3) of section 92 is available on the website of the Company at following link: <https://www.vwfs.co.in/investor-information-New.html>

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO**

There are no details to be disclosed under the provisions of Section 134(3)(m) of the Act read with Rule 8 of the Companies (Accounts) Rules, 2014 in respect of conservation of energy and technology absorption having regard to the nature of activities undertaken by the Company during the year under review.

During the year under review, the Company has incurred foreign exchange gain (Net) of Rs. 18.20 lacs. Refer note no. 20 of the notes to Financial Statements for details on use of foreign exchange.

## **DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013**

The Company has in place an Anti-Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has set up an Internal Complaints Committee to redress the complaints received regarding sexual harassment and has complied with all the provisions relating to its constitution under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. All employees (Permanent, contractual, temporary, trainees) are covered under this policy. The Internal Complaints Committee reports to the Audit Committee of the Company, which in turn reports to Board of Directors of the Company.

The Company has not received any sexual harassment complaint during the year 2021-22.

## **DISCLOSURE PERTAINING NON CONVERTIBLE DEBENTURES**

During the financial year under review, the Company has not issued Secured, Redeemable Non-Convertible Debentures. The Company has, during the year, redeemed 1,500 Secured, Redeemable Non-Convertible Debentures of Rs. 10,00,000 each as mentioned below:

| Sr. No. | Particulars            | Availed Date | Maturity Date | Maturity Amount (Rs.) |
|---------|------------------------|--------------|---------------|-----------------------|
| 1       | VWFPL NCD B FY 2019-20 | 30-Aug-19    | 27-May-21     | 1,500,000,000.00      |

The contact details of the debenture trustees are mentioned below:

Vistra ITCL (India) Limited  
(formerly known as IL&FS Trust Company Limited)  
ILFS Centre, Plot C-22, G-Block, 7th Floor  
Bandra Kurla Complex, Bandra (East),  
Mumbai - 400 051  
Contact No 022-2659 3150  
Website: [www.vistraitcl.com](http://www.vistraitcl.com)

Since as on March 31, 2022 no securities were listed on stock exchange, the compliances prescribed by the Securities Exchange Board of India (SEBI) for listed entities are not applicable to the Company.

#### COMPLIANCE WITH APPLICABLE SECRETARIAL STANDARDS

The Company has complied with the applicable Secretarial Standards viz. SS-1 and SS-2 during the financial year 2021-22.

#### DETAILS OF APPLICATION MADE OR ANY PROCEEDINGS PENDING UNDER INSOLVENCY AND BANKRUPTCY CODE, 2016 DURING THE YEAR AND STATUS AT THE END OF THE YEAR

There were no applications made and no proceedings were pending under the Insolvency and Bankruptcy Code, 2016 during the year under review.

#### ACKNOWLEDGEMENTS AND APPRECIATION

Your Directors take this opportunity to thank the customers, employees, shareholders, suppliers, bankers, business partners/associates, financial institutions and Central and State Governments for their consistent support to the Company.

For and on behalf of the Board

  
**Ashish Deshpande**  
Managing Director & CEO  
DIN: 08314277

  
**Christian Rosswag**  
Managing Director & CFO  
DIN: 09382572

Date: July 28, 2022  
Place: Mumbai

#### Registered Office

3rd Floor, Wing - A, Silver Utopia,  
Cardinal Gracious Road, Chakala, Andheri (East), Mumbai- 400099  
CIN: U65999MH2009FTC189640  
Tel No. +91 22 39521000

## INDUSTRY STRUCTURE AND DEVELOPMENTS

Since the Company is in captive finance segment catering to finance of vehicles manufactured by Volkswagen Group, its progress is closely aligned to the development of automobile industry unlike other NBFCs.

### Business Environment for Automobile Industry

#### Production

The industry produced a total 22,933,230 vehicles including Passenger Vehicles, Commercial Vehicles, Three Wheelers, Two Wheelers, and Quadricycles in April 2021 to March 2022, as against 22,655,609 units in April 2020 to March 2021.

#### Domestic Sales

Total Passenger Vehicle Sales increased from 2,711,457 to 3,069,499 units. Sales of Passenger Cars decreased from 1,541,866 to 1,467,056 units, while sales of Utility Vehicles increased from 1,060,750 to 1,489,178 units in April 2021 to March 2022 compared to the previous year. During the same period 113,265 units of Vans were sold compared to 108,841 units in April 2020 to March 2021.

The overall Commercial Vehicles sales increased from 568,559 to 716,566 units. Sales of Medium and Heavy Commercial Vehicles increased from 160,688 to 240,577 units and Light Commercial Vehicles increased from 407,871 to 475,989 units in April 2021 to March 2022 compared to the previous year. Sales of Three Wheelers increased from 219,446 to 260,995 units in April 2021 to March 2022 compared to the previous year. Two Wheelers sales decreased from 15,120,783 to 13,466,412 units in April 2021 to March 2022 over same period last year.

#### Exports

In April 2021 to March 2022, Passenger Vehicle Exports increased from 404,397 to 577,875 units, Commercial Vehicle Exports increased from 50,334 to 92,297 units, Three Wheeler Exports increased from 393,001 to 499,730 units and Two Wheelers Exports increased from 3,282,786 to 4,443,018 units in April 2021 to March 2022 over same period last year.

| Automobile Domestic Sales trend |           |           |           |           |           |           |
|---------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Category                        | 2016-17   | 2017-18   | 2018-19   | 2019-20   | 2020-21   | 2021-22   |
| Passenger Vehicles              | 3,047,582 | 3,288,581 | 3,377,389 | 2,773,519 | 2,711,457 | 3,069,499 |
| Commercial Vehicles             | 714,082   | 856,916   | 10,07,311 | 717,593   | 568,559   | 716,566   |

|                |            |            |            |            |            |            |
|----------------|------------|------------|------------|------------|------------|------------|
| Three Wheelers | 511,879    | 635,698    | 7,01,005   | 637,065    | 2,19,446   | 260,995    |
| Two Wheelers   | 17,589,738 | 20,200,117 | 21,179,847 | 17,416,432 | 15,120,783 | 13,466,412 |
| Quadricycles   | 0          | 0          | 627        | 942        | -12        | 124        |
| Grand Total    | 21,863,281 | 24,981,312 | 26,266,179 | 21,545,551 | 18,620,233 | 17,513,596 |

Source: SIAM (Society of Indian Automobile Manufacturers)

## PRODUCT WISE PERFORMANCE

The Product wise performance of the Company is elaborated in the Directors Report.

## OUTLOOK, OPPORTUNITIES AND THREATS

India is one of the fastest growing fintech market in the world and the Company through its investment in Kuwy Technology Service Private Limited, is working to have a strategic market share in the used car funding space. Based on the decision of the Board of Directors, the Company has decided to discontinue its finance business and application has been made to RBI for surrender of NBFC License.

## RISKS AND CONCERNS

Credit risk, Market risk, Operational risk, Compliance Risk and Liquidity risk are the key risks inherent to the business of the Company. The Company has established a robust risk management framework to manage these risks and is continuously engaged in reinforcing risk management practices.

## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

Internal control systems and their adequacy is more elaborately discussed in the Directors' Report.

## DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE

Financial Performance and operational performance form part of the Directors' Report.

## MATERIAL DEVELOPMENTS IN HUMAN RESOURCES, INCLUDING NUMBER OF PEOPLE EMPLOYED

Due to changes in the business strategy and post sale of retail portfolio, there has been a substantial reduction in the number of employees. There were 35 (including Expatriates) Employees on the rolls of the Company as on March 31, 2022.

## Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

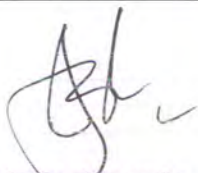
**Statement containing salient features of the financial statement of subsidiaries / associate companies/joint ventures**

**Part "A": Subsidiaries**

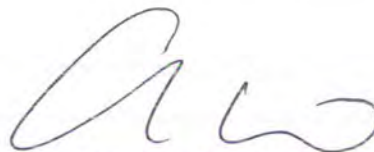
(Information in respect of each subsidiary to be presented with amounts in Rs.)

| Sl. No. | Particulars   | Details                                 |
|---------|---|---|
| 1.      | Name of the subsidiary  | Kuwy Technology Service Private Limited |
| 2.      | Reporting period for the subsidiary concerned, if different from the holding company's reporting period                     | NA                                      |
| 3.      | Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries | NA                                      |
| 4.      | Share capital (in lakhs)  | 176.50                                  |
| 5.      | Reserves & surplus (in lakhs)   | (1762)                                  |
| 6.      | Total assets (in lakhs)   | 5037.00                                 |
| 7.      | Total Liabilities (in lakhs)  | 6623.00                                 |
| 8.      | Investments   | 0                                       |
| 9.      | Turnover (in lakhs)   | 2150                                    |
| 10.     | Profit before taxation (in lakhs)   | (2936)                                  |
| 11.     | Provision for taxation (in lakhs)   | -                                       |
| 12.     | Profit after taxation (in lakhs)  | (2936)                                  |
| 13.     | Proposed Dividend   | -                                       |
| 14.     | % of shareholding   | 67.73%                                  |

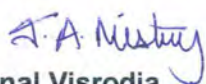
|   |   |    |
|---|---|----|
| <b>Notes:</b> The following information shall be furnished at the end of the statement: |   |    |
| 1.  | Names of subsidiaries which are yet to commence operations                | NA |
| 2.  | Names of subsidiaries which have been liquidated or sold during the year. | NA |
| <b>Part "B": Associates and Joint Ventures</b>  |   | NA |



**Ashish Deshpande**  
Managing Director and CEO  
DIN:08314277



**Christian Rosswag**  
Managing Director and CFO  
DIN:09382572



**Jinal Visrodia**  
Company Secretary  
Membership No: A53806

Date: July 28, 2022  
Place: Mumbai

## **Policy for Related Party Transactions**

## Contents

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## 5. Definition of 'related party' as per Companies Act, 2013

'Related Party' with reference to a company means-

- (1) a director or his relative;
- (2) a key managerial personnel or his relative;
- (3) a firm, in which a director, manager or his relative is a partner;
- (4) a private company in which a director or manager or his relative is a member or director;
- (5) a public company in which a director or manager is a director and holds along with his relatives, more than two per cent of its paid-up share capital;
- (6) any body corporate whose Board of Directors, managing director or manager is accustomed to act in accordance with the advice, directions or instructions of a director or manager;
- (7) any person on whose advice, directions or instructions a director or manager is accustomed to act;

**Provided** that nothing in clauses (6) and (7) shall apply to the advice, directions or instructions given in a professional capacity.

- (8) a director other than an independent director or key managerial personnel of the holding company or his relative with reference to a company, shall be deemed to be a related party;

'relative', with reference to any person, means anyone who is related to another, if-

- (a) they are members of a Hindu Undivided Family;
- (b) they are husband and wife; or
- (c) Father including step-father
- (d) Mother including step-mother
- (e) Son including step-son
- (f) Son's wife
- (g) Daughter
- (h) Daughter's husband
- (i) Brother including step-brother
- (j) Sister including step-sister

## 6. Related Party Transactions as per Companies Act, 2013

Section 188 of the Companies Act, 2013 describes in detail the related party transactions as follows:

- (1) Except with the consent of the Board of Directors given by a resolution at a meeting of the Board and subject to such conditions as may be prescribed, no company shall enter into any contract or arrangement with a related party with respect to -
- (a) sale, purchase or supply of any goods or materials;
  - (b) selling or otherwise disposing of, or buying, property of any kind;
  - (c) leasing of property of any kind;
  - (d) availing or rendering of any services;
  - (e) appointment of any agent for purchase or sale of goods, materials, services or property;
  - (f) such related party's appointment to any office or place of profit in the company, its subsidiary company or associate company; and
- 
- (g) underwriting the subscription of any securities or derivatives thereof, of the company
- Provided that no contract or arrangement, in the case of a company having a paid-up share capital of not less than such amount, or transactions not exceeding such sums, as maybe prescribed, shall be entered into except with the prior approval of the company by a resolution;
  - Provided further that no member of the company shall vote on such resolution, to approve any contract or arrangement which may be entered into by the company, if such member is a related party
  - Provided also that nothing contained in the second proviso shall apply to a company in which ninety per cent. or more members, in number, are relatives of promoters or are related parties
  - Provided also that nothing in this sub-section shall apply to any transactions entered into by the company in its ordinary course of business other than transactions which are not on an *arm's length basis*.

## 1. Area of application

This Policy is applicable to all employees of Volkswagen Finance Pvt. Ltd. (VWFPL).

## 2. Basis

This policy is based on the requirements of the Circular on Revised Regulatory Framework for NBFCs dated November 10, 2014 and the Companies Act, 2013

## 3. Purpose

This Objective of this Policy is to establish requirements for the disclosure of:

- Related party relationships and
- Transactions between Volkswagen Finance Pvt Ltd. and its related parties

## 4. Responsibility

### RACI Matrix

| Task/ Position  | All Depts | Compliance | Legal | Controlling | Accounting | Both MDs | Board of Directors and Shareholders |
|---|-----------|------------|-------|-------------|------------|----------|-------------------------------------|
| Initiation of New transaction   | R         | I          | I     | I           | I          | A        | NA                                  |
| Identification of Related Party and nature of relationship with VWF   | I         | R          | I     | I           | I          | I        | NA                                  |
| Nature of transaction and contract duration   | R         | I          | I     | I           | I          | I        | NA                                  |
| Contract Value  | R         | I          | I     | I           | I          | I        | NA                                  |
| Method of pricing and commercial terms  | R         | I          | I     | A           | A          | I        | NA                                  |
| Justification of Arms Length Transaction and Ordinary course of business  | R         | I          | I     | I           | A          | I        | NA                                  |
| Quarterly reporting on the Related Party Transactions   | I         | R          | I     | I           | R          | I        | A                                   |
| Presentment and approval of all related party transactions to Board and Shareholders as per the Companies Act, 2013 | NA        | R          | NA    | NA          | NA         | NA       | A                                   |
| Change in Policy  | NA        | I          | NA    | NA          | R          | A        | I                                   |

**R- Responsibility, I- Information, A-Approval**

- Provided also that the requirement of passing the resolution under first proviso shall not be applicable for transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Explanation-

In this sub-section-

- the expression "office or place of profit" means any office or place—
    - (i) where such office or place is held by a director, if the director holding it receives from the company anything by way of remuneration over and above the remuneration to which he is entitled as director, by way of salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
    - (ii) where such office or place is held by an individual other than a director or by any firm, private company or other body corporate, if the individual, firm, private company or body corporate holding it receives from the company anything by way of remuneration, salary, fee, commission, perquisites, any rent-free accommodation, or otherwise;
  - the expression "arm's length transaction" means a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.
- (2) Every contract or arrangement entered into under sub-section (1) shall be referred to in the Board's report to the shareholders along with the justification for entering into such contract or arrangement.
- (3) Where any contract or arrangement is entered into by a director or any other employee, without obtaining the consent of the Board or approval by a resolution in the general meeting under sub-section (1) and if it is not ratified by the Board or, as the case may be, by the shareholders at a meeting within three months from the date on which such contract or arrangement was entered into, such contract or arrangement shall be voidable at the option of the Board and if the contract or arrangement is with a related party to any director, or is authorised by any other director, the directors concerned shall indemnify the company against any loss incurred by it.

(4) Without prejudice to anything contained in sub-section (3), it shall be open to the company to proceed against a director or any other employee who had entered into such contract or arrangement in contravention of the provisions of this section for recovery of any loss sustained by it as a result of such contract or arrangement.

## **7. 'Arm's Length Transaction' as per Companies Act, 2013**

"Arm's length transaction" has been defined under section 188 of the Companies Act 2013, to mean a transaction between two related parties that is conducted as if they were unrelated, so that there is no conflict of interest.

## **8. Process for obtaining Omnibus approval from Audit Committee on annual basis**

The approval or any subsequent modification of transactions of the company with related parties is included in the terms of reference of Audit Committee as per Section 177(4)(iv) of the Companies Act, 2013.

### Omnibus approval for related party transactions on annual basis:

All related party transactions as per Companies Act, 2013 shall require approval of the Audit Committee and the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to the following conditions, namely

- (1) The Audit Committee shall at the first Board Meeting of the Company held in every Financial Year, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval for transactions with related parties (as defined in point no. 5 above) proposed to be entered for that financial year. The criteria shall include the following, namely:-

- (a) maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
  - (b) the maximum value per transaction which can be allowed;
  - (c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval;
  - (d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
  - (e) transactions which cannot be subject to the omnibus approval by the Audit Committee.
- (2) The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
- (a) repetitiveness of the transactions (in past or in future); (b) justification for the need of omnibus approval.
- (3) The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company.
- (4) The omnibus approval shall contain or indicate the following: -
- (a) name of the related parties;
  - (b) nature and duration of the transaction;
  - (c) maximum amount of transaction that can be entered into;
  - (d) the indicative base price or current contracted price and the formula for variation in the price, if any; and
  - (e) any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:
- Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

- (5) Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
- (6) Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
- (7) Audit Committee may put such other condition as it may deem fit while granting omnibus approval.
- (8) Prior approval of Audit Committee is required in case the transaction with related party (as defined under Companies Act, 2013) is not covered under omnibus approval or is exceeding the limits/conditions imposed while granting such omnibus approval.

## **9. Process for approval and determining 'Arm's Length'**

- (1) Compliance department shall at the starting of every year or on account of any change during the year share the list of related party as per Companies Act, 2013 with the Accounts Department and Risk Department.
- (2) Accounts Department shall at the starting of every year or on account of any change during the year present a list of all the transactions as per Companies Act, 2013 proposed to be entered into by the Company with related parties on estimate basis. The Compliance department would in turn present the same to the Audit Committee who would deliberate and discuss on the nature of the above transactions and provide approval.
- (3) Any employee/ department intending to enter into a contract or arrangement shall present to Accounts Department. for prior approval along with the justification for entering into such contract(s) or arrangement(s). If the Accounts Department arrives at a conclusion that the transaction is not in the ordinary course of business and / or not at arm's length then the said employee/ department intending to enter into a contract or arrangement shall present to Compliance department disclosures in the following format BEFORE entering into the contract or arrangement:

- a) the name of the related party and nature of relationship
- b) the nature, duration of the contract and particulars of the contract or Arrangement
- c) the material terms of the contract or arrangement including the value, if any
- d) whether the transaction is in the ordinary course of business
- e) any advance paid or received for the contract or arrangement, if any
- f) the manner of determining the pricing and other commercial terms, both included as part of contract and not considered as part of the contract
- g) whether all factors relevant to the contract have been considered, if not, the details of factors not considered with the rationale for not considering those factors
- h) any other information relevant or important for the Board to take a decision on the proposed transaction

The Compliance department would in turn present the same to the Audit Committee and the Board of Directors who would deliberate and discuss on the nature of the above transactions and provide approval.

Any employee/ department except with the PRIOR approval of the company by a resolution in the shareholders meeting shall not enter into a transaction or transactions, where the transaction or transactions to be entered into -

- (a) as contracts or arrangements with respect to clauses (a) to (e) of sub-section (1) of section 188 with criteria, as mentioned below –
  - (i) sale, purchase or supply of any goods or materials directly or through appointment of agents amounting to ten per cent. or more of the turnover of the company as mentioned in clause (a) and clause (e) respectively of sub-section (1) of section 188;
  - (ii) selling or otherwise disposing of, or buying, property of any kind directly or through appointment of agents amounting to ten per cent. or more of the

turnover of the company as mentioned in clause (b) and clause (e) respectively of sub-section (1) of section 188;

(iii) leasing of property of any kind amounting to ten per cent. or more of the net worth of the company or ten per cent. or more of turnover of the company as mentioned in clause (c) of sub-section (1) of section 188;

(iv) availing or rendering of any services directly or through appointment of agents amounting to ten per cent. or more of the turnover of the company as mentioned in clause (d) and clause (e) of sub-section (1) of section 188;

Explanation:-

The limits specified in sub-clauses (i) to (iv) shall apply for transaction or transactions to be entered into either individually or taken together with the previous transactions during a financial year.

(b) appointment to any office or place of profit in the company, its subsidiary company or associate company at a monthly remuneration exceeding two and half lakh rupees as mentioned in clause (f) of sub-section (1) of section 188; or

(c) remuneration for underwriting the subscription of any securities or derivatives thereof, of the company exceeding one percent. of the net worth as mentioned in clause (g) of sub-section (1) of section 188.

Explanation:-

(1) The Turnover or Net Worth referred in the above clauses shall be on the basis of the Audited Financial Statement of the preceding Financial year.

(2) In case of wholly owned subsidiary, the special resolution passed by the holding company shall be sufficient for the purpose of entering into the transactions between wholly owned subsidiary and holding company.

(4) This document would need to be duly authorised by the Head of Department who is initiating the transaction and approved by Accounts department. to confirm whether the party is a related party.

- (5) Accounts department shall provide on quarterly basis the list of related party transactions pursuant to the Companies Act, 2013 to the Compliance dept. to be placed before the Audit Committee/ Board of Director / Shareholders Meeting for its review with the comment that the contract or arrangement is/ is not in the ordinary course of business and/ or at / at not Arm's Length and/or exceeding the prescribed limits. Accounts department shall also provide for review at such interval as the Audit Committee may direct, update on transactions entered during the period pursuant to each of the omnibus approval granted by the audit committee
- (6) The employee/ department would need to document and justify as to how the pricing of the transaction is at 'Arm's Length'.

The pricing at 'Arm's Length' can be supported by:

- Comparing the terms of the related party transaction to those of an identical or similar transaction with one or more unrelated parties.
- Engaging an external expert to determine a market value and to confirm market terms and conditions for the transaction.

## **10. Disclosure Requirements**

The Company shall disclose the details of related party transactions in its Annual Report as per requirements of applicable accounting standards and applicable provisions of Companies Act, 2013.

## **11. Amendment to the Policy**

Any amendment to this policy shall be approved by Managing Director (Back Office) and Managing Director (Front Office) and shall be disseminated to the employees and noted by the Board of Directors.

## REPORT ON CORPORATE SOCIAL RESPONSIBILITY FOR FY 2021 -22

## 1. A brief outline on CSR policy of the Company:

The CSR Policy has been formulated by the Company in accordance with Section 135 of the Companies Act, 2013. The CSR activities/ projects are in line with Schedule VII of the Companies Act, 2013 as be notified by Ministry of Corporate Affairs from time to time:

## 2. Composition of CSR Committee:

| Sl. No. | Name of the Director        | Designation/ Nature of Directorship | Number of meetings of CSR Committee held during the year | Number of meetings of CSR Committee attended during the year |
|---------|-----------------------------|-------------------------------------|--|--|
| 1       | Mr. Ashish Deshpande        | Managing Director and CEO           | 2  | 2  |
| 2       | Ms. Rupa Vora               | Independent Director                | 2  | 2  |
| 3       | Mr. Jambunathan Subramanian | Independent Director                | 2  | 2  |

## 3. Web-link where Composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company:

The Composition of CSR Committee, CSR Policy and CSR Projects approved by the Board is available on the website of the Company at the following links:

1. CSR Committee - [Volkswagen Finance \(vwfs.co.in\)](http://Volkswagen Finance (vwfs.co.in))
2. CSR Policy - [Compliance \(vwfs.co.in\)](http://Compliance (vwfs.co.in))
3. CSR Projects - [Volkswagen Finance \(vwfs.co.in\) \(WOTR and PM Cares Fund \)](http://Volkswagen Finance (vwfs.co.in) (WOTR and PM Cares Fund ))

## 4. The details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules 2014, if applicable (attach the report):

"Not Applicable

## 5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any :

| Sl. No. | Financial Year | Amount available for set-off from preceding financial years (in Rs) | Amount required to be setoff for the financial year, if any (in Rs) |
|---------|----------------|---|---|
| 1       | 2021-2022      | 173,927   | 173,927   |

## 6. Average net profit of the Company as per Section 135(5): (In RS.)

| Particulars              | 31-Mar-21   | 31-Mar-20   | 31-Mar-19 |
|--------------------------|-------------|-------------|-----------|
| Profit under section 198 | 325,926,248 | 193,343,832 | -         |

Average net profit : Rs. 173,089,693

## 7. (a) Two percent of the average net profit of the Company as per Section 135 (5) : The Company is required to spend Rs. 3,461,794/- towards CSR.

(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years.  
– **Rs. 173,927/-**

(c) Amount required to be set off for the financial year, if any- **Rs. 173,927/-**

(d) Total CSR obligation for the financial year (7a+7b-7c). – **Rs. 3,287,867/-**

8. (a) CSR amount spent or unspent for the financial year:

| Total Amount Spent for the Financial Year. (in Rs.) | Amount Unspent (in Rs.) Nil   |                  |   |        |                  |
|---|---|------------------|---|--------|------------------|
|   | Total Amount transferred to Unspent CSR Account as per section 135(6) |                  | Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5) |        |                  |
| Rs. 3,287,867/-                                     | Amount  | Date of transfer | Name of the Fund  | Amount | Date of transfer |
|   | N.A   | N.A              | N.A   | N.A    | N.A              |
|   |   |                  |   |        |                  |

(b) Details of CSR Amount spent against **ongoing projects** for the Financial Year:

| Name of Government Scheme/Project/Program/Activity for the Financial Year |  |  |   |  |          |                   |  |
|---|--|--|---|--|----------|-------------------|--|
| (1)   | (2)  | (3)  | (4)                                       | (5)  |          | (6)               | (7)  |
|   |  |  |   |  |          |                   |  |
| Sl. No  | Name of the Project                                  | Item from the list of activities in Schedule VII to the Act.     | Local area (Yes/No).                      | Location of the project.                             |          | Project duration. | Amount allocated for the project (in Rs.). |
|   |  |  |   | State  | District |                   |  |
| 1   | WOTR   | Livelihood & Community Development                               | Yes                                       | Rajasthan  | Karauli  | 3 years           | 15,000,000 /-                              |
|   | (8)  | (9)  | (10)                                      | (11)   |          |                   |  |
|   | Amount spent in the current financial Year (in Rs.). | Amount transferred to Unspent CSR Account for the project as per | Mode of Implementation - Direct (Yes/No). | Mode of Implementation - Through Implementing Agency |          |                   |  |

|   |            |                          |    |      |                          |  |  |
|---|------------|--------------------------|----|------|--------------------------|--|--|
|   |            | Section 135(6) (in Rs.). |    |      |                          |  |  |
|   |            |                          |    | Name | CSR Registration number. |  |  |
| 1 | 517,100 /- | Nil                      | NO | WOTR | CSR00000518              |  |  |

(c) Details of CSR amount spent against other than ongoing projects for the financial year:  
**Rs. 2,597,677/-**

| (1)   | (2)                 | (3)  | (4)                  | (5)                      |          | (6)                                   | (7)                                      | (8)  |                         |
|-------|---------------------|--|----------------------|--------------------------|----------|---------------------------------------|--|--|-------------------------|
| Sl no | Name of the Project | Item from the list of activities in schedule VII to the Act. | Local area (Yes/No). | Location of the project. |          | Amount spent for the project (in Rs.) | Mode of implementation - Direct (Yes/No) | Mode of implementation - Through implementing agency |                         |
|       |                     |  |                      | State.                   | District |                                       |  | Name.  | CSR registration number |
| 1.    | PM Cares Fund       | VIII   | N.A                  | N.A                      | N.A      | 2,597,677/-                           | Yes                                      | NA   | NA                      |
|       | <b>TOTAL</b>        |  |                      |                          |          | <b>2,597,677/-</b>                    |  |  |                         |

(d) Amount spent in Administrative Overheads – **Rs. 1,73,090/-** (Audit fee and travel expense) (**Actual spent Rs. 210,000/-**)

(e) Amount spent on Impact Assessment, if applicable – **Not Applicable**

(f) Total amount spent for the Financial Year (8b+8c+8d+8e) – **Rs 3,287,867/-**

(g) Excess amount for set off, if any: **NIL**

| Sl. No. | Particular  | Amount (in Rs.) |
|---------|---|-----------------|
| (i)     | Two percent of average net profit of the company as per section 135(5)                                      | -               |
| (ii)    | Total amount spent for the Financial Year   | -               |
| (iii)   | Excess amount spent for the financial year [(ii)-(i)]   | -               |
| (iv)    | Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any | -               |
| (v)     | Amount available for set off in succeeding financial years [(iii)-(iv)]                                     | -               |

9. (a) Details of Unspent CSR amount for the preceding three financial years:

| Sl No | Preceding Financial Year. | Amount transferred to Unspent CSR | Amount spent in the reporting | Amount transferred to any fund specified under Schedule VII as per section 135(6), if any. | Amount remaining to be spent in |
|-------|---------------------------|-----------------------------------|-------------------------------|--|---------------------------------|
|-------|---------------------------|-----------------------------------|-------------------------------|--|---------------------------------|

|    |              | Account under section 135 (6) (in Rs.) | Financial Year (in Rs.). | Name of the Fund | Amount (in Rs.). | Date of transfer | succeeding financial years. (in Rs.) |
|----|--------------|--|--------------------------|------------------|------------------|------------------|--------------------------------------|
| 1. | 2020-21      | Nil                                    | Nil                      | Nil              | Nil              | Nil              | Nil                                  |
| 2. | 2019-20      | "                                      | "                        | "                | "                | "                | "                                    |
| 3. | 2018-19      | "                                      | "                        | "                | "                | "                | "                                    |
|    | <b>Total</b> | <b>Nil</b>                             | <b>Nil</b>               | <b>Nil</b>       | <b>Nil</b>       | <b>Nil</b>       | <b>Nil</b>                           |

(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s): Rs. 5.17 lacs

| (1)     | (2)          | (3)                 | (4)   | (5)                    | (6)  | (7)   | (8)  | (9)  |
|---------|--------------|---------------------|---|------------------------|--|---|--|--|
| Sl. No. | Project ID.  | Name of the Project | Financial Year in which the project was commenced | Project duration       | Total amount allocated for the project (in Rs.). | Amount spent on the project in the reporting Financial Year (in Rs) | Cumulative amount spent at the end of reporting Financial Year. (in Rs.) | Status of the project - Completed /Ongoing |
| 1       | WOTR         | Karauli             | 2018-19   | FY 18-19 till FY 21-22 | Rs.150 lacs                                      | Rs. 5.17 lacs   | Rs.150.17 lacs   | Completed                                  |
|         | <b>Total</b> |                     |   |                        | <b>Rs.150 lacs</b>                               | <b>Rs.5.17 lacs</b>   | <b>Rs.150.17 lacs</b>  |  |

10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (Asset-wise details) : **Not Applicable**

(a) Date of creation or acquisition of the capital asset(s) –

(b) Amount of CSR spent for creation or acquisition of capital asset -

(c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. -

(d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset) -

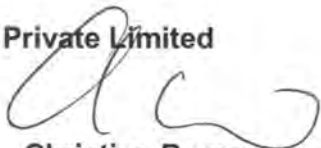
11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5).: **Not Applicable**

For and behalf of Volkswagen Finance Private Limited

  
**Ashish Deshpande**  
**Managing Director & CEO**  
**DIN: 08314277**

Date: July 28, 2022

Place: Mumbai

  
**Christian Rosswag**  
**Managing Director & CFO**  
**DIN: 09382572**



# AASHISH K. BHATT & ASSOCIATES

## Practicing Company Secretaries

**Aashish K. Bhatt**  
B.Com., A.C.S., PGDSL

Form no. MR -3

### SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2022

*[Pursuant to section 204(1) of the Companies Act, 2013 and rule No. 9 of the Companies  
(Appointment and Remuneration of Managerial Personnel) Rules, 2014]*

To  
The Members,  
**Volkswagen Finance Private Limited**  
3rd Floor, Wing-A, Silver Utopia,  
Cardinal Gracious Road, Chakala,  
Andheri, Mumbai - 400099.

I have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate governance practice by **Volkswagen Finance Private Limited** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts / statutory compliances and expressing my opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the Company has during the audit period covering the financial year ended March 31, 2022, complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

1. I have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company, for the financial year ended on March 31, 2022, according to the provisions of:

- i. The Companies Act, 2013 (the Act) and the rules made thereunder;



- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder – Not Applicable;
- iv. The Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and filing of Form Downstream investment. No Overseas Direct Investment and External Commercial Borrowings were pursued;
- v. The following regulations and guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
  - a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 – Not Applicable;
  - b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 – Not Applicable;
  - d) Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 and erstwhile the SEBI (Share Based Employee Benefits) Regulations 2014 - Not Applicable;
  - e) The Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 and erstwhile the SEBI (Issue and Listing of Debt Securities) Regulations 2008;
  - f) The Securities and Exchange Board of India (Registrar to an Issue and Share Transfer Agents) Regulations, 1993, regarding the Companies Act and dealing with client – Not Applicable;
  - g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 – Not Applicable;



- h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018 – Not Applicable;

Further, as a precautionary measure against "COVID 2019", the audit process has been modified, wherein documents /records etc. were verified in electronic mode, and have relied on the representations received from the Company for its accuracy and authenticity.

I have also examined compliances with applicable clauses of:

- i. Secretarial Standards issued by the Institute of the Company Secretaries of India for General Meetings, Board and Committee Meetings (i.e. Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee);
- ii. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and The Listing Agreement entered by the Company with BSE Limited for listing of Non-Convertible Debentures (NCDs).

During the financial year under report, the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

Based on the compliance mechanism established by the Company, which has been verified on test checked basis and the Compliance Report submitted to and taken on record by the Board of Directors of the Company, I am of the opinion that the Company has complied with the following laws applicable specifically to the Company:

- i. Reserve Bank of India Act, 1934 and its circulars, Master Circulars, notifications and its Directions as prescribed for NBFCs except:
  - a. Delay in filing of one SMA-2, DNBS-01 for quarter ended December 31, 2021 and reporting to Equifax due to technical issues;
  - b. Reserve Bank of India Master Directions on Information Technology Framework for NBFCs pertaining to delay in migrating to IPv6 platform. For requirement pertaining to integration between MIS system and reporting under COSMOS/XBRL, considering the current business strategy & cost involved, the company continues to report as per current method to RBI. The management shall decide depending on the changes in business strategy in future.



- c. *The position of designated director under Prevention of Money Laundering Act and Rules was vacant till August 30, 2021;*
- d. *From February, 2022 the Company's financial assets have reduced below 50% and is not meeting one of the criteria for being an NBFC.*
- ii. Prevention of Money Laundering Act, 2002 with respect to regulatory compliances;
- iii. Insurance Regulatory Development Authority of India (Registration of Corporate Agents) Regulations, 2015;
- iv. Guidelines on Motor Insurance Service Provider issued on August 31, 2017 with partial compliance of maintenance of separate Bank account linked to MISP PAN.

I further report that:

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views were expressed.

Based on the representation made by the Company and relied upon, I report that there are adequate systems and processes in the Company commensurate with its size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.



I further report that during the year under report, the Company has undertaken event / action having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc. referred to above viz.

1. Revision in the limits of remuneration to Managing Director;
2. Resignation of Ms. Harshada Pathak as Company Secretary & Compliance Officer of the Company w.e.f. April 05, 2021;
3. Appointment of Ms. Jinal Visrodia as Company Secretary & Compliance Officer of the Company w.e.f. June 28, 2021;
4. Appointment of Mr. Ashish Deshpande & Mr. Jorg Thielemann as Nominee Directors in Kuwy Technology Services Private Limited (KUWY) w.e.f. July 09, 2021 pursuant to Shareholder's Amendment Agreement executed with KUWY on January 29, 2021;
5. Appointment of Mr. Ralf Teichmann as Nominee Director in KUWY w.e.f. April 01, 2022;
6. Sale of retail loan portfolio and change in overall business strategy;
7. Resignation of Mr. Jorg Thielemann as Director of the Company w.e.f. October 29, 2021;
8. Resignation of Ms. Minal Sheth (Maiden Name: Minal Shah) as Managing Director & Chief Financial Officer of the Company w.e.f. October 31, 2021;
9. The Company has entered into a MOU with KUWY, holding a valid Corporate Agency Certificate (Registration Number CA 0788) issued by Insurance Regulatory Development Authority of India (IRDA), for servicing of its clients/customers;
10. Re-constitution of various committees.

Approval from members of the Company for:

1. Appointment of Ms. Minal Sheth (Maiden Name: Minal Shah) as Managing Director and Chief Financial Officer of the Company for a period of 7 months effective from August 31, 2021 until March 31, 2022;
2. Appointment of Mr. Jorg Thielemann as a Non - Executive Director of the Company w.e.f. March 01, 2021;
3. Appointment of Mr. Ralf Teichmann as a Non - Executive Director of the Company w.e.f. April 01, 2021;
4. Appointment of M/s. Batliboi & Purohit, Chartered Accountants as statutory auditors of the Company for a period of 3 years from F.Y. 2021-22 until F.Y. 2023-24;



5. Appointment of Dr. Christian Rosswag as Managing Director and Chief Financial Officer of the Company for a period of 3 years effective from November 01, 2021 until October 31, 2024;
6. Re-appointment of Mr. Ashish Deshpande as Managing Director and Chief Executive Officer of the Company for a further period of one year effective from March 01, 2022 until February 28, 2023.

For Aashish K. Bhatt & Associates  
Company Secretaries  
(ICSI Unique Code S2008MH100200)



**Aashish Bhatt**  
Proprietor

**ACS No.: 19639; COP No.: 7023**  
**PR no.: 563/2018**  
**UDIN: A019639D000527003**

Place: Mumbai  
Date: 30/06/2022



This Report is to be read with my letter annexed as Appendix A, which forms integral part of this report.

To,

The Members,

**Volkswagen Finance Private Limited.**

3rd Floor, Wing-A, Silver Utopia Cardinal Gracious Road, Chakala, Andheri, Mumbai - 400099.

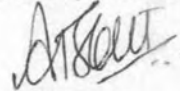
My report of even date is to be read along with this letter.

1. Maintenance of secretarial record is the responsibility of the management of the company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. I have not verified the correctness and appropriateness of financial records and Books of Accounts of the company.
4. Where ever required, I have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

For **Aashish K. Bhatt & Associates**

**Company Secretaries**

(ICSI Unique Code S2008MH100200)



**Aashish Bhatt**

**Proprietor**

**ACS No.: 19639; COP No.: 7023**

**PR no.: 563/2018**

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