Chaitanya

ANNUAL REPORT 2019-20

Chaitanya India Fin Credit Private Limited

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Message from Managing Director and CEO

Dear Shareholders,

FY19-20 has been a significant year for the company. Chaitanya has completed 10 years of operations and became part of the Navi group. Chaitanya fits well into the Navi group's mission to make financial services simple, accessible, and affordable.

We believe that the best way to progress on this mission in the long term is to become a bank, and, in that context, the company applied for a universal bank license in December 2019.

We believe that the company is well placed to move from its modest reach to become one of the top microfinance players in the next few years. Through the reach of Chaitanya and the capabilities at Navi, we can meet the financial needs of rural low-income households.

The current year has been a year of reliable performance for the company. The loan book of the company grew by 54% from 571 Cr. to 880 Cr. PAT increased by 20% from 4.2 Cr. to 5.3 Cr. We increased our branch numbers by a modest 34% as we expanded only from the second half of the year. NPAs were at a satisfactory level of 0.8% of the book despite the Maharashtra and Karnataka floods and local MFI repayment problems in coastal Karnataka.

The COVID crisis, which came in towards the end of the financial year, will have a significant impact on the microfinance sector in the coming year. The company is proactively taking various steps to ensure that it weathers the impact of the crisis.

We are firstly ensuring that the company is well-capitalized. From the early days of the lockdown, we have maintained constant touch with our customers and met them wherever possible. We have also strengthened on the ground collection teams. This should help our collections and get to normal earlier than most players in the industry. As per RBI requirements the company has implemented a Board approved COVID policy providing moratorium to customers. We have also initiated structural and cost rationalization exercises to make the company nimble and efficient in the coming years. CRISIL rated Chaitanya A- (stable) and ICRA upgraded the rating to BBB (Positive), based on Chaitanya's experience in the microfinance industry, strong capital structure and credit strengths.

To drive better focus on microfinance, we have moved out of the Two-Wheeler business from Chaitanya into Navi Finserv (formerly Chaitanya Rural Intermediation Development Services). With better focus and efficient setup, we have given ourselves a target of reaching a book size of 10,000 Cr. by 2025.

Mr. Sachin Bansal
Managing Director & CEO

Message from Joint Managing Director

Dear Shareholders,

As we enter our 11th year of operations in FY20-21, we begin a new life. We are now part of the Navi group. Our mission of improving lives of low-income households through the provision of financial services continues and we will move more aggressively to meet our vision of being a pan India rural microfinance institution.

Our aim is to be customer focussed, with the goal of being the most preferred lender for rural low-income households.

We have always had a strong focus on sound processes. We will need to ensure that we maintain and even improve on our processes as we rapidly scale in the coming years. Strong processes to ensure that our large field force delivers superior customer service in a competitive market together with superior productivity and efficiency to become one of the best MFIs in India.

Although the microfinance market is large, there are several headwinds that the sector is facing which we will need to overcome before we can tap the market opportunity. We are amidst the COVID crisis and only the financially and operationally strong entities will be able to survive and come out strongly to take advantage of the post COVID opportunity. Even before the COVID crisis, the industry was witnessing higher delinquencies coming from local politically induced defaults in states such as Assam and Karnataka. Floods and cyclones in Tamil Nadu, Orissa Maharashtra and Karnataka in the last few years have increased delinquencies for the sector. All this makes the business environment challenging in the coming days.

To drive better focus, we have moved out the two-wheeler and housing loans to our parent company, Navi Finserv.

Chaitanya's focus will be primarily on JLG business. We plan to expand across India with focus on customer retention and meeting the increasing financial aspirations of our JLG customers. We will substantially increase our investment in technology, leaning on the technology capability of our parent company-Navi Technologies. With focus on technology, we will be able to speed up our graduation to be a more digitally enabled lender. We will also focus on using data analytics to drive better credit underwriting. Together with this we will invest more in training our field staff and managers to improve customer experience and better implementation of technology.

Mr. Anand Rao
Joint Managing Director

About Chaitanya

The origins of Chaitanya was as a non-governmental organization(NGO) working for rural development in a few villages of Chitradurga district of Karnataka since 2004. Chaitanya, the NGO in its initial years, worked in and around Nayakanahatti village in Chitradurga district. The NGO worked in the area of children's education, energy efficiency and livelihood support for self help groups. In 2007, microfinance lending activities were started in Jagalur taluk, Chitradurga. In 2009, the founders of Chaitanya applied for a fresh NBFC license and commenced microcredit operations in September 2009. From then on, Chaitanya's focus has been entirely in lending.

Since inception, the Company's geographical focus was in deep rural locations, with an aim to reach most villages from a branch location in a radius of 25 km. Together with this, the focus has always been one of double bottom line, providing financial services and at the same time, ensuring sustainable shareholder returns.

Being rural focussed, the company has primarily employed rural youth for its field operations. The goal has always been to bring in professional management to a rural enterprise. With this has come the emphasis of values in the company, which are discipline, fairness, meritocracy, respect for customers and employees, continuous learning and transparency. Emphasis of these core values has built a well-trained employee base with a strong culture in the past 10 years.

With a belief of providing an entire gamut of loans to low income households, very early in its history, Chaitanya also ventured into providing vehicle loans, housing loans and small business loans. To ensure regulatory compliance, the nongroup lending(non JLG) activities was being done through another NBFC, Chaitanya Rural Intermediation Development Services (CRIDS) which was incorporated in 2012. In this model, from a Chaitanya branch location both JLG loans and individual loans were being offered to rural customers.

In September 2019, Chaitanya became part of the Navi Group through a majority acquisition by Navi Technologies. Post becoming part of Navi group, Chaitanya will continue to be focussed on rural lending activities, with a renewed focus on JLG lending in the immediate future. The company plans to be a pan India rural microfinance institution in the near future.

Our Values

Mission

Improving lives of Low Income Families through provision of financial services and ensuring sustainable shareholder returns.

Vision

To be a Pan India Rural Financial Services company meeting the full spectrum of financial service needs for low income rural customers.

Core Values

Fairness

We will always be fair in our dealings with all our stakeholders, our customers, our employees and regulatory authorities.

Transparency

Our business and financial activities are done in as open way without secrets, So that our customers can trust that we are fair and honest.

Learning

We will always encourage our employees to continuously learn.

Respect

We will always respect our customers and our employees in all our dealings with them.

Meritocracy

The growth of our employees in the organization will be based on merit, on the basis of their individual ability and achievement.

Discipline

The employees of Chaitanya will first be trained to be disciplined before we demand discipline from our customers.

Board and Committees

Board of Directors

Name of Director	Designation
Mr. Sachin Bansal	*Managing Director & CEO*
Mr. Anand Rao	*Joint Managing Director*
Mr. Ankit Agarwal	*Additional Director & Deputy CEO*
Mr. Nandakumar R	*Independent Director*
Mr. K S Ravi	*Independent Director*
Mr. Samit Shankar Shetty	*Nominee Director*
Ms. Riya Bhattacharya	*Nominee Director*

Committes of the Board

Name of the Committee	Members of the Committee	Category
Audit Committee	**Mr. K S Ravi**	Chairman
	Mr. Nandakumar R	Member
Risk Management Committee	**Mr. Nandakumar R**	Chairman
	Mr. K S Ravi	Member
	Mr. Samit Shankar Shetty	Member
IT Strategy Committee	**Mr. Nandakumar R**	Chairman
	Mr. Abhik Sarkar	Member
	Mr. Samit Shankar Shetty	Member
Asset Liability Committee	**Mr. Anand Rao**	Chairman
	Mr. Abhik Sarkar	Member
	Mr. K S Ravi	Member
Finance Committee	**Mr. Anand Rao**	Member
	Mr. Samit Shankar Shetty	Member
	Mr. Ankit Agarwal	Member
Nomination & Renumeration Committee	**Mr. K S Ravi**	Member
	Mr. Nandakumar R	Member
CSR Committee	**Mr. K S Ravi**	Chairman
	Mr. Nandakumar R	Member
	Mr. Anand Rao	Member

Our Products

Loan Products

Chaitanya's loan products, since inception are designed with broader scope in mind to cater the larger sections of rural population. Accordingly, product features are defined to accommodate customer needs with respect to purpose, tenor, ticket size and the point-in-time such working capital is needed.

Chaitanya's philosophy is to give loans based on customer needs and not any targeted purposes. An analysis of the portfolio shows predominantly loans have been sought by customers for income generation purposes at ~ 85% and the balance for purposes of life improvement. A broad category wise distribution of portfolio is given below:

Category	March 2020	March 2019
Income generation loans	87%	83%
Agriculture	39%	32%
Animal Husbandry	22%	27%
Trade & Small business	20%	22%
Manufacturing	5%	1%
Life improvement loans	13%	17%
House Repair / Construction	7%	11%
Vehicle purchase	2%	3%
Consumption Loans	3%	2%
Education Loans	1%	1%

Updates

Chaitanya provided help to flood affected villagers of Karnataka and Maharashtra in September 2019. More than 3000 villagers were provided with food, water and basic hygiene products.

Chaitanya's Education Support Program – Books and pens distributed to students of 1st to 4th standard of Zilla Parishad school, Paithan Branch, Aurangabad District, Maharashtra

Directors Report

Dear Members,

It is our immense pleasure to present the Eleventh Director's Report along with the Audited Financial Statements of your Company for the Financial Year ended March 31, 2020.

1. Company Specific Information

The summarized financial results for the year ended March 31, 2020 are as under:

1.1 Financial Summary and Highlights

The Financial Statements of the Company for the year ended March 31, 2020 has been prepared in accordance with Ind AS and Schedule III to the Companies Act 2013.

(in lakhs)

Particulars	FY20	FY19	% change over FY19
Total income	17,538.28	11,713.68	50%
Finance cost	7,152.64	5,934.73	21%
Net income	**10,385.64**	**5,778.95**	**80%**
Operating expenses	7,633.96	5,114.23	49%
Pre provision operating profit	2,751.68	664.72	314%
Impairment of financial instruments	2,038.35	133.16	1431%
Profit before tax	**713.33**	**531.56**	**34%**
Profit after tax	**506.85**	**421.80**	**20%**
Other comprehensive income	-52.26	20.69	-353%
Total comprehensive income	**454.59**	**442.49**	**3%**

The Company has adopted the Indian Accounting Standards notified under section 133 of the Companies Act 2013 and prepared the first set of financial statements under Ind AS framework in the current year and hence previous year numbers have been redrawn accordingly.

During the financial year the Company's revenue grew by 50% to INR 17,538.28 lakhs (previous year INR 11,713.68 lakhs) and the net income grew by 80% to INR 10,385.64 lakhs (previous year INR 5,778.95 lakhs). The total operating expenses grew by 49% to INR 7,633.96 lakhs (previous year INR 5,114.23 lakhs). Profit before tax grew by 34% to INR 713.33 lakhs (previous year INR 531.56 lakhs), Profit after tax grew by 20% to INR 506.85 lakhs (previous year INR 421.80 lakhs). Total comprehensive income grew by 3% to INR 454.59 lakhs (previous year INR 442.49 lakhs). During the year the Company provided an impairment allowance of INR 2,038.35 (previous year INR 133.16 lakhs) which includes potential loss estimations of INR 1191.81 lakhs on account of pandemic COVID-19.

Key Operational Highlights

Particulars	FY20	FY19
Branches	236	178
District	56	39
States	5	4
Borrowers	4,27,339	3,33,419
JLG Loans disbursed (INR in lakhs)	1,16,339	84,745
Total assets under management (INR in lakhs)	88,098	57,180

During the year, the number of branches grew by 34% to 236 (previous year 176). Number of borrowers grew by 28% to 4.27 lakhs (previous year 3.33 lakhs). Loan disbursal grew by 37% to INR 1,16,339 lakhs (previous year INR 84,745 lakhs). Total assets under management grew by 54% to INR 88,098 lakhs (previous year INR 57,180 lakhs).

1.2 Transfer to Reserves

During the year, the Company transferred 20% of its profits for the year amounting to INR 90.92 lakhs to reserves created as per the norms laid down under Section 45-IC of the Reserve Bank of India Act, 1934.

The Company has not transferred any amount to General Reserve for the year under consideration.

1.3 Dividends

The Directors are of the opinion of that retaining profits of the year would enhance the growth of the company, and hence have not recommended any dividend on Equity shares for the year ended March 31, 2020.

During the year, the Company has paid Preference dividend to UNIFI AIF, Preference shareholder as stated below:

a. Interim dividend amounting to INR 1,64,54,795 (Net of Dividend Distribution Tax) approved by the Board of Directors in their meeting held on September 20, 2019.

b. Dividend at the time of redemption of Preference Share amounting to INR 36,61,644 (Net of Dividend Distribution Tax) approved by the Board of Directors in their meeting held on December 02, 2019.

1.4 Major Events Occurred During the Year

a) State of Company's Affairs

i. Segment-wise position of business and its operations: The Company is primarily engaged in the business of financing which is considered to be the only reportable business segment as per Ind AS 108, Operating Segments. The Company operates primarily in India and there is no other geographical segment.

ii. Change in status of the Company: There was no change in the nature of the business of the Company in the entire year under review.

iii. Key business developments: Nil.

iv. Change in the financial year: There was no change in the Financial Year of the Company in the entire year under review.

v. Capital expenditure programmes: Nil.

vi. Details and Status of Acquisition, Merger, Expansion, Modernization and Diversification:

a. During the Year, the Company had made an application to the Reserve Bank of India for Change in Management and indirect Change in Control. Pursuant to approval from Reserve Bank of India, the Company had inducted Mr. Sachin Bansal and Mr. Ankit Agarwal as Directors of the Company and controlling stake of Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited) Holding company was initially acquired by Mr. Sachin Bansal w.e.f October 24, 2019 and was subsequently transferred to Navi Technologies Private Limited (formerly known as BAC Acquisitions Private Limited) with effect from March 20, 2020.

b. During the year, Company and Navi Technologies Private Limited (formerly known as BAC Acquisitions Private Limited) had made an application to Competition Commission of India ("CCI") for acquisition of Essel Mutual Fund and received deemed approval through Green Channel route.

Pursuant to CCI approval, the Company had made an application to Securities and Exchange Board of India (SEBI) for registering as a Sponsor of Mutual Funds under SEBI (Mutual Funds) Regulations, 1996. Further Securities and Exchange Board of India (SEBI) had seek the No objection from RBI. In this connection, Reserve Bank of India has not acceded consent for the Company to act as sponsor of an Asset Management Company.

c. During the year, Company has made an application to Reserve Bank of India for Universal Bank License Under Guidelines for "ON TAP" Licensing of Universal Banks in the Private Sector issued by the RBI on August 01, 2016.

vii. Developments, Acquisition and Assignment of material Intellectual Property Rights: There was no Developments, Acquisition and Assignment of material Intellectual Property Rights during the entire year under review.

viii. Any other material event having an impact on the affairs of the Company: The Novel Corona Virus (COVID-19) pandemic (declared as such by the World Health Organisation on March 11, 2020), has impacted global and Indian business in terms of growth and volatility, leading to a significant decline in economic activity. On March 24, 2020, the Government of India announced a nation-wide lockdown till April 14, 2020, which was further extended till May 31, 2020. This has led to a near standstill situation of business other than essential services.

The pandemic induced lockdown has impacted Company's regular operations due to shutting down of our offices across all locations including Head office. While the Business Continuity Plan ("BCP") was affected immediately on announcement of lock down and all employees have worked from home. However, lending and collection activities were suspended during the lock down period. The BCP of the Company enabled its employees to perform key obligations of the Company such as repayments to lenders, payment of salaries to employees, payment of administrative expenses, etc.

b) Change in Nature of Business

There was no change in the nature of the business of the Company in the entire year under review.

c) Material changes and commitments, if any, affecting the financial position of the Company which have occurred between the end of the financial year of the Company to which the financial statements relate and the date of the Board's report:

There are no material changes and commitments affecting the financial position of the Company, which has occurred between the end of the financial year of the company i.e. March 31, 2020 and the date of Director's Report.

d) Details of Revision of Financial Statement or the Report

During the year, the Company has not revised its financial statement or the Report in respect of any of the three preceding financial years either voluntarily or pursuant to the order of a judicial authority.

2. Capital and Debt Structure

2.1 Share Capital

Authorised Share Capital: During the year, the Company has increased its Authorised Share Capital from INR 43,00,00,000 (Forty Three Crore)/ divided into 2,50,00,000 (Two Crore Fifty Lakh) Equity Shares of INR 10 and 1,80,00,000 (One Crore Eighty Lakh) Preference Shares of INR 10 each to INR 93,00,00,000 (Ninety Three Crore) divided into 7,50,00,000 (Seven Crore Fifty lakh) Equity Shares of INR 10/- each and 1,80,00,000 (One Crore Eighty Lakh) Preference Shares of INR 10 each in its Annual General Meeting held on August 21, 2019.

Issued, Subscribed, Paid-up Share Capital: During the year, Company has allotted 5,04,65,482 (Five Crore Four lakh Sixty Five Thousand Four Hundred and Eighty Two) Equity Shares of INR 10/- each at a premium of INR 19.10 aggregating to INR 29.10 on October 30, 2019 through Rights issue to Navi Finserv Private Limited (Formerly known as Chaitanya Rural Intermediation Development Services Private Limited) in physical form.

Redemption of Preference Share capital: During the year, the Company has redeemed the Preference Shares amounting to INR 15,00,00,000 to Unifi AIF on December 18, 2019 with the approval of Board of Directors at its meeting held on December 02, 2019.

Issue of Convertible Securities: During the year, the Company has allotted 11,400 Unsecured, Unrated, Unlisted, Irredeemable Compulsory Convertible Debentures of face value of INR 1,00,000 each to Navi Finserv Private Limited (Formerly known as Chaitanya Rural Intermediation Development Services Private Limited) in physical form.

2.2 Details of Equity Shares with Differential Rights

The Company has not issued any Equity Shares with differential rights during the year.

2.3 Details of Sweat Equity Shares Issued

The Company has not issued any Sweat Equity Shares during the year.

2.4 Details of Employee Stock Option

The Company has not issued any Employee Stock Option Scheme during the year.

2.5 Shares held in trust for the benefit of employees where the voting rights are not exercised directly by the Employees

The Company does not hold any shares in any trust for the benefit of employees.

2.6 Issue/Redemptions of Debentures, Bonds or any Non-Convertible Securities

The Company has issued and allotted following Non-Convertible Debentures through private placement during the year.

S. No.	Investor's Name	Number of debentures	Face value (in INR)	Total amount (in INR)	Date of allotment
1.	Mr. Sachin Bansal	250 Unlisted Unrated Secured Redeemable Non-Convertible Debentures	10,00,000	25,00,00,000	July 16, 2019

The Company has redeemed the following Non-Convertible Debentures during the year.

S. No.	Investor's Name	Number of debentures	Face value (in INR)	Total amount (in INR)	Date of allotment
1	Microbuild I, B.V.	2,043 Secured Redeemable Listed, Non-Convertible Debentures	1,00,000	2,04,300,000	January 06, 2020
2	Mr. Sachin Bansal	250 Unlisted Unrated Secured Redeemable Non-Convertible Debentures	10,00,000	25,00,00,000	January 14, 2020

2.7 Issue of warrant

During the year, the Company has not issued any warrants for any issue by way of preferential allotment, private placement, public issue.

3. Credit Rating

The Credit Rating of different instruments of the Company as on March 31, 2020 is mentioned under note 55 of the financial statements.

Comprehensive Microfinance Grading assigned to the Company by SMERA as on March 31, 2020 is 'M2C2'.

4. Capital Adequacy Ratio

The Capital Adequacy Ratio was 38.21% as of March 31, 2020 as against the minimum capital adequacy requirements of 15% by RBI.

5. Code of Conduct, Transparency & Client Protection

The Company has fully implemented the Reserve Bank of India's Fair Practice Code and adopted the Microfinance Institutions Network's (MFIN) Code of Conduct.

6. Investor Education and Protection Fund (IEPF)

The Company is not required to transfer any amounts to the Investor Education and Protection Fund.

7. Management

7.1 Directors and Key Managerial Personnel

i) During the Year:

S. No.	Name of the Director	Date of Appointment/ Resignation/ Re-designation	Reason
1	Mr. Sachin Bansal	March 06, 2020	Appointed as Managing Director & CEO
2	Mr. Anand Rao	March 06, 2020	Reappointed as Joint Managing Director
3	Mr. Ankit Agarwal	March 06, 2020	Appointed as Additional Director & Deputy CEO
4	Ms. Riya Bhattacharya	March 06, 2020	Appointed as Nominee Director
5	Mr. Samit Shankar Shetty	March 06, 2020	Resigned as Managing Director and Appointed as Nominee Director
6	Mr. Ramesh Sundaresan	October 19, 2019	Resigned as Nominee Director
7	Ms. Lisa Gayle Thomas	October 19, 2019	Resigned as Nominee Director

ii) After the end of the year and up to the date of the Report;

Ms. Usha A Narayanan is appointed on the Board of Directors of the Company as Independent Director for a term of five consecutive years commencing from July 06, 2020 vide an Ordinary Resolution passed by Members of the Company at the Extra Ordinary General Meeting on July 06, 2020.

7.2 Independent Directors

i. During the year Ms. Pratima Ram was appointed on the Board of Directors of the Company as an Independent Director on November 06, 2019 and resigned from her directorship on November 30, 2019.

ii. No reappointment of Independent Directors in the year under review.

7.3 Declaration by Independent Directors and Statement on Compliance of Code of Conduct

The Company has received necessary declaration from each Independent Director under Section 149(7) of the Companies Act, 2013, that he/she meets the criteria of independence laid down in Section 149(6) of the Companies Act, 2013.

7.4 Board Meetings

During Financial Year 2019-20, the Board of Directors met Fourteen (14) times on following Dates and Directors attendance is also shown below:

SL No.	Date of Board Meeting	No. of Directors Present	SL No.	Date of Board Meeting	No. of Directors Present
1	April 20,2019	05	8	October 30,2019	04
2	May 23,2019	06	9	November 05,2019	04
3	July 12,2019	05	10	December 02,2019	04
4	July 16,2019	04	11	January 14,2020	03
5	August 17,2019	04	12	January 30,2020	04
6	September 20,2019	06	13	February 10,2020	04
7	October 19,2019	05	14	February 27,2020	04

7.5 Board Committees

a. The following are the Sub Committees of the Board reconstituted during the Financial Year 2019-20:

   i. Audit Committee
   ii. Risk Management Committee
   iii. Nomination and Remuneration Committee
   iv. Asset & Liability Committee and
   v. Finance Committee

b. The Corporate Social Responsibility Committee was constituted during the Financial Year 2019-20.

   The composition of each of the above Committees, their respective roles and responsibilities are provided in detail in the Corporate Governance Policy.

7.6 Committee Meetings

Audit Committee

During the year, five (5) meetings of the Audit Committee were held on May 18, 2019; September 14, 2019; December 02, 2019; February 1, 2020 & February 14, 2020.

Risk Management Committee

During the year under review, four (4) meetings of the Risk Management Committee were held on May 17, 2019; September 07, 2019; December 02, 2019 and February 07, 2020.

Nomination and Remuneration Committee

During the year under review, three (3) meetings of the Nomination and Remuneration Committee were held on July 31, 2019; November 05, 2019 & February 27, 2020.

Asset and Liability Committee

During the year under review, two (2) meetings of the Asset and Liability Committee were held on September 07, 2019 & February 07, 2020.

Information Technology Strategy Committee

During the year under review, two (2) meetings of the Information Technology Strategy Committee were held on September 14, 2019 & February 14, 2020.

Finance Committee

During the year under review, Seventeen (17) meetings of the Finance Committee were held on May 02, 2019; May 18, 2019; May 28, 2019; June 06, 2019; June 17, 2019; June 28, 2019; July 18, 2019; July 29, 2019; August 21, 2019; September 18, 2019; October 14, 2019; December 07, 2019; December 20, 2019; January 14, 2020; January 28, 2020; February 26, 2020 & March 19, 2020.

Corporate Social Responsibility Committee

During the year under review 2 (two) meetings of the CSR Committee were held on November 30, 2019 & March 03, 2020.

7.7 Recommendations of Audit Committee

There were no instances where the Board of Directors of the Company did not accept the recommendation of the Audit Committee.

7.8 Company's Policy on Directors' Appointment and Remuneration

Nomination and Remuneration Policy

The Company pursuant to the provisions of Section 178 of the Companies Act, 2013 has formulated and adopted a Nomination and Remuneration policy which is disclosed on the Company's website.

7.9 Performance Evaluation of Board, Committees and Directors

The Board of Directors has carried out an annual evaluation of its own performance, Committees and Individual Directors pursuant to the provisions of the Companies Act, 2013.

The Independent Directors in their separate meeting held on March 21, 2020.

i. Reviewed the performance of Non- Independent Directors and the Board as a whole.

ii. Assessed the quality, quantity and timelines of flow of information between the Company Management and the Board that was necessary for the Board to effectively and reasonably perform their duties.

iii. The entire performance evaluation process was completed to the satisfaction of Board.

7.10 Remuneration of Directors and Employees of Listed Companies

The table containing the names and other particulars of employees in accordance with the provisions of Section 197(12) of the Companies Act, 2013, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is appended as "**Annexure I** ".

Rule 5(2) & Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 [A statement containing the names of every employee employed throughout the financial year and in receipt of remuneration of One Crore and Two Lakh (1.02 Crore) or more, or employed for part of the year and in receipt of Eight lakh and Fifty-Two Thousand (8.52 Lakh) or more a month] is **Not Applicable**.

7.11 Directors' Responsibility Statement

Pursuant to the requirement under Section 134 (5) of the Companies Act, 2013, Board of Directors confirms that:

a. In the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.

b. The Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and are prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period.

c. The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

d. The Directors had prepared the annual accounts on a going concern basis, and

e. The Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively.

f. The Directors had devised proper systems to ensure compliance with the provisions of all applicable laws, Secretarial Standards issued by Institute of Company Secretaries of India and that such systems were adequate and operating effectively.

7.12 Adequacy of Internal Financial Controls with Reference to Financial Statements

The Company has in place adequate Internal Financial Controls with reference to Financial Statements. During the year under review, such controls were tested and found to be effective as no reportable material weakness in the design or operation were observed.

7.13 Reporting of Frauds by Auditors

During the period under review, neither the Statutory Auditors nor Secretarial Auditors have reported to the Audit Committee/Board or Central Government any instances of material fraud in the Company by its Officers or employees under section 143(2) of the Companies Act 2013.

8 Disclosures Relating to Subsidiaries, Associates and Joint Ventures

8.1 Report on Performance and Financial Position of the Subsidiaries, Associates and Joint Ventures

The Company has no subsidiary, associate, joint venture and hence consolidation of Financials Statements and the provisions relating to the same under the Companies Act, 2013 and rules made there under are not applicable.

8.2 Companies which have become or ceased to be Subsidiaries, Associates and Joint Ventures

The Company does not have any Subsidiary, Joint Venture or Associate Companies as on March 31, 2020.

9. Details of Deposits

The Company is a Non-deposit taking Non-Banking Financial Company- Micro Finance Institution (NBFC-MFI) and has not accepted deposit as defined by the Companies Act, 2013.

10. Particulars of Loans, Guarantees and Investments

The Company has duly complied with the provisions of Section 186 of the Companies Act, 2013 and Rules thereunder Details on loans, guarantee or investments made during the financial year are mentioned in the notes to the financial statements.

11. Particulars of Contracts or Arrangements with Related Parties

During the financial year 2019-20, there is no material significant related party transaction with the Company's Promoters, Directors, Key Managerial Personnel or other designated person which may have potential conflict with the interest of the Company at large.

All the related party transactions are entered on arm's length basis and are in compliance with the applicable provisions of the Act.

In compliance with section 188(1) of the Companies Act, 2013, AOC-2 enclosed as **Annexure- II**. Further, details of Related Party Transactions as required to be disclosed as per Indian Accounting Standard 24 "Related Party Disclosures" specified under section 133 of the Companies Act, 2013 are given in the Notes to the Financial Statements.

12. Corporate Social Responsibility (CSR)

The provisions of Corporate Social Responsibility is applicable as per Section 135 of Companies Act, 2013 and Schedule VII of the Companies Act 2013.

The Corporate Social Responsibility Committee of the Company has been constituted. The committee recommended to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, which has been approved by the Board in its meeting held on December 02, 2019 and has been disclosed in the company website.

The Annual Report on CSR activities is enclosed as prescribed format as **Annexure III** and forms part of this Report.

13. Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and Outgo

a) Since the Company does not own any manufacturing facility, the particulars relating to conservation of Energy and technology absorption in the above rules are not applicable.

b) **Foreign Exchange Earnings and Outgo**

(In INR Lakhs)

Particulars	As on 31.03.2020	As on 31.03.2019
Foreign Exchange inflow	Nil	Nil
Foreign Exchange Outflow	Nil	Nil

14. Risk Management

The Company has in place a Risk Management Policy which provides for a robust risk management framework to identify and assess risks such as credit risk, market risk, operational risk, liquidity risk, financial risk, regulatory and other risks. There is an adequate risk management infrastructure in place capable of addressing these risks.

15. Details of Establishment of Vigil Mechanism

The Company promotes ethical behavior in all its business activities and has put in place a mechanism of reporting illegal or unethical behavior, actual or suspected frauds or violation of the Codes of Conduct or policy or illegal activity occurring in the organization. The Company has a vigil mechanism process wherein the employees are free to report violations of laws, rules, regulations or unethical conduct to an e-mail ID designated or by post. The confidentiality of those reporting violations is maintained and they are not subjected to any discriminatory practice.

Name and Address of the Whistle Blower & Ethics Officer

Mr. K Subramanyam Ravi

121, 'SHRUTHI' Central Excise Layout, Vijayanagar, Bangalore - 560040
Email: ksravi121@gmail.com
Mobile No: +91 9513566658

The Whistle Blower Policy of the Company is disclosed on the Company's website.

16. Material Orders of Judicial Bodies/Regulators

There were no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

17. Auditors

The Company has appointed Walker Chandiok & Co LLP, Chartered Accountants (ICAI FRN001076N/N500013), Mumbai as Statutory Auditors of the Company for period of five years from the conclusion of Tenth Annual General Meeting held on August 21, 2019 till conclusion of Fifteenth Annual General Meeting.

18. Secretarial Audit Report

The Board had appointed Ms. S. C. Sharada & Associates, Practicing Company Secretary firm as Secretarial Auditor of the Company for the Financial Year 2019-20 in compliance with the provisions of Section 204 of the Companies Act, 2013 and the Rules made there under.

Secretarial Audit report in form MR-3, submitted by the Secretarial Auditor for the FY 2019-20 is enclosed as "**Annexure IV**" to the Director's Report.

19. Explanations in Response to Auditors' Qualifications

(i) **Statutory Auditor's report**

The Directors confirm that there are no disqualifications, reservations, adverse remarks or disclaimers in the Independent Auditor's report issued by Statutory Auditors for the FY 2019-20

(ii) Secretarial Auditor's Report

The Directors confirm that there are no disqualifications, reservations, adverse remarks or disclaimers in the Secretarial Audit Report issued by Secretarial Auditors for the FY 2019-20.

20. Compliance with Secretarial Standards

The Report shall include a statement on compliance of applicable Secretarial Standards and other Secretarial Standards voluntarily adopted by the Company.

21. Corporate Insolvency Resolution Process Initiated Under the Insolvency and Bankruptcy Code, 2016 (IBC)

No application has been filed by the Company for Corporate Insolvency resolution under the IBC before the NCLT.

22. Failure to Implement any Corporate Action

The Company has not failed to complete or implement any Corporate Action within the specified time limit for issue of securities.

23. Annual Return

In Pursuant to Section 134 (3) (a) and Section 92(3) of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, an extract of annual return in MGT 9 as a part of this Report is given in "**Annexure V**".

A copy of the annual return will be displayed on the website of the Company.

24. Disclosures Pertaining to the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has adopted a Policy on Prevention, Prohibition and Redressal of Sexual Harassment at the workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the rules made thereunder. The Policy aims to promote a healthy work environment and to provide protection to employees at the workplace and redress complaints of sexual harassment and related matters thereto. The Company has also constituted an Internal Complaints Committee to enquire into complaints of sexual harassment and recommend appropriate action.

The company received one compliant and the same has been disposed off during the year 2019-20.

25. Acknowledgment

Your Directors take this opportunity to offer their sincere thanks to Bankers & Investors for their unstinted support and assistance received from them during the year. The Directors would also like to place on record their appreciation of the dedicated efforts put in by the employees of the Company.

By Order of the Board of Directors
For and on behalf of Chaitanya India Fin Credit Private Limited

	Sachin Bansal	**Anand Rao**
Date: August 14, 2020	Managing Director & CEO	Joint Managing Director
Place: Bangalore	DIN: 02356346	DIN: 01713987

GENERAL SHAREHOLDER INFORMATION

Company Registration Details

The Company is registered in the state of Karnataka, India. The Corporate Identity Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is U67190KA2009PTC049494.

Annual Report

The Annual Report containing inter alia, Audited Annual Accounts, Director's Report, Auditor's Report and other important information is circulated to members and others entitled thereto. The Management 's Discussion and Analysis (MD&A) Report forms part of the Annual Report and the Annual Report is also displayed on the website.

Debt Securities Listing

The Bombay Stock Exchange

Payment of Listing Fees & Depository Fees

Annual Listing fee for the year 2019-20 was paid on April 23, 2020 to the Bombay Stock Exchange (BSE).

SEBI Complaints Redress System (Scores)

The investor complaints are processed in a centralized web-based complaints redress system by Securities Exchange Board of India for debt listing. The salient features of this system are centralized database of all complaints, online upload of Action Taken Reports (ATRs) by concerned companies and online viewing by investors of actions taken on the complaint and its current status. Till the date of the report the status of the investor complaints is NIL.

ANNEXURE I

Statement of Disclosure of Remuneration under Rule 5(1) of Companies Appointment and Remuneration of Managerial Personnel) Rules, 2014

Remuneration paid to Whole Time Directors

Name of the Director	Designation	% Increase/Decrease of remuneration in 2020 as compared to 2019*	Ratio of remuneration to MRE*
Mr. Samit S Shetty	Managing Director*	49.76%	25.32
Mr. Anand Rao	Joint Managing Director	49.76%	25.32
Mr. Sachin Bansal	Managing Director and CEO	NA	NA
Mr. Ankit Agarwal	Additional Director and Deputy CEO	NA	NA

* Mr Samit S Shetty Resigned as Managing Director and Appointed as Nominee Director w.e.f March 06, 2020.

Remuneration Paid to Other Directors

Name of the Director	Designation	% Increase/Decrease of remuneration in 2020 as compared to 2019*	Ratio of remuneration to MRE*
Ravi K S	Independent Director	NA	NA
R Nandakumar	Independent Director	NA	NA
Ramesh Sundreshan	Nominee Director	NA	NA
Lisa G Thomas	Nominee Director	NA	NA

Remuneration paid to KMP

Name of the Director	Designation	% Increase/Decrease of remuneration in 2020 as compared to 2019*	Ratio of remuneration to MRE*
Mr. Srinivasan C V	Chief Financial Officer	53.80%	17.45
Ms. Dimple Shah	Company Secretary	57.08%	5.32

MRE- Median Remuneration of Employees, WTD- Whole Time Director

*Rounded-off to two decimals

1. The median remuneration of employees of the Company during the financial year was INR 2,47,200.
2. The percentage increase in the median remuneration of employees during the financial year- There was an increase of 4.30%
3. The number of employees on the rolls of Company as on March 31, 2020 is 2249
4. Relationship between average increase in remuneration and company performance: -

   The Profit before Tax for the financial year ended March 31, 2020 was INR 713.33 Lakhs as compared to previous year Profit of INR 531.56 Lakhs whereas the increase in median remuneration was 4.30%.
5. Average percentage increase made in the salaries of employees other than the managerial personnel in the financial year 2018-19 was 18.48% whereas the increase in the managerial remuneration for the financial year 2019-20 was 24.21%.
6. The ratio of the remuneration of the highest paid Director to that of the employees who are not Directors but receive remuneration in excess of the highest paid Director during the year – Not Applicable.
7. It is hereby affirmed that the remuneration paid is as per the Policy for Directors, Key Managerial Personnel and other Employees.

By Order of the Board of Directors
For and on behalf of Chaitanya India Fin Credit Private Limited

Sachin Bansal
Managing Director & CEO
DIN: 02356346

Anand Rao
Joint Managing Director
DIN: 01713987

Date: August 14, 2020
Place: Bangalore

ANNEXURE II

AOC-2

(Pursuant to clause (h) sub-section of (3) of Section 134 of the Act and Rule 8 (2)
of the Companies (Accounts) Rules, 2014)

Form for disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto

1. Details of Contracts or Arrangement or Transaction not at Arm's Length Basis:

There were no contracts / arrangements entered into by the company with the related parties referred to in section (1) of Section 188 of the Companies Act, 2013 which were not at arm's length basis during the year ended 31st March, 2020.

2. Details of Contracts or Arrangement or Transaction at Arm's Length Basis:

Sl. No	Name of the related party and nature of relationship	Nature of contracts/ arrangements/ Transactions	Duration of the contracts/ arrangements/ Transactions	Salient terms of the contracts/ arrangements/ Transactions including the value, if any	Date of approval by the Board/ committee, if any	Amount paid as advance, if any
1	Navi Finserv Private Limited (Formerly known as Chaitanya Rural Intermediation Development Services Pvt Ltd)	Service Fee	1 Year	a. Processing fee on loan Disbursal amount at 2% and Service fees at 10% on Average outstanding portfolio of Two-wheeler and other products b. Processing fee loan Disbursal amount at 1% and Service fees at 4% on Average outstanding portfolio of Housing loans, 8.5% on Small Business loans & 8% on any other loan products	May 23, 2019	NA

By Order of the Board of Directors
For and on behalf of Chaitanya India Fin Credit Private Limited

Sachin Bansal
Managing Director & CEO
DIN: 02356346

Anand Rao
Joint Managing Director
DIN: 01713987

Date: August 14, 2020
Place: Bangalore

ANNEXURE III

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILTY ACTIVITIES

1. Brief Outline of the Company's CSR Policy:

The Corporate Social responsibility ('CSR') policy of Chaitanya India Fin Credit Private Limited (hereby referred to as Company) has been developed in accordance with Section 135 of the Companies Act 2013 and the Companies Corporate Social Responsibility Rule,2014 (hereby collectively referred to as the 'Act') notified by the Ministry of Corporate Affairs.

During the year the Company has chosen Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund) as its CSR activity.

2. The Composition of CSR Committee:

The Corporate Social Responsibility Committee (CSR Committee) of the Board of Directors (Board) of the Company comprise the Directors of the Board of the Company as indicated below:

Name of the Director	Designation	Position in the Committee
Mr. K S Ravi	Independent Director	Chairman
Mr. R Nandakumar	Independent Director	Member
Mr. Anand Rao	Joint Managing Director	Member

3. Average Net Profit of the Company for the Last Three Years:

The average net profit for the Company calculated as per Section 198 of the Act and read with the Companies (Corporate Social responsibility) Rules there of (Average net profit) accrued during the three immediately preceding Financial Year amounts to INR 28,67,867 (Indian Rupees Twenty-Eight Lakhs Sixteen Thousand Eight Hundred Sixty-Seven Only)

4. Prescribed CSR Expenditure:

The prescribed CSR expenditure rate of two percent on the average net profit of INR 28,67,867 amounts to INR 57, 357 (Indian Rupees Fifty-Seven Thousand Three Hundred Fifty-Seven Only).

5. Details of CSR Spend for the Financial Year:

i. Total amount spent for the financial year 2019-20: INR 60, 000 (Indian Rupees Sixty Thousand only)

ii. Amount unspent: Nil

iii. Manner in which the amount spend during the financial year is detailed below:

CSR project or activity identified	Sector in which the project is covered	Project or programs 1. Local area or other 2. Specify the state and district where project or programs were undertaken	Amount outlay (budget) project or wise (In INR)	Amount spends on the projects programs (In INR)	Cumulative expenditure up to the reporting period (In INR)	Amount spent: Direct or through implementing agency
Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund).	Public health emergency, calamity or distress	Not Applicable	57,357	60,000	60,000	Direct

3. In case the Company has failed to spend the two percent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report.

The Company has successfully met its prescribed CSR expenditure for the financial year 2019-20.

4. The Implementation and monitoring of CSR policy, is in compliance with CSR objectives and policy of the Company:

The implementation and monitoring of the CSR policy is in compliance with the CSR objectives and policy laid down by the Board.

By Order of the Board of Directors
For and on behalf of Chaitanya India Fin Credit Private Limited

	Sachin Bansal	**Anand Rao**
Date: August 14, 2020	Managing Director & CEO	Joint Managing Director
Place: Bangalore	DIN: 02356346	DIN: 01713987

ANNEXURE IV

FORM NO. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31ST MARCH, 2020

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

To
The Members
Chaitanya India Fin Credit Private Limited
CIN: U67190KA2009PTC049494
No.145, 2nd Floor, NR Square,
1st Main Road, Sirsi Circle,
Chamrajpet, Bangalore - 560018

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Chaitanya India Fin Credit Private Limited (hereinafter called “the Company”). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our 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, the information provided by the Company, its officers, agents and authorised representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has during the audit period covering the financial year ended on March 31, 2020, generally 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.

In view of the COVID -19 pandemic, wherever physical audit was not possible we have relied on electronic records and explanations and clarifications provided to us by the management and have been guided by the relaxations provided by the Ministry of Corporate Affairs, Reserve Bank of India and Securities and Exchange Board of India.

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the financial year ended on 31st March, 2020 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;

(iv) The Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 (‘SEBI Act’) viz.: -

- (a) The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015;
- (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015; and
- (c) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;

(v) Laws, Norms and Directions as specifically applicable to Non-Banking Financial Company – Micro Finance Institution (NBFC-MFI):

- (a) Reserve Bank of India Act, 1934;
- (b) Non-Banking Financial Company – Micro Finance Institutions (Reserve Bank) Directions, 2011
- (c) Non-Banking Financial (Non-Deposit Accepting or Holding) Companies Prudential Norms (Reserve Bank) Directions 2007 and Modifications thereof;
- (d) Master Direction - Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016;
- (e) Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016;
- (f) Master Direction- Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016; and
- (g) Other relevant RBI Circulars / Notifications

(vi) Applicable Labour Laws

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India and

(ii) The Listing Agreement for debt securities entered into by the Company with BSE.

On the basis of the information and explanation provided, the Company had no transaction during the period under Audit requiring the compliance of applicable provisions of Act / Regulations / Directions as below:

(i) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(ii) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

(iii) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;

(iv) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;

(v) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

(vi) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; and

(vii) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above subject to the following observations:

a. Post the resignation of Mr. Ramesh Sundaresan, Nominee Director on 19th October, 2019, the Audit Committee and the Nomination & Remuneration Committee of which he was a member, were reconstituted on 5th November, 2019 with two members i.e. Mr. R. Nandakumar and Mr. K.S. Ravi, Independent Directors.

   To remain in compliance with the Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016, the Board is required to appoint one more non-executive director as a member of the said committees. We are given to understand by the management that the Company is in the process of reconstituting its Board as well as its committees and the above compliance will be taken care of.

We 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. Consequent to the change in ownership of the holding company, there was change in the management and control of the Company resulting in a change in the composition of the Board of Directors. The said change was effected 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 at least one Independent Director was present wherein the Board meetings were held at shorter notice to transact urgent matters. 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 general meetings duly recorded and signed by the Chairman, the decisions were carried unanimously and there were no dissenting views. Similarly, all the decisions of the Board and Committees thereof were taken with requisite majority.

We further report that:

- There are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

- Based on the information provided by the Company, its officers and authorized representatives, during the conduct of the audit and also on the review of the details, records, documents and papers provided, in our opinion, adequate systems and processes and control mechanism exist in the Company to monitor and to ensure compliance with applicable general laws like labour laws.

- The compliance of applicable financial laws, like direct and indirect tax laws, have not been reviewed in this Audit since the same are subject to review by statutory financial audit and other designated professionals.

We further report that during the audit period the following events/actions have taken place, having a major bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards etc.,:

I. Alteration of the Objects clause

   (i) The members of the Company vide special resolution passed on 6th November, 2019 approved the alteration of the Objects clause of the Memorandum of Association of the Company to include the following object:

To set up or acquire companies for the purpose of carrying on the business related to asset management, mutual fund and to act as sponsor or co-sponsor by undertaking financial and commercial obligations required to constitute and/or settle any trust or any undertaking to establish any mutual fund or trust in and / or outside India with the prior approval of the concerned Authorities, with a view to issue units, stocks, securities, certificates or other documents, based on or representing any or all assets appropriated for the purposes of any such trust and to settle and regulate any such trust and to issue, hold or dispose of any such units, stocks, securities, certificates or other documents.

However, the company is awaiting SEBI and RBI approval for commencing business with respect to mutual funds.

II. Issue of securities through Rights Issue and Private Placement through Preferential Allotment

(i) The Company has raised an amount of INR 25,00,00,000 from Mr. Sachin Bansal through allotment of 250 Unlisted, Unrated Secured, Redeemable, Non-Convertible Debentures of INR 10,00,000 each on 16th July, 2019 through Private Placement.

(ii) The Company has allotted 5,04,65,482 Equity Shares of INR 10 each, at a premium of INR 19.10 per share on rights basis to Chaitanya Rural Intermediation Development Services Private Limited (CRIDS), existing shareholder on 30th October, 2019.

(iii) The Company has raised an amount of INR 1,14,00,00,000 from CRIDS through allotment of 11,400 Unlisted, Unrated, Secured, Unlisted, Irredeemable, Convertible Debentures of INR 1,00,000 each on 10th February, 2020 through Private Placement on Preferential Allotment Basis.

III. Redemption of securities

(i) The Company has redeemed 1,50,00,000 Non-Convertible Cumulative Redeemable Preference of face value INR 10 each on 18th December, 2019, allotted to UNIFI AIF on 27th September, 2018.

(ii) The Company has redeemed 2043 Secured, Rated, Listed, Senior, Redeemable Taxable Transferable Non-Convertible Debentures of face value INR 1,00,000 each on 6th January, 2020, allotted to MicroBuild I B V on 22nd November, 2016.

(iii) The Company has redeemed 250 Unlisted, Unrated, Secured, Redeemable, Non-Convertible Debentures of INR 10,00,000 each on 14th January, 2020, allotted to Mr. Sachin Bansal on 16th July, 2019.

For S. C. Sharada & Associates

Sd/-
S. C. Sharada
Company Secretary in Practice
M. No.: 7783
C.P. No.: 11903
UCN: S2016KR379800
UDIN: A00783B0034899

Place: Bangalore
Date: June 17, 2020

This report is to be read with our letter of even date which is annexed as **Annexure A** and forms an integral part of this report.

'Annexure A'

To,
The Members
Chaitanya India Fin Credit Private Limited
CIN: U67190KA2009PTC049494
No.145, 2nd Floor, NR Square,
1st Main Road, Sirsi Circle,
Chamrajpet, Bangalore - 560018

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

1. Maintenance of secretarial records 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. We 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. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.

4. Where ever required, we 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 S. C. Sharada & Associates

Sd/-
S. C. Sharada
Company Secretary in Practice
M. No.: 7783
C.P. No.: 11903
UCN: S2016KR379800
UDIN: A00783B0034899

Place: Bangalore
Date: June 17, 2020

ANNEXURE V

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on financial year ended on 31.03.2020

Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Company (Management & Administration) Rules, 2014.

I. REGISTRATION & OTHER DETAILS:

1	CIN	U67190KA2009PTC049494
2	Registration Date	31-03-2009
3	Name of the Company	Chaitanya India Fin Credit Private Limited
4	Category/Sub-category of the Company	Company Limited by shares Indian Non-Government Company
5	Address of the Registered office & contact details	No - 145, 2nd Floor NR Square 1st Main Road Sirsi Circle, Chamrajpet, Bangalore- 560018,Karnataka Email id : corporate@chaitanyaindia.in Phone no: 080-26750010
6	Whether listed company	Yes (Debt Listed)
7	Name, Address & contact details of the Registrar & Transfer Agent, if any.	KFin Technologies Private Limited Selenium Tower B, Plot 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

S. No.	Name and Description of main products / services	NIC Code of the Product/service	% to total turnover of the company
	NBFC- MFI - Micro lending		
1	Joint Liability Group (JLG)	64199	89.95%

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

S. No.	Name and address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited) Reg. Office: No - 145, 2nd Floor NR Square 1st Main Road Sirsi Circle, Chamrajpet, Bangalore- 560018, Karnataka	U65923KA2012PTC062537	Holding	100%	2(46)

IV. SHARE HOLDING PATTERN (Equity share capital breakup as percentage of total equity)

(i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2019]				No. of Shares held at the end of the year [As on 31-March-2020]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters	-								
(1) Indian	-								
a) Individual/ HUF	-		-		-				
b) Central Govt	-		-	-	-	-	-	-	-
c) State Govt(s)	-		-	-	-	-	-	-	-
d) Bodies Corp.	-	2,45,34,518	2,45,34,518	100.00%		7,50,00,000	7,50,00,000	100.00%	0.00%
e) Banks / FI	-		-	-	-	-	-	-	
f) Any other	-		-	-	-	-	-	-	-
Sub Total (A) (1)	**-**	**2,45,34,518**	**2,45,34,518**	**100.00%**	**-**	**7,50,00,000**	**7,50,00,000**	**100.00%**	**0.00%**
(2) Foreign	-								
a) NRI Individuals	-		-	-	-	-	-	-	-
b) Other Individuals	-	-	-	-	-	-	-	-	-
c) Bodies Corp.	-		-	-	-	-	-	-	-
d) Any other	-		-	-	-	-	-	-	-
Sub Total (A) (2)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
TOTAL (A)	**-**	**2,45,34,518**	**2,45,34,518**	**100.00%**	**-**	**7,50,00,000**	**7,50,00,000**	**100.00%**	**0.00%**
B. Public Shareholding	-								
1. Institutions	-								
a) Mutual Funds	-	-	-	-	-	-	-	-	-
b) Banks / FI	-	-	-	-	-	-	-	-	-
c) Central Govt	-	-	-	-	-	-	-	-	-
d) State Govt(s)	-	-	-	-	-	-	-	-	-
e) Venture Capital Funds									
f) Insurance Companies	-		-	-	-	-	-	-	-
g) FIIs	-		-	-	-	-	-	-	-
h) Foreign Venture Capital Funds									
i) Others (AIF)	-				-	-	-	-	-
Sub-total (B)(1):-	**-**				**-**	**-**	**-**	**-**	**-**
2. Non-Institutions	-								
a) Bodies Corp.	-								
i) Indian	-		-	-	-	-	-	-	-
ii) Overseas	-		-	-	-	-	-	-	-
b) Individuals	-								
i) Individual shareholders holding nominal share capital upto INR 1 lakh									
ii) Individual shareholders holding nominal share capital in excess of INR 1 lakh									
c) Others (specify)	-								
Non Resident Indians	-		-	-	-	-	-	-	-
Overseas Corporate Bodies									

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2019]				No. of Shares held at the end of the year [As on 31-March-2020]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
Foreign Nationals	-	-	-	-	-	-	-	-	-
Clearing Members	-	-	-	-			-	-	-
Trusts	-	-	-	-			-	-	-
Foreign Bodies - D R	-	-	-	-	-	-	-	-	-
Sub-total (B)(2):-	-				-	-	-	-	-
Total Public (B)	-	-	-		-	-	-	-	-
C. Shares held by Custodian for GDRs & ADRs									
Grand Total (A+B+C)	-	2,45,34,518	2,45,34,518	100%	0.00%	7,50,00,000	7,50,00,000	100.00%	0.00%

(ii) Shareholding of Promoter

SN	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged/ encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
3	Navi Finserv Private Limited (Formerly Chaitanya Rural Intermediation Development Services Private Limited	2,45,34,518	100.00%		7,50,00,000	100.00%		0.00%
	TOTAL	**2,45,34,518**	**100.00%**		**7,50,00,000**	**100.00%**		**0.00%**

(iii) Change in Promoters' Shareholding (please specify, if there is no change)

SN	Particulars	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	Navi Finserv Private Limited (Formerly Chaitanya Rural Intermediation Development Services Private Limited						
	At the beginning of the year			2,45,34,518	100.00%	2,45,34,518	0.00%
	Changes during the year	30.10.2019	Allot	5,04,65,482	-	5,04,65,482	-
	At the end of the year			7,50,00,000	100.00%	7,50,00,000	0.00%

(iv) Shareholding Pattern of top ten Shareholders

(Other than Directors, Promoters and Holders of GDRs and ADRs):

SN	For each of the Top 10 shareholders	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
	At the beginning of the year	-	-	-	0.00%	-	0.00%
	Changes during the year	-		-	0.00%	-	0.00%
	At the end of the year	-		-	0.00%	-	0.00%

(v) Shareholding of Directors and Key Managerial Personnel:

SN	Shareholding of each Directors and each Key Managerial Personnel	Date	Reason	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
				No. of shares	% of total shares	No. of shares	% of total shares
1	**Anand Rao**						
	At the beginning of the year	-	-	1	0.00%	1	0.00%
	Changes during the year	-		-	0.00%	-	0.00%
	At the end of the year	-		1	0.00%	1	0.00%

V. INDEBTEDNESS

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(Amt. in Lacs)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	3309471836	65,00,00,000.00		3,95,94,71,836.00
ii) Interest due but not paid	-	-		-
iii) Interest accrued but not due	54079502	26764388		8,08,43,890.00
Total (i+ii+iii)	**3,36,35,51,338.00**	**67,67,64,388.00**	**-**	**4,04,03,15,727.00**
Change in Indebtedness during the financial year				
* Addition	3,80,00,00,000.00	1,59,00,00,000.00		5,39,00,00,000.00
* Reduction	-2,22,91,42,777.00	-45,00,00,000.00		-2,67,91,42,777.00
Net Change	**1,57,08,57,223.00**	**1,14,00,00,000.00**	**-**	**2,71,08,57,223.00**
Indebtedness at the end of the financial year				
i) Principal Amount	4,88,03,29,059.00	1,79,00,00,000.00		6,67,03,29,059.00
ii) Interest due but not paid	-	-		-
iii) Interest accrued but not due	6,41,60,699.00	5,57,24,666.00		11,98,85,365.00
Total (i+ii+iii)	**4,94,44,89,758.00**	**1,84,57,24,666.00**	**-**	**6,79,02,14,425.00**

VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

SN	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount
	Name	Anand Rao	Samit S Shetty*	Sachin Bansal**	(INR/Lac)
	Designation	Joint Managing Director	Managing Director	Managing Director	
1	Gross salary	62.60	62.60	-	125.20
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961				-
					-
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961				-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961				-
					-
2	Stock Option				-
3	Sweat Equity				-
4	Commission				-
	- as % of profit				-
	- others, specify				-
5	Others, please specify				-
	Total (A)				125.20
	Ceiling as per the Act				NA

*Resigned as Managing Director and appointed as Nominee Director w.e.f. 06th March, 2020

**Appointed w.e.f. 06th March, 2020

B. Remuneration to other Directors

SN	Particulars of Remuneration	Name of Directors		Total Amount (INR)
		K S Ravi Independent Director (INR/Lac)	R Nandakumar Independent Director (INR. In Laksh)	
1	Independent Directors			
	Fee for attending board committee meetings	6.80	6.80	6.80
	Commission			
	Others, please specify			
	Total (1)	**6.80**	**6.80**	**13.60**
2	Other Non-Executive Directors			
	Fee for attending board committee meetings			
	Commission			
	Others, please specify			
	Total (2)	**-**	**-**	**-**
	Total (B)=(1+2)	**6.80**	**6.80**	**13.60**
	Total Managerial Remuneration			
	Overall Ceiling as per the Act			

C. Remuneration to Key Managerial Personnel other than MD/Manager/WTD

SN	Particulars of Remuneration	Name of KMP other than MD/Manager/WTD		Total Amount
	Name	**Srinivasan C V**	**Dimple J Shah**	**(INR/Lac)**
	Designation	**CFO**	**Company Secretary**	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	43.13	13.16	56.29
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961			-
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961			-
2	Stock Option			-
3	Sweat Equity			-
4	Commission			-
	- as % of profit			-
	- others, specify			-
5	Others, please specify			-
	Total	**43.13**	**13.16**	**56.29**

VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty					
Punishment					
Compounding					
B. DIRECTORS					
Penalty					
Punishment					
Compounding					
C. OTHER OFFICERS IN DEFAULT					
Penalty					
Punishment					
Compounding					

By Order of the Board of Directors
For and on behalf of Chaitanya India Fin Credit Private Limited

Sachin Bansal
Managing Director & CEO
DIN: 02356346

Anand Rao
Joint Managing Director
DIN: 01713987

Date: August 14, 2020
Place: Bangalore

Management Discussion & Analysis

Microfinance Industry Trends

The Microcredit industry is defined as unsecured lending to low & low-medium income customers. The borrowers constitute the lower 80 percentile of India's income distribution with household income up to INR 2.5 lac in rural areas and up to INR 3 lacs in urban areas of the Country. The overall Microfinance Industry is pegged at INR 3.3 lac crores of Gross Loan Portfolio (GLP) as of 31st March 2020 (including JLG loans as well as SHG-Bank linkage program). This accounts for ~3% of total Bank credit in India and ~13% of total Household debt in India. The total disbursals of JLG loans in FY 2019-20 is estimated at around INR 2.5 lac crores. Disbursals grew by about 13% year-on-year in FY20 and growth rate was significantly lower than previous years. This year was impacted by floods across various states, anti-CAA protests in Assam, as well as the COVID pandemic and ensuing lockdown during the critical year-end period. Over the next 5 years, the Industry is expected to grow at a CAGR of about 25%. While this will likely be lower than the 30% CAGR it witnessed in last 3 years, the Industry shall continue to remain one of the strongest growing sectors.

Impact of the COVID Pandemic

COVID is expected to have a significant impact on the microfinance industry, primarily because of loss of jobs & livelihood among low & low-middle income families, and secondly due to strain on liquidity and solvency of several small & mid-sized NBFCs. The impact is expected to be stronger than previous systemic events like the demonetization or Andhra Pradesh crisis.

However, the risk is partially mitigated owing to the following factors,

- Proactive measures taken by the Finance Ministry and the RBI by way of an extended 6 months' moratorium, clear articulation of Income-Recognition-and-Asset-Classification (IRAC) and provisioning norms, timely liquidity infusion to the financing industry and support to NBFCs.
- Several financial packages announced by the Central & State Governments with official figures pegged at 10% of the country's GDP.
- About 60% of the industry is concentrated at rural & semi-urban geographies, where the impact to livelihood has been comparatively lower than urban areas.
- Customers are better aware about their rights & obligations in terms of loan borrowings and are making better judgments in terms of repayments, moratorium choice, and loan defaults.

Concentration Risk & Customer Indebtedness

Certain markets within the Industry is witnessing high saturation, whereas some geographies continue to remain low penetrated. The top-10 states account for 82% of gross portfolio as of March 31, 2020, and this concentration figure has remained similar in previous two FYs. In terms of disbursals also, these 10 states made up 82% of total disbursals in FY20. Going by population (2011 census), these top-10 states contribute to 70% of India's total population. The high saturation is indicated by several factors, viz. multiple borrowings among customers, strong growth in disbursal ticket size, as well as growth in total loan outstanding. The Eastern states of West Bengal, Bihar, Assam, and Odisha are witnessing rapid growth in disbursals as well as loan ticket size. While West Bengal & Assam holds the top-2 spot in terms of average ticket size, Bihar, Assam, and Odisha has outgrown the national average in terms of ticket size growth. Also, WB (31%) & Assam (27%) have one of the largest shares of 100K+ ticket segment (~41%) among their loan portfolios, whereas the national average is 9%. In terms of multiple borrowings, Tamil Nadu, Karnataka, & Kerala lead the pack. National average of customers having more than 3 active loans is 8%, while TN & Karnataka is at 11% and Kerala is at 15%. In TN, 8% customers have more than 3 active lenders as against national average of 4%. In terms of clients reach, our internal studies suggest that Karnataka, Tamil Nadu, and Kerala are close to the saturation level. Across India, microfinance penetration is about 50% among eligible households, while in these states the penetration is at 85% or above.

Financial Risk

The Industry has been witnessing fair amount of consolidation with several players merging with Banks and other NBFCs and some of the other MFIs becoming Business Correspondents (BCs). Raising capital has become the key challenge, especially following the IL&FS fallout and NBFC liquidity crisis. While large players can raise capital from Banks as well as from the market without much difficulty, the small & mid-sized players have ended up on the receiving end. The problem is accentuated by the COVID pandemic and tepid lending by banks in these uncertain times. Amidst the pandemic, in total 50.4% of individual customers in the credit system has taken moratorium (as of April 2020, RBI data). While for NBFCs, 32.5% customers have opted for moratorium, same accounted for 46% of their total loan portfolio in terms of value. For Small Finance Banks (which operate in similar segment as MFIs), 90.9% of customers have opted for moratorium. As per an internal survey by MFIN (Self-Regulatory Organization for MFIs) in April, close to 75% of NBFC-MFI customers chose to take moratorium.

In terms of asset quality, GNPA ratio of NBFCs have gone up from 4.1% in March 2015 to 6.4% in March 2020. At the same time, Capital-to-Risk weighted Assets Ratio (CRAR) has sharply declined from 26.2% in March 2015 to 19.6% in March 2020 (RBI data). In terms of Liquidity risk, MFIs ordinarily do not come under the ambit of traditional Asset-Liability mismatches since average loan tenures are smaller than their average liabilities tenure. However, MFIs are exposed to Interest rate sensitivity, especially in a falling yield curve regime – wherein faster maturing assets and slower maturing liabilities would eat up Net Interest Margins. Our NIM will continue to remain sensitive to interest rate movements as our rate sensitive assets will perpetually remain higher than rate sensitivity liabilities in the near-to-medium term.

In terms of Regulator support, RBI has taken several initiatives in the past few months to improve liquidity scenario and funding availability to NBFCs. Some of these activities include special liquidity schemes, TLTRO, and credit guarantee schemes.

Opportunities

Deep Rural

Chaitanya has always focused on being a deep rural microfinance institution, which is focus on reaching village households before reaching block, taluk and district households. This strategy gives the company significant opportunities across India. There are large markets in India, especially the Northern and Central states, such as UP, MP and Bihar where MFI penetration is still less. Even in penetrated MFI markets, which is, South and East India, the deep rural strategy will help the company to tap the remaining less and penetrated households.

Graduating JLG customers

As the MFI customers mature, their aspirations also rise. The Joint Liability Group (JLG) model, requiring joint liability for loans taken by borrowers does not work effectively beyond a certain loan outstanding amount. Among the JLG customers, there will be customers who will have loan requirements beyond what the JLG mechanism can meet. Meeting this requirement of graduating JLG customers through individual loans, which is outside the JLG mechanism is an emerging opportunity. As we gain experience in giving individual loans to graduating JLG customers, the larger individual loan segment outside the JLG market will also be an opportunity for the company.

Digital Lending

The entire lending process from sourcing to collections is moving digital, even in the microfinance sector. This is an opportunity as well as a threat to MFIs. The penetration of smart phones in our customer base is gradually increasing and we are starting to see customers and their family members doing cashless transactions. This development opens up opportunities for moving our lending process digital, including digital collections, video KYC etc. and in turn disrupting our current physical process and with this opening up opportunities in lowering cost, improving speed of delivery and customising credit.

Analytics for Credit Underwriting

The usage of data analytics for credit underwriting is rapidly happening. Through our deep connect with our customers, we are in a position to collect a lot of relevant data of our customers. This data can be used to make much better underwriting decisions and provide targeted credit to our customers.

Threats

Localised Political Disruptions

Due to the important role the MFI sector is playing in providing credit to low income households, there is a reasonably good support from state and central governments. However, over the past few years, the sector is facing increased cases of localised disruptions at district or lower levels by local activists, who mislead microfinance customers not to repay promising to get loan waivers from governments. The industry has responded by educating the customers and engaging with the local administration wherever this has happened.

Impact of Natural Calamities

We are seeing an increasing frequency of natural calamities and our customers being affected by this. Although, our customers generally bounce back, the increasing number, frequency and magnitude of natural calamities affecting our customers livelihoods is emerging as a threat. The sector is looking into products such as Natural Calamity insurance to protect our customers as well as MFI entities.

Digital Lending

As mentioned earlier, lending moving digital is an opportunity as well as a threat. With data becoming more democratic and cashless transactions increasing, competition from fintech companies and others who will look at the credit opportunity from a digital lens will be an emerging threat for MFIs who are not quick to adapt.

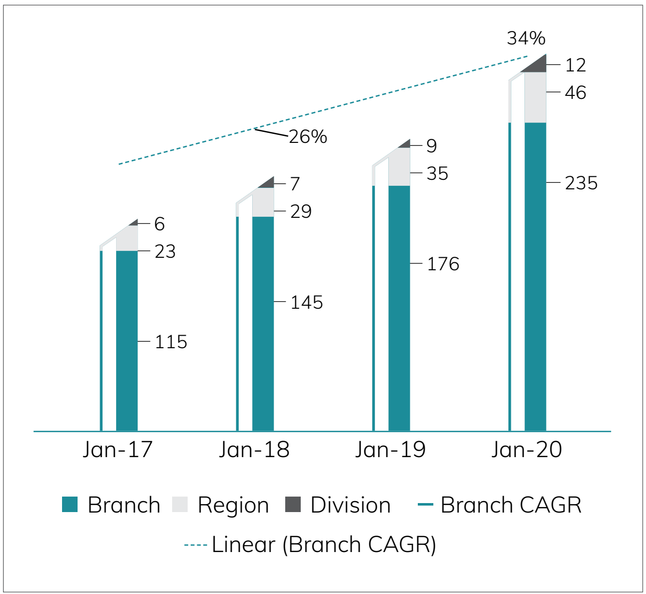
Regulatory Arbitrage

The microfinance sector today has various regulated entities operating namely Banks, NBFCs and NBFC-MFIs. However, the same regulations which apply to NBFC-MFIs do not apply to banks and NBFCs. This has brought in a regulatory arbitrage between us and the other entities could be a long-term threat if the arbitrage increases.

Operational Highlights

Chaitanya's operations are now spread across five states namely Karnataka, Maharashtra, Bihar, Uttar Pradesh (UP) and Jharkhand with Jharkhand being the newest state for the company. The spread across states is in line with the company's objective to have a geographically diversified portfolio. The non-Karnataka share of microfinance book (JLG loans) increased from 30% to 41% during the year. The company added 59 branches during the financial year with all new branches coming outside the home state of Karnataka. The company ended the year with 235 branches. The microfinance book of the company grew by a healthy 54% during the financial year. The loan book growth has come in from a healthy client growth of 34% and a growth in average loan outstanding per client of 16%.

No of Branch, Region & Division

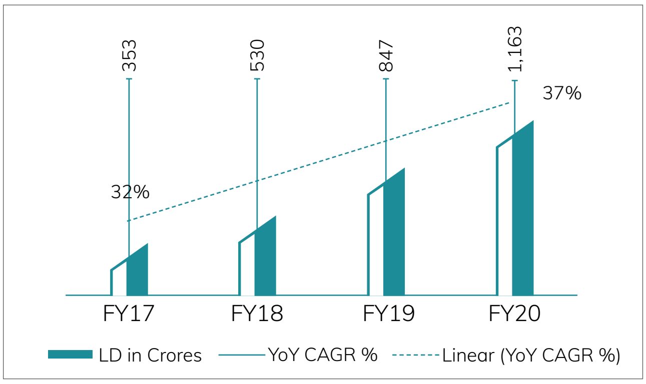


State	No of Branches	Portfolio in crores	% Total Portfolio
KA	107	521.7	59.4%
MH	62	212.8	24.2%
BH	41	110.0	12.5%
UP	15	19.0	2.2%
JH	10	14.8	1.7%
Total	**235**	**878.3**	**100%**

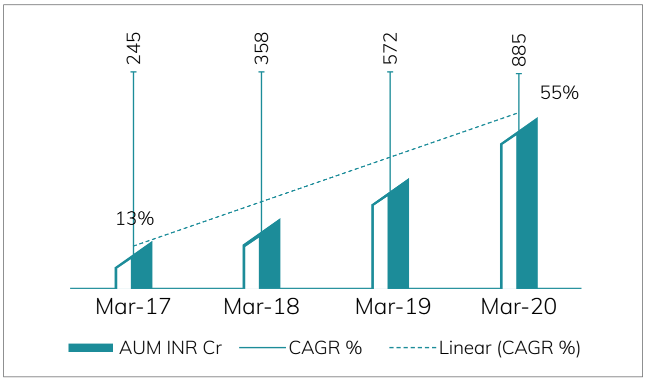
The focus areas of the south business unit, covering the states of Karnataka and Maharashtra were the following: 1) Focus on increasing clients in existing branches. 2) Focused training of field staff. 3) Stabilize process and controls in Maharashtra by building good team and culture. The South SBU ended the year with a portfolio of INR 734 Crores, a growth of 42% for the year, coming from 169 branches in Karnataka and Maharashtra and serving 3.50 lakh clients.

The focus areas of the north business unit were: 1) Expanding into new geographies across states and districts within states. 2) Building a solid team through a robust recruitment and training process. 3) Focus on building a strong Chaitanya culture in the new team. 4) Strengthening support functions to sustain future growth. The North business unit ended the year with a portfolio of INR 144 Crores a growth of 188% coming from 66 branches spread across states of Bihar, UP and Jharkhand having 76 thousand clients.

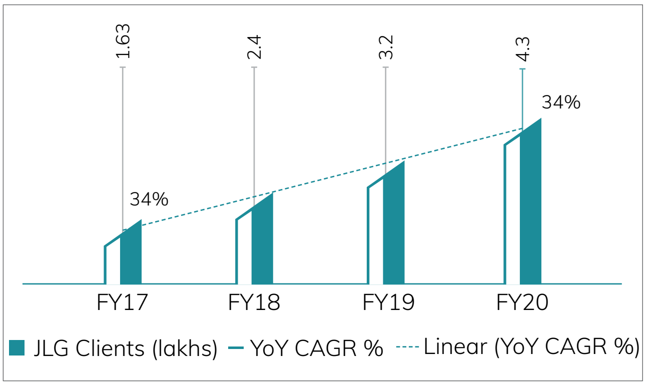
LD (Loan Disbursal) Amount



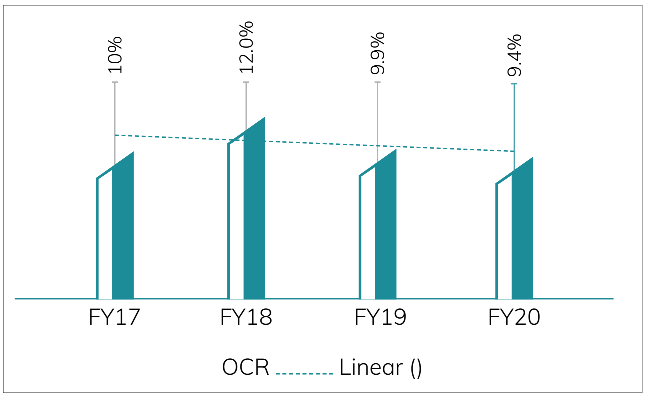
AUM



Active Clients



OCR



The company serves 4.27 lakh clients with an average outstanding per client of INR 20,600. The growth in portfolio has also been accompanied by improvements in efficiency parameters. The operating cost ratio of the company decreased from 9.9% to 9.4%. The portfolio growth with improved efficiencies has resulted in a healthy PAT of INR 5.06 crores.

Grevience Redressal Mechanism

The Company has a systematic procedure for handling client grievances. Every client is given a pass book which explains the Client Grievance Mechanism. This is also explained to each client when she comes to the branch for loan disbursal. If a client has a grievance, she can either contact the branch manager or contact the Company's toll-free number and register her complaint. If the client is not satisfied with the solution offered by the company, she can contact the grievance number of the industry association which is also put in the passbook of the client. Every quarter, client grievance position is reviewed by the audit committee of the Company and also discussed at the Company's quarterly board meeting. During FY 2020, a total of 103 grievances were received out of 985 phone calls to the toll-free number with 7 grievances pending for resolution at the end of the year.

Outlook

The company has a very positive outlook in the coming years. The company will be focusing on the large untapped markets of Central and North India in the coming years. Moving ahead, the company will be fully focussed on the JLG business with the two wheeler and housing loans completely moving to our parent company. The renewed focus on JLG business should help the company to deliver even better performance in the coming years. Solid growth with sound portfolio quality will be the top priority for the company. With the company now being part of Navi group, the group's strength in cutting edge technology should help us to improve our technology implementation by multiple folds in the coming years. Usage of technology for digital lending and data analytics will be prioritised.

Graduating loans to JLG customers and individual unsecured loans will also be a strategic priority for the company. The company will increase its focus on training and development of its employees to ensure superior customer service, process compliance and quicker technology adoption.

Risks and Concerns

In the current year, following risks are perceived to be there in our business: -

PERCEIVED RISK	MITIGANTS
SYSTEMIC RISK (COVID)	• Several policy actions taken by the Regulator and the Government to mitigate loss of livelihood and systemic concerns. • We have already revived to 95%+ level of collections for non-moratorium customers, and normalcy is expected to be achieved by end of 3rd Quarter of current FY. Disbursals have also been resumed since June.
BUSINESS CONTINUITY	• Proactive approach adopted by the Company since the first week of March, long before actual lockdown by the Government. • 25% buffer field staff in system to ensure normal business.
CREDIT RISK	• We have strived to bring customers back to microfinance culture even though they are not able to repay. This will help us retain group philosophy and joint liability mechanism. • Scenario analysis has been used to predict loan loss from COVID, and adequate provisions have already been made in books.
OPERATIONAL RISK	• Strong audit follow ups by our field audit team, and timely reconciliation of collections. • Ad-hoc trackers and system checks have been introduced in consideration of COVID related operational challenges.
LIQUIDITY RISK	• We have adequate liquidity to manage shortfall in collections due to moratorium till 31st August 2020. • The company is well capitalized; our CRAR is at 38.21%.

PERCEIVED RISK	MITIGANTS
FINANCIAL RISK	• External rating upgraded to A- in March 2020 quarter. • We are holding sufficient liquidity and risk capital.
REPUTATIONAL RISK	• We have passed on moratorium benefit to all our customers keeping in view their standards of livelihood and impending challenges. At the same time, we educated our customers on the pros & cons of moratorium so they can take a conscious decision. • We have undertaken several CSR activities during previous year as well as current year, such as providing relief to flood-affected customers, providing essential items to returning migrants, etc.
REGULATORY RISK	• Our senior management holds strong & diverse expertise with cumulative experience of more than 200 years. • We have dedicated team to continually monitor regulatory changes and initiate curative action through the management.
STRATEGY RISK	• Strong & diverse experience of senior management. • Strenght of the company in core microfinance business.

Adequacy of Internal Financial Controls with Reference to Financial Statements

The Company has in place adequate Internal Financial Controls with reference to financial statements. During the year under review, such controls were tested and found to be effective as no reportable material weakness in the design or operation were observed.

Financial Highlights

Ratios

Sl.	Particulars	FY 2020	FY 2019
1	Total income	25.4%	25.7%
2	Financial cost	10.3%	13.0%
3	Net margin	15.0%	12.7%
4	Operating cost	11.0%	11.2%
5	Credit Cost	2.9%	0.3%
6	ROA	0.7%	1.0%
7	ROE	6.0%	8.4%
8	Debt Equity ratio	2.6 times	7.9 times

Note:

(a) Ratios (1) to (6) has been calculated on monthly average gross portfolio

(b) ROE has been calculated on yearly average, annualising equity infusion

(c) Debt to Equity ratio has been calculated on year end balances

(i) Operating cost ratio excluding one-time incentive expense incurred post equity infusion is at ~9.4%

(ii) ROE has come down by 31%, due to equity infusion during the year.

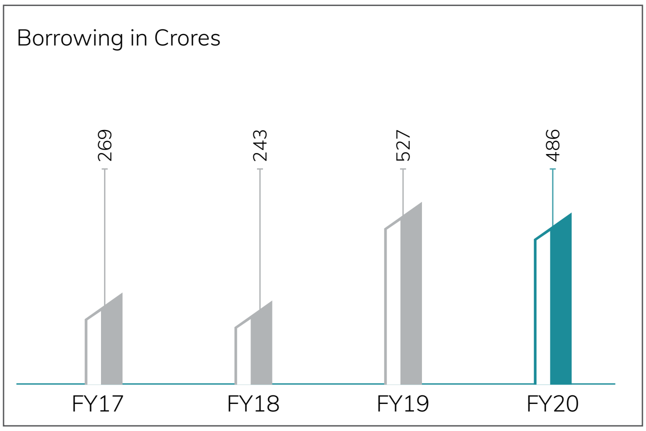
(iii) Debt Equity ratio has come down to 2.6 times due to infusion of ₹ 146.85 Crore Equity in Oct 2020 and ₹ 114 Crores CCD in February 2020.

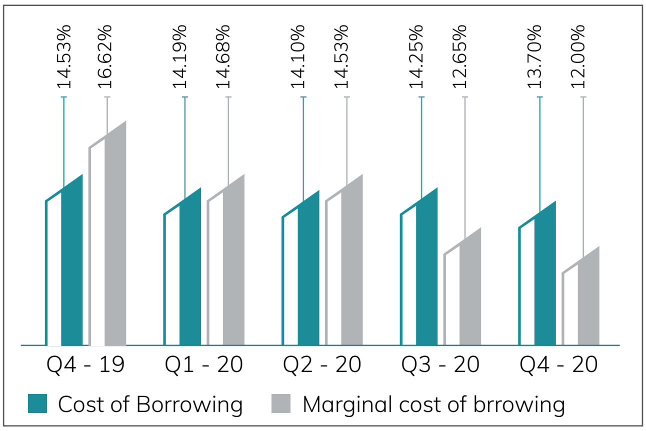
Operational Metrics

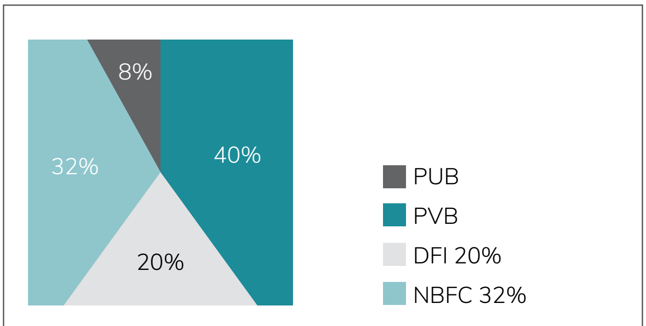
Operational Metrics	FY16	FY17	FY18	FY19	FY20	CAGR %
Branches	84	115	145	176	236	29%
District	20	22	28	39	56	29%
States	2	2	3	4	5	26%
Field officers	478	741	842	1,027	1,434	32%
Total employees	788	1175	1313	1,582	2,204	29%
Borrowers	1,21,542	1,62,779	2,43,055	3,33,419	4,27,339	37%
Loans disbursed (INR in lakhs)	26,667	35,312	53,040	84,745	1,16,339	45%
Gross Portfolio (INR in lakhs)	18,789	21,305	35,841	57,180	88,098	47%
Collection efficiency %	99.5%	99.5%	97.5%	99.4%	98.8%	NA
Portfolio at risk (INR In lakhs)	159	673	2,214	1,433	2,453	NA

Note: CAGR is based on last four years growth

Funding Profile







PUB – Public sector banks

PVB – Private sector banks

DFI – Development Financial institutions

NBFC – Non Banking Finance Companies

Human Resource Management

The Company strongly emphasises the values of the Company, which are discipline, meritocracy, respect, fairness, transparency and Learning, with each and every employee. This emphasis has helped the company to build a well-disciplined field force which is extremely important in a high contact operation such as ours where, our employees regularly meet customers. The company ensures that most of the loan officers recruited are from the same communities we serve and are freshers with Chaitanya being their first job. Taking freshers and giving them detailed training has ensured that the right culture is build in the employees of the company. The company has a robust performance appraisal process to identify talent and internally promote as the company expands. This has ensured that the same culture is maintained as the company has expanded into newer geographies. To give further emphasis for operational training for field staff, a separate training team was setup during the year. This will ensure that the field staff get in addition to class room training, on the job training.

HR Highlights

- Increased people strength from 1582 to 2,204 and increase of 622 employees.
- To tap fresh talent, the Company recruited from premier campuses such as Institute of Rural Management(IRMA), Anand and Xavier Institute of Social Sciences(XISS), Ranchi.
- Recognised over 50 employees under the Best Employee award which is to reward the top-performing employees in the company.
- Presented 102 awards to the employees completing 10 years of service.
- Successfully launched the buddy program called DOST to provide support to fresh recruited loan officers
- Several culture, sports and fun activities were organised such as: Women@ Chaitanya; cricket tournament; quiz competition; CHAI PE CHARCHA; My Branch My responsibility and environment focussed activity – One Branch one Tree.

In-house Training

Process Training

- Product related Training
- Internal Auditing process Training
- Credit related programs
- Program on Risk and Business continuity
- Training on accounting system and processes
- Data Security and IT related Training

Company also conducted several soft skills and behavioural training for its employees during last year. Some of them are

- Team Building and Presentation skills
- Personal Development program for loan officers and Branch managers
- Grooming and Business Etiquette
- Stress and Conflict management
- Problem solving and Change Management
- Communication and assertiveness
- Emotional Intelligence
- Negotiation Skill
- Time Management
- Leadership Coaching and Mentoring

Financial **Statements**

Independent Auditor's Report

To the Members of
Chaitanya India Fin Credit Private Limited

Report on the Audit of the Financial Statements

Opinion

1. We have audited the accompanying financial statements of Chaitanya India Fin Credit Private Limited ('the Company'), which comprise the Balance Sheet as at 31 March 2020, the Statement of Profit and Loss (including Other Comprehensive Income), the Cash Flow Statement, the Statement of Changes in Equity for the year then ended, and a summary of the significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid financial statements give the information required by the Companies Act, 2013 ('Act') in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including Indian Accounting Standards ('Ind AS') specified under section 133 of the Act, of the state of affairs of the Company as at 31 March 2020, its profit (including other comprehensive income), its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

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

Emphasis of Matter

4. We draw attention to Note 3 of the accompanying financial statements which describes the uncertainty relating to the effects of Covid-19 pandemic on the Company's operations. Our opinion is not modified in respect of this matter.

Key Audit Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

6. We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment losses on loan portfolio Refer note 7.1 (iii) of significant accounting policies, note 13 for the outstanding loan assets and note 50.1.5 of the financial statements for credit risk disclosures. As at 31 March 2020, the Company has reported gross loan assets of ₹ 84,965.39 lakhs against which an impairment allowance of ₹ 2,074.62 lakhs has been recorded. The calculation of impairment losses on loans is complex and is based on application of significant management judgement and use of different modelling techniques and assumptions which could have a material impact on reported profits. The Company has applied a three-stage approach based on changes in credit quality to measure expected credit loss on loans which is as follows:	Our audit focused on assessing the appropriateness of management's judgment and estimates used in the impairment analysis through the following procedures: • Obtained an understanding of the modelling techniques adopted by the Company including the key inputs and assumptions. Since modelling assumptions and parameters are based on historical data, we assessed whether historical experience was representative of current circumstances and was relevant in view of the recent impairment losses incurred within the portfolios; • Assessed and tested the design and operating effectiveness of the key controls over the completeness and accuracy of the key inputs and assumptions considered for calculation, recording and monitoring of the impairment loss recognized. Also, evaluated the controls over the modelling process, validation of data and related approvals;

Key audit matter	How our audit addressed the key audit matter
• If the loan is not credit-impaired on initial recognition then it is classified in 'Stage 1' and its credit risk is continuously monitored by the Company i.e. the default in repayment is within the range of 0 to 30 days. • If a significant increase in credit risk ('SICR') since initial recognition is identified, it is moved to 'Stage 2' but is not yet deemed to be credit-impaired i.e. the default in repayment is within the range of 31 to 89 days. • If the loan is credit-impaired, it is then moved to 'Stage 3' i.e. the default in repayment is more than 89 days. The Expected Credit Loss (ECL) is measured at 12- month ECL for Stage 1 loan assets and at lifetime ECL for Stage 2 and Stage 3 loan assets. Significant management judgement in measuring ECL is required with respect to: • determining the criteria for SICR • factoring in future economic assumptions • techniques used to determine probability of default and loss given default. The ECL for the respective stages has been derived from the Company's internally developed statistical models, historical data and trends observed during systemic and non-system scenarios. **COVID-19 impact on gross advances** Owing to the ongoing COVID-19 pandemic, the regulatory packages announced by the RBI on 27 March 2020, 17 April 2020 and 23 May 2020 ('Regulatory Package') require the non-banking financial institutions ('NBFCs') to grant moratorium on the instalments falling due during the period specified in the Regulatory Package and accordingly exclude such moratorium period wherever extended by the companies from the number of days past due for the purpose of asset classification of standard loans, even if overdue. Further, the Regulatory Package has also mentioned that the impairment requirements on the accounts where moratorium and asset classification benefit has been granted by NBFCs complying with Ind AS, shall be guided by duly approved Board policies and ICAI advisories. Accordingly, the Company has made a provision for impairment of financial assets amounting to ₹ 2,069.56 lakhs based on internal and external information including credit reports upto the date of approval of these financial statements which includes ₹ 1,119.81 lakhs owing to the potential impact of COVID-19. Considering the significance of the above matters to the financial statements and the significant auditor attention required to test such complex accounting estimates, we have identified this as a key audit matter for current year audit. We also draw attention to Note 3 of the accompanying financial statements, regarding uncertainties involved and on the appropriateness of impairment losses provided on the above-mentioned loan assets as on 31 March 2020, as the same is fundamental to the understanding of the users of financial statements.	• Evaluated the appropriateness of the Company's determination of significant increase in credit risk ('SICR') in accordance with the applicable accounting standard considering impact of COVID-19 and moratorium announced in the RBI Regulatory Package and the basis for classification of various exposures into various stages. For a sample of exposures, we also tested the appropriateness of the Company's categorization across various stages; • Assessed that the critical assumptions used by the management including the impact due to the moratorium facility availed by certain customers for estimation of allowance for expected credit losses as at 31 March 2020 which amongst others included testing of the risk profiling of the customers based on various factors attributing to the risk of default owing to the ongoing pandemic.. • Performed a critical assessment of assumptions including management's assessment of the impact of COVID-19 on these assumptions, moratorium facility availed by the customers and input data used in the estimation of expected credit loss models for specific key credit risk parameters, such as the transfer logic between stages, probability of default (PD) or loss given default (LGD); • Performed an assessment of the adequacy of the credit losses expected within 12 months by reference to credit losses actually incurred on similar portfolios historically; • Obtained written representations from management on whether they believe significant assumptions used in calculation of expected credit losses are reasonable. Assessed the appropriateness and adequacy of the related presentation and disclosures of note 50 "Financial risk management" disclosed in the financial statements in accordance with the applicable accounting standards.

Key audit matter	How our audit addressed the key audit matter
Information Technology system for the financial reporting process The Company is highly dependent on its information technology (IT) systems for carrying on its operations which require large volume of transactions to be processed in numerous locations. Further, the Company's accounting and financial reporting processes are dependent on the automated controls enabled by IT systems which impacts key financial accounting and reporting items such as loans, interest income, amongst others. The controls implemented by the Company in its IT environment determine the integrity, accuracy, completeness and validity of the data that is processed by the applications and is ultimately used for financial reporting. Accordingly, since our audit strategy included focus on key IT systems and controls due to pervasive impact on the financial statements, we have determined the same as a key audit matter for current year audit.	**Our audit procedures with the involvement of our IT specialists included, but were not limited to, the following:** • Obtained an understanding of the Company's IT related control environment and conducted risk assessment and identified IT applications, databases and operating systems that are relevant to our audit. Also, obtained an understanding of the changes that were made to the identified IT applications during the audit period and tested those changes that had a significant impact on financial reporting; • Tested the design and operating effectiveness of the Company's IT controls over the IT applications as identified above; • Tested IT general controls particularly, logical access, changes management and aspects of IT operational controls. Tested that requests for access to systems were appropriately reviewed and authorized; tested controls around Company's periodic review of access rights; inspected requests of changes to systems for appropriate approval and authorization. • Tested related interfaces, configurations and other application layer controls identified during out audit and report logic for system generated reports relevant to the audit mainly for loans, interest income and impairment of loan assets for evaluating completeness and accuracy; • Where deficiencies were identified, tested compensating controls or performed alternative procedures.
First time adoption of Ind AS framework Refer note 8 of significant accounting policies and note 51 for First time adoption of Ind AS. As disclosed in Note 8 to the financial statements, the Company has adopted the Indian Accounting Standards notified under section 133 of the Companies Act 2013, read together with the Companies (Indian Accounting Standards) Rules, 2015 (as amended) ('Ind AS') with effect from 1 April 2019 (1 April 2018 being the transition date), and prepared the first set of financial statements under Ind AS framework in the current year. For periods up to and including the year ended 31 March 2019, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP). This change in the financial reporting framework required an end-to-end evaluation of the potential impact on each component of the financial statement which involved significant efforts and required the involvement of accounting experts by the management. This process also required the management to apply significant judgements to identify and elect appropriate accounting policies suitable for various transactions and balances relating to the operations of the company including electing of available	Our procedures in respect of the first-time adoption of Ind AS financial reporting framework included, but not limited to, the following: • Obtained an understanding of management's processes and controls around adoption of Ind AS framework. We sought explanations from the management for areas involving complex judgements or interpretations to assess its appropriateness. • Reviewed the diagnostics performed by the management to assess the impact of Ind AS transition to the individual financial statement line items. • Reviewed the implementation of exemptions availed and options chosen by the Company in accordance with the requirements of Ind AS 101, First Time Adoption of Indian Accounting Standards. • Evaluated the accounting policies adopted by the Company on transition to Ind AS and assessed its appropriateness basis our understanding of the entity and its operations and the requirements of relevant accounting standards under the Ind AS framework. • Assessed the appropriateness of the transition adjustments made in the opening balance sheet as at 01 April 2018;

Key audit matter	How our audit addressed the key audit matter
options for transition of balances as at the transition date from the previous GAAP to the new GAAP. Further, the first time preparation of the Ind AS financial statements involved preparation and presentation of additional notes and disclosures as required by the Ind AS framework as compared to the previous GAAP in addition to note 51 to the financial statements setting forth the reconciliation of balances from previous GAAP to the new GAAP as at the transition date, and the impact of restatement on the results of the comparative period due to such transition. The areas where there was significant impact on account of first-time adoption involved the following standard: a) Ind AS 109, Financial Instruments b) Ind AS 12, Income taxes Considering the significance of the event in the current year to the financial statements, the complexities and efforts involved, this matter has been identified as a key audit matter for the current year audit.	• Evaluated whether the presentation and disclosures in the financial statements are in accordance with the requirements of the applicable standards and regulatory requirements. • Evaluated the appropriateness and adequacy of disclosures with respect to the reconciliations prepared and presented by the management in the financial statements in accordance with Ind AS 101.

Information other than the Financial Statements and Auditor's Report thereon

7. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

8. Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

9. In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

10. When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

11. The accompanying financial statements have been approved by the Company's Board of Directors. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Ind AS specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

13. Those Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls;

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;

    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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

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

18. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matter

19. The comparative financial information for the year ended 31 March 2019 and the transition date opening balance sheet as at 1 April 2018 prepared in accordance with Ind AS included in these financial statements, are based on the previously issued statutory financial statements for the year ended 31 March 2019 and 31 March 2018 respectively prepared in accordance with Accounting Standards prescribed under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014 (as amended)} which were audited by the predecessor auditor whose reports dated 24 May 2018 and 23 May 2019 respectively expressed unmodified opinion on those financial statements for the year ended 31 March 2018 and 31 March 2019, and have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have been audited by us. Our opinion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

20. Based on our audit, we report that the provisions of section 197 read with Schedule V to the Act are not applicable to the Company since the Company is not a public company as defined under section 2(71) of the Act. Accordingly, reporting under section 197(16) is not applicable.

21. As required by the Companies (Auditor's Report) Order, 2016 ('the Order') issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure I a statement on the matters specified in paragraphs 3 and 4 of the Order.

22. Further to our comments in Annexure II, as required by section 143(3) of the Act, based on our audit, we report, to the extent applicable, that:

    a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the accompanying financial statements;

    b) in our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books;

    c) the financial statements dealt with by this report are in agreement with the books of account;

    d) in our opinion, the aforesaid financial statements comply with Ind AS specified under section 133 of the Act;

    e) on the basis of the written representations received from the directors and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of section 164(2) of the Act;

    f) we have also audited the internal financial controls with reference to financial statements of the Company as on 31 March 2020 in conjunction with our audit of the financial statements of the Company for the year ended on that date and our report dated 29 June 2020 as per Annexure II expressed unmodified opinion; and

    g) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:

        i. the Company, as detailed in note 46 to the financial statements, has disclosed the impact of pending litigation on its financial position as at 31 March 2020.

        ii. the Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses as at 31 March 2020;

        iii. there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company during the year ended 31 March 2020; and

        iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these financial statements. Hence, reporting under this clause is not applicable.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Manish Gujral
Partner
Membership No.: 105117
UDIN: 20105117AAAACW3358

Place: Mumbai
Date: 29 June 2020

Annexure I to the Independent Auditor's Report of even date to the members of Chaitanya India Fin Credit Private Limited, on the financial statements for the year ended 31 March 2020

Annexure I

Based on the audit procedures performed for the purpose of reporting a true and fair view on the financial statements of the Company and taking into consideration the information and explanations given to us and the books of account and other records examined by us in the normal course of audit, and to the best of our knowledge and belief, we report that:

(i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) The fixed assets have been physically verified by the management during the year and no material discrepancies were noticed on such verification. In our opinion, the frequency of verification of the fixed assets is reasonable having regard to the size of the Company and the nature of its assets.

(c) The Company does not hold any immovable property (in the nature of 'fixed assets'). Accordingly, the provisions of clause 3(i)(c) of the Order are not applicable.

(ii) The Company is a Non-Banking Financial Company – Micro Finance Institution (NBFC-MFI), primarily engaged in the business of lending to members of joint liability groups and does not hold any inventory. Accordingly, the provisions of clause 3(ii) of the Order are not applicable.

(iii) The Company has not granted any loan, secured or unsecured to companies, firms, Limited Liability Partnerships (LLPs) or other parties covered in the register maintained under Section 189 of the Act. Accordingly, the provisions of clauses 3(iii)(a), 3(iii)(b) and 3(iii)(c) of the Order are not applicable.

(iv) In our opinion, the Company has complied with the provisions of Sections 185 and 186 of the Act in respect of loans, investments, guarantees and security.

(v) In our opinion, the Company has not accepted any deposits within the meaning of Sections 73 to 76 of the Act and the Companies (Acceptance of Deposits) Rules, 2014 (as amended). Accordingly, the provisions of clause 3(v) of the Order are not applicable.

(vi) The Central Government has not specified maintenance of costs records under sub-section (1) of Section 148 of the Act, in respect of Company's services. Accordingly, the provisions of clause 3(vi) of the Order are not applicable.

(vii) (a) Undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and other material statutory dues, as applicable, have generally been regularly deposited to the appropriate authorities, though there have been slight delays in a few cases. Further, no undisputed amounts payable in respect thereof were outstanding at the year-end for a period of more than six months from the date they became payable.

(b) The dues outstanding in respect of income-tax on account of any dispute, are as follows:

Statement of Disputed Dues

Name of the statute	Nature of dues	Amount (₹)	Amount paid under Protest (₹)	Period to which the amount relates	Forum where dispute is pending
Income tax Act, 1961	Income tax	8,249,240	1,649,848	FY 2014-15	CIT (2) (1) (1) - Bangalore
Income tax Act, 1961	Income tax	4,825,255	965,061	FY 2015-16	CIT (2) (1) (1) - Bangalore

(viii) The Company has not defaulted in repayment of loans or borrowings to any financial institution or a bank or government or any dues to debenture-holders during the year.

(ix) The Company did not raise moneys by way of initial public offer or further public offer (including debt instruments) and did not have any term loans outstanding during the year. Accordingly, the provisions of clause 3(ix) of the Order are not applicable.

(x) According to the information and explanations given by the management, we report that no fraud by the Company or no material fraud on the Company by the officers and employees of the Company has been noticed or reported during the year.

(xi) The provisions of Section 197 of the Act read with Schedule V to the Act are not applicable to the Company since the Company is not a public company as defined under Section 2(71) of the Act. Accordingly, provisions of clause 3(xi) of the Order are not applicable.

(xii) In our opinion, the Company is not a Nidhi Company. Accordingly, provisions of clause 3(xii) of the Order are not applicable.

(xiii) In our opinion all transactions with the related parties are in compliance with Section 177 and 188 of Act, where applicable, and the requisite details have been disclosed in the financial statements etc., as required by the applicable Ind AS.

(xiv) During the year, the Company has made preferential allotment of shares and fully convertible debentures. In respect of the same, in our opinion, the Company has complied with the requirement of Section 42 of the Act and the Rules framed thereunder. Further, in our opinion, the amounts so raised have been used for the purposes for which the funds were raised. During the year, the Company did not make preferential allotment of partly convertible debentures.

(xv) In our opinion, the Company has not entered into any non-cash transactions with the Directors or persons connected with them covered under Section 192 of the Act.

(xvi) The Company is required to be registered under Section 45I-A of the Reserve Bank of India Act, 1934 and such registration has been obtained by the Company.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Manish Gujral
Partner
Membership No.: 105117
UDIN: 20105117AAAACW3358

Place: Mumbai
Date: 29 June 2020

Annexure II to the Independent Auditor's Report of even date to the members of Chaitanya India Fin Credit Private Limited on the financial statements for the year ended 31 March 2020

Annexure II

Independent Auditor's Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')

1. In conjunction with our audit of the standalone financial statements of Chaitanya India Fin Credit Private Limited ('the Company') as at and for the year ended 31 March 2020, we have audited the internal financial controls over financial reporting ('IFCoFR') of the Company as at that date.

Management's Responsibility for Internal Financial Controls

2. The Company's Board of Directors is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Company's business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Company's IFCoFR based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of IFCoFR, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate IFCoFR were established and maintained and if such controls operated effectively in all material respects.

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

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's IFCoFR.

Meaning of Internal Financial Controls over Financial Reporting

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

Inherent Limitations of Internal Financial Controls over Financial Reporting

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

Opinion

8. In our opinion, the Company has, in all material respects, adequate internal financial controls over financial reporting and such controls were operating effectively as at 31 March 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Walker Chandiok & Co LLP
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Manish Gujral
Partner
Membership No.: 105117
UDIN: 20105117AAAACW3358

Place: Mumbai
Date: 29 June 2020

Balance Sheet as at 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

Particulars	Notes	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
I ASSETS				
1 Financial assets				
Cash and cash equivalents	10	584.42	6,395.37	2,118.21
Bank balance other than cash and cash equivalents	11	1,405.92	2,196.26	1,852.85
Trade receivables	12	-	276.11	184.28
Loans	13	82,890.77	47,555.94	31,914.50
Investments	14	4,912.82	-	-
Other financial assets	15	317.98	547.43	212.98
2 Non-financial assets				
Current tax assets (net)	16	-	37.87	21.48
Deferred tax assets (net)	17	895.53	526.21	474.57
Property, plant and equipment	18	283.33	246.36	206.33
Right of use assets		22.31	26.59	29.29
Other intangible assets	19	7.72	13.97	9.28
Other non-financial assets	20	119.42	100.99	45.99
Total assets		**91,440.22**	**57,923.10**	**37,069.76**
II LIABILITIES AND EQUITY				
LIABILITIES				
1 Financial liabilities				
Payables				
(I) Trade payables				
(i) total outstanding dues of micro enterprises and small enterprises		-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	21	451.15	-	-
(II) Other payables				
(i) total outstanding dues of micro enterprises and small enterprises		-	-	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises	22	43.29	41.67	52.69
Debt securities	23	13,538.20	14,743.00	8,343.00
Borrowings (other than debt securities)	24	38,437.81	28,535.98	19,653.23
Subordinated liabilities	25	3,977.13	5,474.84	2,500.00
Other financial liabilities	26	2,002.06	2,211.57	1,140.66
2 Non Financial liabilities				
Current tax liabilities (net)		50.01	-	-
Provisions	27	946.60	494.15	347.90
Other non-financial liabilities	28	304.23	274.23	139.18
Total liabilities		**59,750.48**	**51,775.44**	**32,176.66**
3 Equity				
Equity share capital	29	7,500.00	2,453.45	2,173.14
Other equity	30	24,189.74	3,694.21	2,719.96
Total equity		**31,689.74**	**6,147.66**	**4,893.10**
Total liabilities and equity		**91,440.22**	**57,923.10**	**37,069.76**

See accompanying notes forming part of the financial statements.

As per our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Manish Gujral
Partner
Membership No. 105117

Mumbai
29 June 2020

For and on behalf of the Board of Directors of
Chaitanya India Fin Credit Private Limited

Sachin Bansal
Managing Director & CEO
DIN: 02356346

Bengaluru
29 June 2020

Ankit Agarwal
Director and Deputy CEO
DIN : 08299808

Bengaluru
29 June 2020

Anand Rao
Joint Managing Director
DIN: 01713987

Bengaluru
29 June 2020

Srinivasan C V
Chief Financial Officer

Bengaluru
29 June 2020

Dimple J Shah
Company Secretary
Membership No. ACS A36349

Bengaluru
29 June 2020

Statement of Profit and Loss for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

Particulars		Notes	For the year ended 31 March 2020	For the year ended 31 March 2019
	Revenue from operations			
	(i) Interest income	31	15,950.93	10,755.46
	(ii) Fee and commission income	32	1,052.90	504.63
	(iii) Net gain on fair value changes	33	188.87	129.74
	(iv) Net gain on derecognition of financial instruments under amortised cost category	34	324.47	300.45
	(v) Other operating income	35	20.85	22.27
(I)	**Total revenue from operations**		**17,538.02**	**11,712.55**
(II)	Other income	36	0.26	1.13
(III)	**Total income (I + II)**		**17,538.28**	**11,713.68**
	Expenses			
	(i) Finance cost	37	7,152.64	5,934.73
	(ii) Impairment of financial instruments	38	2,038.35	133.16
	(iii) Employee benefits expenses	39	5,360.48	3,466.48
	(iv) Depreciation, amortisation and impairment	40	153.82	139.82
	(v) Other expenses	41	2,119.66	1,507.93
(IV)	**Total expenses**		**16,824.95**	**11,182.12**
(V)	**Profit before tax (III - IV)**		**713.33**	**531.56**
(VI)	**Tax expense:**	42	**206.48**	**109.76**
	(1) Current tax		558.23	169.37
	(2) Deferred tax credit		(351.75)	(59.61)
(VII)	**Profit for the year (V - VI)**		**506.85**	**421.80**
(VIII)	**Other comprehensive income**			
	(i) Items that will not be reclassified to profit or loss		(69.83)	28.66
	(ii) Income tax relating to items that will not be reclassified to profit or loss		17.57	(7.97)
	Other comprehensive income		**(52.26)**	**20.69**
(IX)	**Total comprehensive income for the year (VII + VIII)**		**454.59**	**442.49**
(X)	**Earnings per equity share**	43		
	Basic (₹)		1.11	1.94
	Diluted (₹)		1.05	1.94

See accompanying notes forming part of the financial statements.

As per our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

For and on behalf of the Board of Directors of
Chaitanya India Fin Credit Private Limited

Manish Gujral
Partner
Membership No. 105117

Mumbai
29 June 2020

Sachin Bansal
Managing Director & CEO
DIN: 02356346

Bengaluru
29 June 2020

Ankit Agarwal
Director and Deputy CEO
DIN : 08299808

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29 June 2020

Anand Rao
Joint Managing Director
DIN: 01713987

Bengaluru
29 June 2020

Srinivasan C V
Chief Financial Officer

Bengaluru
29 June 2020

Dimple J Shah
Company Secretary
Membership No. ACS A36349

Bengaluru
29 June 2020

Cash Flow Statement for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
A. Cash flow from operating activities		
Profit before tax	713.33	531.56
Contribution to employee stock option scheme	33.27	27.37
Depreciation, amortisation and impairment	135.20	126.56
Depreciation on right of use asset	18.62	13.26
Interest expense on lease liability	2.14	2.15
Interest on liability component of compulsorily convertible debentures	20.48	-
Loss/(profit) on sale of fixed assets (net)	0.52	(0.89)
Impairment on loan assets	999.98	(364.38)
EIR adjustment on financial instruments	252.75	96.65
Profit on sale of mutual funds	(186.91)	(129.74)
Net gain on fair value changes on investment	(1.96)	-
Operating profit before working capital changes	**1,987.42**	**302.54**
Movements in working capital:		
Decrease/(increase) in loans	(36,575.21)	(15,404.81)
Decrease/(increase) in receivables	276.11	(91.83)
Decrease/(increase) in bank deposits	790.34	(343.41)
Decrease/(increase) in other financial assets	229.45	(334.45)
Decrease/(increase) in other non-financial assets	(18.43)	(55.00)
Increase/(decrease) in payables	452.77	(11.02)
Increase/(decrease) in other financial liabilities	(209.51)	1,070.92
Increase/(decrease) in provisions	382.62	174.91
Increase/(decrease) in non-financial liabilities	30.01	135.05
Cash generated from operations	**(32,654.43)**	**(14,557.10)**
Direct taxes paid (net of refunds)	470.35	185.76
Net cash flows from/(used in) operating activities (A)	**(33,124.78)**	**(14,742.86)**
B. Cash flow from investing activities		
Purchase of property, plant and equipment and intangible assets	(167.28)	(173.64)
Proceeds from sale of property, plant and equipment and intangible assets	0.84	3.24
Purchase of mutual fund investments	(249,380.12)	(75,260.00)
Sale of mutual fund investments	244,656.17	75,389.74
Net cash flows from/(used in) investing activities (B)	**(4,890.39)**	**(40.66)**

Cash Flow Statement for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
C. Cash flow from financing activities*		
Proceeds from issue of equity shares	14,685.46	800.00
Share issues expenses	-	(15.30)
Proceeds from debt securities	13,900.00	6,400.00
Repayment of debt securities	(4,714.79)	-
Proceeds from term loan borrowings	35,500.00	21,175.39
Repayment of term loan borrowings	(25,646.29)	(12,286.38)
Proceeds from subordinated debt	-	3,000.00
Repayment of subordinated debt	(1,500.00)	-
Lease payments	(20.16)	(13.03)
Net cash flows from financing activities (C)	**32,204.22**	**19,060.68**
Net increase in cash and cash equivalents (A+B+C)	(5,810.95)	4,277.16
Cash and cash equivalents at the beginning of the year	6,395.37	2,118.21
Cash and cash equivalents at the end of the year	**584.42**	**6,395.37**

*Refer note 25.3 for reconciliation of liabilities arising from financing activities.

Components of cash and cash equivalents

Cash and cash equivalents at the end of the year	As at 31 March 2020	As at 31 March 2019
i) Cash on hand	22.50	20.35
ii) Balances with banks (of the nature of cash and cash equivalents)	561.92	6,375.02
Total	**584.42**	**6,395.37**

See accompanying notes forming part of the financial statements.

As per our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Manish Gujral
Partner
Membership No. 105117

Mumbai
29 June 2020

For and on behalf of the Board of Directors of
Chaitanya India Fin Credit Private Limited

Sachin Bansal
Managing Director & CEO
DIN: 02356346

Bengaluru
29 June 2020

Ankit Agarwal
Director and Deputy CEO
DIN : 08299808

Bengaluru
29 June 2020

Anand Rao
Joint Managing Director
DIN: 01713987

Bengaluru
29 June 2020

Srinivasan C V
Chief Financial Officer

Bengaluru
29 June 2020

Dimple J Shah
Company Secretary
Membership No. ACS A36349

Bengaluru
29 June 2020

Statement of Changes in Equity for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

A. Equity share capital

Particulars	Number of shares	Amount
As at 01 April 2018	21,731,418	2,173.14
Changes in Equity share capital during the year	2,803,100	280.31
As at 31 March 2019	**24,534,518**	**2,453.45**
Changes in Equity share capital during the year	50,465,482	5,046.55
As at 31 March 2020	**75,000,000**	**7,500.00**

B Other equity

Particulars	Equity component of compound financial instruments	Reserves and surplus					Other comprehensive income- retirement benefits	Total
		Securities premium account	Statutory reserve - Reserve fund u/s 45-IC of RBI Act 1934	Contribution to employee stock option scheme	Capital redemption reserve	Retained earnings		
Balance as at 01 April 2018	**-**	**2,983.98**	**114.19**	**13.23**	**-**	**(391.44)**	**-**	**2,719.96**
Profit for the year	-	-	-	-	-	442.49	-	442.49
Other comprehensive income (net of tax)	-	-	-	-	-	-	20.69	20.69
Issue of equity shares	-	519.69	-	-	-	-	-	519.69
Expenses incurred towards issue of share capital	-	(15.30)	-	-	-	-	-	(15.30)
Transfer to statutory reserves	-	-	144.98	-	-	(144.98)	-	-
Employee stock option compensation for the year	-	-	-	27.37	-	-	-	27.37
Transfer to other comprehensive income (net of tax)	-	-	-	-	-	(20.69)	-	(20.69)
Balance as at 31 March 2019	**-**	**3,488.37**	**259.17**	**40.60**	**-**	**(114.62)**	**20.69**	**3,694.21**

Statement of Changes in Equity for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

B Other equity (Contd..)

Particulars	Equity component of compound financial instruments	Reserves and surplus					Other comprehensive income- retirement benefits	Total
		Securities premium account	Statutory reserve - Reserve fund u/s 45-IC of RBI Act 1934	Contribution to employee stock option scheme	Capital redemption reserve	Retained earnings		
Balance as at 01 April 2019	**-**	**3,488.37**	**259.17**	**40.60**	**-**	**(114.62)**	**20.69**	**3,694.21**
Profit for the year	-	-	-	-	-	454.59	-	454.59
Other comprehensive income (net of tax)	-	-	-	-	-	-	(52.26)	(52.26)
Issue of compulsory convertible debentures	10,368.76	-	-	-	-	-	-	10,368.76
Issue of equity shares	-	9,638.91	-	-	-	-	-	9,638.91
Transfer to statutory reserves	-	-	90.92	-	-	(90.92)	-	-
Employee stock option compensation for the year	-	-	-	33.27	-	-	-	33.27
Transfer to other comprehensive income (net of tax)	-	-	-	-	-	52.26	-	52.26
Balance as at 31 March 2020	**10,368.76**	**13,127.28**	**350.09**	**73.87**	**-**	**301.32**	**(31.57)**	**24,189.74**

See accompanying notes forming part of the financial statements.

As per our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Manish Gujral
Partner
Membership No. 105117

Mumbai
29 June 2020

For and on behalf of the Board of Directors of
Chaitanya India Fin Credit Private Limited

Sachin Bansal
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Bengaluru
29 June 2020

Srinivasan C V
Chief Financial Officer

Bengaluru
29 June 2020

Dimple J Shah
Company Secretary
Membership No. ACS A36349

Bengaluru
29 June 2020

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

1. CORPORATE INFORMATION

Chaitanya India Fin Credit Private Limited ('the Company) was incorporated on 31 March 2009, to carry on the business of lending, instalment financing, bill discounting, providing working capital and term loan facilities to small and medium business enterprises including individual loans, with or without all or any types of securities. The Company acts as facilitator for provision of micro finance, savings and other financial services by acting as intermediaries between Bank, Financial Institutions, Individuals, Corporate bodies or other entities (whether incorporated or not), of one part, with the Joint Liability Groups (JLG), Members of JLGs, discrete individuals or small groups which are in the process of forming JLGs and/ or other micro-credit aspirants, and to assist, execute, provide consultancy service and promote and finance such programs, either directly or through an independent agency and/or in any other manner.

The Company has received Certificate of registration from Reserve Bank of India dated 25 September 2009, to carry on the business of Non- Banking Financial Institution without accepting deposits. The Company has obtained registration under the Non-Banking Finance Company – Micro Finance Institution (Reserve Bank) Directions, 2011 vide RBI Letter dated 05 September 2013.

The Company is a subsidiary of Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited ('the Holding Company)) with effect from 12 November 2014.

The Company is treated as a Systemically Important Non-Banking Financial Company – Micro Finance Institutions(MFIs) as the assets size of the group (consolidated assets size of the Company and its Holding Company put together) exceeded ₹ 500 crores in the month of September 2018 (by virtue of RBI Master direction RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17 dated 01 September 2016).

2. BASIS OF PREPARATION

Basis of measurement

The financial statements have been prepared under the historical cost convention, as modified by the application of fair value measurements required or allowed by relevant accounting standards. Accounting policies have been consistently applied to all periods presented, unless otherwise stated.

For all periods up to and including the year ended 31 March 2019, the Company prepared its financial statements in accordance with accounting standards notified under the section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP). These financial statements for the year ended 31 March 2020 have been prepared for first time in accordance with Ind AS. Refer to Note number 51 on first time adoption to Ind AS for information on how the Company adopted Ind AS.

3. Novel Corona Virus (COVID-19)

The Novel Corona Virus (COVID-19) pandemic (declared as such by the World Health Organisation on 11 March 2020), has impacted global and Indian business in terms of growth and volatility, leading to a significant decline in economic activity. On 24 March 2020, the Government of India announced a nation-wide lockdown till 14 April 2020, which was further extended till 31 May 2020. This has led to a near standstill situation of business other than essential services.

The pandemic induced lockdown has impacted Company's regular operations due to shutting down of our offices across all locations including Head office. While the Business Continuity Plan ("BCP") was triggered immediately on announcement of lock down and all employees have worked from home, lending and collection activities were suspended during the lock down period. However, the BCP of the Company enabled its employees to perform key obligations of the Company such as repayments to lenders, payment of salaries to employees, payment of administrative expenses, etc.

Pursuant to the Reserve Bank of India circular dated 27 March 2020 the Company had extended moratorium to its eligible customers (for their instalments falling due between 1st March to 31 May 2020) as per its COVID policy approved by the Board and published in its website, wherein the customers have the option to avail moratorium on their instalments. The Company further amended its COVID policy when the second announcement on moratorium was made by the RBI on 23 May 2020 allowing lending institutions to extend moratorium to borrowers for a further period up to 31 August 2020, wherein the Company has extended such moratorium on a case to case basis based on its assessment of the customer.

The Company's mission is to provide micro finance to low income rural population and accordingly has a portfolio with major composition of its borrowers from rural geographies, where the impact of COVID-19 has been relatively lower. In addition, the Government has announced a series of economic relief measures for rural India, which is expected to support rural borrower's repayment capacity.

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

Pursuant to the order issued by the Ministry of Home Affairs on 15 April 2020 allowing microfinance companies to start operations, the Company resumed operations by complying with the regulatory guidelines on businesses, social distancing and other prescribed norms. Our employees have started to meet and collect instalments from those borrowers willing to repay, since the resumption of operations. Based on the recent trends in collection, the management is confident that collections will continue to improve from July 2020, and the improvement of this trend will continue in the coming months. Further the Company has started loan disbursal from mid of June demonstrating ability to bounce back to normal operation.

In management's view, providing moratorium to borrowers by itself is not considered to result in a significant increase in credit risk ("SICR") for such borrowers. However, the extent to which the COVID-19 pandemic will impact the Company's results will depend on future developments, which are highly uncertain, including, among other things, any new development concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact. Given these uncertainties over the potential macro-economic condition, the impact of the global health pandemic may be different from that estimated as at the date of approval of these financial results.

Considering the above and the uncertainties over the potential macro-economic impact, available data and estimations both internal and external including credit reports up to the date of finalisation of these financial results., determination of the provision for impairment of financial assets has been made to on a best of assessment basis. Accordingly, the provision for expected credit loss on financial assets as at 31 March 2020 aggregates to ₹ 2,069.56 lakhs (as at 31 March 2019, ₹ 1,074.64 lakhs) which includes potential loan loss estimations on account of the pandemic of ₹ 1,119.81 lakhs. While the Company continues to closely monitor and assess the risk from time to time, it considers this provision to be adequate.

The Company has assessed the impact of the pandemic on its liquidity and ability to fulfil its obligations as and when they are due and has evaluated the asset-liability maturity (ALM) pattern in various time buckets as prescribed under the guidelines issued by the RBI. The Company's liquidity position over the next 12 months from the end of reporting period based on current liquidity position and considering various scenarios, the management is confident that the Company will be able to fulfil its obligations as and when these become due as per the maturity periods. The management has considered various matters such as stimulus packages announced by the Government of India expected to benefit directly or indirectly NBFC-MFI's as well. Based on its assessment, the Company is of the opinion that, there will not be a situation warranting an availment of moratorium from its lenders and accordingly has decided not to avail the same as stated in the Board approved COVID policy. It is important to note that the Company is able to raise debt funds even during the pandemic and at best possible terms. CRISIL had assigned A- rating during the lock down and ICRA has upgraded the rating to BBB+ and the Company is holding adequate liquidity (including undrawn sanctioned facilities). The Company has also converted its compulsorily convertible debentures of ₹ 11,400 lakhs to equity share capital during May 2020.

4. PRESENTATION OF FINANCIAL STATEMENTS

The financial statements of the Company are presented as per Schedule III (Division III) of the Companies Act, 2013 applicable to NBFCs, as notified by the Ministry of Corporate Affairs (MCA). Financial assets and financial liabilities are generally reported on a gross basis except when, there is an unconditional, legally enforceable right to offset the recognised amounts without being contingent on a future event and the parties intend to settle on a net basis in the following circumstances:

i. The normal course of business

ii. The event of default

iii. The event of insolvency or bankruptcy of the Company and/or its counterparties

Derivative assets and liabilities with master netting arrangements are presented net if all the above criteria are met.

5. STATEMENT OF COMPLIANCE

These financial statements of the Company have been prepared in accordance with Indian Accounting Standards as per the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under Section 133 of the Companies Act, 2013 and the other relevant provisions of the Act. The Company has uniformly applied the accounting policies for all the periods presented in these financial statements.

The financial statements for the year ended 31 March 2020 are the first financial statements which has been prepared in accordance with Ind AS and other applicable guidelines issued by the Reserve Bank of India ('RBI').

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

The financial statements upto and for the year ended 31 March 2019 were prepared in accordance with the accounting standard notified under Section 133 of the Act, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP) and other applicable guidelines issued by the RBI, which have been adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS.

As these are the Company's first financial statements prepared in accordance with Ind AS, the Company has applied, First-time Adoption Standard (Ind AS 101) of Indian Accounting Standards. An explanation of how the transition to Ind AS has affected the previously reported financial position, financial performance and cash flows of the Company is provided in Note 51.

The financial statements for the year ended 31 March 2020 were authorised and approved for issue by the Board of Directors on 29 June 2020.

The financial statements have been prepared on going concern basis in accordance with accounting principles generally accepted in India. Further, the financial statements have been prepared on historical cost basis except for certain financial assets and financial liabilities which are measured at fair values, and employee benefit plans which are measured using actuarial valuation, as explained in relevant accounting policies.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with the Ind AS requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the accompanying disclosure and the disclosure of contingent liabilities, at the end of the reporting period. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and future periods are affected. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcomes requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

In particular, information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

6.1 <u>Business model assessment</u>

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Company determines the business model at a level that reflects how groups of financial assets are managed together to achieve a business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Company monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Company's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

6.2 <u>Defined employee benefit assets and liabilities</u>

The cost of the defined benefit gratuity plan and the present value of the gratuity obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

6.3 <u>Impairment of loans portfolio</u>

The measurement of impairment losses across all categories of financial assets requires judgement the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by several factors, changes in which can result in different levels of allowances.

It has been the Company's policy to regularly review its models in the context of actual loss experience and adjust when necessary.

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

6.4 Contingent liabilities and provisions other than impairment on loan portfolio

Provisions and liabilities are recognized in the period when it becomes probable that there will be a future outflow of funds resulting from past operations or events and the amount of cash outflow can be reliably estimated. The timing of recognition and quantification of the liability requires the application of judgement to existing facts and circumstances, which can be subject to change. The carrying amounts of provisions and liabilities are reviewed regularly and revised to take account of changing facts and circumstances.

6.5 Effective Interest Rate (EIR) method

The Company's EIR methodology, recognises interest income / expense using a rate of return that represents the best estimate of a constant rate of return over the expected behavioural life of loans given / taken and recognises the effect of potentially different interest rates at various stages and other characteristics of the product life cycle (including prepayments and penalty interest and charges).

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, as well expected changes to India's base rate and other fee income/expense that are integral parts of the instrument.

6.6 Other estimates:

These include contingent liabilities, useful lives of tangible and intangible assets etc.

7. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared using the significant accounting policies and measurement bases summarised as below. These policies are applied consistently for all the periods presented in the financial statements, except where the Company has applied certain accounting policies and exemptions upon transition to Ind AS.

7.1 Financial Instruments

A Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transaction costs. Subsequent measurement of financial assets and financial liabilities is described below.

i. Financial assets measured at amortised cost

A financial asset is measured at the amortised cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate (EIR) method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest income in the Statement of Profit and Loss.

ii. Investments in mutual funds

Investments in mutual funds are measured at fair value through profit and loss (FVTPL).

Derecognition of financial assets:

Financial assets (or where applicable, a part of financial asset or part of a group of similar financial assets) are derecognised (i.e. removed from the Company's balance sheet) when the contractual rights to receive the cash flows from the financial asset have expired, or when the financial asset and substantially all the risks and rewards are transferred. Further, if the Company has not retained control, it shall also de-recognise the financial asset and recognise separately as assets or liabilities any rights and obligations created or retained in the transfer.

De-recognition of financial liabilities

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

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The difference in the respective carrying amounts is recognised in the Statement of Profit and Loss.

Compound financial instruments

Convertible instruments are separated into liability and equity components based on the terms of the contract. On issuance of the said instruments, the liability component is arrived by discounting the gross sum (including redemption premium, if any) at a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost until it is extinguished on conversion or redemption. The remainder of the proceeds is recognised as equity component of compound financial instrument. This is recognised and included in shareholders' equity, net of income tax effects, and not subsequently re-measured.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

iii. **Impairment of financial assets**

Overview of the Expected Credit Loss (ECL) principles

The Company records allowance for expected credit losses for all loans referred to as 'financial instruments'.

The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss).

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is the portion of Lifetime ECL that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Both Lifetime ECLs and 12-month ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument. The Company does the assessment of significant increase in credit risk at a borrower level. If a borrower has various facilities having different past due status, then the highest days past due (DPD) is considered to be applicable for all the facilities of that borrower.

Based on the above, the Company categorises its loans into Stage 1, Stage 2 and Stage 3 as described below:

Stage 1

All exposures where there has not been a significant increase in credit risk since initial recognition or that has low credit risk at the reporting date and that are not credit impaired upon origination are classified under this stage. The Company classifies all standard advances and advances upto 30 days default under this category. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.

Stage 2

All exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired are classified under this stage. 30 Days Past Due is considered as significant increase in credit risk.

Stage 3

All exposures assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred are classified in this stage. For exposures that have become credit impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount. 90 Days Past Due is considered as default for classifying a financial instrument as credit impaired. If an event (for eg. any natural calamity) warrants a provision higher than as mandated under ECL methodology, the Company may classify the financial asset in Stage 3 accordingly.

Credit-impaired financial assets:

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired'

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when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

i. Significant financial difficulty of the borrower or issuer;

ii. A breach of contract such as a default or past due event;

iii. The restructuring of a loan or advance by the Company on terms that the company would not consider otherwise;

iv. It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

v. The disappearance of an active market for a security because of financial difficulties.

The mechanics of ECL:

The Company calculates ECLs based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are, as follows:

Probability of Default (PD) - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The concept of PD is further explained in Note 50.1.5.

Exposure at Default(EAD) - The Exposure at Default is an estimate of the exposure at a future default date. The concept of EAD is further explained in Note 50.1.5

Loss Given Default (LGD) - The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD. The concept of LGD is further explained in Note 50.1.5

Forward looking information

While estimating the expected credit losses, the Company reviews macro-economic developments occurring in the economy and market it operates in. On a periodic basis, the Company analyses if there is any relationship between key economic trends like GDP, unemployment rates, benchmark rates set by the Reserve Bank of India, inflation etc. with the estimate of PD, LGD determined by the Company based on its internal data.

iv. Write-offs

The Company reduces the gross carrying amount of a financial asset when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subjected to write-offs. Any subsequent recoveries against such loans are credited to the statement of profit and loss.

v. Determination of fair value

The Company measures financial instruments, such as, investments at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

i. In the principal market for the asset or liability, or

ii. In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, if market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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The Company uses valuation techniques that are appropriate in the circumstances and for which enough data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

The financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Level 1 financial instruments – Those where the inputs used in the valuation are unadjusted quoted prices from active markets for identical assets or liabilities that the Company has access to at the measurement date.

Level 2 financial instruments – Those where the inputs that are used for valuation and are significant, are derived from directly or indirectly observable market data available over the entire period of the instrument's life. Such inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical instruments in inactive markets and observable inputs other than quoted prices such as interest rates and yield curves, implied volatilities, and credit spreads. In addition, adjustments may be required for the condition or location of the asset or the extent to which it relates to items that are comparable to the valued instrument. However, if such adjustments are based on unobservable inputs which are significant to the entire measurement, the Company will classify the instruments as Level 3.

Level 3 financial instruments – Those that include one or more unobservable input that is significant to the measurement as whole.

Difference between transaction price and fair value at initial recognition The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Company recognises the difference between the transaction price and the fair value in profit or loss on initial recognition (i.e. on day one).

When the transaction price of the instrument differs from the fair value at origination and the fair value is based on a valuation technique using only inputs observable in market transactions, the Company recognises the difference between the transaction price and fair value in net gain on fair value changes. In those cases where fair value is based on models for which some of the inputs are not observable, the difference between the transaction price and the fair value is deferred and is only recognised in profit or loss when the inputs become observable, or when the instrument is derecognised.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. No such instances of transfers between levels of the fair value hierarchy were recorded during the reporting period.

7.2 Revenue from operations

i. Recognition of interest income

Interest income is recognised by applying the Effective Interest Rate (EIR) to the gross carrying amount of financial assets other than credit-impaired assets and financial assets classified as measured at FVTPL.

The EIR in case of a financial asset is computed

a. As the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset.

b. By considering all the contractual terms of the financial instrument in estimating the cash flows.

c. Including all fees received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Interest income on credit impaired assets is recognised by applying the effective interest rate to the net amortised cost (net of provision) of the financial asset.

ii. Dividend Income

a. Dividend income is recognised at the time when the right to receive is established by the reporting date.When the right to receive the payment is established,

b. it is probable that the economic benefits associated with the dividend will flow to the entity and

c. the amount of the dividend can be measured reliably

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iii. Fees & Commission Income

Revenue from contract with customer for rendering services is recognised at a point in time when performance obligation is satisfied.

iv. Income from assignment transactions

Income from assignment transactions i.e. present value of excess interest spread is recognised when the related loan assets are de-recognised. Interest income is also recognised on carrying value of assets over the remaining period of such assets.

v. Recoveries of financial assets written off

The Company recognises income on recoveries of financial assets written off on realisation.

vi. Miscellaneous income

All other income is recognised on an accrual basis, when there is no uncertainty in the ultimate realisation/ collection.

7.3 Expenses

i. Finance costs

Finance costs represents Interest expense recognised by applying the Effective Interest Rate (EIR) to the gross carrying amount of financial liabilities other than financial liabilities classified as FVTPL.

The EIR in case of a financial liability is computed

a. As the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the gross carrying amount of the amortised cost of a financial liability.

b. By considering all the contractual terms of the financial instrument in estimating the cash flows.

c. Including all fees paid between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Any subsequent changes in the estimation of the future cash flows is recognised in interest income with the corresponding adjustment to the carrying amount of the assets.

Interest expense includes issue costs that are initially recognized as part of the carrying value of the financial liability and amortized over the expected life using the effective interest method. These include fees and commissions payable to advisers and other expenses such as external legal costs, rating fee etc, provided these are incremental costs that are directly related to the issue of a financial liability.

ii. Retirement and other employee benefits

Short term employee benefits

All employee benefits payable wholly within twelve months of rendering the service are classified as short-term employee benefits. The undiscounted amount of short-term employee benefits expected to be paid in exchange for the services rendered by employees is recognised as an expense during the period. Benefits such as salaries and wages, etc. and the expected cost of the bonus/ex-gratia are recognised in the period in which the employee renders the related service.

Post-employment employee benefits

a) Defined contribution schemes

All the employees of the Company are entitled to receive benefits under the Provident Fund and Employees State Insurance scheme, defined contribution plans in which both the employee and the Company contribute monthly at a stipulated rate. The Company has no liability for future benefits other than its annual contribution and recognises such contributions as an expense in the period in which employee renders the related service. If the contribution payable to the scheme for service received before the Balance Sheet date exceeds the contribution already paid, the deficit payable to the scheme is recognised as a liability after deducting the contribution already paid. If the contribution already paid exceeds the contribution due for services received before the Balance Sheet date, then excess is recognised as an asset to the extent that the pre-payment will lead to, for example, a reduction in future payment or a cash refund.

b) Defined Benefit schemes

Gratuity

The Company provides for gratuity covering eligible employees under which a lumpsum payment is paid to vested employees at retirement, death, incapacitation or termination of employment, of an amount reckoned on the respective employee's salary and his tenor of employment with the Company. The

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Company accounts for its liability for future gratuity benefits based on actuarial valuation determined at each Balance Sheet date by an Independent Actuary using Projected Unit Credit Method.

The obligation is measured at the present value of the estimated future cash flows. The discount rates used for determining the present value of the obligation under defined benefit plan are based on the market yields on Government Securities as at the Balance Sheet date.

An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases and mortality rates. Due to the complexities involved in the valuation and its long-term nature, these liabilities are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

Re-measurement, comprising of actuarial gains and losses (excluding amounts included in net interest on the net defined benefit liability), are recognized immediately in the balance sheet with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit and loss in subsequent periods.

Other long-term employee benefits

Company's liabilities towards compensated absences to employees are accrued on the basis of valuations, as at the Balance Sheet date, carried out by an independent actuary using Projected Unit Credit Method. Actuarial gains and losses comprise experience adjustments and the effects of changes in actuarial assumptions and are recognised immediately in the Statement of Profit and Loss.

The Company presents the provision for compensated absences under provisions in the Balance Sheet.

iii. Leases

Identification of Lease:

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset.

For arrangements entered into prior to April 01, 2018 the Company has determined whether the arrangement contain lease on the basis of facts and circumstances existing on the date of transition.

Re-cognition of lease payments:

Rent expenses representing operating lease payments are recognised as an expense in the statement of profit and loss on a straight-line basis over the lease term, unless the increase is in line with expected general inflation, in which case lease payments are recognised based on contractual terms.

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are operating leases.

iv. Other income and expenses

All other income and expense are recognized in the period they occur.

v. Impairment of non-financial assets

The carrying amount of assets is reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the assets, net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

vi. Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, or substantively enacted, by the reporting date in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity).

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Current tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax assets and liabilities are recognised for temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are only recognised for temporary differences, unused tax losses and unused tax credits if it is probable that future taxable amounts will arise to utilise those temporary differences and losses. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

7.4 Cash and cash equivalents

Cash and cash equivalents comprise the net amount of short-term, highly liquid investments that are readily convertible to known amounts of cash (short-term deposits with an original maturity of three months or less) and are subject to an insignificant risk of change in value, cheques on hand and balances with banks. They are held for the purposes of meeting short-term cash commitments (rather than for investment or other purposes).

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short- term deposits, as defined above.

7.5 Property, plant and equipment

Property, plant and equipment (PPE) are measured at cost less accumulated depreciation and accumulated impairment, (if any). The total cost of assets comprises its purchase price, freight, duties, taxes and any other incidental expenses directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the management. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

Subsequent expenditure related to an item of tangible asset are added to its gross value only if it increases the future benefits of the existing asset, beyond its previously assessed standards of performance and cost can be measured reliably. Other repairs and maintenance costs are expensed off as and when incurred.

Depreciation and amortization

Depreciation on property, plant & equipment has been provided on the written down value method as prescribed in Schedule II of Companies Act 2013 or the rates determined by the management as per estimated useful life of the Assets, whichever is higher. All individual assets (other than furniture and fixtures and office equipments) valued less than ₹ 5000/- are depreciated in full in the year of acquisition. The useful life of the assets is as follows:

Property, plant and equipment:

Sl. No	Asset	Useful Life (In Years)
1.	Furniture and fixtures	10
2.	Electric equipment	10
3.	Computer and peripherals	3
4.	Office equipment	5
5.	Motor vehicles	
	- Motor car	8
	- Motor bikes	10

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

Property plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in other income / expense in the statement of profit and loss in the year the asset is derecognised. The date of disposal of an item of property, plant and equipment is the date the recipient obtains control of that item in accordance with the requirements for determining when a performance obligation is satisfied in Ind AS 115.

7.6 Intangible assets

The Company's intangible assets consist of computer software with definite life.

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An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to the Company.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset comprises its purchase price and any directly attributable expenditure on making the asset ready for its intended use and net of any trade discounts and rebates. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The company is amortising Computer software on straight line method over a period of 3 years.

Gains or losses from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit and Loss when the asset is derecognised.

7.7 Provisions

Provisions are recognised when the enterprise has a present obligation (legal or constructive) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

When the effect of the time value of money is material, the enterprise determines the level of provision by discounting the expected cash flows at a pre-tax rate reflecting the current rates specific to the liability. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

7.8 Contingent liabilities

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

7.9 Earnings per share

The Company reports basic and diluted earnings per share in accordance with Ind AS 33 on Earnings per share. Basic EPS is calculated by dividing the net profit or loss for the year attributable to equity shareholders (after deducting preference dividend and attributable taxes) by the weighted average number of equity shares outstanding during the year.

For calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. Dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. In computing the dilutive earnings per share, only potential equity shares that are dilutive and that either reduces the earnings per share or increases loss per share are included.

7.10 Cash flow statement

Cash flows are reported using indirect method, whereby net profits before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments and items of income or expenses associated with investing or financing cash flows. The cash flows from regular revenue generating (operating activities), investing and financing activities of the Company are segregated.

7.11 Compound financial instruments

Compulsorily convertible instruments are separated into liability and equity components based on the terms of the contract. On issuance of the said instruments, the liability component is arrived by discounting the gross sum at a market rate for an equivalent non-convertible instrument. This amount is classified as a financial liability measured at amortised cost until it is extinguished on conversion or redemption. The remainder of the proceeds is recognised as equity component of compound financial instrument. This is recognised and included in shareholders' equity, net of income tax effects, and not subsequently re-measured.

7.12 Segment reporting

The Company is primarily engaged in the business of financing and as such no separate information is required to be furnished in terms of Ind AS 108 "Operating segments" specified under section 133 of the Companies Act, 2013.

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8. FIRST TIME ADOPTION

These financial statements, for the year ended 31 March 2020 are the first financial statements the Company has prepared in accordance with Ind AS. For periods up to and including the year ended March 31, 2019 the Company prepared its financial statements in accordance with Accounting Standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP).

Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on 31 March 2020 together with the comparative period data as at and for the year ended 31 March 2019 as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 01 April 2018 the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 01 April 2018 and the financial statements as at and for the year ended 31 March 2019.

Exemptions applied

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. The Company has applied the following exemptions:

8.1 Lease arrangements

Appendix C to Ind AS 17 requires entity to assess whether contract or arrangement contains a lease. In accordance with same, this assessment should be carried out at the inception of arrangement. However, the Company has used exemption under Ind AS 101 and assessed all arrangements based on conditions in place as on date of transition.

8.2 Property, plant, equipment & intangible assets

On transition to Ind AS, the Company has elected to continue with the carrying value of all of its property, plant and equipment and intangible assets as at 31 March 2018 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment and intangible assets as on 01 April 2018.

8.3 Derecognition of previously recognised financial instruments

As per Ind AS 101 – An entity shall apply the exception to the retrospective application in case of "derecognition of financial assets and financial liabilities" wherein a first-time adopter shall apply the derecognition requirements in Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind ASs. For example, if a first-time adopter derecognised non-derivative financial assets or non-derivative financial liabilities in accordance with its previous GAAP as a result of a transaction that occurred before the date of transition to Ind ASs, it shall not recognise those assets and liabilities in accordance with Ind ASs (unless they qualify for recognition as a result of a later transaction or event). The Company has opted not to re-evaluate financial assets derecognised in the past. However, for loans and advances securitised, the Company has applied the derecognition requirements retrospectively.

9. MANDATORY EXCEPTIONS

Following mandatory exceptions are applicable to the Company:

9.1 Estimates

An entity's estimates in accordance with Ind AS at the date of transition to Ind AS shall be consistent with estimates made for the same date in accordance with previous GAAP (after adjustments to reflect any difference in accounting policies).

9.2 Classification and Measurement of Financial Assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets (investment in debt instruments) on the basis of the facts and circumstances that existed at the date of transition to Ind AS.

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10 Cash and cash equivalents

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Cash on hand	22.50	20.35	16.60
Balances with banks and financial institutions			
- Balance with banks in current accounts	561.92	6,375.02	2,101.61
- Bank deposit with original maturity less than 3 months	-	-	-
Total	**584.42**	**6,395.37**	**2,118.21**

(i) There are no repatriation restrictions with respect to cash and cash equivalents as at the end of the reporting year and prior years.

11 Bank balance other than cash and cash equivalents

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Deposits for remaining maturity of more than 3 months and upto 12 months	-	-	250.00
Deposits with remaining maturity more than 12 months	-	-	-
Balance with banks and financial institutions to the extent held as margin money deposits against borrowings*	1,405.92	2,196.26	1,602.85
Total	**1,405.92**	**2,196.26**	**1,852.85**

*The amount under lien as security against term loan and assets securitised are as follows (included above in note 11):

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Term loans	1,405.92	1,167.75	1,332.59
Securitisation arrangements	-	1,028.51	270.26
Total	**1,405.92**	**2,196.26**	**1,602.85**

12 Trade receivables (at amortised cost)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Receivable from related party considered good- unsecured	-	276.11	184.28
Total	**-**	**276.11**	**184.28**
Less: Impairment loss allowance	-	-	-
Total	**-**	**276.11**	**184.28**

The Company does not have any receivables which are either credit impaired or where there is significant increase in credit risk.

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

13 Loans (at amortised cost)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Portfolio loans			
Secured - Mortgage housing loans	77.03	33.74	46.50
Secured - Two wheeler loans	2.51	26.90	7.66
Unsecured - Joint liability loans	84,849.02	48,527.92	33,260.05
Total (A) - Gross	**84,928.56**	**48,588.57**	**33,314.21**
Less : Impairment loss allowance	(2,069.56)	(1,074.64)	(1,439.02)
Total (A) - Net	**82,859.00**	**47,513.93**	**31,875.19**
Others - Loans to employees			
Secured	-	-	-
Unsecured	36.83	42.01	39.31
Total (B) - Gross	**36.83**	**42.01**	**39.31**
Less : Impairment loss allowance	(5.06)	-	-
Total (B) - Net	**31.77**	**42.01**	**39.31**
Total loans (A+B) - Net	**82,890.77**	**47,555.94**	**31,914.50**
Loans in India			
Public sector	-	-	-
Others	84,965.39	48,630.58	33,353.52
Total - Gross	**84,965.39**	**48,630.58**	**33,353.52**
Less : Impairment loss allowance	(2,074.62)	(1,074.64)	(1,439.02)
Total - Net	**82,890.77**	**47,555.94**	**31,914.50**

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

13 Loans (at amortised cost) (Contd..)

Credit quality of assets

The table below shows the credit quality and the maximum exposure to credit risk based on the Company's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Details of the Company's internal grading system are explained in note 50.1.5 Credit Risk (Impairment assessment).

Particulars	As at 31 March 2020				As at 31 March 2019				As at 01 April 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Internal rating grade												
Performing												
Standard grade - No Over Due	82,851.48	-	-	82,851.48	47,228.02	-	-	47,228.02	31,355.50	-	-	31,355.50
Standard grade - DPD 1 to 30	1,155.80	-	-	1,155.80	175.81	-	-	175.81	49.40	-	-	49.40
Standard grade - DPD 31 to 60	-	141.36	-	141.36	-	29.10	-	29.10	-	59.42	-	59.42
Standard grade - DPD 61 to 89	-	124.80	-	124.80	-	9.92	-	9.92	-	32.64	-	32.64
Non- performing												-
Sub-standard grade - DPD > 89	-	-	691.95	691.95	-	-	1,187.73	1,187.73	-	-	1,856.56	1,856.56
Total	**84,007.28**	**266.16**	**691.95**	**84,965.39**	**47,403.83**	**39.02**	**1,187.73**	**48,630.58**	**31,404.90**	**92.06**	**1,856.56**	**33,353.52**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to Portfolio loans is, as follows:

Particulars	FY 2019-20				FY 2018-19			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount -opening balance	**47,403.83**	**39.02**	**1,187.73**	**48,630.58**	**31,404.90**	**92.06**	**1,856.56**	**33,353.52**
New assets originated*	79,810.66	180.18	151.08	80,141.92	46,212.62	29.10	12.20	46,253.92
Movement between stages								
Transferring from Stage 1	(875.19)	317.92	557.27	-	(124.83)	48.33	76.50	-
Transferring from Stage 2	0.08	(17.25)	17.17	-	0.50	(35.88)	35.38	-
Transferring from Stage 3	0.16	0.59	(0.75)	-	0.15	1.66	(1.81)	-
Assets repaid, derecognized and written off	(42,332.26)	(254.30)	(1,220.55)	(43,807.11)	(30,089.51)	(96.25)	(791.10)	(30,976.86)
Gross carrying amount- closing balance	**84,007.28**	**266.16**	**691.95**	**84,965.39**	**47,403.83**	**39.02**	**1,187.73**	**48,630.58**

*New assets originated is presented net of collections made during the year

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

13 Loans (at amortised cost) (Contd..)

Reconciliation of ECL balance is given below:

Particulars	FY 2019-20				FY 2018-19			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment allowance - opening balance	**331.85**	**7.64**	**735.15**	**1,074.64**	**216.79**	**17.11**	**1,205.12**	**1,439.02**
New assets originated*	1,571.93	36.94	90.97	1,699.84	323.43	6.50	7.54	337.47
Movement between stages								
Transfers to Stage 1	(6.11)	2.21	3.90	-	(0.78)	0.30	0.48	-
Transfers to Stage 2	-	(3.13)	3.13	-	-	(6.04)	6.04	-
Transfers to Stage 3	0.05	0.06	(0.11)	-	0.04	0.73	(0.77)	-
Additional provision created during the year/(Assets repaid, derecognized and written off)	(240.93)	11.39	(470.32)	(699.86)	(207.63)	(10.96)	(483.26)	(701.85)
Impairment allowance - closing balance	**1,656.79**	**55.11**	**362.72**	**2,074.62**	**331.85**	**7.64**	**735.15**	**1,074.64**

*New assets originated is presented net of collections made during the year

14 Investments (Designated at fair value through profit or loss)

	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
i) Mutual funds	4,912.82	-	-
Total Gross (A)	**4,912.82**	**-**	**-**
i) Investments outside India	-	-	-
ii) Investments in India	4,912.82	-	-
Total Gross (B)	**4,912.82**	**-**	**-**
Less : Allowance for impairment loss (C)	-	-	-
Total - Net D = (A) - (C)	**4,912.82**	**-**	**-**

Particulars of mutual fund investment :

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
30,335 units in HDFC Overnight Fund -Growth - (Direct Plan) (31 March 2019 : Nil and 01 April 2018 : Nil)	900.69	-	-
176,016 units in Aditya Birla Sun Life Money Overnight Manager Fund - Growth - (Direct Plan) (31 March 2019 : Nil and 01 April 2018 : Nil)	1,901.40	-	-
94,312 units in IDFC Overnight Fund - Growth - (Direct Plan) (31 March 2019 : Nil and 01 April 2018 : Nil)	1,005.14	-	-
103,727 units in Kotak Overnight Fund - Growth - (Direct Plan) (31 March 2019 : Nil and 01 April 2018 : Nil)	1,105.59	-	-
Total	**4,912.82**	**-**	**-**

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

15 Other financial assets

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Security rental deposits (unsecured, considered good)	72.97	59.94	51.98
Insurance recoverable	96.71	105.82	77.68
Less : Impairment on insurance recoverable	(3.43)	-	-
EIS receivable on assignment	113.75	374.37	71.09
Other recoverables	124.20	7.30	12.23
Less : Impairment on other recoverables	(86.22)	-	-
Total	**317.98**	**547.43**	**212.98**

16 Current tax assets (net)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Advance income tax (net)	-	37.87	21.48
Total	**-**	**37.87**	**21.48**

17 Deferred tax assets (net)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
(A) Deferred tax assets			
Provision for employee benefits	235.06	137.45	102.23
Difference in written down value as per books and Income Tax Act	35.89	29.04	20.12
Impairment allowance for loans	520.87	281.53	388.42
Impairment allowance for other receivables	27.02	-	-
Financial assets measured at amortised cost	149.46	98.35	62.22
Employee stock option scheme expense	11.30	11.30	3.64
Others	-	55.56	-
Total deferred tax assets	**979.60**	**613.23**	**576.63**
(B) Deferred tax liabilities			
Financial liabilities measured at amortised cost	64.41	18.76	65.20
Deferment of upfront EIS and servicing obligation recorded for assignment	18.93	68.26	12.29
Others	0.73	-	24.57
Total deferred tax liabilities	**84.07**	**87.02**	**102.06**
Net deferred tax asset	**895.53**	**526.21**	**474.57**

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

(i) Movement in deferred tax assets (net)

Particulars	As at 31 March 2019	(Charged)/ credited to statement of profit and loss	(Charged)/ credited to other comprehensive income	Charged to equity	As on 31 March 2020
(A) Deferred tax assets					
Provision for employee benefits	137.45	80.04	17.57	-	235.06
Difference in written down value as per Companies Act and Income Tax Act	29.04	6.85	-	-	35.89
Impairment allowance for loans	281.53	239.34	-	-	520.87
Impairment allowance for other receivables	-	27.02	-	-	27.02
Financial assets measured at amortised cost	98.35	51.11	-	-	149.46
Employee stock option scheme expense	11.30	-	-	-	11.30
Others	55.56	(55.56)	-	-	-
Total deferred tax assets	**613.23**	**348.80**	**17.57**	**-**	**979.60**
(B) Deferred tax liabilities					
Financial liabilities measured at amortised cost	18.76	45.65	-	-	64.41
Deferment of upfront EIS and servicing obligation recorded for assignment	68.26	(49.33)	-	-	18.93
Others	-	0.73	-	-	0.73
Total deferred tax liabilities	**87.02**	**(2.95)**	**-**	**-**	**84.07**
Net deferred tax asset	**526.21**	**351.75**	**17.57**	**-**	**895.53**

Particulars	As at 31 March 2018	(Charged)/ credited to statement of profit and loss	(Charged)/ credited to other comprehensive income	Charged to equity	As on 31 March 2019
(A) Deferred tax assets					
Provision for employee benefits	102.23	43.19	(7.97)	-	137.45
Difference in written down value as per Companies Act and Income Tax Act	20.12	8.92	-	-	29.04
Impairment allowance for loans	388.42	(106.89)	-	-	281.53
Impairment allowance for other receivables	-	-	-	-	-
Financial assets measured at amortised cost	62.22	36.13	-	-	98.35
Employee stock option scheme expense	3.64	7.66	-	-	11.30
Others	-	55.56	-	-	55.56
Total deferred tax assets	**576.63**	**44.57**	**(7.97)**	**-**	**613.23**

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

(i) Movement in deferred tax assets (net) (Contd..)

Particulars	As at 31 March 2018	(Charged)/ credited to statement of profit and loss	(Charged)/ credited to other comprehensive income	Charged to equity	As on 31 March 2019
(B) Deferred tax liabilities					
Financial liabilities measured at amortised cost	65.20	(46.44)	-	-	18.76
Deferment of upfront EIS and servicing obligation recorded for assignment	12.29	55.97	-	-	68.26
Others	24.57	(24.57)	-	-	-
Total deferred tax liabilities	**102.06**	**(15.04)**	**-**	**-**	**87.02**
Net deferred tax asset	**474.57**	**59.61**	**(7.97)**	**-**	**526.21**

18 Property, plant and equipment

Particulars	Computer and accessories	Furniture and fixtures	Office equiments	Electrical equipment	Office equipment	Total
Gross block						
As at 01 April 2018*	**202.00**	**115.68**	**125.09**	**-**	**77.05**	**519.82**
Additions	89.95	22.37	29.18	-	18.22	159.72
Reversal on disposal of assets	2.94	6.89	-	-	0.79	10.62
As at 31 March 2019	**289.01**	**131.16**	**154.27**	**-**	**94.48**	**668.92**
Additions	70.97	52.43	-	1.54	41.17	166.11
Reversal on disposal of assets	6.97	-	3.35	-	0.15	10.47
As at 31 March 2020	**353.01**	**183.59**	**150.92**	**1.54**	**135.50**	**824.56**
Accumulated depreciation and impairment						
As at 01 April 2018*	**155.38**	**58.56**	**66.31**	**-**	**33.24**	**313.49**
Charge for the year	61.19	17.61	23.45	-	15.08	117.33
Reversal on disposal of assets	2.81	-	4.73	-	0.72	8.26
As at 31 March 2019	**213.76**	**76.17**	**85.03**	**-**	**47.60**	**422.56**
Charge for the year	67.07	21.92	19.34	0.33	19.12	127.78
Reversal on disposal of assets	6.87	-	2.16	-	0.08	9.11
As at 31 March 2020	**273.96**	**98.09**	**102.21**	**0.33**	**66.64**	**541.23**
Net carrying amount as at 01 April 2018*	**46.62**	**57.12**	**58.78**	**-**	**43.81**	**206.33**
Net carrying amount as at 31 March 2019	**75.25**	**54.99**	**69.24**	**-**	**46.88**	**246.36**
Net carrying amount as at 31 March 2020	**79.05**	**85.50**	**48.71**	**1.21**	**68.86**	**283.33**

*Net block represents deemed cost on the date of transition to Ind AS. Gross block and accumulated depreciation from the previous GAAP have been disclosed for the purpose of better understanding of the original cost of assets.

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

19 Other intangible assets#

Particulars	Computer software
Gross block	
As at 01 April 2018*	**47.88**
Additions	13.92
Reversal on disposal of assets	-
As at 31 March 2019	**61.80**
Additions	1.17
Reversal on disposal of assets	-
As at 31 March 2020	**62.97**
Accumulated amortisation and impairment:	
As at 01 April 2018*	**38.60**
Charge for the year	9.23
Reversal on disposal of assets	-
As at 31 March 2019	**47.83**
Charge for the year	7.42
Reversal on disposal of assets	-
As at 31 March 2020	**55.25**
Net carrying amount as at 01 April 2018*	**9.28**
Net carrying amount as at 31 March 2019	**13.97**
Net carrying amount as at 31 March 2020	**7.72**

*Represents deemed cost on the date of transition to Ind AS. Gross block and accumulated depreciation from the previous GAAP have been disclosed for the purpose of better understanding of the original cost of assets.

#Other than internally generated.

20 Other non-financial assets

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Prepaid expenses	28.86	25.86	9.02
Advance to suppliers and others	52.17	37.40	14.02
Advance to staff	12.24	11.58	6.44
Income tax paid under dispute	26.15	26.15	16.51
Total	**119.42**	**100.99**	**45.99**

21 Trade payables

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Total outstanding dues of micro enterprises and small enterprises	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	451.15	-	-
Total	**451.15**	**-**	**-**

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for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

22 Other payables

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Total outstanding dues of micro enterprises and small enterprises	-	-	-
Total outstanding dues of creditors other than micro enterprises and small enterprises	43.29	41.67	52.69
Total	**43.29**	**41.67**	**52.69**

23 Debt securities secured (at amortised cost)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Redeemable non-convertible debentures - Secured and listed	6,875.10	8,943.00	4,543.00
Redeemable non-convertible debentures - Secured and unlisted	3,290.34	3,300.00	3,300.00
Total (A)	**10,165.44**	**12,243.00**	**7,843.00**

23 Debt securities unsecured (at amortised cost)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Liability component of compound financial instruments*	879.94	-	-
Redeemable non-convertible debentures - Unsecured and listed	497.69	500.00	500.00
Redeemable non-convertible debentures - Unsecured and unlisted	1,995.13	2,000.00	-
Total (B)	**3,372.76**	**2,500.00**	**500.00**
Total debt securities (A+B)	**13,538.20**	**14,743.00**	**8,343.00**
Debt securities in India	13,538.20	14,743.00	8,343.00
Debt securities outside India	-	-	-
Total	**13,538.20**	**14,743.00**	**8,343.00**

24 Borrowings (other than debt securities) (at amortised cost)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Secured			
Term loan from Banks - Secured	26,402.18	6,450.25	7,000.67
Term loan from Financial Institutions -Secured	12,010.35	14,158.91	10,400.80
Liability against securitised assets	-	7,897.86	2,222.47
Lease liabilities	25.28	28.96	29.29
Total	**38,437.81**	**28,535.98**	**19,653.23**
Borrowings in India	38,437.81	28,535.98	19,653.23
Borrowings outside India	-	-	-
Total	**38,437.81**	**28,535.98**	**19,653.23**

Notes forming part of the Financial Statements

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(All amounts in ₹ lakhs unless otherwise stated)

25 Subordinated liabilities (at amortised cost)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Preference shares other than those that qualify as equity#	-	1,474.84	-
Non-convertible debentures	1,983.49	2,000.00	2,000.00
Term loans from Banks/Financial Institutions	1,993.64	2,000.00	500.00
Total	**3,977.13**	**5,474.84**	**2,500.00**
Subordinated debts in India	3,977.13	5,474.84	2,500.00
Subordinated debts outside India	-	-	-
Total	**3,977.13**	**5,474.84**	**2,500.00**

*During the year ended 31 March 2020, the Company allotted 11,400, Unsecured, Unrated, Unlisted, Irredeemable, Compulsory Convertible Debentures ("CCD") of face value of ₹ 100,000 each fully paid-up for cash.

Each debenture is convertible into equivalent number of equity shares of the Company of ₹ 10 each at the option of allottee within a time frame not exceeding 12 months from the date of allotment or subject to redemption by the Company at the end of such time frame and on such terms and conditions, as may be deemed appropriate by the Board of Directors.

The Company has measured this as compound financial instruments and accordingly, an equity and liability component has been recognised.

#During the year ended 31 March 2019, the Company allotted 15,000,000 11% Non - convertible, redeemable, cumulative preference shares of face value of ₹ 10 each fully paid-up for cash at an issue price of ₹ 10 and were redeemed in December 2019.

Notes forming part of the Financial Statements

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(All amounts in ₹ lakhs unless otherwise stated)

25.1 Terms of debentures (secured) (at amortised cost)

Terms of debenture	Number of debentures			Face value in ₹	Amount in lakhs		
	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018		As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
12.40% Secured, Rated, Listed, Redeemable, Transferable, Non-Convertible Debentures dated 22 June 2017 with Call / Put option with exercise date on 29 June 2020. Redeemable on maturity if option not exercised or communication for roll-over received from lender"	250.00	250.00	250.00	1,000,000	2,500.00	2,500.00	2,500.00
12.90% Secured, Rated, Unlisted, Redeemable, Non-Convertible Debentures dated 01 August 2017	330.00	330.00	330.00	1,000,000	3,300.00	3,300.00	3,300.00
13.80% Secured, Rated, Senior, Listed, Redeemable, Taxable, Transferable, Non-Convertible Debentures dated 22 November 2016	-	2,043.00	2,043.00	100,000	-	2,043.00	2,043.00
14.50% Rated, Senior, Unsecured, Unlisted, Redeemable, Transferable, Principal Protected Market linked Non-Convertible Debentures dated 10 May 2018	2,000.00	2,000.00	-	100,000	2,000.00	2,000.00	-
"13.09% Secured, Rated, Listed, Redeemable, Transferable, Non-Convertible Debentures dated 29 October 2018 with Call/Put option at the end of 24 months from the exercise date. Redeemable on maturity if option not exercised or communication for roll-over received from lender"	220.00	220.00	-	1,000,000	2,200.00	2,200.00	-
"13.09% Secured, Rated, Listed, Redeemable, Transferable, Non-Convertible Debentures dated 29 October 2018 with Call/Put option at the end of 24 months from the exercise date. Redeemable on maturity if option not exercised or communication for roll-over received from lender"	220.00	220.00	-	1,000,000	2,200.00	2,200.00	-
14.50% Senior Unsecured, Rated, Listed, Transferable, Redeemable, Non-Convertible Debentures dated 11 February 2016	50.00	50.00	50.00	1,000,000	500.00	500.00	500.00
17.00% Subordinated, Rated, Listed, Unsecured, Redeemable, Transferable, Non-Convertible Debentures dated 11 February 2016	50.00	50.00	50.00	1,000,000	500.00	500.00	500.00
14.50% Subordinated, Rated, Listed, Unsecured, Redeemable, Taxable, Non-Convertible Debentures dated 29 December 2016	150,000,000	150,000,000	150,000,000	1	1,500.00	1,500.00	1,500.00
11.00% Unsecured, Unrated, Unlisted, Irredeemable, Convertible Debentures dated 10 February 2020*	11,400.00	-	-	100,000	11,400.00	-	-

* The equity component of the compulsorily convertible debentures is included in Note 30 amounting to ₹ 10,368.76 lakhs and the liability component is included in Note 23 amounting to ₹ 879.94 lakhs.

Notes forming part of the Financial Statements

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(All amounts in ₹ lakhs unless otherwise stated)

25.2 Terms of repayment of long term borrowings outstanding#

Maturity pattern of debt securities

Original Maturity of loan	Interest rate	Original maturity period	As at 31 March 2020 Amount	As at 31 March 2019 Amount	As at 01 April 2018 Amount
Monthly repayment schedule	8%-10%	NA	-	-	-
	10%-12%	NA	-	-	-
	12%-15%	NA	-	-	-
	above 15%	NA	-	-	-
Quarterly repayment schedule	8%-10%	NA	-	-	-
	10%-12%	NA	-	-	-
	12%-15%	NA	-	-	-
	above 15%	NA	-	-	-
Half yearly repayment schedule	8%-10%	NA	-	-	-
	10%-12%	NA	-	-	-
	12%-15%	NA	-	-	-
	above 15%	NA	-	-	-
Yearly repayment schedule	8%-10%	NA	-	-	-
	10%-12%	NA	-	-	-
	12%-15%	NA	-	-	-
	above 15%	NA	-	-	-
At the end of tenure / On demand	8%-10%	NA	-	-	-
	10%-12%	Upto 2 years	879.94	-	-
	12%-15%	2 to 4 years	5,300.00	5,300.00	3,300.00
	12%-15%	4 to 6 years	6,900.00	8,943.00	4,543.00
	above 15%	More than 6 years	500.00	500.00	500.00
Total			**13,579.94**	**14,743.00**	**8,343.00**

Maturity pattern of borrowings (other than debt securities) - [Term loan from Bank]

Original Maturity of loan	Interest rate	Original maturity period	As at 31 March 2020 Amount	As at 31 March 2019 Amount	As at 01 April 2018 Amount
Monthly repayment schedule	8%-10%	2 to 4 years	2.17	7.06	11.52
	10%-12%	2 to 4 years	12,091.66	1,825.01	166.67
	12%-15%	2 to 4 years	10,192.88	2,572.05	2,760.85
	above 15%	NA	-	-	-
Quarterly repayment schedule	8%-10%	NA	-	-	-
	10%-12%	2 to 4 years	444.44	555.56	2,500.00
	10%-12%	4 to 6 years	-	500.00	1,000.00
	12%-15%	2 to 4 years	-	1,111.11	642.86
	12%-15%	4 to 6 years	-	122.02	155.41
	above 15%	NA	-	-	-

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

Maturity pattern of borrowings (other than debt securities) - [Term loan from Bank] (Contd..)

Original Maturity of loan	Interest rate	Original maturity period	As at 31 March 2020 Amount	As at 31 March 2019 Amount	As at 01 April 2018 Amount
Half yearly repayment schedule	8%-10%	NA	-	-	-
	10%-12%	4 to 6 years	3,825.00	-	-
	12%-15%	NA	-	-	-
	above 15%	NA	-	-	-
Yearly repayment schedule	8%-10%	NA	-	-	-
	10%-12%	NA	-	-	-
	12%-15%	NA	-	-	-
	above 15%	NA	-	-	-
At the end of tenure / On demand	8%-10%	NA	-	-	-
	10%-12%	NA	-	-	-
	12%-15%	NA	-	-	-
	above 15%	NA	-	-	-
Total		**-**	**26,556.16**	**6,692.81**	**7,237.30**

Maturity pattern of borrowings (other than debt securities) - [Term loan from Financial Institutions]

Original Maturity of loan	Interest rate	Original maturity period	As at 31 March 2020 Amount	As at 31 March 2019 Amount	As at 01 April 2018 Amount
Monthly repayment schedule	8%-10%	NA	-	-	-
	10%-12%	2 to 4 years	4,500.00	-	-
	12%-15%	Upto 2 years	500.00	612.50	584.70
	12%-15%	2 to 4 years	3,120.52	10,957.89	6,728.29
	12%-15%	4 to 6 years	-	220.68	344.18
	above 15%	Upto 2 years	262.50	-	273.95
	above 15%	2 to 4 years	705.61	35.24	803.47
Quarterly repayment schedule	8%-10%	NA	-	-	-
	10%-12%	NA	-	-	-
	12%-15%	2 to 4 years	2,958.50	1,457.60	666.21
	above 15%	2 to 4 years	-	-	1,000.00
	above 15%	4 to 6 years	-	875.00	-
Half yearly repayment schedule	8%-10%	NA	-	-	-
	10%-12%	NA	-	-	-
	12%-15%	NA	-	-	-
	above 15%	NA	-	-	-
Yearly repayment schedule	8%-10%	NA	-	-	-
	10%-12%	NA	-	-	-
	12%-15%	NA	-	-	-
	above 15%	NA	-	-	-
At the end of tenure / On demand	8%-10%	NA	-	-	-
	10%-12%	NA	-	-	-
	12%-15%	NA	-	-	-
	above 15%	NA	-	-	-
Total		**-**	**12,047.13**	**14,158.91**	**10,400.80**

Notes forming part of the Financial Statements

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(All amounts in ₹ lakhs unless otherwise stated)

Maturity pattern of subordinated liabilities

Original Maturity of loan	Interest rate	Original maturity period	As at 31 March 2020 Amount	As at 31 March 2019 Amount	As at 01 April 2018 Amount
Monthly repayment schedule	8%-10%	NA	-	-	-
	10%-12%	Upto 2 years	-	1,500.00	-
	12%-15%	NA	-	-	-
	above 15%	NA	-	-	-
Quarterly repayment schedule	8%-10%	NA	-	-	-
	10%-12%	NA	-	-	-
	12%-15%	NA	-	-	-
	above 15%	NA	-	-	-
Half yearly repayment schedule	8%-10%	NA	-	-	-
	10%-12%	NA	-	-	-
	12%-15%	NA	-	-	-
	above 15%	NA	-	-	-
Yearly repayment schedule	8%-10%	NA	-	-	-
	10%-12%	NA	-	-	-
	12%-15%	NA	-	-	-
	above 15%	NA	-	-	-
At the end of tenure / On demand	8%-10%	NA	-	-	-
	10%-12%	NA	-	-	-
	12%-15%	More than 6 years	1,500.00	-	2,000.00
	above 15%	4 to 6 years	500.00	500.00	-
	above 15%	More than 6 years	2,000.00	2,000.00	500.00
Total		**-**	**4,000.00**	**4,000.00**	**2,500.00**

#All the above mentioned repayments disclosed as per the contractual maturities of debt securities, borrowing other than debt securities and subordinate liabilities at gross carrying value.

25.3 Reconciliation of liabilities arising from financing activities

Particulars	As at 01 April 2018	Cash flow			Non-cash			As at 31 March 2019
		Additions	Payment	Lease payments	Lease liability	Upfront fees and amortisation	Preference shares issued considered as a liability	
Debt securities	8,343.00	6,400.00	-		-	-	-	14,743.00
Borrowings (other than debt securities)	19,653.23	21,175.39	(12,286.38)	(13.03)	12.70	(5.93)	-	28,535.98
Subordinated liabilities	2,500.00	3,000.00	-	-	-	(25.16)	-	5,474.84
Total liabilities from financial activities	**30,496.23**	**30,575.39**	**(12,286.38)**	**(13.03)**	**12.70**	**(31.09)**	**-**	**48,753.82**

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

25.3 Reconciliation of liabilities arising from financing activities (Contd..)

Particulars	As at 01 April 2019	Cash flow			Non-cash				As at 31 March 2020
		Additions	Payment	Lease payments	Lease liability	Upfront fees and amortisation	Interest on liability component of compulsorily convertible debentures	Equity component of compulsorily convertible debentures	
Debt securities	14,743.00	13,900.00	(4,714.79)	-	-	(41.73)	20.48	(10,368.76)	13,538.20
Borrowings (other than debt securities)	28,535.98	35,500.00	(25,646.29)	(20.16)	16.47	51.81	-	-	38,437.81
Subordinated liabilities	5,474.84	-	(1,500.00)	-	-	2.29	-	-	3,977.13
Total liabilities from financial activities	**48,753.82**	**49,400.00**	**(31,861.08)**	**(20.16)**	**16.47**	**12.37**	**20.48**	**(10,368.76)**	**55,953.14**

26 Other financial liabilities

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Interest accrued on borrowings	1,198.85	929.81	273.15
Insurance payables	137.68	140.64	85.90
Payable to employees	29.98	17.84	156.61
Payables towards assignment transactions	635.55	1,123.28	625.00
Total	**2,002.06**	**2,211.57**	**1,140.66**

27 Provisions

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
For employee benefits			
Gratuity	248.30	158.15	110.89
Compensated absences	229.61	110.73	85.36
Incentives	283.91	109.86	68.66
Statutory bonus	172.14	115.41	82.99
Others			
Other losses	12.64	-	-
Total	**946.60**	**494.15**	**347.90**

28 Other non-financial liabilities

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Statutory dues payable	190.35	91.14	87.67
Deferred income	38.51	129.00	26.50
Others	75.37	54.09	25.01
Total	**304.23**	**274.23**	**139.18**

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(All amounts in ₹ lakhs unless otherwise stated)

29 Equity share capital

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
EQUITY SHARE CAPITAL			
Authorised:			
75,000,000 equity shares of ₹ 10 each (31 March 2019: 25,000,000 equity shares of ₹ 10 each) (01 April 2018: 25,000,000 equity shares of ₹ 10 each)	7,500.00	2,500.00	2,500.00
Total authorised capital	**7,500.00**	**2,500.00**	**2,500.00**
Issued, subscribed and fully paid up share capital			
Equity shares			
75,000,000 equity shares of ₹ 10 each fully paid-up (31 March 2019: 24,534,518 equity shares of ₹ 10 each) (01 April 2018: 21,731,418 equity shares of ₹ 10 each)	7,500.00	2,453.45	2,173.14
Total equity share capital	**7,500.00**	**2,453.45**	**2,173.14**

a. Reconciliation of the number of shares and amount outstanding at the beginning and at the end of the year

Particulars	Number of shares	Amount
As at 01 April 2018	21,731,418	2,173.14
Issued during the year	2,803,100	280.31
As at 31 March 2019	**24,534,518**	**2,453.45**
Issued during the year	50,465,482	5,046.55
As at 31 March 2020	**75,000,000**	**7,500.00**

During the year ended 31 March 2020, the authorised share capital of the Company was increased vide approval of equity shareholders from ₹ 2,500 lakhs divided into 25,000,000 equity shares of ₹ 10 each to ₹ 7,500 lakhs divided into 75,000,000 equity shares of ₹ 10 each.

During the year ended 31 March 2019, the Company allotted 2,803,100 equity shares of ₹ 10 each at an issue price of ₹ 28.54 per share including premium of ₹ 18.54 per share on rights issue basis to its holding company, Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited).

During the year ended 31 March 2020, the Company allotted 50,465,482 equity shares of ₹ 10 each at an issue price of ₹ 29.10 per share including premium of ₹ 19.10 per share on rights issue basis to its holding company, Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited).

b. Terms/ rights attached to equity shares

The Company has only one class of equity shares having face value of ₹ 10 per share. Each equity shareholder is eligible for one vote per share held. Any dividend, if proposed by the Board of Directors, is subject to the approval of shareholders. Dividend declared and paid would be in Indian rupees. Dividends are subject to corporate dividend tax. In the event of liquidation of the Company, the holders of equity share will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Notes forming part of the Financial Statements

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(All amounts in ₹ lakhs unless otherwise stated)

c. Aggregate number of shares issued for consideration other than cash during the last five years

The Company has not issued shares for consideration other than cash during the last five years.

d. Details of shareholders holding more than 5% equity shares in the Company (Equity shares of ₹ 10/- each)

Particulars	As at 31 March 2020		As at 31 March 2019		As at 01 April 2018	
	No. of shares	% holding in the class	No. of shares	% holding in the class	No. of shares	% holding in the class
Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited) and its nominees	75,000,000	100.00%	24,534,518	100.00%	21,731,418	100.00%
Total	**75,000,000**		**24,534,518**		**21,731,418**	

e. In respect of securities convertible into equity shares issued along with their earliest date of conversion and other related terms and conditions disclosed in note 25.

f. The information required to be disclosed that enables user of its financial statements to evaluate the its objectives, policies and process for managing capital is disclosed in note 48.

30 Other equity

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Statutory reserve (Pursuant to Section 45-IC of the RBI Act, 1934)			
Opening balance	259.17	114.19	114.19
Add: Transfer from retained earnings	90.92	144.98	-
Closing balance	**350.09**	**259.17**	**114.19**
Securities premium account			
Opening balance	3,488.37	2,983.98	2,327.97
Add : Securities premium credited on share issue	9,638.91	519.69	656.01
Less: Premium utilised	-	(15.30)	-
Closing balance	**13,127.28**	**3,488.37**	**2,983.98**
Equity component of compound financial instruments	**10,368.76**	**-**	**-**
Contribution to employee stock option scheme			
Opening balance	40.60	13.23	-
Add: Employee stock option compensation for the year	33.27	27.37	13.23
Less: Premium on exercise of stock options	-	-	-
Closing balance	**73.87**	**40.60**	**13.23**
Other comprehensive income			
Opening balance	20.69	-	-
Add: Transfer from retained earnings	(69.83)	28.66	-
Deferred tax on the above	17.57	(7.97)	-
Closing balance	**(31.57)**	**20.69**	**-**

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

30 Other equity (Contd..)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Retained earnings			
Opening balance	(114.62)	(391.44)	441.54
Add : Net profit/(net loss) for the current year	454.59	442.49	(800.37)
Add / Less: Appropriations			
Transfer to statutory reserve as per Section 45-IC of The RBI Act, 1934	(90.92)	(144.98)	-
Other comprehensive income	69.83	(28.66)	-
Deferred tax on the above	(17.57)	7.97	-
Ind AS adjustment	-	-	(32.61)
Total appropriations	**(38.67)**	**(165.67)**	**(32.61)**
Retained earnings	**301.31**	**(114.62)**	**(391.44)**
Total Other equity	**24,189.74**	**3,694.21**	**2,719.96**

Nature and purpose of reserves

Securities premium account: The amount received in excess of face value of the equity shares is recognised in Securities Premium Reserve. The reserve can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.

Statutory reserve: Every year the Company transfers a sum of not less than twenty per cent of net profit of that year as disclosed in the statement of profit and loss to its Statutory Reserve pursuant to Section 45-IC of the RBI Act, 1934.

Contribution to employee stock option scheme: The reserve is used to recognise the fair value of the options issued to employees of the Company by its Holding Company under the Holding Company's employee stock option plan.

Equity component of compound financial instruments: Compulsorily Convertible Debentures issued by the Company have been classified as compound financial instruments and recognised at amortised cost. The difference between transaction value and amortised cost has been recognised as a separate component in other equity.

Other comprehensive income: Re-measurement of the net defined benefit liability/(asset) comprises actuarial gain and losses.

Retained earnings: Retained earnings are the profits that the Company has earned till date, less any transfers to statutory reserve and dividend distributions paid to shareholders.

31 Interest income (On financial assets measured at amortised cost)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest income on loans	15,776.28	10,615.75
Interest income - others	174.65	139.71
Total	**15,950.93**	**10,755.46**

Notes forming part of the Financial Statements

for the year ended 31 March 2020
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32 Fee and commission income

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Service fee on securitised/assigned loans	328.69	108.45
Income from business correspondent operations	638.57	330.45
Other commission	85.64	65.73
Total	**1,052.90**	**504.63**

33 Net gain on fair value changes

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
(A) Net gain on financial instruments at fair value through profit or loss		
- **Investments**		
Gain on sale of mutual funds	186.91	129.74
Gain on fair valuation of investment in mutual funds	1.96	-
Total	**188.87**	**129.74**
Fair value changes:		
- Realised	186.91	129.74
- Unrealised	1.96	-
Total	**188.87**	**129.74**

34 Net gain on derecognition of financial instruments under amortised cost category

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Gain on sale of loan portfolio through assignment	324.47	300.45
Total	**324.47**	**300.45**

35 Other operating income

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Bad debt recovery	20.85	22.27
Total	**20.85**	**22.27**

36 Other income

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Profit on sale of property, plant and equipment	-	0.89
Miscellaneous income	0.26	0.24
Total	**0.26**	**1.13**

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

37 Finance costs (On financial liabilities measured at amortised cost)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest on debt securities		
- Debentures	2,495.23	1,958.57
- Compulsory convertible debenture	20.48	-
Interest on borrowings (other than debt securities)	4,123.66	3,694.45
Interest on preference shares	167.94	75.12
Interest on inter corporate loans	43.93	-
Interest on income tax	10.93	-
Bank charges	124.60	35.42
Assignment expense	163.73	169.02
Interest on lease liability	2.14	2.15
Total	**7,152.64**	**5,934.73**

38 Impairment of financial assets (On financial assets measured at amortised cost)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Portfolio loans written off	914.08	497.54
Other receivables written off	22.11	-
Impairment allowance/(reversal) on portfolio loans	999.98	(364.38)
Impairment loss allowance on other receivable	102.18	-
Total	**2,038.35**	**133.16**

39 Employee benefits expenses

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Salaries, other allowance and bonus	4,757.19	3,035.76
Contribution to provident and other funds	275.54	177.86
Share based payment to employees	33.27	27.37
Compensated absences	68.94	57.15
Gratuity expenses	76.85	56.08
Staff welfare expenses	148.69	112.26
Total	**5,360.48**	**3,466.48**

Notes forming part of the Financial Statements

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(All amounts in ₹ lakhs unless otherwise stated)

40 Depreciation, amortisation and impairment

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Depreciation of tangible assets	127.78	117.33
Amortisation of intangible assets	7.42	9.23
Depreciation of Right of Use assets	18.62	13.26
Total	**153.82**	**139.82**

41 Other expenses

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Rent	228.92	162.82
Electricity charges	34.86	25.63
Rates and taxes	179.38	81.83
Repairs and maintenance	116.36	116.77
Communication costs	114.88	105.95
Printing and stationery	126.49	93.93
Meeting and training expenses	102.60	75.07
Membership fee and subscription	17.05	10.75
Directors' sitting fees	13.60	4.95
Auditor fees and expenses*	23.10	3.54
Legal and professional charges	234.81	145.91
Travelling and conveyance	803.88	608.04
Other administrative expenses	99.79	59.77
Advertisement and publicity	20.41	7.25
Insurance	2.93	5.72
Corporate Social Responsibility expense[#]	0.60	-
Total	**2,119.66**	**1,507.93**

***Auditor fees and expenses comprises of:**

As Auditor:		
- Audit fees	19.50	2.40
- Tax audit fees	2.00	0.60
- Out of pocket expenses	1.10	-
In any other manner:		
- Certification	0.50	0.54

Notes forming part of the Financial Statements

for the year ended 31 March 2020
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#Corporate social responsibility expenses

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Gross amount required to be spent by the Company during the year	0.57	-
Amount spent during the year		
i) Construction / acquisition of any asset	-	-
ii) On purposes other than (i) above	0.60	-

Note 42: Tax expense

The components of income tax expense for the year ended 31 March 2020 and 31 March 2019 are:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Current tax	558.23	169.37
Deferred tax relating to origination and reversal of temporary differences	(351.75)	(59.61)
Tax expense reported in the Statement of Profit and Loss	**206.48**	**109.76**

Reconciliation of the total tax charge:

The major components of tax expense and its reconciliation to expected tax expense based on the enacted tax rate applicable to the Company is 25.17% (31 March 2019: 27.82%) and the reported tax expense in statement of profit and loss are as follows:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Accounting profit before tax	713.33	531.56
Income tax rate	25.17%	27.82%
Expected tax expense	179.53	147.88
Tax effect of adjustments to reconcile expected income tax expense to reported income tax expense		
Tax impact of expenses which is non deductible	54.70	-
Tax impact on items exempt under income tax	-	-
Impact of change in tax rates	50.16	(5.76)
Others	(77.91)	(32.36)
Income tax expense reported in the statement of profit and loss	**206.48**	**109.76**

Notes forming part of the Financial Statements

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(All amounts in ₹ lakhs unless otherwise stated)

43 Earnings per share

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Net profit for the year for basic EPS	**506.85**	**421.80**
Dilutive impact of compulsorily convertible debentures	15.33	-
Net profit for the year for diluted EPS	**522.18**	**421.80**
Nominal value of equity share (in rupees)	10.00	10.00
Weighted-average number of equity shares for basis earnings per share	**457.69**	**217.70**
Effect of dilution:		
Compulsory convertible debentures	39.71	-
Share options	-	-
Weighted-average number of equity shares used to compute diluted earnings per share	**497.40**	**217.70**
Basic earnings per equity share (in rupees)	1.11	1.94
Diluted earnings per equity share (in rupees)	1.05	1.94

44 Retirement benefit plan

Defined contribution plan

The Company makes contributions, determined as a specified percentage of employee salaries, in respect of qualifying employees towards provident fund and other funds which are defined contribution plans. The Company has no obligations other than this to make the specified contributions. The contributions are charged to the Statement of Profit and Loss as they accrue. Under the Schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognized ₹ 249.09 lakhs for the year ended 31 March 2020 (31 March 2019: ₹ 151.08 lakhs) for Provident Fund contributions and ₹ 18.44 lakhs for the year ended 31 March 2020 (31 March 2019: ₹ 17.4 lakhs) for Employee State Insurance Scheme contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the Schemes.

Employee benefit obligations

Balance recognised in the balance sheet is as under :

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Gratuity	248.30	158.15	110.89
Compensated absences	229.61	110.73	85.36

Expenses recognised in Statement of profit and loss is as under:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Gratuity	76.85	56.08
Compensated absences	68.94	57.15

Expense recognised through OCI is as under:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Gratuity	19.88	3.12
Compensated absences	49.95	(31.77)

Notes forming part of the Financial Statements

for the year ended 31 March 2020
(All amounts in ₹ lakhs unless otherwise stated)

44 Retirement benefit plan (Contd..)

Disclosure for gratuity

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Components of net gratuity cost charged to Statement of profit and loss		
Current service cost	67.11	47.82
Interest expense	9.74	8.26
Total(A)	**76.85**	**56.08**
Components of remeasurement gains/losses in other comprehensive income		
Actuarial changes arising from changes in demographic assumptions	(81.92)	-
Actuarial changes arising from changes in financial assumptions	114.64	1.05
Experience adjustments	(12.84)	(4.17)
Total(B)	**19.88**	**(3.12)**
Total(A+B)	**96.73**	**52.96**

Changes in the present value of the defined benefit obligation are as follows:	For the year ended 31 March 2020	For the year ended 31 March 2019
Present value of defined benefit obligation at the beginning of the year	158.15	110.89
Current service cost	67.11	47.82
Interest cost	9.74	8.26
Past service cost	-	-
Benefits paid	(6.58)	(5.70)
Actuarial (gain)/ loss	19.88	(3.12)
Defined benefit obligation at the end of the year	**248.30**	**158.15**
Changes in Fair value of Plan assets*		
Fair value of plan assets at the beginning of the year	-	-
Interest income	-	-
Employer direct benefits payments	6.58	5.70
Benefits Paid	(6.58)	(5.70)
Return on plan assets excluding interest income	-	-
Fair value of plan assets end of the year	**-**	**-**

* The Company is making provisions for the entire gratuity liability as per actuarial valuation and follows a 'pay as you go' system to meet the liabilities as and when they fall due.

Principal assumptions used in determining gratuity liability are shown below:	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Expected return on plan assets	-	-	-
Rate of discounting	6.29%	7.65%	7.70%
Expected rate of salary increase	7.00%	6.00%	6.00%
Rate of employee turnover	23.00%	5.00%	5.00%
Retirement age (years)	60	60	60

Notes forming part of the Financial Statements

for the year ended 31 March 2020
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44 Retirement benefit plan (Contd..)

Disclosure for gratuity (Contd..)

Sensitivity analysis for gratuity liabilite	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Impact on defined benefit obligation			
Discount rate +100 basis points	(17.70)	(22.57)	(13.45)
Discount rate -100 basis points	20.54	28.61	16.54
Salary growth+ 100 basis points	17.26	28.32	16.03
Salary growth- 100 basis points	(15.12)	(22.62)	(13.23)
Attrition rate + 100 basis points	(4.03)	1.27	0.27
Attrition rate - 100 basis points	4.28	(1.97)	(0.64)

Expected future payouts (discounted)	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Year I	20.92	3.06	2.97
Year II	16.24	2.84	2.62
Year III	12.62	2.61	2.45
Year IV	9.94	2.38	2.30
Year V	7.55	2.19	2.16
Year 6-10	21.83	7.97	8.98
Above 10 years	159.18	137.10	89.42

Plan characteristics and associated risks

1. Salary inflation risk

   Higher than expected increases in salary will increase the defined benefit obligation

2. Demographic risks:

   This is the risk of volatility of results due to unexpected nature of decrements that include mortality attrition, disability and retirement. The effects of this decrement on the DBO depend upon the combination salary increase, discount rate, and vesting criteria and therefore not very straight forward. It is important not to overstate withdrawal rate because the cost of retirement benefit of an employee serving a shorter tenor will be less compared to long service employees

3. Actuarial risk

   It is the risk that benefits will cost more than expected. This can be due to one of the following reasons

   a) Adverse Salary Growth

   b) Variability in mortality rates

   c) Variability in withdrawal rates

4. Market risk

   Market risk is a collective term for risks that are related to the changes and fluctuations of the financial markets. One actuarial assumption that has a material effect is the discount rate. The discount rate reflects the time value of money. An increase in discount rate leads to decrease in Defined Benefit Obligation of the plan benefits & vice versa. This assumption depends on the yields on the corporate / government bonds and hence the valuation of liability is exposed to fluctuations in the yields as at the valuation date.

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

44 Retirement benefit plan (Contd..)

Plan characteristics and associated risks (Contd..)

5. Legislative/regulatory risk

   Legislative risk is the risk of increase in the plan liabilities or reduction in the plan assets due to change in the legislation / regulation. The government may amend the Payment of Gratuity Act thus requiring the companies to pay higher benefits to the employees. This will directly affect the present value of the Defined Benefit Obligation.

   And the same will have to be recognized immediately in the year when any such amendment is effective.

6. Liquidity risk

   The Company is making provisions for the entire gratuity liability as per actuarial valuation and follows a 'pay as you go' system to meet the liabilities as and when they fall due. Therefore, there is a liquidity risk involved that they may run out of cash.

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

45 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled.

Particulars	As at 31 March 2020			As at 31 March 2019			As at 01 April 2018		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets									
Financial assets									
Cash and cash equivalents	584.42	-	584.42	6,395.37	-	6,395.37	2,118.21	-	2,118.21
Bank balance other than cash and cash equivalents	737.69	668.23	1,405.92	1,792.28	403.98	2,196.26	250.00	1,602.85	1,852.85
Investments	4,912.82	-	4,912.82	-	-	-	-	-	-
Trade receivables	-	-	-	276.11	-	276.11	184.28	-	184.28
Loans *	62,241.93	20,648.84	82,890.77	41,018.95	6,536.99	47,555.94	30,518.96	1,395.54	31,914.50
Other financial assets	317.44	0.54	317.98	524.40	23.03	547.43	204.95	8.03	212.98
Non-financial assets									
Current tax assets (net)	-	-	-	37.87	-	37.87	21.48	-	21.48
Deferred tax assets (net)	-	895.53	895.53	-	526.21	526.21	-	474.57	474.57
Property, plant and equipment	-	283.33	283.33	-	246.36	246.36	-	206.33	206.33
Right of use asset	0.97	21.34	22.31	4.35	22.24	26.59	-	29.29	29.29
Other intangible assets	-	7.72	7.72	-	13.97	13.97	-	9.28	9.28
Other non-financial assets	**93.26**	**26.16**	**119.42**	**74.38**	**26.61**	**100.99**	**29.48**	**16.51**	**45.99**
Total assets	**68,888.53**	**22,551.69**	**91,440.22**	**50,123.71**	**7,799.39**	**57,923.10**	**33,327.36**	**3,742.40**	**37,069.76**
Liabilities									
Financial liabilities									
Trade payables	451.15	-	451.15	-	-	-	-	-	-
Other payables	43.29	-	43.29	41.67	-	41.67	52.69	-	52.69
Borrowings	32,253.55	23,699.59	55,953.14	19,973.26	28,780.56	48,753.82	11,054.31	19,441.92	30,496.23
Other financial liabilities	2,002.06	-	2,002.06	2,211.57	-	2,211.57	1,140.66	-	1,140.66
Non-financial liabilities									
Current tax liabilities (net)	50.01	-	50.01	-	-	-	-	-	-
Provisions	532.33	414.27	946.60	235.17	258.98	494.15	160.23	187.67	347.90
Other non-financial liabilities	304.21	0.02	304.23	267.76	6.47	274.23	138.68	0.50	139.18
Total liabilities	**35,636.60**	**24,113.88**	**59,750.48**	**22,729.43**	**29,046.01**	**51,775.44**	**12,546.57**	**19,630.09**	**32,176.66**
Net	**33,251.93**	**(1,562.19)**	**31,689.74**	**27,394.28**	**(21,246.62)**	**6,147.66**	**20,780.79**	**(15,887.69)**	**4,893.10**

*Amounts disclosed as per the behavoural pattern after incorporating anticipated moratorium to customers on account of COVID-19 pandemic as per the RBI guidelines.

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

46 Contingent liabilities, commitments and leasing arrangements

(A) Contingent liabilities

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
a. In respect of Income tax demands where the Company has filed an appeal with relevant authority	130.74	130.74	82.49
Total	**130.74**	**130.74**	**82.49**

Future cash outflows in respect of (a) above are determinable only on receipt of judgements /decisions pending with various forums/authorities. The management believes that the ultimate outcome of these proceedings will not have a material adverse effect on the Company's financial position and results of operations.

(B) Commitments not provided for

Particulars	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
a. Estimated amount of contracts remaining to be executed on capital account, net of advances	Nil	Nil	Nil
b. For purchase / development of computer software	Nil	Nil	Nil

(C) Lease disclosures

Adoption of Indian Accounting standard - 116 "Leases"

The Company has adopted Ind AS 116, Leases effective 01 April 2019, as notified by the Ministry of Corporate Affairs (MCA) in the Companies (Indian Accounting Standard) Amendment Rules 2019, using modified retrospective approach from 01 April 2018 and charged depreciation on SLM basis on the right of use asset created on the transition date.

Carrying value of lease liability at the end of the reporting period by class.

Particulars	Amount
Lease commitments as at 31 March 2018	-
Add/(less): contracts reassessed as lease contracts	29.29
Add/(less): adjustments on account of extension/termination	-
Lease liabilities as on 1 April 2018	**29.29**

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Opening lease liabilities	28.96	29.29	29.29
Addition to lease liabilities during the year	14.34	10.55	-
Interest expense on Lease liabilities	2.14	2.15	-
Cash outflow for leases	(20.16)	(13.03)	-
Closing lease liabilities	**25.28**	**28.96**	**29.29**

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

46 Contingent liabilities, commitments and leasing arrangements (Contd..)

(C) Lease disclosures (Contd..)

Carrying value of right of use assets at the end of the reporting period by class.

Particulars	Amount
Balance as at 01 April 2018	-
Addition during the year	29.29
Less: Depreciation charge for the year	-
Balance as on 1 April 2018	**29.29**

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Opening value of right of use assets	26.59	29.29	29.29
Addition to lease assets during the year	14.34	10.56	-
Less: Depreciation charge for the year	(18.62)	(13.26)	-
Closing lease liabilities	**22.31**	**26.59**	**29.29**

Amounts recognised in Statement of profit or loss

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Depreciation charge on right of use assets	18.62	13.26
Interest on lease liabilities	2.14	2.15
Total	**20.76**	**15.41**

Amounts recognised in the Statement of cash flows

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest paid on lease liabilities	2.14	2.15
Payment towards lease liabilities	(20.16)	(13.03)
Total	**(18.02)**	**(10.88)**

Maturity analysis of lease liabilities

Particulars	As at 31 March 2020	As at 31 March 2019
Within one year	1.05	4.35
After one year but not more than five years	24.23	24.61
More than five years	-	-
Total	**25.28**	**28.96**

Notes forming part of the Financial Statements

for the year ended 31 March 2020
(All amounts in ₹ lakhs unless otherwise stated)

46 Contingent liabilities, commitments and leasing arrangements (Contd..)

(C) Lease disclosures (Contd..)

Maturity analysis of lease liabilities

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Nature of right of use asset	Office premises	Office premises	Office premises
No. of right of use assets leased	14	15	11
Range of remaining term	1 month to 38 months	2 months to 50 months	14 months to 62 months
Average remaining lease term	13.67 months	18.46 months	27.82 months
Future cash flows to which lessee is potentially exposed to			
Variable lease payments	-	-	-
Extension and termination options	-	-	-
Residual value guarantees	-	-	-
Leases not yet commenced to which the lessee is committed	-	-	-
Total	**-**	**-**	**-**
Restrictions or covenants imposed by leases	None	None	None
Sale and leaseback transactions	None	None	None

(D) Revenue from contracts with customers

Set out below is the disaggregation of the Company's revenue from contracts with customers and reconciliation to statement of profit and loss account:

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Type of service		
Income from business correspondent operations	638.57	330.45
Total	**638.57**	**330.45**
Geographical markets		
India	638.57	330.45
Outside India	-	-
Total	**638.57**	**330.45**
Timing of revenue recognition		
Services transferred at a point in time	-	-
Services transferred over time	638.57	330.45
Total	**638.58**	**330.45**

Contract balances

Particulars	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Other receivables	-	276.11	184.28
Trade payable	451.15	-	-
Total (payable)/receivable	**(451.15)**	**276.11**	**184.28**

Notes forming part of the Financial Statements

for the year ended 31 March 2020
(All amounts in ₹ lakhs unless otherwise stated)

46 Contingent liabilities, commitments and leasing arrangements (Contd..)

(D) Revenue from contracts with customers (Contd..)

Contract balances (Contd..)

Other receivables are non-interest bearing and are generally on terms of 30 to 90 days. During the year ended 31 March 2020 an amount of Nil (31 March 2019: Nil) was recognised as provision for expected credit losses on other receivable as the balance constitute balances from the Holding Company.

Reconciling the amount of revenue recognised in the statement of profit and loss with the contracted price

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Revenue as per contract	638.57	330.45
Adjustments	-	-
Revenue from contract with customers	**638.57**	**330.45**

Revenue recognition for contract with customers - Income from business correspondent operations

This consideration has been allocated amongst the performance obligations under the contract on the basis of relative standalone prices.

Revenue recognition: Revenue from both the performance obligations being sourcing of loans and servicing of loans shall be recognised over a period of time, as the customer benefits from these services and when it is delivered/performed by the Company.

47 Related party disclosures

A. List of related parties and disclosures

1. Enterprises exercising control

Holding Company : Navi Finserv Private Limited (Formerly known as Chaitanya Rural Intermediation Development Services Private Limited)

2. Enterprises over which key management personnel and relatives of such personnel exercise significant influence with whom transactions have been undertaken:

Chaitanya Employee Welfare trust

3. Key managerial personnel and their relatives:

Particulars	Designation
Mr. Sachin Bansal	Managing Director and CEO (appointed w.e.f. 06 March 2020)
Mr. Ankit Agarwal	Director and Deputy CEO (appointed w.e.f. 06 March 2020)
Mr. Samit S Shetty	Managing Director (resigned w.e.f. 06 March 2020) Nominee Director (appointed w.e.f. 06 March 2020)
Mr. Anand Rao	Joint Managing Director (re-appointed w.e.f. 06 March 2020)
Mr. Srinivasan C V	Chief Financial Officer
Ms. Dimple J Shah	Company Secretary

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

47 Related party disclosures

A. List of related parties and disclosures

3. Key managerial personnel and their relatives: (Contd..)

Particulars	Designation
Name of Directors	**Designation**
Mr. K S Ravi	Independent Director
Mr. R Nandakumar	Independent Director
Ms. Pratima Ram	Independent Director (appointed w.e.f. 06 November 2019 and resigned w.e.f. 30 November 2019)
Ms. Riya Bhattacharya	Nominee Director (appointed w.e.f. 06 March 2020)
Mr. Ramesh Sundaresan	Nominee Director (resigned w.e.f. 19 October 2019)
Ms. Lisa Thomas	Nominee Director (resigned w.e.f. 19 October 2019)

B. Details of transactions with related parties carried out in the ordinary course of business:

Name of related party	Nature of transaction	For the year ended 31 March 2020	For the year ended 31 March 2019
Mr. Samit S Shetty	Remuneration and incentives	62.60	41.80
	Provident fund and others	0.22	0.22
Mr. Anand Rao	Remuneration and incentives	62.60	41.80
	Provident fund and others	0.22	0.22
Mr. K S Ravi	Sitting fees	6.80	2.40
Mr. R Nandakumar	Sitting fees	6.80	2.55
Mr. Srinivasan C V	Remuneration and incentives	43.13	28.04
	Provident fund and others	0.22	0.22
Ms. Dimple J Shah	Remuneration and incentives	13.16	8.38
	Provident fund and others	0.22	0.22
Mr. Sachin Bansal	Issue of non convertible debentures	2,500.00	-
	Redemption of non convertible debentures	(2,500.00)	-
	Interest on non convertible debentures	189.86	-
Navi Finserv Private Limited (formerly known as Chaitanya Rural Intermediation Development Services Private Limited)	Face value of equity shares allotted	5,046.55	280.31
	Securities premium received	9,638.91	519.69
	Sale of loan portfolio	-	806.21
	Service fee (excluding GST)	638.57	330.45
	Issue of compulsorily convertible debentures	11,400.00	-
	Interest on compulsorily convertible debentures	(171.78)	-

Notes forming part of the Financial Statements

for the year ended 31 March 2020

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47 Related party disclosures

C. Outstanding balances with related parties in ordinary course of business:

Name of related party	Nature of transaction	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Navi Finserv Private Limited (Formerly known as Chaitanya Rural Intermediation Development Services Private Limited)	Outstanding (payable)/ receivable (net)	(451.15)	276.11	184.28
Navi Finserv Private Limited (Formerly known as Chaitanya Rural Intermediation Development Services Private Limited)	Outstanding (payable)/ receivable (net) - financial activity	79.24	(42.52)	(245.36)

48 Capital

The Company maintains an actively managed capital base to cover risks inherent in the business which includes issued equity capital, share premium and all other equity reserves attributable to equity holders of the Company.

As an NBFC, the RBI requires us to maintain a minimum capital to risk weighted assets ratio ("CRAR") consisting of Tier I and Tier II capital of 15% of our aggregate risk weighted assets. Further, the total of our Tier II capital cannot exceed 100% of our Tier I capital at any point of time. The capital management process of the Company ensures to maintain a healthy CRAR at all the times.

Capital management

The primary objectives of the Company's capital management policy are to ensure that the Company complies with externally imposed capital requirements and maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder value.

The Company manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, or issue capital securities. No changes have been made to the objectives, policies and processes from the previous years.

Regulatory capital	As at 31 March 2020	As at 31 March 2019	As at 31 March 2018
Tier 1 capital	20,313.04	4,062.24	4,251.89
Tier 2 capital	13,448.70	2,996.06	1,864.87
Total capital funds	**33,761.74**	**7,058.30**	**6,116.76**
Risk weighted assets	**88,366.06**	**40,347.88**	**30,606.36**
Common Equity Tier 1 capital ratio	22.99%	10.07%	13.89%
Common Equity Tier 2 capital ratio	15.22%	7.43%	6.09%
Total capital ratio	**38.21%**	**17.50%**	**19.98%**

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings including the respective year's profit less accrued dividends. Certain adjustments are made to Ind AS–based results and reserves, as prescribed by the Reserve Bank of India. The other component of regulatory capital is Tier 2 Capital, which includes subordinated debt.

The Company is meeting the capital adequacy requirements of the Reserve Bank of India (RBI) of India.

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

49 Fair value measurement

49.1 Financial assets and liabilities

The carrying amounts and fair values of financial instruments by category are as follows:

Particulars	Note	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Financial assets measured at fair value				
Investments	Note - 14	4,912.82	-	-
Financial assets measured at amortised cost				
Cash and cash equivalents	Note - 10	584.42	6,395.37	2,118.21
Bank balance other than cash and cash equivalents	Note - 11	1,405.92	2,196.26	1,852.85
Trade receivables	Note - 12	-	276.11	184.28
Loans	Note - 13	82,890.77	47,555.94	31,914.50
Other financial assets	Note - 15	317.98	547.43	212.98
Total		**90,111.91**	**56,971.11**	**36,282.82**

Particulars	Note	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Financial liabilities measured at amortised cost				
Trade payables	Note - 21	451.15	-	-
Other payables	Note - 22	43.29	41.67	52.69
Debt securities	Note - 23	13,538.20	14,743.00	8,343.00
Borrowings (other than debt securities)	Note - 24	38,437.81	28,535.98	19,653.23
Subordinated liabilities	Note - 25	3,977.13	5,474.84	2,500.00
Other financial liabilities	Note - 26	2,002.06	2,211.57	1,140.66
Total		**58,449.64**	**51,007.06**	**31,689.58**

49.2 Fair value hierarchy of assets and liabilities

Financial assets and financial liabilities are measured at fair value in the financial statements and are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

The categories used are as follows:

Level 1: Quoted prices (unadjusted) for identical instruments in an active market;

Level 2: Directly (i.e. as prices) or indirectly (i.e. derived from prices) observable market inputs, other than Level 1 inputs; and

Level 3: Inputs which are not based on observable market data (unobservable inputs).

49.3 Financial assets and liabilities measured at fair value - recurring fair value measurements

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 March 2020	Level-1	Level-2	Level-3	Level-4
Assets				
Investments	4,912.82	-	-	**4,912.82**

Notes forming part of the Financial Statements
for the year ended 31 March 2020
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49 Fair value measurement

49.3 Financial assets and liabilities measured at fair value - recurring fair value measurements (Contd..)

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

As at 31 March 2019	Level-1	Level-2	Level-3	Level-4
Assets				
Investments	-	-	-	-

As at 31 March 2018	Level-1	Level-2	Level-3	Level-4
Assets				
Investments	-	-	-	-

Valuation technique used to determine fair value

The fair value of investments in mutual fund units is based on the net asset value (NAV) as stated by the issuers of these mutual fund units in the published statements as at the Balance Sheet date. NAV represents the price at which the issuer will issue further units of mutual fund and the price at which issuers will redeem such units from the investors.

49.4 Fair value of financial instruments measured at amortised cost

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments measured at amortised cost.

Particulars	As at 31 March 2020		As at 31 March 2019		As at 01 April 2018	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets:						
Cash and cash equivalents	584.42	584.42	6,395.37	6,395.37	2,118.21	2,118.21
Bank balance other than cash and cash equivalents	1,405.92	1,405.92	2,196.26	2,196.26	1,852.85	1,852.85
Trade receivables	-	-	276.11	276.11	184.28	184.28
Loans	82,890.77	82,890.77	47,555.94	47,555.94	31,914.50	31,914.50
Other financial assets	317.98	317.98	547.43	547.43	212.98	212.98
Total financial assets	**85,199.09**	**85,199.09**	**56,971.11**	**56,971.11**	**36,282.82**	**36,282.82**
Financial liabilities:						
Trade payables	451.15	451.15	-	-	-	-
Other payables	43.29	43.29	41.67	41.67	52.69	52.69
Debt securities	13,538.20	13,538.20	14,743.00	14,743.00	8,343.00	8,343.00
Borrowings (other than debt securities)	38,437.81	38,437.81	28,535.98	28,535.98	19,653.23	19,653.23
Subordinated liabilities	3,977.13	3,977.13	5,474.84	5,474.84	2,500.00	2,500.00
Other financial liabilities	2,002.06	2,002.06	2,211.57	2,211.57	1,140.66	1,140.66
Lease liabilities	-	-	-	-	-	-
Total financial liabilities	**58,449.64**	**58,449.64**	**51,007.06**	**51,007.06**	**31,689.58**	**31,689.58**

Notes forming part of the Financial Statements

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49 Fair value measurement (Contd..)

49.4 Fair value of financial instruments measured at amortised cost

Valuation technique used for financial instruments measured at amortised cost

Below are the methodologies and assumptions used to determine fair values for the above financial instruments:

Financial assets at amortised cost

The fair value of loans given to customers are estimated using a discounted cash flow model based on contractual cash flows using actual or estimated yields.

Financial liability at amortised cost

The fair value of borrowings, debt securities and subordinate liabilities are estimated using a discounted cash flow model based on contractual cash flows using actual or estimated yields.

Short term financial assets and liabilities

The fair value of cash and cash equivalents, bank balances, trade receivables, other financial assets, trade payables, other payables and other financial liabilities approximate their carrying amount largely due to the short-term nature of these instruments. The Company's loans have been contracted at market rates of interest. Accordingly, the carrying value of these approximates fair value.

50 Risk management

Risk is an integral part of the Company's business and sound risk management is critical for the success. As a financial services entity, the Company is exposed to risks that are specific to its lending activities and the environment within which it operates and primarily includes credit, liquidity, market, and operational risks. The Board of Directors of the Company are responsible for the overall risk management approach and for approving the risk management strategies and principles.

This note explains the sources of risk which the entity is exposed to and how the entity manages the risk and the related impact in the financial statements.

Risk	Exposure arising from	Measurement	Risk management
Credit risk	Financial assets (excluding cash in hand)	Ageing analysis and credit risk modelling	Field credit assessment, group guarantee (joint liability group loans), borrower indebtedness limits, diversification of asset base, credit limits and collaterals taken for assets, wherever applicable
Liquidity risk	Financial liabilities	Cash flow forecasts	Committed borrowing and other credit facilities and sale of loan assets (whenever required)
Market risk - interest rate	Borrowings, debt securities and subordinated liabilities carrying variable interest rates	Sensitivity analysis	Review of cost of funds and pricing of disbursement
Market risk - security price	Investments	Sensitivity analysis	Diversification of portfolio with focus on strategic investments

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

50 Risk management (Contd..)

The Company has a risk management policy which covers all the risk associated with its assets and liabilities. The Company has implemented comprehensive policies and procedures to assess, monitor and manage risk throughout the organisation. The risk management process is continuously reviewed, improved and adapted in tandem with internal metamorphosis and changing external environment. The process of continuous evaluation of risk also includes taking stock of the risk landscape on an event-driven basis.

The Company has an elaborate process for risk management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. The Company's treasury is responsible for managing its assets and liabilities, liquidity position, and the overall financial structure. It is also primarily responsible for the funding and interest rate risks of the Company.

50.1 Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's main income generating activity is lending to retail customers and therefore credit risk is principal risk associated with the business. For a micro finance institution this assumes more significance since the lending that is carried out is primarily unsecured.

The credit risk management policy of the Company seeks to have following controls and key metrics that allows risks to be identified, assessed, monitored and reported in a timely and efficient manner in compliance with regulatory requirements.

- Standardize the process of identifying new risks and designing appropriate controls for these risks
- Minimize losses due to defaults or untimely payments by borrowers
- Maintain an appropriate credit administration and loan review system
- Establish metrics for portfolio monitoring
- Design appropriate credit risk mitigation techniques

50.1.1 Risk identification

Credit risk may originate in one or multiple of following ways mentioned below:

- Adverse selection of members for group formation e.g. (bogus members, defaulters, negative profiles, etc.)
- Adverse selection of groups for undertaking lending activity (negative villages, migrant occupations, negative communities, , etc.)
- Gap in credit assessment of borrower's credit worthiness (Failure to collect KYC documents, verify residential address, assess income source, etc.)
- Undue Influence of Animator/Representative on group members (group leaders / political influence / middlemen influencing decisions of customers)
- Over-borrowing by customers
- Upper cap on loan ticket size
- Improper use of loan amount than the designated activity
- Over-concentration in any geography/branch/zone etc.
- Group culture and meeting discipline (e.g. timely arrival to meetings, absence of members from meetings, attendance, presence of non-members, etc.)

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

50 Risk management (Contd..)

50.1 Credit risk (Contd..)

50.1.2 Risk assessment and measurement

The Company has a robust risk assessment framework to address each of the identified risks. The following is the framework implemented in order to ensure completeness and robustness of the risk assessment.

- Selection of client base for group formation - Adequate due diligence is carried out for selection of women borrowers who are then brought together for JLG formation. (e.g. members with homogeneous income, only one member from a family, upper cap on annual household income, etc.)
- Adequate training and knowledge of JLG operations
- Credit assessment - credit rating and credit bureau check
- Follow up and regular monitoring with the members
- Portfolio monitoring through a centralized Risk & Analytics team

The Company assesses and manages credit risk based on internal credit rating system. Internal credit rating is performed for each class of financial instruments with different characteristics. The Company assigns the following credit ratings to each class of financial assets based on the assumptions, inputs and factors specific to the class of financial assets.

(i) Low credit risk

(ii) Moderate credit risk

(iii) High credit risk

The company provides for expected credit loss based on the following:

Nature	Assets covered	Basis of expected credit loss
Low credit risk	Cash and cash equivalents (excluding cash on hand), other bank balances, investments, loans, trade receivables and other financial assets	12 month expected credit loss
Moderate credit risk	Loans and other financial assets	Life time expected credit loss
High credit risk	Loans	Life time expected credit loss

50.1.3 Risk monitoring

Monitoring and follow up is an essential element in the overall risk management framework and is taken up very seriously at all levels within the organization. Monitoring and controlling risks is primarily performed based on limits established by the Company.

Borrower risk categorization is an effective tool to flag potential problems in the loan accounts and identify if any corrective action plan are to be taken. The Company regularly monitors borrower repayments and group discipline, and borrowers are accordingly categorized in low risk (eligible for next loan cycle) and high risk (not eligible for next loan cycle). However, due to retail nature of clients, poor financial literacy and cash-oriented culture, and lack of adequate credit history prevents the Company from obtaining credit bureau scores at regular intervals. Loans are tracked at a homogeneous pool basis by the Risk Team. Any deterioration in the performance of the pool are immediately pointed out to the Senior Management and detailed analysis are carried out to identify the trends in performance.

The risk monitoring metrics have been defined to track performance at each stage of the loan life cycle:

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

50 Risk management (Contd..)

50.1 Credit risk (Contd..)

- Credit origination - KYC pendency, if any; deviation index from the defined policies and procedures
- Credit sanction - Disbursement to high risk rated groups/borrowers; Early delinquency due to fraud
- Credit monitoring -
- Portfolio at risk - The metrics provides an indication of potential losses that may arise from overdue accounts. (loans staging more than 90 days past due);
- Static pool analysis - Provides an indication about the portfolio performance vis-a-vis the vintage of the loans and helps compare performance of loans generated in different time periods
- Collection and recovery - collection efficiency, roll forward rates and roll backward rates.

50.1.4 Risk mitigation

Risk mitigation or risk reduction is defined as the process of reducing risk exposures and/or minimizing the likelihood of incident occurrence.

The following risk mitigation measures have been suggested at each stage of loan life cycle:

- Loan origination - site screening, independent visit by manager, adequate training to officers.
- Loan underwriting - Risk rating, independent assessment, etc.
- Loan pre and post disbursement - disbursement at the branch premises and in the bank account only, tracking to avoid misuse of funds,
- Loan monitoring - customer relation executive to attend group meeting, reminder of payment of EMIs on time, etc.
- Loan collection and recovery - monitor repayments, confirmation of balances etc.
- Appropriate policy-driven loan origination and collection process.

50.1.4 Risk mitigation

It is the Company's policy to ensure that a robust risk awareness is embedded in its organisational risk culture. Employees are expected to take ownership and be accountable for the risks the Company is exposed to that they decide to take on. Continuous training and development emphasizes that employees are made aware of the Company's risk appetite and they are supported in their roles and responsibilities to monitor and keep their exposure to risk within the Company's risk appetite limits. Compliance breaches and internal audit findings are important elements of employees' annual ratings and remuneration reviews.

50.1.5 Impairment assessment

The Company is basically engaged in the business of providing loans and access to credit to the Joint Liability Group (JLG) members. The tenure of which is ranging from 12 months to 24 months.

The Company's impairment assessment and measurement approach is set out in this note. It should be read in conjunction with the summary of significant accounting policies Note 7.1.iii. (Overview of the Expected Credit Loss)

Definition of default and cure

The Company considers a financial instrument as defaulted and therefore in Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments.

As a part of a qualitative assessment of whether a customer is in default, the Company also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Company carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate."

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

50 Risk management (Contd..)

50.1 Credit risk (Contd..)

50.1.5 Impairment assessment (Contd..)

It is the Company's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when the due amount has been repaid. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

The Company's internal credit rating grades and staging criteria for loans are as follows:

Internal rating grade	Internal rating description	Stages
Performing		
Standard grade - on time	No over due	Stage I
Standard grade - past due	DPD 1 to 30	Stage I
	DPD 31 to 60	Stage II
	DPD 61 to 89	Stage II
Non-performing		
Sub-standard grade	DPD > 89	Stage III

Frequency of recognition

Riskiness of a financial asset is recognized in the following frequency: -

- At the time of initial recognition all financial assets are recognized as low credit risk.
- Assets are evaluated on a monthly frequency till the time it is fully repaid and closed; they are evaluated basis their days past due (DPD) status at every month-end and risk classification is made accordingly.
- In case of microfinance customers, if the customer or her spouse expires, the balance repayment has to come from the Life insurer (as per guidelines dictated by the RBI).
- An asset may be re-recognized if there is adverse field information regarding client default.

Forward looking approach

ECL is based on history of financial asset and also includes forward-looking statement. Ind-AS does not mandate to forecast about the future conditions over the entire expected life of a financial asset, and ensures to extrapolate projection from available, detailed information. These includes: -

- Internal historical credit loss experience
- Industry trend of credit loss of homogeneous assets
- Historical credit loss experience of other similar assets to homogeneous set of customers
- Changes in underwriting capacity, collection efficiency, and management strength
- Macroeconomic factors such as interest rates, industry policies, GDP growth rate, inflation, etc.
- Regulatory factors such as systemic risk events, policy changes, and statutory guidelines
- Systemic events such as demonetization, Andhra Pradesh crisis, etc. and special situations such as floods, cyclone, earthquake, etc.

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

50 Risk management (Contd..)

50.1 Credit risk (Contd..)

50.1.5 Impairment assessment (Contd..)

Measurement of ECL

Expected Credit Loss or ECL is measured in the following manner.

The Company calculates ECL based on probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Company in accordance with the contract and the cash flows that the Company expects to receive.

ECL = PD*LGD*EAD

Each item is defined as follows: -

ECL - Expected Credit Loss

Present value of difference between contractual cash flows and actual cash flows expected to be received over a given time horizon

PD - Probability of Default

The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized and is still in the portfolio.

LGD - Loss Given Default

The Loss Given Default is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Company would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD

EAD- Exposure at Default

Cash flows that are at risk of default over a given time horizon. The Exposure at Default is an estimate of the exposure at a future default date.

Credit risk exposure

i) Expected credit losses for financial assets other than loans (refer note 13 for disclosure on credit risk exposure for loans)

As at 31 March 2020	Estimated gross carrying amount at default	Expected credit losses	Carrying amount net of impairment provision
Cash and cash equivalents	584.42	-	584.42
Bank balance other than cash and cash equivalents	1,405.92	-	1,405.92
Trade receivables	-	-	-
Investments	4,912.82	-	4,912.82
Other financial assets	407.63	89.65	317.98

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

50 Risk management (Contd..)

50.1 Credit risk (Contd..)

50.1.5 Impairment assessment (Contd..)

i) Expected credit losses for financial assets other than loans (refer note 13 for disclosure on credit risk exposure for loans)

As at 31 March 2019	Estimated gross carrying amount at default	Expected credit losses	Carrying amount net of impairment provision
Cash and cash equivalents	6,395.37	-	6,395.37
Bank balance other than cash and cash equivalents	2,196.26	-	2,196.26
Trade receivables	276.11	-	276.11
Investments	-	-	-
Other financial assets	547.43	-	547.43

As at 1 April 2018	Estimated gross carrying amount at default	Expected credit losses	Carrying amount net of impairment provision
Cash and cash equivalents	2,118.21	-	2,118.21
Bank balance other than cash and cash equivalents	1,852.85	-	1,852.85
Trade receivables	184.28	-	184.28
Investments	-	-	-
Other financial assets	212.98	-	212.98

50.2 Liquidity risk and funding management

In assessing the company's liquidity position, consideration shall be given to: (a) present and anticipated asset quality (b) present and future earnings capacity (c) historical funding requirements (d) current liquidity position (e) anticipated future funding needs, and (f) sources of funds. The Company maintains a portfolio of marketable assets that are assumed to be easily liquidated and undrawn cash credit limits which can be used in the event of an unforeseen interruption in cash flow. The Company also enters into securitisation deals (direct assignment as well as pass through certificates) of their loan portfolio, the funding from which can be accessed to meet liquidity needs. In accordance with the Company's policy, the liquidity position is assessed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and specifically to the Company. Net liquid assets consist of cash, short–term bank deposits and investments in mutual fund available for immediate sale, less issued debt securities and borrowings due to mature within the next month. Borrowings from banks and financial institutions, issue of debentures and bonds are considered as important sources of funds to finance lending to customers. They are monitored using the advances to borrowings ratio, which compares loans and advances to customers as a percentage of secured and unsecured borrowings.

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

50 Risk management (Contd..)

50.2 Liquidity risk and funding management (Contd..)

50.2.1. Analysis of financial assets and liabilities by remaining contractual maturities

The tables below analyses the Company's financial assets and liabilities into relevant maturity groupings based on their contractual maturities.

The amounts disclosed in the table are the contractual undiscounted cash flows:

Maturity pattern of assets and liabilities as on 31 March 2020:

Particulars	Less than 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents	584.42	-	-	-	584.42
Bank balance other than cash and cash equivalents	737.69	668.23	-	-	1,405.92
Loans *	62,241.93	20,221.02	427.82	-	82,890.77
Investments	4,912.82	-	-	-	4,912.82
Other financial assets	317.44	0.34	0.20	-	317.98
Total undiscounted financial assets	**68,794.30**	**20,889.59**	**428.02**	**-**	**90,111.91**
Financial liabilities					
Trade payables	451.15	-	-	-	451.15
Other payables	43.29	-	-	-	43.29
Borrowings	32,253.55	22,137.40	1,562.19	-	55,953.14
Other financial liabilities	2,002.06	-	-	-	2,002.06
Total undiscounted financial liabilities	**34,750.05**	**22,137.40**	**1,562.19**	**-**	**58,449.64**
Net undiscounted financial assets/ (liabilities)	**34,044.25**	**(1,247.81)**	**(1,134.17)**	**-**	**31,662.27**

*Amounts disclosed as per the behavioral pattern after incorporating anticipated moratorium to customers on account of COVID-19 pandemic as per the RBI guidelines.

Maturity pattern of assets and liabilities as on 31 March 2019:

Particulars	Less than 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents	6,395.37	-	-	-	6,395.37
Bank balance other than cash and cash equivalents	1,792.28	403.98	-	-	2,196.26
Trade receivables	276.11				276.11
Loans	41,018.95	6,536.99	-	-	47,555.94
Other financial assets	524.40	22.83	0.20	-	547.43
Total undiscounted financial assets	**50,007.11**	**6,963.80**	**0.20**	**-**	**56,971.11**
Financial liabilities					
Other payables	41.67	-	-	-	41.67
Borrowings	19,973.26	15,200.82	12,088.93	1,490.81	48,753.82

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

50 Risk management (Contd..)

50.2 Liquidity risk and funding management (Contd..)

50.2.1. Analysis of financial assets and liabilities by remaining contractual maturities (Contd..)

Maturity pattern of assets and liabilities as on 31 March 2019: (Contd..)

Particulars	Less than 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Other financial liabilities	2,211.58	-	-	-	2,211.58
Total undiscounted financial liabilities	**22,226.51**	**15,200.82**	**12,088.93**	**1,490.81**	**51,007.07**
Net undiscounted financial assets/ (liabilities)	**27,780.60**	**(8,237.02)**	**(12,088.73)**	**(1,490.81)**	**5,964.04**

Maturity pattern of assets and liabilities as on 01 April 2018:

Particulars	Less than 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Financial assets					
Cash and cash equivalents	2,118.21	-	-	-	2,118.21
Bank balance other than cash and cash equivalents	839.53	1,013.32	-	-	1,852.85
Trade receivables	184.28	-	-	-	184.28
Loans	30,518.96	1,394.66	0.88	-	31,914.50
Other financial assets	204.95	8.03	-	-	212.98
Total undiscounted financial assets	**33,865.93**	**2,416.01**	**0.88**	**-**	**36,282.82**
Financial liabilities					
Other payables	52.69	-	-	-	52.69
Borrowings	11,054.31	11,297.15	8,144.77	-	30,496.23
Other financial liabilities	1,140.65	-	-	-	1,140.65
Total undiscounted financial liabilities	**12,247.65**	**11,297.15**	**8,144.77**	**-**	**31,689.57**
Net undiscounted financial assets/ (liabilities)	**21,618.28**	**(8,881.14)**	**(8,143.89)**	**-**	**4,593.25**

50.3 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market factor. Such changes in the values of financial instruments may result from changes in the interest rates and other market changes. The Company is exposed to the following market risk :

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Asset Liability Committee shall manage its rate sensitivity position to ensure the long run earning power of the Company. In addressing this challenge, the ratios of rate sensitive assets (RSA) to rate sensitive liabilities (RSL) and gap (RSA minus RSL) to equity, as well as gap to total assets will be reviewed based on 30, 60, 90, 180, and 365-day, 1-2 year, and greater than 2 year definitions. More importantly, however, special emphasis is to be placed on the change in net interest income that will result from possible fluctuations in interest rates, changing account volumes, and time.

Notes forming part of the Financial Statements

for the year ended 31 March 2020

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50 Risk management (Contd..)

50.3 Market risk (Contd..)

The Company is subject to interest rate risk, principally because lending to clients are at fixed interest rates and for periods that may differ from our funding sources, while our borrowings are at both fixed and variable interest rates for different periods. The Company assesses and manages the interest rate risk by managing the assets and liabilities. The Asset Liability Management Committee evaluates asset liability management, and ensures that all significant mismatches, if any, are being managed appropriately.

Management of interest margin

The spread or interest margin, otherwise known as "Gap", is the difference between the return on assets and the expenses paid on liabilities. Assets are classified as Rate Sensitive Assets and fixed Rate Assets. Liabilities are classified as Rate Sensitive Liabilities and fixed Rate Liabilities. An asset or liability is identified as sensitive if cash flows from the asset or liability change in the same direction and general magnitude as the change in short-term rates. The cash flows of insensitive (or non-sensitive) assets or liabilities do not change within the relevant time period.

The sensitivity of the statement of profit and loss is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate non–trading financial assets and financial liabilities held as at the Balance Sheet date.

The Company has Board approved Interest rate policy for managing interest rate risk and policy for determining the interest rate to be charged on the loans given.

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates on the portion of borrowings. With all other variables held constant, the profit before taxes affected through the impact on floating rate borrowings is as follows:

Particulars	Effect on Statement of Profit and loss for the year 2019-20	Effect on Statement of Profit and loss for the year 2018-19
0.50% increase	261.77	178.52
0.50% decrease	(261.77)	(178.52)

Price risk

The Company's exposure to price risk arises from investments held and classified in the balance sheet at fair value through profit or loss. To manage the price risk arising from investments, the company diversifies its portfolio of assets.

The table below summarises the impact of increases/decreases of the index on the Company's equity and profit for the year :

Particulars	Effect on Statement of Profit and Loss for the year 2019-20	Effect on Statement of Profit and Loss for the year 2018-19
Net asset value - 1% increase	49.13	-
Net asset value - 1% decrease	(49.13)	-

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

50 Risk management (Contd..)

50.3 Market risk (Contd..)

Prepayment risk

Prepayment risk is the risk that the Company will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall.

50.4 Operational and business risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to operate effectively, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Company cannot expect to eliminate all operational risks, but it endeavors to manage these risks through a control framework and by monitoring and responding to potential risks. Controls include effective segregation of duties, access management, authorisation and reconciliation procedures, staff education and assessment processes, such as the use of internal audit.

51 First-time adoption of Ind AS

These financial statements, for the year ended 31 March 2020, are the first financial statements which have been prepared in accordance with Ind AS. For periods up to and including the year ended 31 March 2019, the Company prepared its financial statements in accordance with accounting standards notified under section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Indian GAAP or previous GAAP). The Company follows directions prescribed by the Reserve Bank of India ('RBI') for Non-Banking Finance Company ('NBFC'). Accordingly, the Company has prepared financial statements which comply with Ind AS applicable for periods ending on 31 March 2020, together with the comparative period data as at and for the year ended 31 March 2019, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening balance sheet was prepared as at 01 April 2018, the Company's date of transition to Ind AS. This note explains the principal adjustments made by the Company in restating its Indian GAAP financial statements, including the balance sheet as at 01 April 2018 and the financial statements as at and for the year ended 31 March 2019.

Exemptions applied:

Ind AS 101 allows first-time adopters certain exemptions from the retrospective application of certain requirements under Ind AS. Set out below are the applicable Ind AS 101 optional exemptions and mandatory exceptions applied in the transition from previous GAAP to Ind AS:

A) Optional exemptions

i) Deemed cost for property, plant and equipment and other intangible assets

Ind AS 101 permits a first time adopter to elect to continue the carrying value of all its property, plant and equipment as recognised in the financial statements as at the date of transition to Ind AS, measured as per the previous GAAP and use that as its deemed cost after making necessary adjustments to decommissioning liabilities. This exemption can also be used for intangible assets covered under Ind AS 38

Accordingly, the Company has elected to measure all its property, plant and equipment and intangible assets at the carrying value under the previous GAAP.

ii) Revenue from contracts

Ind AS 115 establishes a comprehensive framework for accounting of Revenue from Contracts with customers

The Company has adopted Ind AS 115 retrospectively to each prior reporting period presented in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors, subject to the practical expedients available under

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

51 First-time adoption of Ind AS (Contd..)

the new revenue standard. The Company has opted for the following practical expedients available under the standard on initial application:

- The entity has not restated contracts that are completed contracts as on the date of initial application 01 April 2018.

B) Mandatory exceptions

Estimates

The estimates as at 01 April 2018 and as at 31 March 2019 are consistent with those made for the same dates in accordance with previous GAAP (after adjustments to reflect any differences in accounting policies) apart from impairment of financial assets based on expected credit loss model in accordance with Ind AS at the date of transition as these were not required under the previous GAAP.

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions as at 01 April 2018, the date of transition to Ind AS and as of 31 March 2019.

De-recognition of financial assets and liabilities

Ind AS 101 requires a first time adopter to apply the de-recognition provisions of Ind AS 109 prospectively for transactions occurring on or after the date of transition to Ind AS. However Ind AS 101, allows a first time adopter to apply the de-recognition requirements in Ind AS 109 retrospectively from a date of entity's choosing, provided that the information needed to apply Ind AS 109 to financial assets and financial liabilities derecognised as a result of past transactions was obtained at the time of initially accounting for those transactions.

The Company has elected to apply the derecognition provisions of Ind AS 109 prospectively from the date of transition to Ind AS.

Classification and measurement of financial assets

Ind AS 101 requires an entity to assess classification and measurement of financial assets on the basis of facts and circumstances that exist at the date of transition to Ind AS. Financial assets can be measured using effective interest method by assessing its contractual cash flow characteristics only on the basis of facts and circumstances existing at the date of transition and if it is impracticable to assess the use of effective interest method, fair value of financial asset at the date of transition shall be the new carrying amount of that asset. The measurement exemption applies for financial liabilities as well.

Reconciliation of equity as at 01 April 2018 and 31 March 2019

Particulars	Note reference	Reconciliation of equity	
		As at 31 March 2018	As at 01 April 2019
Total equity (shareholder's funds) as per previous GAAP		**4,912.48**	**7,922.09**
Adjustment resulting in increase/(decrease) in equity			
a) Adoption of Effective Interest Rate ("EIR") for amortisation of income - financial assets measured at amortised cost	1	(225.78)	(353.53)
b) Adoption of EIR for amortisation of expenses - financial liabilities measured at amortised cost	1	236.64	167.45
c) Impact on application of expected credit loss method for loan loss provisioning	2	83.76	49.19
d) Interest income on non performing loans	3	83.85	82.02
e) Impact of application of lease accounting under Ind AS 116	4	-	(2.37)
f) Impact of on balance sheet recognition of securitised loan portfolio	5	5.34	(281.74)

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

51 First-time adoption of Ind AS (Contd..)

B) Mandatory exceptions (Contd..)

Reconciliation of equity as at 01 April 2018 and 31 March 2019 (Contd..)

Particulars	Note reference	Reconciliation of equity As at 31 March 2018	Reconciliation of equity As at 01 April 2019
g) Net gain on derecognition of loans sold under assignment transactions	6	44.59	245.37
h) Preference shares classified as liability under Ind AS	7	-	(1,500.00)
i) Provision for employee benefits	9	(237.01)	(142.64)
j) Others	9	(23.17)	(196.14)
k) Deferred tax impact on above adjustments	10	12.40	157.96
Total effect of transition to Ind AS		**(19.39)**	**(1,774.43)**
Equity as per Ind AS		**4,893.10**	**6,147.66**

Reconciliation of profit for the year ended 31 March 2019

Particulars	Note reference	Year ended 31 March 2019
a) Net profit after tax as per previous GAAP		724.89
b) Adoption of EIR for amortisation of income - financial assets measured at amortised cost	1	(127.75)
c) Adoption of EIR for amortisation of expenses - financial liabilities measured at amortised cost	1	(69.19)
d) Impact on application of expected credit loss method for loan loss provisioning	2	(34.58)
e) Interest income on non performing loans	3	(1.81)
f) Impact of application of lease accounting under Ind AS 116	4	(2.37)
g) Impact of on balance sheet recognition of securitised loan portfolio	5	(287.08)
h) Net gain on derecognition of loans sold under assignment transactions	6	200.78
i) Adoption of fair valuation method for employee stock options	8	(27.37)
j) Provision for employee benefits	9	(78.61)
k) Others	9	(28.64)
l) Deferred tax impact on Ind AS adjustments	10	153.53
Net profit after tax as per Ind AS		**421.80**
m) Other comprehensive income (net of tax)	11	20.69
Total comprehensive income as per Ind AS		**442.49**

Footnotes for reconciliation of equity as at 01 April 2018 and 31 March 2019 and profit for the year ended 31 March 2019

1. EIR and measurement of financial assets and liabilities at amortised cost

   a. Under previous GAAP, processing fees charged to customers was recognised upfront while under Ind AS, such costs are included in the initial recognition amount of financial asset and recognised as interest income using the effective interest method.

      Also under previous GAAP, security deposits were initially recognized at transaction price. Subsequently, finance income was recognized based on contractual terms, if any. Under Ind AS, such financial assets are initially recognized at fair value and subsequently carried at amortised cost determined using the effective interest rate. Any difference between transaction price and fair value is amortised to statement of profit and loss based on the nature of such difference.

Notes forming part of the Financial Statements

for the year ended 31 March 2020
(All amounts in ₹ lakhs unless otherwise stated)

51 First-time adoption of Ind AS (Contd..)

B) Mandatory exceptions (Contd..)

b. Under previous GAAP, transaction costs incurred on borrowings was charged to statement of profit and loss upfront while under Ind AS, such costs are included in the initial recognition amount of financial liabilities and recognised as interest expense using the effective interest method.

2. Application of Expected Credit Loss ("ECL") model for loan loss provisioning

Under previous GAAP, the Company created impairment allowance on loan assets basis the provisioning norms prescribed by the Reserve Bank of India ('RBI'). Under Ind AS, impairment allowance has been determined based on expected credit loss ('ECL') model.

3. Interest income on NPA

Under previous GAAP, interest income on NPA was recognised on cash basis. However, under Ind AS interest income is recognised on credit impaired assets by applying the EIR on amortised cost of such assets net off ECL.

4. Lease accounting under IND AS 116

The Company has adopted Ind AS 116, Leases effective 1 April 2019, as notified by the Ministry of Corporate Affairs (MCA) in the Companies (Indian Accounting Standard) Amendment Rules 2019, using modified retrospective approach. The adoption of this standard did not have a material impact on the profit of the current year.

5. On balance sheet recognition of securitised loan portfolio

Under previous GAAP, the Company used to de-recognise the securitised loan assets and excess interest spread income was recognised on receipt basis. Under Ind AS 109, securitised loan assets does not meet de-recognition criteria and accordingly, the Company continue to recognise such loan assets and in addition recognises a liability for the amount received. Accordingly, securitised loan assets and related liability is measured at amortised cost using effective interest method.

6. Net gain on derecognition of loans sold under Direct assignment (DA) transactions

Under Ind AS, present value of excess interest spread receivables on derecognised assets has been computed by discounting net cash flows from such assigned pools with respective pool IRR. Under previous GAAP, such spread was being recognised as and when received in cash.

7. Reclassification of preference shares and compound financial instruments

Under previous GAAP, preference share capital was a part of share capital. Under Ind AS, the instrument is evaluated to determine whether it is a liability or contains both liability and equity component. If there is a contractual obligation to deliver cash then, such instrument is recognised as a financial liability under Ind AS. Where the instrument contains both the features (equity and liability), it is classified as compound financial instruments and accordingly, the transaction value of the instrument is allocated to equity and liability components. Further, the liability component is subsequently measured at amortised cost.

8. Adoption of fair valuation method for employee stock options

Under the previous GAAP, the cross charge of employee stock options at intrinsic value was not recognised and was accounted for in the books of the Holding Company itself over the vesting period. Under Ind AS, the compensation cost of employee stock option plan is recognised based on the fair value of the options determined using an appropriate pricing model at the date of grant. Accordingly, the fair value of the option on the date of grant has been adjusted in opening retained earnings and Statement of Profit and Loss for the respective periods presented.

9. Others

This represents adjustments made by the Company for certain employee benefit expenses and other items in appropriate accounting periods.

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

51 First-time adoption of Ind AS (Contd..)

B) Mandatory exceptions (Contd..)

10. Tax impact on adjustments

Retained earnings and statement of profit and loss has been adjusted consequent to the Ind AS transition adjustments and restatements with corresponding impact to deferred tax, wherever applicable.

11. Remeasurement of employee benefit obligations

Both under previous GAAP and Ind AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under previous GAAP, the entire cost, including actuarial gains and losses, are charged to profit or loss. Under Ind AS, remeasurements comprising of actuarial gains and losses are recognised in other comprehensive income instead of profit and loss.

Effect of Ind AS adoption on the statement of cash flows for the year ended 31 March 2019

Particulars	Previous GAAP	Adjustments	Ind AS
Net cash from/(used in) operating activities	2,033.12	(16,775.98)	(14,742.86)
Net cash from/(used in) investing activities	(40.66)	-	(40.66)
Net cash from/(used in) financing activities	2,284.70	16,775.98	19,060.68
Net increase/(decrease) in cash and cash equivalents	**4,277.16**	**-**	**4,277.16**
Cash and cash equivalents at the beginning of the year	**2,118.21**		**2,118.21**
Cash and cash equivalents at the end of the year	**6,395.37**		**6,395.37**

Note: The previous GAAP figures have been reclassified to confirm to Ind AS presentation requirements for the purposes of this note.

52 Segment reporting

The Company is primarily engaged in the business of financing which is considered to be the only reportable business segment as per Ind AS 108, Operating Segments. The Company operates primarily in India and there is no other geographical segment.

53 Transferred financial assets that are not derecognised in their entirety

In the course of its micro finance activity, the Company makes transfers of financial assets, where legal rights to the cash flows from the asset are passed to the counterparty and where the Company retains the rights to the cash flows but assumes a responsibility to transfer them to the counterparty.

The Company has securitized its loan assets to an unrelated and unconsolidated entities. As per the terms of the agreements, the Company is exposed to first loss default guarantee amounting in the range of 5% to 15% of the amount securitised and therefore continues to be exposed to significant risk and rewards relating to the underlying mortgage receivables. Hence, these loan assets are not derecognised and proceeds received are presented as borrowings.

The following table provides a summary of financial assets that have been transferred in such a way that part or all of the transferred financial assets do not qualify for derecognition, together with the associated liabilities

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

53 Transferred financial assets that are not derecognised in their entirety (Contd..)

Particulars	As at 31 March 2020	As at 31 March 2019	As at 01 April 2018
Securitisations			
Gross carrying amount of securitised assets	-	6,034.30	1,867.59
Gross carrying amount of associated liabilities	-	7,897.86	2,222.47
Carrying value and fair value of securitised assets	-	6,034.30	1,867.59
Carrying value and fair value of associated liabilities	-	7,897.86	2,222.47
Net position	**-**	**(1,863.56)**	**(354.88)**

54 Details of CSR expenses

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
a) **Gross amount required to be spent by the Company during the year**	**0.57**	**-**
b) **Amount spent during the year**		
i) Construction / acquisition of any asset	-	-
ii) On purposes other than (i) above	0.60	-
Paid in cash	0.60	-
Yet to be paid in cash	-	-
Total	**0.60**	**-**

55 Credit rating

Instruments	Credit rating agency	As on 31 March 2020	As on 31 March 2019
Bank facilities	ICRA	BBB Positive	BBB(-) Stable
Bank facilities	CRISIL	A (-) Stable	NA
Bank facilities	Acuite	BBB Stable	BBB(-) Stable
Bank facilities	BWR	BBB(+) Stable	BBB Stable
Non-Convertible, Redeemable, Cumulative preference shares	BWR	NA	BBB(-) Stable
Non Convertible debentures	ICRA	BBB Positive	BBB(-) Stable
Sub-Ordinated debt	ICRA	BBB Positive	BBB(-) Stable
Commercial papers	ICRA	A2+	NA

Additional disclosures required by the Reserve Bank of India (RBI)

(Disclosures are made as per Ind AS financial statements except otherwise stated)

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

56 Capital adequacy ratio

Particulars	As at 31 March 2020	As at 31 March 2019
i) **CRAR (%)**	**38.21%**	**17.50%**
ii) CRAR - Tier I Capital (%)	22.99%	10.07%
iii) CRAR - Tier II Capital (%)	15.22%	7.43%
iv) Amount of subordinated debt raised as Tier-II capital*	2,200.00	3,000.00
v) Amount raised by issue of perpetual debt instruments	-	-

* Note:

Discounted value of ₹ 2,200 lakhs (31 March 2019: ₹ 3,000 lakhs) considered for Tier II capital against the book value of ₹ 4,000 lakhs (31 March 2019: ₹ 4,000 lakhs).

57 Investments

Particulars	As at 31 March 2020	As at 31 March 2019
(1) Value of investments		
(i) Gross value of investments	4,912.82	-
(a) In India	4,912.82	-
(b) Outside India	-	-
(ii) Impairment provisions on investments	-	-
(a) In India	-	-
(b) Outside India	-	-
(iii) Net value of investments	4,912.82	-
(a) In India	4,912.82	-
(b) Outside India	-	-
(2) Movement of impairment provisions on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	-	-
(iii) Less : Write-off/write-back of excess provisions during the year	-	-
(iv) Closing balance	-	-

58 Disclosure as per RBI circular no.DBOD.No.BP.BC.60/21.04.048/200506 dated February 1, 2006

Details of financial assets sold to securitisation

Particulars	As at 31 March 2020	As at 31 March 2019
i) No. of accounts	-	1,25,813.00
ii) Aggregate value (net of provisions) of accounts sold	-	16,894.78
iii) Aggregate consideration	-	16,894.78
iv) Additional consideration (net of expenses) realized in respect of account transferred in earlier years	-	58.48
v) Aggregate gain/loss over net book value	-	-

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

59 Disclosures relating to securitisation

59.1 The information on securitisation of the Company as an originator in respect of outstanding amount of securitised assets is given below:

Sr. No.	Particulars	As at 31 March 2020	As at 31 March 2019
1	No of SPVs sponsored by the NBFC for securitisation transactions (in No.)	-	6
2	Total amount of securitized assets as per books of the SPVs sponsored by the NBFC	-	7,963.35
3	Total amount of exposures retained by the NBFC to comply with Minimum Retention Ration (MRR) as on the date of balance sheet		
(a)	Off-Balance Sheet exposures		
	First loss	-	-
	Others	-	-
(b)	On-Balance Sheet exposures		
	First loss (cash collateral)	-	1,017.28
	Others (MRR)	-	1,929.04

Sr. No.	Particulars	As at 31 March 2020	As at 31 March 2019
4	Amount of exposures to securitisation transactions other than MRR		
	(a) Off-Balance Sheet exposures		
	(i) Exposure to own securitisations		
	First loss	-	-
	Others	-	-
	(ii) Exposure to third party securitisations		
	First loss	-	-
	Others	-	-
	(b) On-Balance Sheet exposures		
	(i) Exposure to own securitisations		
	First loss	-	-
	Others	-	-
	(ii) Exposure to third party securitisations		
	First loss	-	-
	Others	-	-

Note: The disclosure on securitised portfolio has been given as per the requirement of the RBI circular, however the same has been not been derecognised under Ind AS and has been classified under loans as on 31 March 2019.

Notes forming part of the Financial Statements

for the year ended 31 March 2020
(All amounts in ₹ lakhs unless otherwise stated)

59 Disclosures relating to securitisation

59.2 Details of assignment transactions undertaken by the Company

Particulars	As at 31 March 2020	As at 31 March 2019
i) No. of accounts	79,453	74,328
ii) Aggregate value (net of provisions) of accounts sold	11,998.27	11,949.31
iii) Aggregate consideration (net of expenses)	11,998.27	11,874.99
iv) Additional consideration realized in respect of accounts transferred in earlier years	-	-
v) Aggregate gain/loss over net book value	-	-

59.3 Details of non-performing financial assets purchased/sold

The Company has not purchased/sold non-performing assets for the year ended 31 March 2020 and 31 March 2019.

59.4 Details of financial assets sold to securitisation/reconstruction company for asset reconstruction

The Company has not sold any financial assets to Securitisation/Reconstruction Company for asset reconstruction during the year ended 31 March 2020 and 31 March 2019.

Notes forming part of the Financial Statements

for the year ended 31 March 2020
(All amounts in ₹ lakhs unless otherwise stated)

60. Asset Liability Management Maturity pattern of certain items of assets and liabilities:-

As at 31 March 2020

Particulars	Upto 7 days	Over 08 days upto 14 days	Over 15 days upto 1 months	Over 1 month upto 2 months	Over 2 months upto 3 months	Over 3 months & upto 6 months	Over 6 months & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Borrowings	369.36	369.36	738.90	1,830.92	1,776.88	8,320.17	18,847.97	22,137.40	1,562.19	-	55,953.14
Loans *	0.75	0.75	1.50	3.00	4,001.93	23,462.59	34,771.41	20,221.02	427.82	-	82,890.77
Investments	4,912.82	-	-	-	-	-	-	-	-	-	4,912.82

Asset liability management maturity pattern of certain items of assets and liabilities as at 31 March 2019

Particulars	Upto 7 days	Over 08 days upto 14 days	Over 15 days upto 1 months	Over 1 month upto 2 months	Over 2 months upto 3 months	Over 3 months & upto 6 months	Over 6 months & upto 1 year	Over 1 year & upto 3 years	Over 3 years & upto 5 years	Over 5 years	Total
Borrowings	805.82	805.82	1,611.64	1,722.17	1,651.26	4,423.44	8,953.11	15,200.82	12,088.93	1,490.81	48,753.82
Loans	1,029.03	1,029.03	2,058.06	4,650.99	4,431.00	11,355.29	16,465.55	6,536.99	-	-	47,555.94

Note:

(i) Above mentioned portfolio (own) does not include undrawn facilities, since there are no sanctioned disbursement schedule.

(ii) *Amounts disclosed as per the behavioral pattern after incorporating anticipated moratorium to customers on account of COVID-19 pandemic as per RBI guidelines.

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

61 Exposure to real estate sector

Particulars	As at 31 March 2020	As at 31 March 2019
A. Direct exposure		
i) Residential mortgages	77.03	33.74
(Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented)		
ii) Commercial real estate:		
(Lending secured by mortgages on commercial real estates office buildings, retails space, multipurpose commercial premises, multi-family residential buildings, multi - tenanted commercial premises, industrial or warehouse space, hotels, land acquisition, development and construction, etc.). Exposure would also include non-fund based (NFB) limits)	Nil	Nil
iii) Investments in Mortgage Backed Securities (MBS) and other securitized exposures -		
a) Residential	Nil	Nil
b) Commercial real estate	Nil	Nil

62 Exposure to capital market

The Company does not have any exposure to capital market as at 31 March 2020 and 31 March 2019.

63 Details of financing of parent company products

The Company has not financed parent company products during the year ended 31 March 2020 and 31 March 2019.

64 Details of Single Borrower Limit (SGL) / Group Borrower Limit (GBL) exceeded by the Company

The Company does not have single or group borrower lending exceeding the limits during the year ended 31 March 2020 and 31 March 2019.

65 Unsecured advances

The Company has not extended any advances where the collateral is an intangible asset such as a charge over rights, licenses, authorisations, etc. The unsecured advances of ₹ 84,885.85 lakhs (31 March 2019: ₹ 48,569.93 lakhs) disclosed in Note 13 are without any collateral or security.

66 Registration obtained from other financial sector regulators:-

The Company is registered with the following other financial sector regulators:

(a) Ministry of Corporate Affairs (MCA)

(b) Ministry of Finance (Financial Intelligence Unit)

(c) Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI)

67 Related party transactions

Please refer to note no 47 for related party transactions and related disclosures.

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

68 Provisions and contingencies

Asset Classification as per RBI Norms	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
1	2	3	4	5=3-4	6	7 = 4-6
Performing assets						
Standard*	Stage 1	84,007.28	1,656.79	82,350.49	897.86	758.93
	Stage 2	266.16	55.11	211.05	15.97	39.14
Subtotal		**84,273.44**	**1,711.90**	**82,561.54**	**913.83**	**798.07**
Non-Performing assets (NPA)						
Substandard*	Stage 3	691.95	362.72	329.23	6.92	355.80
Subtotal for NPA		**691.95**	**362.72**	**329.23**	**6.92**	**355.80**
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Subtotal		**-**	**-**	**-**	**-**	**-**
Total	Stage 1	84,007.28	1,656.79	82,350.49	897.86	758.93
	Stage 2	266.16	55.11	211.05	15.97	39.14
	Stage 3	691.95	362.72	329.23	6.92	355.80
	Total	**84,965.39**	**2,074.62**	**82,890.77**	**920.75**	**1,153.87**

68.1 Provision and contingencies

Break up of 'Provisions and contingencies' shown under the head expenditure in Profit and Loss account	For the year ended 31 March 2020	For the year ended 31 March 2019
Provision towards NPA#	(372.43)	(469.97)
Provision for standard assets##	1,372.41	105.59
Provision made towards income tax	558.23	169.37
Other Provision and contingencies (with details)		
i) Provision for gratuity*	96.73	52.96
ii) Provision for compensated absences*	118.89	25.38
iii) Provision for incentive	563.57	291.94
iv) Provision for statutory bonus	149.59	115.35
v) Provision for fraud	98.86	-
vi) Provision for other receivables	3.43	-

#Provision for stage 3 assets

##Provision for standard assets is included in provision towards impairment of financial instruments in Note 13 other than provision for stage 3 assets.

* Includes actuarial gain/(loss) classified under other comprehensive income.

Notes forming part of the Financial Statements

for the year ended 31 March 2020
(All amounts in ₹ lakhs unless otherwise stated)

69 Draw down from reserves

There has been no draw down from reserve during the year ended 31 March 2020 and 31 March 2019.

70 Concentration of deposits, advances, exposures and NPAs

70.1 Concentration of advances

Particulars	As at 31 March 2020	As at 31 March 2019
Total advances to twenty largest borrowers	25.00	20.90
Percentage of advances to twenty largest borrowers to total advances of the NBFC	0.03%	0.04%

70.2 Concentration of exposures

Particulars	As at 31 March 2020	As at 31 March 2019
Total exposure to twenty largest borrowers/customers	22.38	20.85
Percentage of exposures to twenty largest borrowers/customers to total exposure of the NBFC borrowers/customers	0.03%	0.04%

70.3 Concentration of NPAs

Particulars	As at 31 March 2020	As at 31 March 2019
Total exposure to top four NPA accounts**	7.05	6.98

** NPA accounts refer to stage 3 assets. Stage 3 assets includes financial assets that have objective evidence of impairment at the reporting date as defined under Ind-AS. 90 Days Past Due is considered as default for classifying a financial instrument as credit impaired.

70.4 Sector wise NPAs#

Sr. No.	Sector	As at 31 March 2020	As at 31 March 2019
		Percentage of NPAs to total advance in that sector	
1	Agriculture and allied activities	0.60%	2.44%
2	MSME	-	-
3	Corporate borrowers	-	-
4	Services	0.59%	-
5	Unsecured personal loans	14.04%	-
6	Auto loans	-	-
7	Others	36.02%	7.31%

#NPA accounts refer to stage 3 assets. Stage 3 assets includes financial assets that have objective evidence of impairment at the reporting date as defined under Ind-AS. 90 days past due is considered as default for classifying a financial instrument as credit impaired.

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

71 Movement of NPAs#

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
(i) Net NPAs to net advances (%)	0.40%	0.95%
(ii) Movement of NPAs (Gross)		
(a) Opening balance	1,187.73	1,856.56
(b) Additions during the year	725.52	124.08
(c) Reductions during the year	(1,221.30)	(792.91)
(d) Closing balance	**691.95**	**1,187.73**
(iii) Movement of Net NPAs		
(a) Opening balance	452.58	651.44
(b) Additions during the year	627.52	110.02
(c) Reductions during the year	(750.87)	(308.88)
(d) Closing balance	**329.23**	**452.58**
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)		
(a) Opening balance	735.15	1,205.12
(b) Provisions made during the year	98.00	14.06
(c) Write-off/write-back of excess provisions	(470.43)	(484.03)
(d) Closing balance	**362.72**	**735.15**

#NPA accounts refer to stage 3 assets. Stage 3 assets includes financial assets that have objective evidence of impairment at the reporting date as defined under Ind-AS. 90 days past due is considered as default for classifying a financial instrument as credit impaired. Unamortized processing fees and unamortized transaction costs are not included in the portfolio.

72 Information on Net Interest Margin ('NIM')

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Average interest (a)	23.56%	24.00%
Average effective cost of borrowing (b)	13.60%	14.53%
Net interest margin (a-b)	9.96%	9.47%

Note:

The Company has calculated above average lending rate and effective cost of borrowing as per pricing of credit guidelines prescribed in master direction issued by the Reserve Bank of India no. DNBR.PD. 008/03.10119/2016-17.

73 Disclosure as required by Para 19 of Non-Banking Financial Company – systemically important non-deposit taking Company and deposit taking Company (Reserve Bank) Directions, 2016 is as under:

Particulars Liabilities side:	Amount Outstanding	Amount Overdue
1. Loans and advances availed by the Non-Banking Financial Company inclusive of interest accrued thereon but not paid		
(a) Debentures		
: Secured	10,165.44	-
: Unsecured	3,372.76	-
(other than falling within the meaning of Public deposits)		
(b) Deferred credits	-	-
(c) Term loans	38,412.53	-

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

73 Disclosure as required by Para 19 of Non-Banking Financial Company – systemically important non-deposit taking Company and deposit taking Company (Reserve Bank) Directions, 2016 is as under: (Contd..)

Particulars Liabilities side:	Amount Outstanding	Amount Overdue
(d) Inter-corporate loans and borrowing	-	-
(e) Commercial paper	-	-
(f) Public deposits	-	-
(g) Other loans:		
Other unsecured loans against assets of the Company	4,002.41	-
Secured loans against assets of the Company	-	-
Overdraft facility	-	-
2. Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):		
(a) In the form of unsecured debentures	-	-
(b) In the form of partly secured debentures i.e. debentures where there is a shortfall in the value of security	-	-
(c) Other public deposits	-	-

Assets side :

Particulars	Amount Outstanding
3. Break-up of Loans and advances including bills receivables (other than those included in (4) below) :	
(a) Secured	79.54
(b) Unsecured	84,885.85
4. Break-up of Leased Assets and stock on hire and other assets counting towards	
AFC activities	
(I) Lease assets including lease rentals under sundry debtors :	-
(a) Financial lease	-
(b) Operating lease	-
(II) Stock on hire including hire charges under sundry debtors :	-
(a) Assets on hire	-
(b) Repossessed assets	-
(III) Other loans counting towards AFC activities	-
(a) Loans where assets have been repossessed	-
(b) Loans other than (a) above	-
5. Break-up of Investments :	
Current Investments :	
1. Quoted :	
(I) Shares :	-
(a) Equity	-
(b) Preference	-
(II) Debentures and bonds	-
(III) Units of mutual funds	4,912.82
(IV) Government securities	-
(V) Others (please specify)	-

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

73 Disclosure as required by Para 19 of Non-Banking Financial Company – systemically important non-deposit taking Company and deposit taking Company (Reserve Bank) Directions, 2016 is as under: (Contd..)

Particulars	Amount Outstanding
Asset side:	
2. Unquoted :	
(I) Shares :	-
(a) Equity	-
(b) Preference	-
(II) Debentures and bonds	-
(III) Units of mutual funds	-
(IV) Government securities	-
(V) Others :	-
(a) Certificate of deposit	-
(b) Commercial paper	-
Long Term Investments :	
1. Quoted :	
(I) Shares :	-
(a) Equity	-
(b) Preference	-
(II) Debentures and bonds	-
(III) Units of mutual funds	-
(IV) Government securities	-
(V) Others (please specify)	-
2. Unquoted :	
(I) Shares :	
(a) Equity	-
(b) Preference	-
(II) Debentures and bonds	-
(III) Units of mutual funds	-
(IV) Government securities	-
(V) Others (please specify)	-
Total	**-**

Notes forming part of the Financial Statements

for the year ended 31 March 2020

(All amounts in ₹ lakhs unless otherwise stated)

73.1 Borrower group-wise classification of assets financed:

Category	Particulars			Total
	Secured	Unsecured	Provision	
1. Related parties				
(a) Subsidiaries	-	-	-	-
(b) Companies in the same group	-	-	-	-
(c) Other related parties	-	-	-	-
2. Other than related parties	79.54	84,885.85	(2,074.61)	82,890.78
Total	**79.54**	**84,885.85**	**(2,074.61)**	**82,890.78**

73.2 Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

Category	Market value Breakup or fair value or NAV	Book value (Net of provision)
1. Related parties		
(a) Subsidiaries	-	-
(b) Companies in the same group	-	-
(c) Other related parties	-	-
2. Other than related parties	4,912.82	4,912.82
Total	**4,912.82**	**4,912.82**

73.3 Other information

Category	Amount
(i) Gross Non-Performing assets	
(a) Related parties	-
(b) Other than related parties	691.95
(ii) Net Non-Performing assets	
(a) Related parties	-
(b) Other than related parties	329.23

74 Overseas assets (for those with joint ventures and subsidiaries abroad)

The Company does not have any joint venture or subsidiary abroad as on 31 March 2020 and 31 March 2019.

75 Off-balance sheet SPVs sponsored (which are required to be consolidated as per accounting norms)

The Company has not sponsored any off-balance sheet SPVs as at 31 March 2020 and 31 March 2019.

Notes forming part of the Financial Statements

for the year ended 31 March 2020
(All amounts in ₹ lakhs unless otherwise stated)

76 Customer complaints

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Number of complaints pending at the beginning of the year	01	02
Number of complaints received during the year	58	84
Number of complaints redressed during the year	52	85
Number of complaints pending at the end of the year	07	01

77 Information on instances of fraud

Instances of fraud for the year ended 31 March 2020:

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount written-off
Fraud committed by staff	9	188.33	92.79	-
Fraud committed by other than staff - Theft	6	4.00	1.46	-

Instances of fraud for the year ended 31 March 2019:

Nature of fraud	No. of cases	Amount of fraud	Recovery	Amount written-off
Fraud committed by staff	2	6.64	5.58	0.09
Fraud committed by other than staff - Theft	2	1.18	-	-

78 Penalties

No penalties have been levied by any regulator on the Company during the year ended 31 March 2020 and 31 March 2019.

See accompanying notes forming part of the financial statements.

As per our report of even date

For **Walker Chandiok & Co LLP**
Chartered Accountants
Firm's Registration No.: 001076N/N500013

Manish Gujral
Partner
Membership No. 105117

Mumbai
29 June 2020

For and on behalf of the Board of Directors of
Chaitanya India Fin Credit Private Limited

Sachin Bansal
Managing Director & CEO
DIN: 02356346

Bengaluru
29 June 2020

Ankit Agarwal
Director and Deputy CEO
DIN : 08299808

Bengaluru
29 June 2020

Anand Rao
Joint Managing Director
DIN: 01713987

Bengaluru
29 June 2020

Srinivasan C V
Chief Financial Officer

Bengaluru
29 June 2020

Dimple J Shah
Company Secretary
Membership No. ACS A36349

Bengaluru
29 June 2020

Notice

NOTICE IS HEREBY GIVEN THAT THE ELEVENTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF CHAITANYA INDIA FIN CREDIT PRIVATE LIMITED WILL BE HELD ON TUESDAY, AUGUST 18, 2020 AT 9:00 AM AT THE REGISTERED OFFICE OF THE COMPANY AT NO. 145, 2ND FLOOR, NR SQUARE, 1ST MAIN ROAD, SIRSI CIRCLE, CHAMRAJPET, BANGALURU - 560 018, KARNATAKA, INDIA TO TRANSACT THE FOLLOWING BUSINESS:

ORDINARY BUSINESS:

ITEM NO. 01: TO RECEIVE, CONSIDER AND ADOPT THE AUDITED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED MARCH 31, 2020 TOGETHER WITH REPORTS OF THE BOARD OF DIRECTORS AND OF THE AUDITORS THEREON.

To consider and thought fit, to pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

"RESOLVED THAT the Audited Financial Statements of the Company for the financial year ended March 31, 2020 including the Audited Balance Sheet as at March 31, 2020, Statement of Profit & Loss account and Cash flow statements for the year ended March 31, 2020 and the Reports of the Board of Directors and Auditors thereon; along with all annexures as laid before this Annual General Meeting be and hereby received, considered and adopted."

SPECIAL BUSINESS:

ITEM NO: 02. APPOINTMENT OF MR. SRIDHARAN RANGANATHAN (DIN: 00868787) AS AN INDEPENDENT DIRECTOR OF THE COMPANY

To consider and if thought fit, to pass with or without modification/s the following resolution as an **ORDINARY RESOLUTION**:

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 and other applicable provisions of the Companies Act, 2013 read with Schedule IV to the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force), the Articles of Association of the Company, and the applicable Reserve Bank of India rules, guidelines, directions and circulars including the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 (as amended from time to time), Mr. Sridharan Ranganathan (DIN: 00868787) who qualifies for being appointed as an Independent Director as recommended by the Board of Directors in their meeting held on August 14,2020, be and is hereby appointed as an Independent Director of the Company, not liable to retire by rotation and to hold office for a term of 5 (five) consecutive years.

RESOLVED FURTHER THAT Mr. Anand Rao, Director (DIN: 01713987) or Ms. Dimple J Shah, Company Secretary of the Company be and are hereby severally authorized to file, sign, verify and execute all such e-forms, papers or documents, as may be required and do all such acts, deeds, matters and things as may be necessary and incidental for giving effect to this Resolution."

ITEM NO. 03: APPOINTMENT OF MR. ANKIT AGARWAL (DIN: 08299808) AS AN EXECUTIVE DIRECTOR OF THE COMPANY

To consider and, if thought fit, pass with or without modification(s), the following resolution as an **ORDINARY RESOLUTION**:

"RESOLVED THAT pursuant to the provisions of Sections 152 and any other applicable provisions of the Companies Act, 2013(" the Act") and the Companies(Appointment and Qualifications of Directors)Rules, 2014 (including any statutory modification(s) or re-enactment thereof for the time being in force) and other applicable laws, Mr. Ankit Agarwal (DIN: 08299808), who was appointed as Additional Director of the Company on March 06, 2020 and who holds office up to the date of this Annual General Meeting, be and is hereby appointed as an Executive Director of the Company.

RESOLVED FURTHER THAT Mr. Anand Rao, Director (DIN: 01713987) or Ms. Dimple J Shah, Company Secretary of the company be and are hereby severally authorized to file, sign, verify and execute all such e-forms, papers or documents, as may be required and do all such acts, deeds, matters and things as may be necessary and incidental for giving effect to this Resolution."

By Order of the Board
For Chaitanya India Fin Credit Private Limited

Anand Rao
Joint Managing Director
DIN: 01713987

Date: August 14, 2020
Place: Bengaluru

Notes:

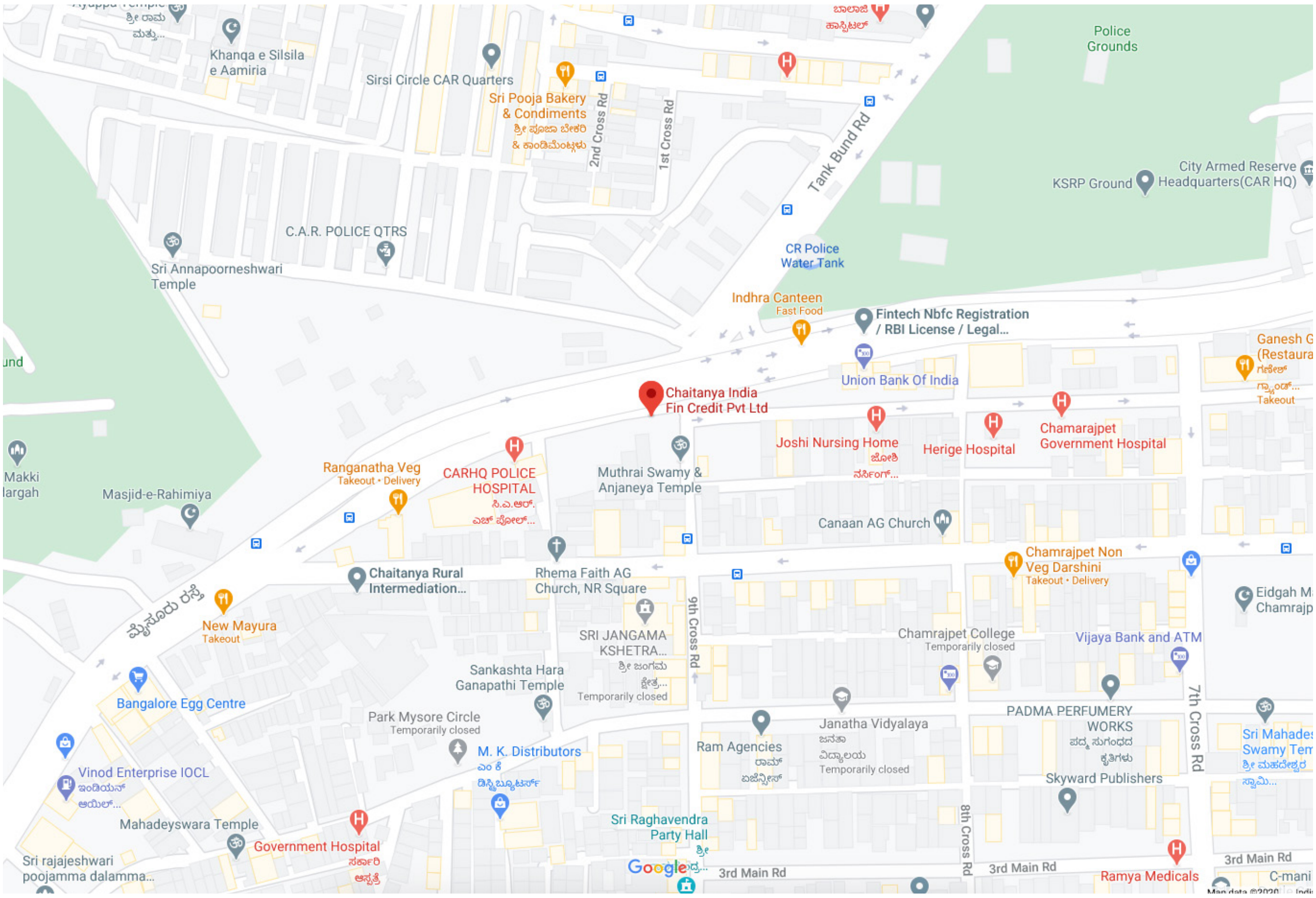
1. An Explanatory Statement pursuant to Section 102(1) of the Companies Act, 2013, relating to the special businesses to be transacted at the meeting is annexed hereto.

2. A Member entitled to attend and vote at the Annual General Meeting is entitled to appoint proxy/proxies to attend the meeting and vote on poll, if any, instead of himself/herself and such a proxy/ proxies need not be a member of the Company. Proxies, in order to be effective, must be received in the enclosed Proxy Form by the Company at its Registered Office not less than forty-eight hours before the time fixed for the meeting.

3. Members are requested to notify immediately any change in their address to the company.

4. Relevant documents referred to in the accompanying Notice and the Explanatory Statement are open for inspection by the members at the Registered Office of the Company during normal business hours (09.00 a.m. to 5.30 p.m.) on all working days between Monday to Saturday (except 2nd and 4th Saturday of the month) of every week, up to and including the date of the Annual General Meeting of the Company.

Route Map



EXPLANATORY STATEMENT PURSUANT TO SECTION 102 OF THE COMPANIES ACT, 2013

Item No. 02

In accordance with the provisions of Section149 read with Schedule IV to the Act, appointment of an Independent Director requires approval of the Members. Based on the recommendation by the Board of Directors, the Company is proposing to appoint Mr. R. Sridharan as an Independent Director on the Board of the Company.

The appointment of Mr. R. Sridharan, shall be effective upon approval by the Members in the Meeting.

In the opinion of the Board, Mr. R. Sridharan fulfils the conditions for his appointment as an Independent Director as specified in the Act and RBI Regulations. Mr. R. Sridharan is independent of the management and possesses appropriate skills, experience and knowledge.

Copy of draft letter of appointment of Mr. R. Sridharan setting out the terms and conditions of appointment is available for inspection by the Members at the registered office of the Company.

None of the Directors / Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 2 of the Notice

The Board recommends for the approval by the members as an Ordinary Resolution set out at Item No. 2 of the Notice.

Item No. 03:

The Board of directors of the Company through the resolution passed in Board meeting held on March 06, 2020 appointed Mr. Ankit Agarwal as Additional Director upto the ensuing Annual General Meeting.

Accordingly, in terms of the requirements of the section 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder of Companies Act, 2013 approval of the members of the Company is required for the appointment of Mr. Ankit Agarwal as Executive Director of the Company.

None of the Directors and Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in the resolution set out at Item No. 2 of the Notice except Mr. Ankit Agarwal.

The Board recommends for the approval by the members as an Ordinary Resolution set out at Item No. 3 of the Notice.

By Order of the Board
For Chaitanya India Fin Credit Private Limited

Anand Rao
Joint Managing Director
DIN: 01713987

Date: August 14, 2020
Place: Bengaluru

Company Information

Secretarial Auditor

S.C.Sharada & Associates

Registrar and Share Transfer Agent

KFin Technologies Private Limited

Company Secretary

Dimple J Shah

Banking Partners

State Bank of India

Kotak Bank

ICICI Bank

HDFC Bank

RBL Bank

Statutory Auditor

Walker Chandiok & Co LLP

Debenture Trustee

Catalyst Trusteeship Limited
IDBI Trusteeship Service Limited

Chief Financial Officer

Srinivasan C V

Insurance Partners

ICICI Prudential Life Insurance

Kotak Life Insurance

DHFL Pramerica Life Insurance

IFFCO - TOKIO General Insurance

Lending Partners

State Bank of India

HDFC Bank Limited

ICICI Bank Limited

IDFC First Bank Limited

Indusind Bank

Kotak Mahindra Bank

Axis Bank Limited

NABARD

AU small Finance Bank Limited

DCB bank limited

Bandhan Bank Limited

Hero Fin Corp limited

Northern Arc Capital limited

MAS Financial Services Limited

Registered Office Address

No.145, 2nd Floor, NR Square, 1st Main Road,
Sirsi Circle, Chamrajpet, Bangalore - 560018

CIN - U67190KA2009PTC049494

Chaitanya India Fin Credit Private Limited

Registered Office Address

No.145, 2nd Floor, NR Square, 1st Main Road,
Sirsi Circle, Chamrajpet, Bangalore - 560018

CIN - U67190KA2009PTC049494