



INDOSTAR

LIFE KA TAKE-OFF

# *Upward and Onward*



Annual Report 2020-21

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## Key Numbers that define IndoStar Capital Finance Limited

**₹83,976** Million  
AUM

**AA(-)**  
Credit Rating

**34.6%**  
Capital Adequacy Ratio

**2.1%**  
Net NPA (In Q4-FY21)

**218**  
Branches

**19**  
States

**60,000+**  
Number of Customers


**1.6X**  
Debt-Equity Ratio

**49.2%\***  
Cost to Income Ratio  
(\*Excluding one-off costs)

# Upward and Onward

While FY2021 was all about COVID-19, ensuring employee safety and ring-fencing IndoStar Capital Finance, FY2022 will be about moving upward and onward. Moving upward by rebuilding ourselves with a changed DNA; and moving onward with an improved asset quality and debt-raising ability, augmented capital and liquidity buffers, an expanding geographical footprint, and a clear strategy on key verticals.

Capital infusion helped us gain strength and stability, and gave us a strong liquidity war-chest to scale up and accelerate our retail-lending strategy. On the other hand, a robust balance sheet and clear strategies make us well prepared to look ahead confidently. Our strengthened capital adequacy, comfortable gearing, high liquidity, low leverage and robust equity form the foundation of future growth ahead and give us the confidence to build ourselves into a 100% retail finance company.



**TODAY, WE HAVE  
SUBSTANTIAL GROWTH  
CAPITAL TO PURSUE  
CALIBRATED GROWTH AND  
FOCUS ON HIGH-YIELDING  
BUSINESSES.  
WITH THIS, WE REMAIN  
WELL-PREPARED TO  
CAPITALISE ON THE  
EMERGING NEAR-TERM  
OPPORTUNITIES, AND ARE  
FUTURE-READY FOR OUR  
NEXT LEVEL OF GROWTH.**

# REINVIGORATING. REVITALISING. RE-ENERGISING.

## Defining IndoStar Capital Finance Limited

IndoStar is a non-banking finance company (NBFC) registered with the Reserve Bank of India as a systemically important non-deposit taking company. With Brookfield and Everstone as the co-promoters, it is a professionally managed and institutionally owned organisation.

### Services we provide

We are engaged in providing used and new commercial vehicle financing for transporters, loans to SME borrowers and affordable Home Finance through its wholly-owned subsidiary, IndoStar Home Finance Private Limited.

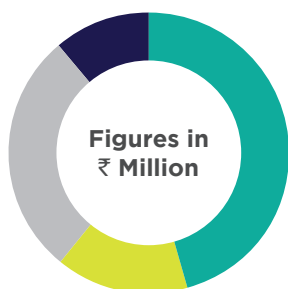
### Key objective

We wish to become the “go-to” NBFC in retail lending, particularly in vehicle finance, housing finance and SME finance. Our key objective is to become a leading provider of financing and credit solutions and cater to the aspirations of the growing consumer base of India, and deliver greater value to our stakeholders.

### Market differentiators

 One of the highest capital adequacy ratios amongst all listed NBFCs	 Strong liquidity position	 Low debt equity of 1.6X
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### Break-up of Revenue from Operations



	₹ Million
CV Finance	<b>5,549</b>
SME Finance	<b>1,823</b>
Corporate Lending	<b>3,401</b>
Housing Finance	<b>1,338</b>

**₹12,872 Million**  
Total Revenue from Operations

#### Mission:

To support the aspirations and the entrepreneurial spirit of our customers and be the catalyst in their “LIFE KA TAKE-OFF”. To create a collaborative environment for the employees and business partners.

#### Vision:

Become a leading provider of financing and credit solutions and cater to the aspirations of the growing consumer base, and deliver greater value to our stakeholders.

### Business Snapshot



#### CV FINANCE

Providing financing to used and new Commercial Vehicles

**₹38,866** Million AUM

**₹9,469** Million Gross Disbursement



#### HOUSING FINANCE

Providing affordable home financing solutions to self-employed and salaried customers

**₹9,911** Million AUM

**₹2,876** Million Gross Disbursement



#### SME FINANCE

Being a preferred financier to small and medium enterprises to fulfil growing aspirations

**₹18,338** Million AUM

**₹3,741** Million Gross Disbursement



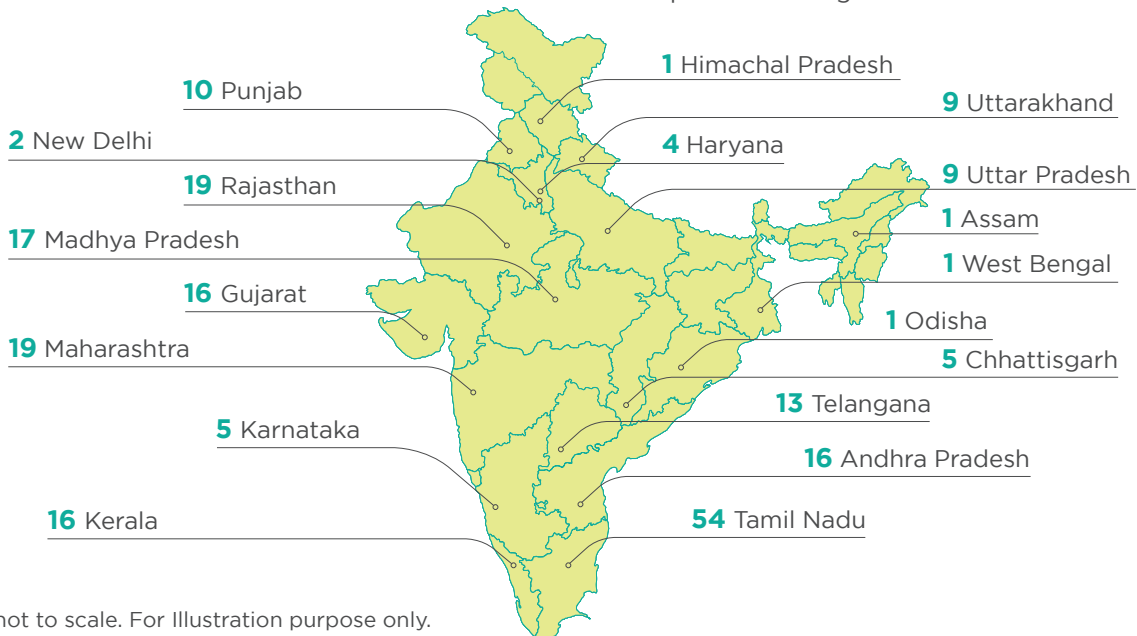
#### CORPORATE LENDING

Providing finance to mid-market corporates. We are reducing the corporate lending business. There has been a steady, conscious and continued reduction in our Corporate Lending AUM

**₹19,096** Million AUM

**₹2,180** Million Gross Disbursement

### Our Presence



Map not to scale. For illustration purpose only.

# CHAIRMAN'S MESSAGE



**Bobby Parikh**  
Chairman



Today, with our resilient operating model, an experienced and strengthened leadership team, strong capital adequacy and comfortable liquidity position, and robust risk management processes, we are confident of an even better future.

## Dear Shareholders,

As I write this letter, the world has changed in more ways than one. It continues to confront a health crisis unlike any other in recent history, one that not only has upended human lives, but is also having an extraordinary impact on the economy. The second wave of the pandemic not only took a vicious toll on the health of people, but the economic toll too has been heavy.

During the year under review, India's GDP shrank 7.3% - its worst performance in any year since Independence. The lockdowns impacted supply-chains and adversely affected almost all sectors. Domestic demand and import-export cycle also were disrupted.

## Combating the COVID crisis

As we navigated the pandemic - and the uncertainty and changes it brought - our first priority was the safety of our people. We also wanted to ensure business continuity.

During the lockdown, we adopted global best practices to manage health and hygiene, and

remained committed to maintaining health benefits for all our employees. We put up wide-ranging controls in place including temperature checks, RT-PCR tests, maintained social distancing and extensive sanitisation. We established flexible and remote working plans for our employees. We equipped our teams with all the technology they needed for hurdle-free productivity. Besides maintaining ongoing communication and engagement efforts with them, we also offered guidance resources to support their mental and physical well-being.

During this era-defining crisis, we remained predictive and proactive in our decision-making to build team resilience, preserve business continuity, and reinforce customer-centricity. What we learnt together helped us modify our processes and develop best practices in IT and risk management. And this is what assisted us in our response to the crisis and in emerging stronger in the post-pandemic recovery. Through a digital-led experience, we helped our customers navigate the pandemic, as we further improved our IT processes.

### Business review

When it comes to our business performance, our endeavour has always been to create and deliver sustainable and long-term value across our three lending segments - Vehicle Finance, Affordable Housing Finance and SME Finance. This year, too, we continued our objective of becoming a leading provider of financing and credit solutions for emerging SME businesses and catering to the aspirations of the growing consumer base of Middle-India. Spread across 218 locations in 19 states of India, we worked towards creating an organisation supported by advanced digitalisation - one that will deliver consistent and resilient business performance. Besides further sharpening our business model, we made judicious use of capital and fine-tuned the balance between all the verticals.

### Vehicle Finance

Total disbursement in this segment amounted to ₹ 9,469 million, as compared to ₹ 16,455 million in the previous year. Total AUM of Vehicle Finance stood at ₹ 38,866 million.

Today, we have established a clear niche in financing used commercial vehicles. Also, with our expanded national footprint, there is significant potential and opportunity to grow this segment. The scrappage policy announced by the Government gives a huge fillip to the used Vehicle Financing market. Further, we also strengthened our ICICI Bank partnership with renegotiated commercials.

### Affordable Home Finance

Today, IndoStar Home Finance operates in 65 locations across 10 states in the Affordable Home Finance segment. Disbursement in this organically generated portfolio stood at ₹ 2,876 million during the year, compared with ₹ 3,629 million in the previous year. Assets Under Management (AUM) grew 19% at ₹ 9,911 million, against ₹ 8,310 million earlier. The segment continues to enjoy strong asset quality and a net NPA of 1.4%, notwithstanding the challenging business environment that prevailed during the year.

### SME Finance

Despite supply chain disruption and short-term demand contraction due to the prolonged COVID-19 impact, the SME segment displayed resilience. The AUM of this business stood at ₹ 18,338 million, compared to ₹ 17,482 million in the previous year, contributing 21% to the total AUM.

### Moving forward

The prospects of the Indian economy, although impacted by the second wave of COVID-19, remain upbeat - backed by the expectation of another

bumper Rabi crop and the increased levels of activity in several sectors. Net GST collections during FY2021 were ₹ 5.15 lakh crore. Collections have remained strong since barring a drop in May, with April 2021 witnessing a record high of ₹ 1.41 lakh crore. With several states now easing COVID-induced curbs on economic activity, the collections are likely to revive even further during the remaining part of FY2022. The delivery of and access to the vaccine for COVID-19 will determine how we cope up with this pandemic and all measures are being initiated to come out stronger.

Today, with our resilient operating model, an experienced and strengthened leadership team, strong capital adequacy and comfortable liquidity position, and robust risk management processes, we are confident of an even better future. Our technology strategy remained interwoven with our business strategy as we focused on strengthening our technology platform. Our investments in cloud infrastructure and cyber security aimed at creating a digital ecosystem capable of offering seamless experience to our customers. We remain well-equipped to leverage the growing opportunities in the Indian financial services sector and the changing industry dynamics.

We are also expanding our geographic presence in eastern India, where we had a limited presence. Besides, we are also expanding our product and customer segments to grow our market share. Considering the present and emerging opportunities, we project growth in the retail segment to be even higher than the pre-COVID levels.

### Our journey continues

Our key focus is to build a profitable business, offer better returns to stakeholders, and create further value for our customers, employees and other stakeholders. With Brookfield and Everstone as co-promoters, and being a professionally managed and institutionally owned organisation, we are confident that IndoStar will be a dominant leader in the chosen retail segments.

We thank all our stakeholders for their continued faith in our strength and capabilities.

With Regards,

**Bobby Parikh**  
Chairman

# EXECUTIVE VICE CHAIRMAN & CEO'S LETTER TO SHAREHOLDERS



**R. Sridhar**

Executive Vice Chairman & CEO



At the onset, we are proud to share that we commenced our 10th year of operations this year. The past decade has been a true testimony of the path we have designed for ourselves to move ahead. Today, we have a strong retail franchise with 78% of our Assets Under Management being on the retail side.

## Dear Shareholders,

FY2021 was an extraordinary year – a year of the global pandemic, an economic recession across countries and personal challenges. Watching events unfold through the year, we remained focussed on what we as a company could do to serve.

We are proud of how our organisation stepped up and what our employees achieved collectively. It is remarkable how much we persevered and accomplished in terms of our dedication to our customers, employees and the communities around us.

During these COVID-19 times, hope stemmed from the rising strength of India's rural economy, as Bharat emerged as the silver lining and was reckoned as the economy's inherent strength. As India's economy went into a spin and most sectors were impacted, agriculture continued to perform well. The Government was supportive to this segment owing to the migrant labour crisis, and flow of money into the rural economy was stronger than ever.

Just as the automobile sector appeared to be recovering from the pandemic shock and commercial



vehicle manufacturers reported improved sales numbers, the second wave of COVID-19 again hit consumer sentiments sharply and led to delay or scaling down of purchase plans.

### A resilient economy

Nonetheless, the Indian economy has showed immense resilience to get back on track with high frequency indicators. GST collections rose to an all-time high, and power consumption also increased. Customers carrying freight activity of essential commodities weren't impacted.

The disruption in economic activities due to the second wave of COVID-19 impacted the NBFC sector, but it is likely to attain normalcy soon, aided by the pent-up demand. With strong capital and on-balance sheet buffers, the NBFC sector is well prepared to manage and deal with any impact on economic activities owing to the second wave.

The difficult environment provides tremendous opportunities to NBFCs with a strong franchise and sound management teams. Several NBFCs have ramped up defences in the form of stronger capitalisation buffers. Those with a strong capital base and good credit rating, enhanced processes and asset liquidity will survive the liquidity stress. Their tested systems to reach out to customers and unlock the benefits of operational efficiency will provide further support.

### Weathering COVID-19

At the onset, we are proud to share that we have commenced our 10<sup>th</sup> year of operations this year. The past decade has been a true testimony of the path we have designed for ourselves to move ahead. Today, we have a strong retail franchise with 78% of our AUM being on the retail side.

At the organisational level, we displayed tremendous resilience in the face of the operational challenges. We stepped up to manage continuity of business and to protect the health of our employees. Several measures have been put in place to manage this. Assistance was also offered in the form of COVID-related emergency. Besides, we also engaged in regular communication with all our employees and

interacted with them on a regular basis, informing them about various health and safety updates.

Post lockdown, the Reserve Bank of India (RBI) offered a moratorium on loan EMIs for three months till May 2020. This was further extended till August 2020. At IndoStar, we offered the moratorium twice to our borrowers. With the pandemic impact subsiding in the second half of the year, and with collection efficiency improving to 100% by October 2020, we restarted our retail disbursements in November.

We are proud to share that within a few days of restarting this, our disbursement reached pre-COVID levels. In fact, we managed to record double value of disbursement in the third quarter, as compared to disbursement recorded in the previous quarter, i.e., Q2 of FY2021. The asset quality too has been stable since, and is fast improving. In spite of COVID-19, there was no restriction on movement of commercial vehicles carrying essential commodities, which is the segment we engage in financing.

### Ring-fencing our balance sheet

In March 2020, we made an accelerated provisioning and carried out aggressive write-offs both in corporate as well as retail financing businesses. The objective behind this was to ring-fence our balance sheet for any eventual credit loss. This conservative approach strengthened our position and placed us ideally to take advantage of future growth opportunities. We were also strengthened by the recent affirmation of AA(-) rating with stable outlook by Crisil, with a stable asset quality, even in the current challenging environment.

In addition, the capital infusion of ₹ 1,225 crore by Brookfield Business Partners LP made during the year provided us with equity funding. It helped improve our capital adequacy further to 40%. The investment offered us with substantial growth capital to pursue calibrated growth. This capital infusion not only provided equity funding, it also offered us access to new debt financing, given Brookfield's strong relationship with banks and financial institutions.

In a positive move, this capital infusion has accelerated our retail lending strategy across vehicle finance, SME finance, and affordable housing finance in a challenging market environment. This also equips us with the ability to use capital for both organic and inorganic growth. Today, we have comfortable net capital adequacy to pursue further growth opportunities. Further, our strong liquidity pipeline and multiple avenues to raise further liabilities assist us in financing additional growth.

### Well capitalised

In our first operating year post-Brookfield infusion, we enjoyed comfortable capital and liquidity position, strong operating model and improved asset quality. Today, we have AUM of around ₹ 83,976 million and offer a wide range of loans to nearly 60,000+ customers. We are a well-established, diversified and robust financial institution. We continue to drive quality growth and produce superior return on equity through our experienced and highly professional leadership team and an execution-focussed management team.

### Performance in FY2021

Our net revenue from operations stood at ₹ 5,810 million, compared to ₹ 7,382 million in the previous year. In spite of a challenging liquidity scenario, we recorded growth in disbursement and AUM. Retail Lending's AUM accounted for 78% of total business at ₹ 67,115 million, in comparison with 71% in the previous year. All our retail segments were profitable at Pre-Provisioning Operating Profit level (PPOP), which amounted to ₹ 2,685 million, compared to ₹ 4,278 million in FY2020.

Our Cost to Income ratio stood at 49.2%. We maintained our Net Revenue from Operations at ₹ 5,810 million. At 31% of borrowings, we enjoy comfortable and strong liquidity position, with a capital adequacy ratio of 35% and debt-equity ratio of 1.6X. Our objective is to enhance our collection efficiency and maintain a stable asset quality. We are building a separate collection vertical to further enhance our asset quality.

### Declining corporate book

In the past two years, we have successfully transformed our business profile. While we are growing our retail business, we are simultaneously reducing the corporate lending business. There has been a steady, conscious and continued reduction in our Corporate Lending AUM. Our retail business today contributes 78% to our total AUM, while the corporate segment contributes the remaining 22%. The share of retail lending earlier stood at 71% in FY2020 and 61% in FY2019. By the fourth quarter of the year, our corporate book reduced to ₹ 19,096 million. By the end of FY2022, we hope to reduce our share of corporate business to less than 10%. Our aim is to become a 100% retail company in the next 4-6 quarters by building a profitable retail platform with growth potential and by delivering excellent value to all stakeholders.

### Leveraging the scrappage policy

The announcement of the incentive-based voluntary Vehicle Scrappage Policy appears to be a game-changer in the segment. It is likely to rake up considerably larger opportunities for the used commercial vehicle financing market. The policy is expected to completely revitalise the CV sector. It is expected to accentuate demand for new CVs and create an even larger market for used CVs. It is good for all stakeholders, particularly for second-hand CV financing companies like ours. Market opportunity for NBFCs is also likely to come from higher government investments in roads and highways and greater thrust on the rural sector.

NBFCs operating in this segment continue to leverage their deep customer understanding, strong competencies, relationship-based approach, and extensive branch network to drive business growth and penetrate newer markets.

### Bringing strategy to life

Amidst a challenging environment faced during the entire year, we utilised this time to effectively plan our future and built a clear 5-year strategy. This is targeted at building our retail business in a highly scalable manner. The retail strategy is progressing well as we continue our surge with a wide bouquet of products – Commercial Vehicle, Affordable Housing

and SME Finance. We have plans to scale up each of these businesses over the next five years.

The next five years will be crucial for IndoStar to gain market share in each of our retail segments, especially in commercial vehicle financing. Our emphasis on digitisation is further helping us improve our turnaround time and customer service. We are also focussing on cost optimisation. To further enhance productivity and bring down operating costs, we are focussing on the concept of “Smart Branches”. By leveraging our Hub-and-Spoke Smart Branch model, we are penetrating deeper into Tier 2/3 cities. A consistent focus has been maintained within the organisation to improve our collection efficiency and enhance asset quality. We are also working to expand our presence in geographies, products, and customer segments and gain additional market share.

#### Poised to grow

We have defined a clear path to expand our portfolio of retail loans for second-hand commercial vehicles and affordable housing. We have an aspirational plan for the next five years. The Company is preparing itself for an even better FY2022, having chartered a distinct trajectory of expanding the portfolio in the second-hand commercial vehicles, SME and affordable housing. Besides leveraging the growth potential in the commercial vehicle segment, our objective is to make our home finance segment as a separate and independent entity and build a strong SME loan book.

#### Strengthening internal capabilities

While we took advantage of the growing market potential, we also strengthened our internal capabilities by creating a top management team and taking retail specialists onboard. We are happy to have Deep Jaggi with us as our Chief Business Officer. His prior experience at HDB, a wholly-owned subsidiary of HDFC Bank, where he was heading asset finance, will be helpful as we further our retailisation strategy. His extensive experience in retail lending and impeccable track record in building large commercial vehicle finance will be an asset. He is joining us at an inflection point as we get strengthened by equity infusion and look to

**We are also targeting cost optimisation. To further enhance productivity and bring down operating costs, we are focussing on the concept of “Smart Branches”. By leveraging our Hub-and-Spoke Smart Branch model, we are penetrating deeper into Tier 2/3 cities.**

leverage the sizeable post-pandemic opportunity in asset financing – all of which is making us a strong company in the retail business.

#### Furthering our vision

Today, we are a young company, and hence, our small size makes it possible to look at huge growth, with no liquidity and capital constraints. We expect high growth for next couple of years due to our low base. We are hoping to grow the retail business multifold in the next five years. Moving ahead, we remain steadfast on our vision to help India realise its aspirations – be it helping individuals buy a first home, getting a used CV financed, or providing credit access to entrepreneurs to set up an SME.

Moving forward on our journey of becoming a diversified retail lending institution, we remain focussed on capitalising on the emerging growth opportunities and rising demand for vehicle finance, affordable home finance and SME finance in India.

Further, our growing investments in technology are strengthening our capabilities to become a process-driven company, well equipped to capture future growth.

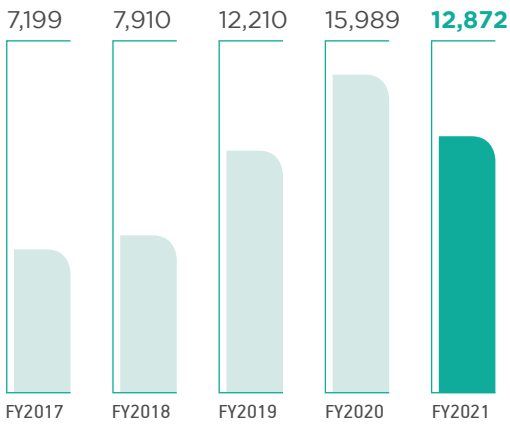
Thanking You.

#### R. Sridhar

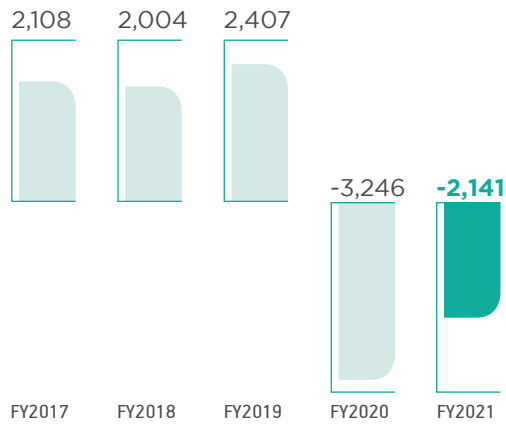
Executive Vice Chairman & CEO

# GEARING UP. GOING FORWARD.

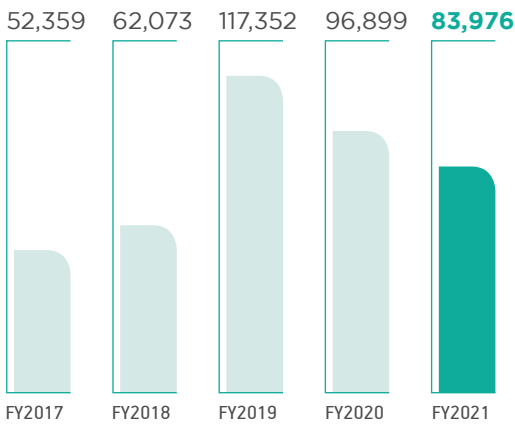
**Total Income (₹ Million)**



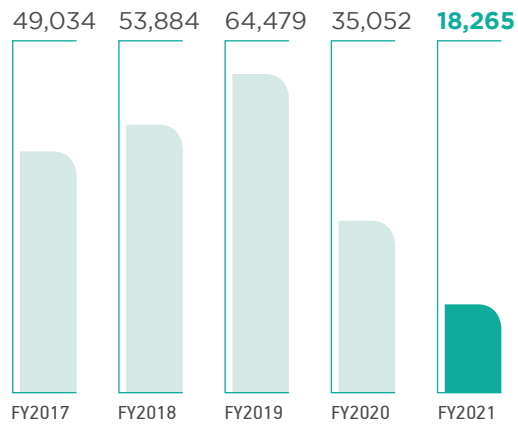
**Profit After Tax (₹ Million)**



**Assets Under Management (₹ Million)**

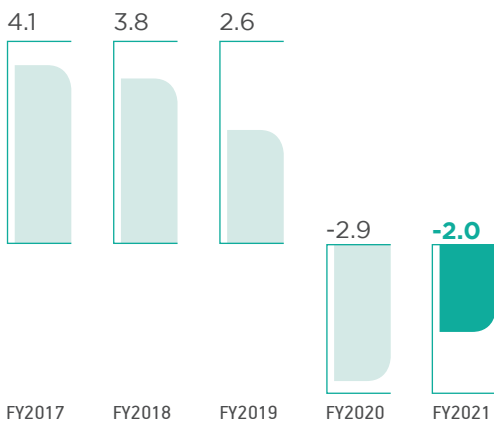


**Gross Loan Disbursement (₹ Million)**

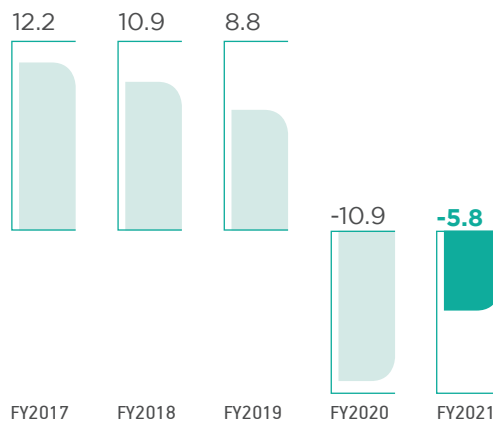


\*Net of COVID-related provisions

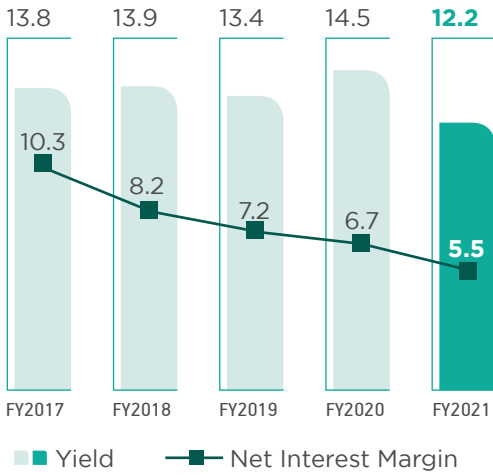
**ROAA (%)**



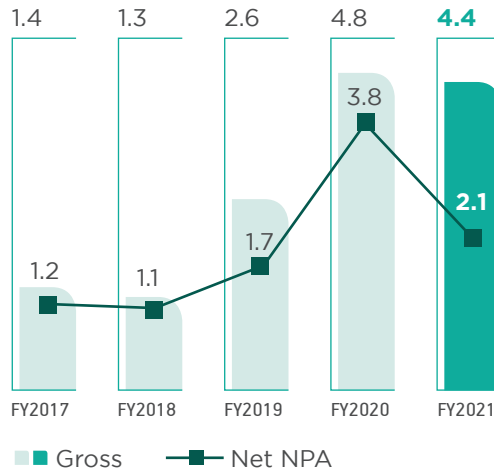
**ROAE (%)**



**Yield and Net Interest Margin (%)**



**Gross and Net NPA (%)**



**Operational Highlights**

**₹18,265 Million**  
Total Loan Disbursement

**5.5%**  
Net Interest Margin analysis

**49.2%\***  
Cost to Income Ratio  
(\*Excluding one-off costs)

**₹3,441 Million**  
Gross Non-Performing Assets

# BUILDING SCALE. BUILDING STRENGTH.

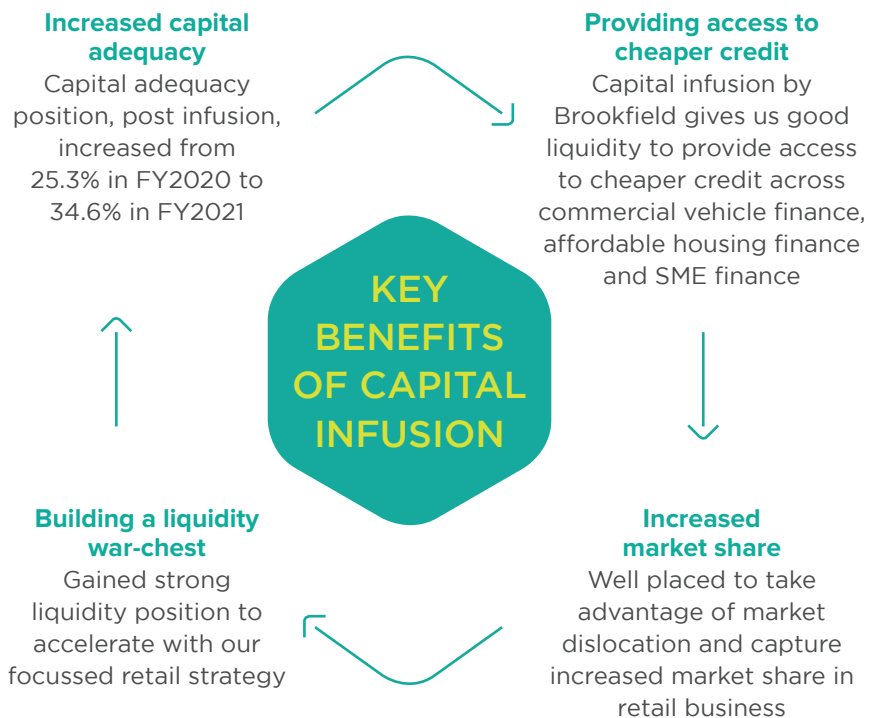
We are single-mindedly sharpening each of our business verticals through persistent innovation, geographical expansion and capacity augmentation. Our mission to expand the size and scale of our business continues unabated, with the aim of persevering our market leadership and seizing further growth opportunities. We remain focussed on delivering growth across our portfolios, by drawing strengths from existing products, and by adding new innovative product categories.

We are rebuilding IndoStar Capital Finance by building our retail business in a highly scalable manner. We have set a clear path for ourselves to expand our portfolio of retail loans for used commercial vehicles, affordable housing and SME financing. With a clear focus on retail lending, we have been sharpening our capabilities and seizing opportunities that will gradually unfold. Thus, from being predominantly a corporate lending entity, we are changing the DNA of IndoStar by transforming ourselves into a pure lending business.



## Scaling higher with increased capital

During the year, Brookfield, a global leader in alternative asset management, infused ₹1,225 crore into IndoStar, which is a strong endorsement of IndoStar’s business model. This is Brookfield’s first private equity investment in India and also the first ever in a listed NBFC. It has a reputation for applying global investing and operational expertise to create value. The capital infusion has strengthened our ability to grow the book both organically as well as inorganically.





### Maintaining our robust balance sheet

We have strong capitalisation and comfortable liquidity, which is at 31% of our borrowings, as on March 31, 2021. Capital Adequacy is currently at 35%, with a low debt-equity ratio of 1.6X. Our constant focus is to keep liquidity buffers, improve our debt-raising ability, improve capital adequacy and maintain significant cash reserves. During the year, we maintained our focus on improving our asset quality. Our stable credit rating of AA-, strong liquidity pipeline and multiple avenues to raise further liabilities help us finance additional growth.



### Furthering our Footprint

With the acquisition of India Infoline’s Commercial Vehicle financing business, we have gained a significant foothold in North and West parts of India. In the southern region too, we are gradually expanding our footprint. Now, with a plan to establish presence in North-Eastern India, where there is high demand but under-penetration of organised credit, we are setting up our first branch in Guwahati. Our key focus

is not only to add more locations, but to also penetrate deeper into the locations we already have a presence in, with an ultimate goal of becoming an all-India network company. Our hub-and-spoke model is helping us penetrate deeper into Tier 2/3 cities. We are also expanding our geographic presence by setting up independent Affordable Home Finance branches.

#### Branch rationalisation

Number of Branches	March 31, 2020	March 31 2021
<b>CV Financing</b>	<b>222</b>	<b>208</b>
<b>Housing Finance</b>	<b>49</b>	<b>65</b>
<b>SME Financing</b>	<b>10</b>	<b>10</b>
<b>Total</b>	<b>233</b>	<b>218</b>

Business segments include shared branches



### Adding products and new customer segments

With the rural economy picking up, we are expanding our products in the CV segment. Besides commercial vehicles, we are focussing on passenger vehicles, farm equipment like tractors, and construction equipment. In addition, we are expanding our presence by focussing on vehicle owners with 4-5 vehicles to further increase our potential substantially.



### Improving asset quality

Comfortable liquidity, robust equity and agile operating platforms for the foundation of our future growth ahead. We have a comfortable capital and liquidity position, strong operating model and an improved asset quality. The recent affirmation of AA(-) rating by rating agency CRISIL demonstrates our stable asset quality even in the current challenging environment. By building our credit team and assessing risk management, we are moving towards improving our asset quality further.

# BEING FUTURE-READY. WITH SMARTER CHOICES.

From the vantage point that we are currently at, we remain well prepared to produce steady, secular growth in each of our verticals, while also triggering enhanced profitability and stronger free cash flows generation. Our future roadmap for each of the verticals underpins the character of our Company and establishes the values by which we aim to deliver results.

**We have chartered a distinct trajectory of expanding our portfolio in the second-hand CV, SME and affordable home finance segments. We are building on solid progress by breaking new barriers of performance across these three key verticals, which are our building blocks for value creation to build an enterprise that is agile and future-ready.**

Going forward, we remain well positioned to capture the growing market opportunities that the Indian economy presents, and fulfil steady value creation for our stakeholders.



## COMMERCIAL VEHICLE FINANCING

At IndoStar Capital Finance, we have a clear niche in financing used CVs. The pre-owned commercial vehicle segment has been a key area of focus for our CV finance business. Currently, market penetration of organised financing for pre-owned CVs is considerably low, with customers being served by the unorganised players and being subject to high interest rates.

With the recent voluntary vehicle scrappage policy announced by Finance Minister in Union Budget 2021-22, the opportunities to grow this segment have increased manifold. This is a welcome move from the government. A voluntary auto-scrappage policy would mean old vehicles (15 years for CVs and 20 years for PVs) would be scrapped, thereby creating demand for new vehicles.

Besides revitalising the CV sector, the Voluntary Scrappage Policy is expected to add to our tailwinds. Vehicle financing companies such as IndoStar will be the biggest beneficiaries of this replacement demand. Further, if the Government provides for an upgrade discount, it will truly modernise India's fleet of vehicles.



The market for Vehicle Scrappage and recycling is estimated at US\$ 6 billion in India, according to an HDFC Bank study. Besides getting India's roads rid of old vehicles, the scrappage policy is likely to create huge demand for used vehicles. Besides leading to new investment, creating new jobs and taking care of environmental pollution, the policy is expected to put around 1 million commercial vehicles in India up for scrappage in the next 15 years. Scrapping all these vehicles will trigger a huge replacement demand that will modernise the fleet and create significant scale for new vehicles to enter the market, presenting an opportunity for financing. It has the potential to add approx. US\$ 1.5 billion to sales of new commercial vehicles.





## AFFORDABLE HOME FINANCE



We strive to grow the housing finance segment through IndoStar Home Finance, our fast-growing wholly-owned subsidiary of the company, which caters to home loan needs of customers from the low-income category. These customers purchase or construct a house for the first time (and perhaps the only time) in their lives.

Our target consumers are salaried and self-employed individuals with monthly household incomes of up to ₹ 50,000. With this, our key objective is to fulfil home buying aspirations by extending loans to those situated in Tier 2/3 cities, and the outskirts of urban markets. The segment caters to housing finance requirements of customers belonging to EWS and LIG categories, with a portfolio that comprises Home Loans, Balance Transfer / Top-up and Loan Against Property. The segment targets customers lacking access to credit.

Through our highly experienced and skilled team, we also provide finance for affordable homes through government schemes such as the Prime Minister’s Awas Yojana. We not only leverage branch infrastructure of the CV Finance business to optimise operating costs, we are also working towards spreading ourselves further into independent geographies through independent branches.



## SME FINANCING



We forayed into SME Financing as a part of our endeavour to grow the retail franchise. This segment operates through 10 branches. Through the SME Finance segment, we primarily provide lending to small & medium enterprises for business financing needs including working capital, business expansion or other requirements. We have built a solid book through secured collaterals, following our Build-and-Sell Model.

We foresee a growing opportunity in aspirational and entrepreneurial India, which is currently not well served in terms of customised financial solutions. We predominantly offer SME loans against the collateral of a self-occupied residential or commercial property. Our key customers include traders, manufacturers, self-employed professionals and service businesses, with almost 40% of our loans disbursed to customers who qualify under the Priority Sector Lending (PSL) category.

# A TRANSFORMATIVE JOURNEY WITH INNOVATION

In order to sustain a business of greater size and complexity, we are strategically revamping our organisation to become ‘future-ready’ – one that is more conducive to translating our specific strategies. This entails leveraging technology and better IT solutions for driving higher contribution from each aspect of our business, within shorter timeframes.

We have also invested significantly in getting expert advice from consultants to upgrade our sales and operations planning processes, from which we are better able to seamlessly integrate ourselves across the value chain.



## Digital disbursement

Enhancing digital effectiveness at IndoStar is a key imperative. We are moving to digital for disbursement, thus reducing the turnaround time and improving customer experience. We mandated a global consultant to enable this, and by Q4 of FY2022, the digitisation process will be completed. This will help reduce paperwork and augment productivity.



## Capitalising on technology

Technology is a key differentiator at IndoStar. We continue to make sustained investments in technology to enhance our customer experience, improve operational efficiency and support business expansion. Our robust technology roadmap is aligned with the overall vision of providing a collaborative environment for the front-end teams, back-end teams, customers, and business partners. We leverage best-in-class technology platforms, which made the transaction processing and sharing of information easy, secure, and seamless.



## Concept of Smart Branches

Customers are at the heart of our business. We are enhancing the way we serve and engage with our customers. To serve them better, we are building Smart Branches which will be smaller in size and with reduced operational expenses. These will be leaner and digitally-enabled branches following a Hub-And-Spoke Model. The objective behind opening up of these Smart Branches with digitisation is to enhance productivity and reduce operating expenses.

## Leveraging technology and data analytics

### Digital Lending Value Chain



#### DIGITAL SOURCING

Lead to Disbursement - Assisted model

API platform for ecosystem sourcing

Sourcing app

Refer a Friend - PWA



#### DIGITAL SERVICING & COLLECTIONS

BBPS enabled and availability on all payment gateways

Online collection through Website integration, Bitly Link, collection app and BBPS

E-Mandate setup

EMI reminder through BOT calls and SMS

Customer servicing through chatbots



#### OPERATIONAL EFFICIENCIES

Robotic Process Automation

Auto Recon - Virtual Bank account

Automated FOS payouts

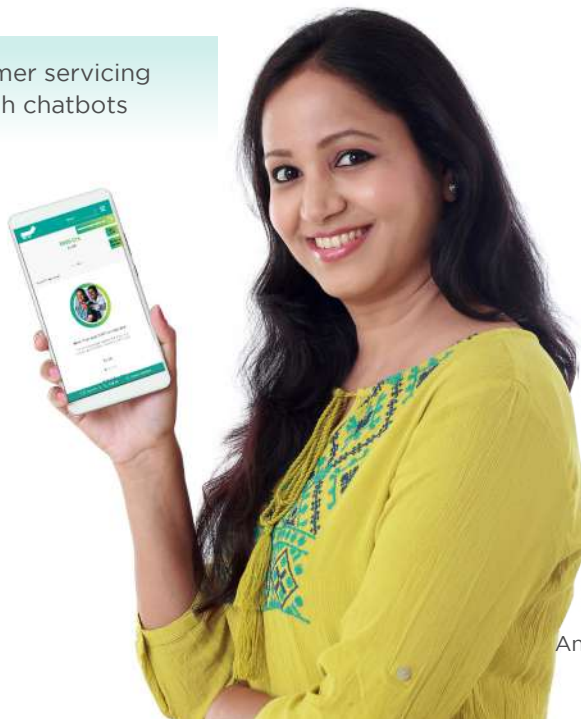
Digital vendor onboarding



#### ANALYTICS DRIVEN SCORE CARD, MONITORING, RISK REPORTING

Branch Risk Rating and Profitability Scoring model

Analytics Driven Risk Management



## OUR BOARD OF DIRECTORS



### Mr. Bobby Parikh

Mr. Bobby Parikh is the Chairman and Non-Executive Independent Director on the Board of IndoStar. He has nearly three decades of experience in financial services industry/reorganisations. Mr. Parikh's area of focus is providing tax and regulatory advice in relation to transactions and other forms of business reorganisations. He has founded Bobby Parikh Associates, a boutique firm focussed on providing strategic tax and regulatory advisory services. Mr. Parikh is a qualified Chartered Accountant from the Institute of Chartered Accountants of India and holds a Bachelor of Commerce degree from the University of Mumbai.



### Mr. R. Sridhar

Mr. R. Sridhar is the Executive Vice-Chairman and CEO of IndoStar. He has over three decades of experience in the financial services industry. Prior to IndoStar, he was associated with the Shriram Group since 1985 and held the position of Managing Director & CEO of Shriram Transport Finance Company Limited for over a decade since the year 2000. Under Mr. Sridhar's leadership, the Company is expanding its retail businesses, while nurturing its well-established corporate lending business. Mr. Sridhar is a qualified Chartered Accountant from the Institute of Chartered Accountants of India and holds a Bachelor's degree in Science.



### Mr. Dhanpal Jhaveri

Mr. Dhanpal Jhaveri is a Non-Executive Director of IndoStar. He has over two decades of experience in investments, strategy, M&A and investment banking. Currently, he is a Managing Partner at the Everstone Group. Prior to joining Everstone, Dhanpal worked as Director (Corporate Strategy) with Vedanta Resources Plc. His previous assignments include being the Head of Investment Banking at ICICI Securities, and Partner for Corporate Finance at KPMG. Mr. Jhaveri holds a degree in Bachelor of Commerce from the University of Mumbai and an MBA from Babson College, USA.



### Mr. Vibhor Kumar Talreja

Mr. Vibhor Kumar Talreja is a Non-Executive Director of IndoStar. Mr. Talreja joined Everstone in 2019 as a Managing Director to lead the financial services sector along with other responsibilities. Prior to joining Everstone, he was working as a Director with Temasek India for over 12 years, where he led decision-making on investments and divestments of over US\$ 2 billion each across both private and public transactions. Mr. Talreja has extensive experience in Financial Services, Industrial/Consumer, Real Estate & Telecom sectors and has worked with JM, Morgan Stanley and Tata Administrative Services. He is an alumnus of IIT Kanpur and IIM Bangalore.



### Mr. Aditya Joshi

Mr. Aditya Joshi is a Non-Executive Director of IndoStar. Mr. Joshi is a Managing Director in Brookfield's Private Equity Group, and heads the private equity business for Brookfield in India. Mr. Joshi was responsible for conceptualising Brookfield's private equity strategy for India, nurturing and developing a high-quality team, building a robust sourcing engine, and leading deal execution and ongoing portfolio monitoring. Mr. Joshi joined Brookfield in March 2019. Prior to Brookfield, Mr. Joshi was a Principal at Apex Partners in India, and led and participated in deals across healthcare, technology services, and financial services. Prior to Apex, Mr. Joshi worked at The Blackstone Group in India, where he focussed on investment opportunities primarily across technology services and business services. Prior to Blackstone, Mr. Joshi worked at Morgan Stanley in India, where he worked on fund raising and mergers and acquisitions across technology services, business services, telecom, amongst other industries. Mr. Joshi holds a Master of Business Administration degree from The Wharton School, University of Pennsylvania, a bachelor's degree in accounting and finance from the University of Pune, and is a Chartered Accountant and member of The Institute of Chartered Accountants of India. Mr. Joshi is a member of FICCI's National Committee on Private Equity for India.



### Mr. Munish Dayal

Mr. Munish Dayal is a Non-Executive Director of IndoStar. Mr. Dayal is Managing Director - Private Equity & Business Operations at Brookfield Asset Management (BAM) and has over three decades of experience in financial services. Prior to joining BAM, Mr. Dayal was Senior Operating Partner at Baring Private Equity Partners India Limited with hands-on engagement with portfolio companies in BFSI, technology and commercial real estate. Mr. Dayal has also held senior positions in Yes Bank Limited and Citibank and has expertise in risk management, lending to medium and small sector enterprises, cash management, payment services, trade products and banking technology. Mr. Dayal is a commerce graduate from Shri Ram College of Commerce, University of Delhi and completed his master's in business administration from Faculty of Management Studies, University of Delhi.



### Mr. Hemant Kaul

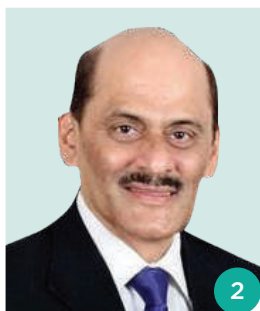
Mr. Hemant Kaul is a Non-Executive Independent Director of IndoStar. He has vast experience as an independent management consultant, having worked with private equity firms to evaluate investments in the financial sector. Earlier, Mr. Kaul has also been the MD & CEO of Bajaj Allianz General Insurance Co Ltd. and the Executive Director of Axis Bank. Mr. Kaul holds a Bachelor's degree in Science and a Master's degree in Business Administration from Rajasthan University.



### Ms. Naina Krishna Murthy

Ms. Naina Krishna Murthy is a Non-Executive Independent Director on the Board of IndoStar. She has more than two decades of experience in the legal sector. She is the Founder and Managing Partner of Krishnamurthy & Company. She is also a trusted legal advisor to numerous corporations. Over the years, Ms. Murthy has built a strong reputation in corporate commercial law, specifically in the areas of mergers and acquisitions, joint ventures, collaborations and PE/VC investments. She was recognised by India Business Law Journal as 'A List' of India's top 100 lawyers in 2018, 2017 and 2016. She holds a degree in Law, with a B.A. and LLB (Hons) from National Law School, Bangalore.

# OUR LEADERSHIP TEAM



## 1. R. Sridhar

### Executive VC & CEO

- 30+ years of experience in financial services industry
- Previously associated with various entities forming part of the Shriram Group
- Previously served as the MD of Shriram Transport Finance Company

## 2. Mr. Deep Jaggi

### Chief Business Officer

- 20+ years of experience across Asset Finance and other retail businesses
- Previously worked with HDB, Cholamandalam Finance & Apollo Tyres

## 3. Amol Joshi

### Chief Financial Officer

- 20+ years of leadership experience across all areas of finance in Banks and NBFCs
- Previously worked with Citicorp, Standard Chartered Bank, Amex and L&T Financial Services

## 4. Jaya Janardanan

### Chief Operating Officer

- More than 25 years of experience with banks and financial institutions
- Previously worked with Ujjivan Small Finance Bank, Aditya Birla Payment Bank, Bank of America, JP Morgan and ICICI Bank

## 5. B Ravi Kumar

### Business Head Asset Finance

- 20+ years of experience in financial services
- Previously worked with Cholamandalam Investment & Finance Co.

## 6. Hansraj Thakur

### Business Head - SME Finance

- Several years of experience in SME, commercial banking, and sales and relationship management
- Previously worked at IDFC Bank, Standard Chartered Bank, ICICI Bank and Development Credit

## 7. Shreejit Menon

### Deputy CEO - Affordable HF

- Several years of experience with financial Institutions
- Previously worked with Religare Housing Development Finance Corporation, HSBC and Muthoot Housing Finance Company



**8. Siva S.**

**National Credit Head – Vehicle Finance**

- 24 years of experience with financial Institutions
- Previously worked with Fullerton India, Citigroup, Equitas Small Finance Bank. Also worked in Ashok Leyland Limited

**9. Shripad Desai**

**National Credit Head – Housing Finance**

- 21 years of experience with banks & financial Institutions
- Previously worked with IDBI Bank, Reliance Capital, ICICI Bank, Deutsche Bank and others

**10. Benaifer Palsetia**

**Chief Human Resources Officer**

- More than 19 years of experience with banks and financial institutions
- Previously worked with IDFC Bank, Citibank and Credit Suisse

**11. N. Ramesh**

**Group Head Operations**

- 31 years of experience with banks & financial institutions
- Previously worked with GE Countrywide, Cholamandalam Investment & Finance Co. Ltd., Shriram City Union Limited, Equitas Small Finance Bank

**12. Mohit Mairal**

**Chief Risk Officer**

- 20 years of experience in Underwriting, Collections, Risk Management and Sales in banking and financial services sector
- Previously worked with ICICI Bank, HDFC Bank, GE Capital, IIFL

**13. Sudeep P S**

**National Credit Head – SME**

- 20 years of experience with banks & financial Institutions
- Previously worked with Bharti, ICICI, Deutsche Post Bank, Edelweiss, Bajaj Finance

**14. Jitendra Bhati**

**Company Secretary and Compliance Officer**

- Over 14 years of experience in the fields of legal, secretarial and compliance, in the BFSI sector
- Previously worked with Future Capital Holdings Ltd.

**15. Salil Bawa**

**Head – IR & Marketing**

- 20 years of experience in Investor Relations, Strategy and Fund Raising
- Previously worked with Bharti, Tata Group, Edelweiss Financial Services, Manappuram

# BUILDING ON TODAY. TRANSITION TO TOMORROW.

The inherent culture at IndoStar Capital unifies our organisation, underpins performance and encourages innovation. We believe in nurturing our high-calibre talent, which is a source of our competitive advantage. We also depend on the engagement and motivation of our workforce to create sustainable and long-term growth of the organisation.



Achieving our strategic mission through our people - our greatest asset



Key achievements



Promoting a culture based on merit



A diverse culture driving innovation, motivating people, attracting talent



Demonstrating our care for employees through our vision and strong sense of purpose



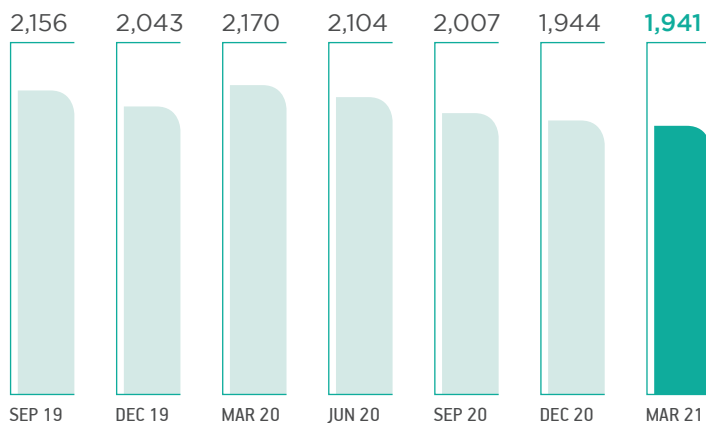
Employee engagement



Bringing learning to life (L&D initiatives)

## Rationalisation of employees

### Retail Lending - Employee Base\*



\*On-Roll Employees only



**Key Initiatives in FY2021**



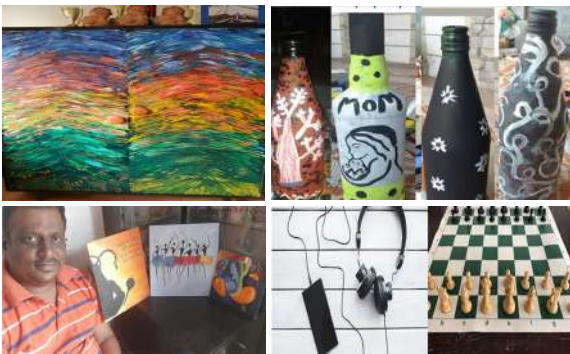
**International Women’s Day**

Celebrated International Women’s Day to encourage women and their role in the society.



**Indo Feista**

Organised a fun event and festival for all the employees. Their participation was in the form of music, poetry, stand-up comedy or mimicry.



**What’s Your Passion**

Organised a contest where all the employees shared a photo with three items which depicted their passion. This was aimed at learning the creativity and enthusiasm of the employees.



**Tree Plantation**

Organised a Tree Plantation exercise for all the employees, encouraging them to grow more trees.



**Joys of Seedling**

Organised this event to encourage employees to plant a seed today and believe in tomorrow.

# CREATING A NET POSITIVE SOCIETY

At IndoStar Capital, Corporate Social Responsibility is an integral part of our business philosophy and strategic planning. We are committed towards the economic and social development to make the world a better living place and to function as a responsible corporate citizen. An aim of empowering lives, and enabling livelihoods and self-reliance of the people around us receives the highest importance in our CSR endeavours.

**Approved CSR Budget for FY2021**  
**₹20.3 Million**

**Partnership with 15 NGOs**      **Projects in 9 States**

**5,257**  
**No. of People benefited through CSR initiatives**

During FY2021, the Company identified and rolled out CSR initiatives across 9 states. Of the total, 4 projects have been completed and 12 are ongoing. Employees from 22 branch offices have been engaged in these CSR projects.



## CSR Initiatives



### EDUCATION

- 12 students from Priyansh Special School diagnosed with ASD granted educational scholarship and rehabilitation; To be made into independent and capable individuals by developing their talent
- 10 girls between age group 16-18 years granted education scholarship for pursuing summer programs, as part of Avasara Academy
- Three-pronged approach to improve quality of education at NG Krishna Gokhale Night School by providing education infrastructure, capacity building and advocacy; Total 95 students enrolled for 8th, 9th and 10th grade at the Night School



- Engaged with Khushi Foundation as part of Shikshaantra Plus programme to help students from low-income households with education inequity reduction, learning improvement, dropout reduction and psychological support
- Engaged with Punyabhushan Foundation to create awareness on environment, civic matters, democratic values in 5-10 grade students from schools in Pune, Ahmednagar and Aurangabad to enhance overall reading and learning skills
- Project TASK aimed at soliciting services of Trained Special Educator for conducting training sessions for the differently-abled; 50 such members trained on sling bag and soap making; produced 250 sling bags and soaps



**WOMEN EMPOWERMENT**

- Collaborated with Janvikas Trust to enrol 26 women for Driverben - Ek Nayi Pehchan program focussed on providing technical, self empowerment and self development training to women to enable them to become a professional commercial driver
- Joined hands with Kshamta Foundation to prepare 20 adolescent girls for job readiness by imparting vocational training in tailoring and jewellery making; few enrolled in training institutes for courses like dialysis technician, fashion designing and beauty care



**SANITATION**

- As part of Habitat for Humanity India, supported school sanitation infrastructure in certain schools in Rajasthan, Maharashtra, Kerala and Guwahati
- Educating students on the concept and importance of personal hygiene through behaviour change communication
- Sanitation infrastructure completed at Rajasthan, Maharashtra and Kerala
- Initiated Guwahati Sanitation project initiated post ground-breaking ceremony
- Conducted awareness sessions on personal hygiene for students in all the above states
- No. of Beneficiaries from Sanitation Infrastructure:  
 Rajasthan: **465**      Kerala: **330**  
 Pune: **180**              Guwahati: **394**

- Collaborated with Save the Children Foundation to skill 120 women from the marginalised communities by training them in Retail, BPO/ITES, Life Skills, Digital Literacy and Spoken English
- As part of Project Saksham from United Way India, provided skill building for women from under-privileged communities, addressing the need for skilling and job readiness training and to recognise their interest and aptitude
- Creating micro entrepreneurship opportunities for women in urban slum communities; helping women support their livelihoods by imparting training on business skills, financial literacy and other skills
- As part of SakshamKishori programme, providing lifeskills training through knowledge sessions; 50 adolescent girls provided with educational scholarship and lifeskill training to improve their decision-making and career prospects
- Through Bosconet programme, prepared women to step forth as leaders and participate in capacity building activities such as leadership programs, finance management, credit linkage and start a micro business



**ENVIRONMENT**

- As a part of Siruthuli project, initiated Miyawaki plantation of 2,000 trees at land in Thudiyalur near railway station
- Project aimed at controlling soil erosion, reducing air pollution, increasing oxygen content in environment, improving bio-diversity and water retention



**HUMANITARIAN**

**Providing support to COVID victims**

**UNITED WAY INDIA**

Provided 150 PPE Kits for healthcare workers in Kasturba Hospital, KEM, Sion Hospital, Bhabha Hospital and Rajawadi Hospital in Mumbai

**HABITAT FOR HUMANITY INDIA**

231 Family Essential Kits and 450 Health Kits provided to visually impaired families and officers from the police force in Tamil Nadu, Uttar Pradesh and Maharashtra

**SMILE FOUNDATION**

150 Dry Ration and Necessity Kits supplied to affected migrant families in Delhi, Karnataka and Gujarat

**JANVIKAS TRUST**

309 PPE Kits, 250 Dry Ration and Basic Necessity Kits supplied to frontline workers and families in Gujarat

**SALAAM BOMBAY FOUNDATION**

800 grocery kits provided to less privileged families across Mumbai

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Non-Executive Independent Chairman

Mr. Bobby Parikh

### Executive Vice-Chairman & CEO

Mr. R. Sridhar

### Non-Executive Directors

Mr. Dhanpal Jhaveri

Mr. Aditya Joshi

Mr. Vibhor Kumar Talreja

Mr. Munish Dayal

*(Appointed with effect from February 4, 2021)*

### Non-Executive Independent Directors

Mr. Hemant Kaul

Ms. Naina Krishna Murthy

## CHIEF FINANCIAL OFFICER

Mr. Amol Joshi

## COMPANY SECRETARY & COMPLIANCE OFFICER

Mr. Jitendra Bhati

## STATUTORY AUDITORS

Deloitte Haskins & Sells LLP

## INTERNAL AUDITORS

KPMG

## CIN

L65100MH2009PLC268160

## REGISTERED & CORPORATE OFFICE

One World Center,

20th Floor, Tower 2A,

Jupiter Mills Compound,

Senapati Bapat Marg,

Mumbai – 400 013

Tel No.: +91 22 4315 7000

Fax No.: +91 22 4315 7010

E-mail: investor.relations@indostarcapital.com

Website: www.indostarcapital.com

## DEBENTURE TRUSTEE

IDBI Trusteeship Services Limited

Asian Building, Ground Floor, 17, R Kamani Marg,  
Ballard Estate, Mumbai - 400 001

Tel No.: +91 22 40807000

Fax No.: +91 22 66311776

E-mail: itsl@idbitrustee.com

## REGISTRAR & TRANSFER AGENT

Link Intime India Private Limited

C - 101, 247 Park, L.B.S. Marg, Vikhroli (West),  
Mumbai - 400083

Tel No.: +91 22 49186270

Fax No.: +91 22 49186060

E-mail: rnt.helpdesk@linkintime.co.in

## BANKERS / FINANCIAL INSTITUTIONS

Aditya Birla Sun Life Mutual Fund

Allahabad Bank

Axis Mutual Fund

Bank of Baroda

Bank of India

Bank of Maharashtra

Barclays Bank PLC

CSB Bank Limited

Central Bank of India

DCB Bank Limited

Deutsche Bank AG

DBS Bank Limited

Federal Bank Limited

Franklin India Mutual Fund

HDFC Bank Ltd

ICICI Bank Ltd

IDFC First Bank Ltd

Indian Bank

IndusInd Bank Limited

Industrial Development Bank of India Limited

Karnataka Bank Limited

Kotak Mahindra Bank Limited

Mirae Asset Mutual Fund

National Bank for Agriculture and Rural Development

Nippon Life India Mutual Fund

PGIM India Mutual Fund

SBI Mutual Fund

Small Industries Development Bank of India

South Indian Bank Limited

State Bank of India

Union Bank of India

Vijaya Bank

Yes Bank Limited

# MANAGEMENT DISCUSSION AND ANALYSIS



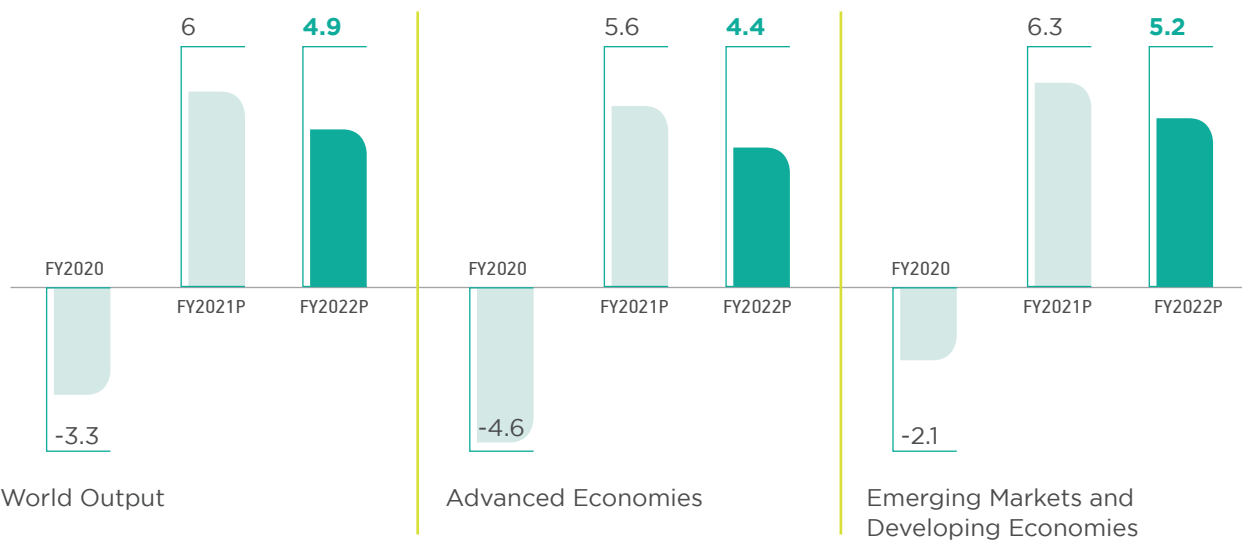
## ECONOMIC OVERVIEW

### Global Economy

Over the last few months, the world buckled under the impact of COVID-19 and lockdowns brought economies to a standstill. The global economy had been enjoying a modest recovery on the back of the US Fed's balance sheet expansion since late 2019,

until it encountered a speed breaker in the form of the COVID-19 pandemic. The Coronavirus (COVID-19) pandemic left national economies counting the costs, as governments struggle with new lockdown measures to tackle the spread. Despite the development of vaccines, the second wave of infections posed serious downside risks to economies and heightened the possibility of business disruptions.

### Global Economic Growth (%) (July - 2021)



Source: IMF

P = Projections

According to the International Monetary Fund's (IMF) World Economic Outlook - April 2021, the global economy contracted 3.2% during 2020. Although the contraction of activity in 2020 was unprecedented, extraordinary policy support prevented even worse economic outcomes. The strength of the recovery will depend on the rapid rollout of vaccines worldwide.

The IMF stated that even after a full year into the pandemic, global prospects remain highly uncertain. New virus mutations and the accumulating human toll raise concerns. It foresees that income inequalities could increase significantly due to the pandemic and the biggest concern, by far, is that around 95 million more people are estimated to have fallen below the threshold of extreme poverty in 2020, compared with the pre-pandemic projections.

However, the global economy is all set to bounce back in 2021 by posting a growth of 6% on the lower base of the previous year, but later moderating to 4.9% in 2022. The relatively optimistic forecasts for the current and following year reflect the additional fiscal support by a few large economies, the anticipated vaccine-powered recovery in the second half of 2021, and continued adaptation of economic activity to subdued mobility. However, the IMF clarified that this outlook remains highly uncertain and depends on the path of the pandemic, the effectiveness of policy support to provide a bridge to vaccine-powered normalisation and the evolution of financial conditions. Further, it observed that economic recoveries are diverging across countries and sectors, and hinge on variation in pandemic-induced disruptions and the extent of policy support. The emerging market and developing economies are expected to suffer more scarring than the advanced economies.

It has advised strong cooperation between nations to resolve economic issues underlying trade and technology tensions. It also suggests that building on recent advances in international tax policy, efforts should continue to focus on limiting cross-border profit shifting, tax avoidance and tax evasion.

### Indian Economy

The Indian economy has also been adversely impacted by the COVID-19 pandemic that shook the world. Despite India being ahead of most countries in announcing a near-total nationwide lockdown and implementing work from home measures, job and

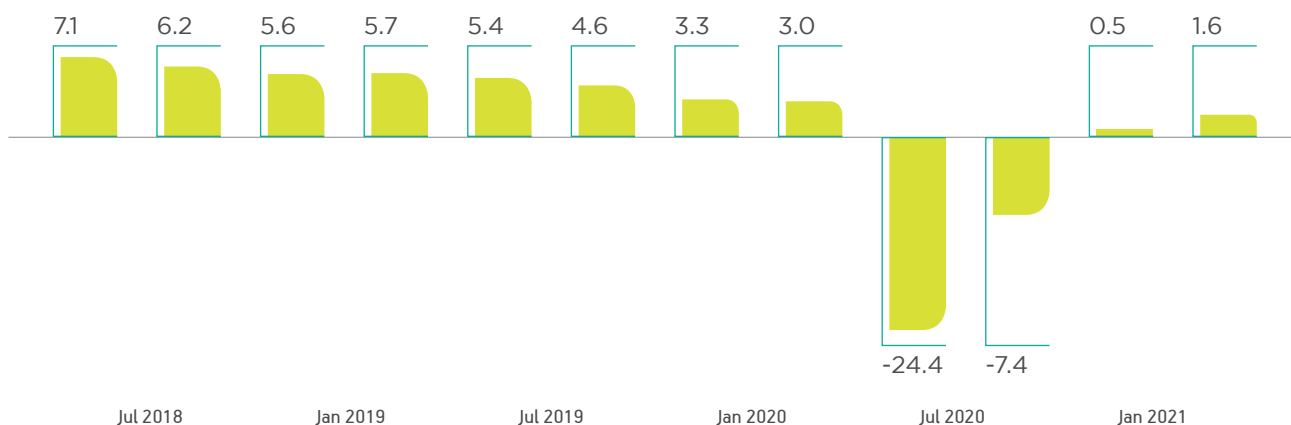
earning deficit, and free fall of employment, along with instability in prices, was expected. The pandemic came with uncertainty and implications on all aspects of businesses. The government announced a relief package of ₹ 1.7 trillion, with additional support coming in from state governments and NGOs, which widened the radius of the aid.

During FY 2020-21, the Indian economy is estimated to have contracted by 7.3% according to the Ministry of Statistics and Programme Implementation (MoSPI), as compared to growth of 4% in 2019-20. The GDP shrunk by 24.4% and 7.4% in the first and second quarter of the fiscal year, respectively. However, in the third and fourth quarter of 2020-21, it witnessed a turnaround with growth coming in at 0.54% and 1.6%, respectively, officially signalling that India was out of a recession after two consecutive quarters of degrowth. One of the key questions that is on everyone's mind right now is: when can we expect the economy to regain its heydays of growth and glory? To make even a calculated estimate on this, we must realise that the Indian economy swings in cycles; we have seen this over multiple decades. Often, every slowdown cycle is followed by an exponential growth cycle and vice versa. Our belief in the long-term India story continues to remain the same and growth opportunities will stage a comeback, sooner rather than later. We think this will restore consumer confidence in due course. The post COVID-19 world will also need a significant re-thinking in the way the financial services industry does business.



The Indian economy has also been adversely impacted by the COVID-19 pandemic that shook the world. Despite India being ahead of most countries in announcing a near-total nationwide lockdown and implementing work from home measures, job and earning deficit, and free fall of employment, along with instability in prices, was expected.

### India's Quarterly GDP Growth



Source: *Tradingeconomics.com* | Ministry of Statistics and Programme Implementation (MoSPI)

The IMF, in its World Economic Outlook (July 2021), pegged India's growth rate at 9.5% for FY 2021-22. The IMF expects India's growth prospects to be affected by the severe second COVID-19 wave during March-May and a slow recovery in confidence from that setback. While World Bank sees India's GDP growth at 8.3% from April 2021 to March 2022, the Asian Development Bank (ADB) downgraded India's economic growth forecast to 10% from 11% estimated in April 2021.

A drawn-out COVID-19 outbreak can impede India's economic recovery. The rise in infections and the proliferation of localised restrictions is likely to cast a shadow of uncertainty over the outlook and can affect the pace of recovery for the Indian corporate sector. It can dampen the improvement in demand conditions and delay the return to normalcy, with loss of demand particularly in contact-intensive sectors. The actual pace of vaccine roll-out to the wider population would impact sentiment and growth. An earlier availability of vaccine imports, enabling a faster vaccination drive, has the capability to offer a back-ended upside to GDP growth in FY2022, following the disruptions that may emerge in the near term.

Nevertheless, the RBI assured that India is better prepared than before to meet the challenges posed by this resurgence in infections, as fiscal and monetary

authorities stand ready to act in a coordinated manner to limit its spill-overs to the economy at large and contain its fallout on the ongoing recovery.

### Inflation and Monetary Policy

In the light of the crisis and the fiscal measures announced during the year, inflation targets were relaxed to 4% with the lower and upper tolerance levels of 2% and 6%, respectively, for the next five years (April 2021-March 2026). At the end of the financial year, on March 31, 2021, the Government decided to retain these benchmarks. In support, the RBI also announced that the monetary policy over the next five years would aim at consolidating and building upon the credibility gains of the first five years of flexible inflation targeting, i.e., the positive results that emerged since the Monetary Policy Committee (MPC) was formed in 2016.

In the nearer term, the MPC assured that the monetary policy would remain accommodative to support and nurture economic recovery and it would closely monitor the evolving outlook for inflation, especially once the recovery was secure.

As far as liquidity is concerned, the global financial markets turned volatile since mid-February 2021, on



To tackle the economic impact of the pandemic, the Government announced the AtmaNirbhar Bharat Abhiyaan (ANBA) in May 2020. Amongst the wide range of schemes and policies initiated, this aimed at boosting liquidity in the financial sector by announcing a ₹ 450 billion partial credit guarantee scheme for NBFCs and ₹ 300 billion special liquidity scheme for NBFCs, HFCs and MFIs.

the back of expectations of stronger growth and a surge in commodity prices. Further, expectations of a reflationary cycle in the US triggered a cut-back of portfolio flows to the emerging markets. This volatility impacted the Indian financial markets too. In response, the RBI raised its open market operations and undertook other actions to compress term premia as well as to inject liquidity into the system.

### Stimulus packages announced in FY 2020-21

To tackle the economic impact of the pandemic, the Government announced the Atmanirbhar Bharat Abhiyaan (ANBA) in May 2020. Amongst the wide range of schemes and policies initiated, this aimed at boosting liquidity in the financial sector by announcing a ₹ 450 billion partial credit guarantee scheme for NBFCs and ₹ 300 billion special liquidity scheme for NBFCs, HFCs and MFIs. It also directed banks and NBFCs to offer collateral-free loans to MSMEs to the extent of 20% of the entire outstanding credit to MSMEs, with up to ₹ 250 million outstanding credit and ₹ 1 billion turnover. This scheme has a four-year tenure with a moratorium of 12 months on principal payment and the Government would provide complete credit guarantee cover to lenders on the principal and interest amounts. Several other measures were announced to improve the debt and equity parameters of MSMEs.

Later, in November 2020, the Government announced the AtmaNirbhar 3.0 stimulus package with 12 measures rolled out to boost employment in the formal and informal economy, help housing infrastructure and enhancing the ease of doing business, among other things. It also announced new production-linked incentives (PLIs) under another ₹ 2 trillion PLI scheme for 10 major manufacturing sectors.

Further, an additional outlay of ₹ 180 billion was allocated for the PM Awaas Yojana (PMAY) - Urban. This is expected to help by adding 1.2 million houses and complete construction of 1.8 million houses, while creating 7.8 million additional jobs and improving



In the light of the crisis and the fiscal measures announced during the year, inflation targets were relaxed to 4% with the lower and upper tolerance levels of 2% and 6%, respectively, for the next five years (April 2021-March 2026).



the production and sale of steel and cement. (Source: Livemint)

The Union Budget 2021-22, presented by the Finance Minister on February 1, also contained significant increases in health and capital expenditure and proposed far-reaching reforms. The Budget proposals rested on six key pillars – health and well-being; physical and financial capital, and infrastructure; inclusive development for aspirational India; reinvigorating human capital; innovation and R&D; and ‘Minimum Government, Maximum Governance’. It indicated substantial government spending over the next five years and announced no major new taxes or levies. The macro-economic policies announced in the Budget focus on stabilising growth, boosting public infrastructure and capital expenditure.

## INDUSTRY OVERVIEW

### Financial Services industry

Financial services form the backbone of India’s economic growth and development. India’s financial sector is growing rapidly, in terms of volume and products, and expanding to include many individuals and entities that were hitherto outside its reach. In recent times, especially over the past one year, the Government has introduced a number of short and long-term reforms to liberalise, regulate and develop the sector and improve overall financial inclusion in India. At the same time, financial sector participants have also matured and are moving towards adhering to more internationally accepted norms for capital adequacy, asset classification and provisioning. All these trends, alongside vigilant and prompt regulation by the RBI and other regulators, have culminated in the industry making dramatic progress towards supporting the broader objective of economic growth.



## NBFCs in India

India's NBFC sector has witnessed meteoric growth, accounting for nearly 18% of the total formal credit flow. Its growth can largely be attributed to the relatively asset-light, technology-based, low-cost models through which these companies were able to improve their reach and penetrate unserved and underserved markets. Over the past few years, the NBFC sector has been facing strong headwinds. At first, the sector witnessed a meltdown due to the default of a few entities, followed by a liquidity crunch. The past year has been volatile for Non-Banking Financial Companies (NBFCs), triggering fear of a liquidity crisis. However, this fear has remained largely unfounded as most players were well-capitalised to handle any short-term market dislocation plus the RBI ensured that there was adequate liquidity to affected entries. A great blow to operations and finances of companies in the sector came from the COVID-19 crisis that adversely impacted their business models.

Growth decelerated considerably in the previous financial year, brought about by the lack of liquidity and confidence, and further amplified by COVID-19. However, NBFCs remained well capitalised with resilient asset quality vis-à-vis scheduled commercial banks. According to a CRISIL report, the decline in non-bank credit growth, which started in the second half of FY 2018-19, continued through FY 2019-20, accentuated first by the economic slowdown and then, more vigorously, by the pandemic, the impact of which was immediate and debilitating.

In order to enable borrowers to tide over the pandemic-led economic hardships, the RBI appealed to lenders to extend moratorium on loans up to August 31, 2020. This posed a liquidity challenge for most NBFCs as they were sandwiched between meeting their commitments to their lenders while they facilitated their borrowers with moratorium. The second challenge was keeping their asset quality under control in this situation.



On the interest rate front, in 2020, RBI cut the repo rates, that drove home loan interest, to a record-low of 7%. In order to make homebuying more lucrative, many banks reduced their interest on home loans, as this category of loans is the safest among all.



These and other challenges tested the mettle of companies in the non-bank segment. Nevertheless, some agile and well-managed NBFCs were equipped with business continuity plans and implemented these to the best of their ability. Innovative and forward-looking companies undertook digital transformation to improve business efficiency and customer connect.

The NBFC sector bounced back after the moratorium ended in August of FY2021, as loans and advances rebounded. By September 2020, NBFC companies began to report a sharp improvement in collection efficiency (Ind-Ra), partly supported through customers' savings. A report by CRISIL Ratings on NBFCs also pointed out that due to the revival in economic activities that commenced in the second half of FY 2020-21, cash flows in the segment improved and borrowers started repaying their loan instalments. The rating and research agency stated that median collection ratios for November 2020 payouts for commercial vehicle loan pools increased to 93% from barely 24% in May 2020 and collection efficiency for mortgage-backed loans, comprising largely home loans and loans against property, was around 96% in October-November 2020.

However, the recent spike in COVID-19 cases and associated lockdowns, though localised, can severely impact NBFC companies. Economic activity, especially non-essential businesses, began to get curtailed once again. It can act as a dampener for the securitisation market, affecting fund-raising for NBFCs in the near-term and may delay recovery in the sector.

With strong capitalisation buffers and better on-balance sheet liquidity buffers, NBFCs have ramped up defences and are well prepared to deal with any impact on economic activities. During the second wave, authorities, lenders and borrowers have responded to this challenge better, on the strength

of lessons learned from the previous experience. NBFCs that have digitally transformed their operations and evolved their business strategies to meet the exigencies of the new normal, will be better placed to stay strong and support their growing customer base. The tested systems of NBFCs to reach out to customers and benefits of operational efficiency will provide them with further support.

## Overview of Business Segments

### Commercial Vehicle Finance

The Indian commercial vehicle segment is one of the leading commercial vehicle markets across the Asia Pacific region. Being strongly associated with other business sectors of the economy, it tends to follow broader business cycles.

In recent times, the demand for commercial vehicles has been driven by the rise in e-commerce, increase in rural consumption and last-mile connectivity and the relatively low total cost of ownership. Demand also received a boost from new infrastructure projects and fleet replacement. But the outbreak of COVID-19, the muted investment activity, contraction in mining and manufacturing activity and falling order book of construction companies reduced demand.

Credit rating agency Ind-Ra reported that the commercial vehicle finance segment saw some recovery during the festive season and on account of good kharif and rabi output. However, the second wave of the pandemic which is moderating economic activity could impact large and medium vehicle fleet operators. The small road operators would remain moderately impacted as essential services are still operating at full scale and curbs on construction activity has been eased in many places. A few areas which can impact growth are fuel prices, slowdown in economic activity that impact commercial vehicle borrowers' cashflows.



### Housing Finance

The onset of the Coronavirus pandemic and the consequent work-from-home trend that emerged changed housing demand dynamics and made people rethink their home buying and investment plans. Mobility Foresights observed that more potential home owners would switch to the periphery areas for larger homes and a healthier lifestyle at more competitive rates with a viable work-from-home alternative. It observed that one of the most influential recent residential real estate developments of the COVID-19 era is the new-found preference for owning rather than renting houses. State governments and the RBI also encouraged home buying during the year. The state of Maharashtra reduced the stamp duty on home purchases until the end of the financial year, while the Delhi Government announced a 20% reduction in the circle rate for all types of properties in February 2021.

On the interest rate front, in 2020, RBI cut the repo rates, that drove home loan interest, to a record-low of 7%. In order to make homebuying more lucrative, many banks reduced their interest on home loans, as this category of loans is the safest among all. Amid a general slowdown in retail credit growth, banks are targeting growth in home loans. Further, special sops on stamp duty by states and other benefits by the central government have helped increase home sales and augur well for growth in home loans. Competition is intensifying in the sector and this too would be putting pressure on pricing.

RBI rationalised the risk weights and linked them to loan-to-value (LTV) ratios for all new home loans sanctioned up to March 31, 2022. This makes home loans even more attractive for borrowers as well as lenders.

According to data analytic firm PropEquity, despite the bleak economic scenario in FY 2020-21, housing sales picked up in the third quarter (October-December 2020), rising 25% year-on-year



to 1,10,811 units from 88,976 units across seven cities, during the same period last year and were 78% higher than the previous quarter's (July-September 2020) sales of 62,197 units. This spurt was attributed to pent-up and festive demand. The demand for housing also benefited immensely from the moderation in interest rates and correction in property prices. The relaxation of stamp duty in states like Maharashtra also triggered latent demand in the third and fourth quarters of FY 2020-21. PropEquity believes that as India embarks on its COVID vaccination drive, recoveries in the sector will get strengthened further. However, according to Ind-Ra, incrementally, with the withdrawal of the stamp duty benefit and slight tightening in housing loan lending rates, demand sustenance for FY 2021-22 could be tested.

### SME Finance

Over the years, MSMEs have become a force to reckon with as their contribution to the country's economic growth and business innovations has been rising. As per the Central Statistics Office (CSO), the contribution of the MSME sector to India's Gross Value Added (GVA) and Gross Domestic Product (GDP) at current prices has been around 30% between FY 2014-15 and FY 2018-19. The contribution of Manufacturing MSMEs in the country's total Manufacturing GVO (Gross Value of Output) at current prices has also remained constant at around 33%, i.e., one-third of the total, during the same period.

However, the year gone by has been a difficult one for enterprises in this segment. To support them, Indian policy makers responded rapidly. RBI cut interest rates, enabled loan moratoriums and implemented measures to infuse liquidity into the system and the government announced a series of stimulus packages for MSMEs.

**To begin with, the Government made structural changes in the classification of companies in this sector. With effect from July 1, 2020, an enterprise with:**

- plant and machinery investment not exceeding ₹ 1 crore and turnover not exceeding ₹ 5 crore is a micro enterprise
- plant and machinery investment not exceeding ₹ 10 crore and turnover not exceeding ₹ 50 crore is a small enterprise and
- plant and machinery investment not exceeding ₹ 50 crore and turnover not exceeding ₹ 250 crore is a medium enterprise

Further, as part of its AtmaNirbhar Bharat Abhiyaan, the Government provided ₹ 3 lakh crore as collateral-free automatic loans to MSMEs. World Bank also offered US\$ 750 million in support to 15 crore MSMEs towards increasing liquidity access for small businesses impacted by the pandemic.

While funding has always been a primary constraint, delayed payments, inadequate market facilitation and lack of ease of doing business are also hurdles faced by the MSME sector, amongst many others, according to the U.K. Sinha report. In addition to the financial stimulus, these enterprises require adequate working capital loans to ensure liquidity is maintained in their business operations.

Ind-Ra observed that Loans Against Property (LAP) has been a strong funding source for MSMEs, especially during the crisis. However, as the second wave of the

pandemic swept over India, most enterprises may have already utilised all collaterals in hand to meet their working capital funding needs. They may also be challenged by asset quality pressures on account of a moderation in property prices and reduced balance transfers, which lead to lower availability of top-up loans and inflated loan-to-value due to aggressive collateral assessments.

### Corporate Lending

Corporate lending represents advancing loans to medium to large-sized corporates, institutional customers and real estate developers by banks and other financial institutions. It encompasses long and short-term funding, with long-term loans accounting for majority of the industry’s loan book. NBFCs engaged in the corporate lending business are configured to provide loans with a need-based approach, while also accommodating for the appropriate risk-return appetite. Products offered in this category include promoter funding, mezzanine funding, structured and acquisition financing and real estate developer financing.

### COMPANY OVERVIEW

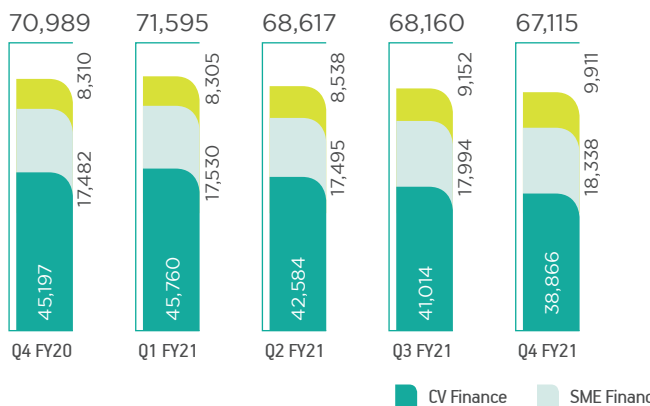
IndoStar is a non-banking finance company (NBFC) registered with the Reserve Bank of India as a

systemically important non-deposit taking company. With Brookfield & Everstone as co-promoters, IndoStar is a professionally managed and institutionally owned organisation which is engaged in providing used and new commercial vehicle financing for transporters, loans to SME borrowers and affordable Home Finance through its wholly-owned subsidiary, IndoStar Home Finance Private Limited.

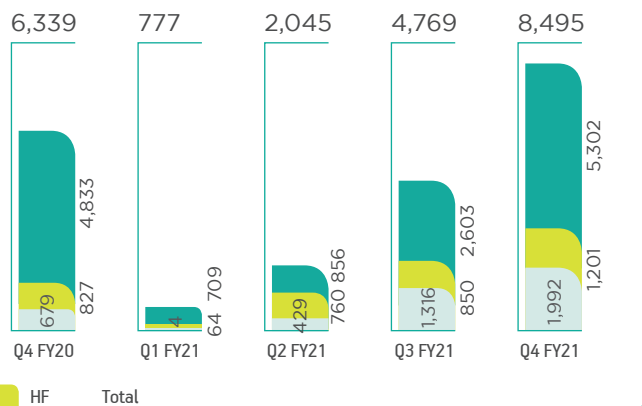
The Company commenced operations in 2011 as an NBFC focussed on financing the corporate sector. In 2016, it kickstarted its journey from being a corporate lender into being a diversified, retail-focussed NBFC and aims to reduce its corporate book to less than 10% by March 2022.

A highly experienced management team, strong platform, and a well-spread branch network have been pivotal in the significant growth of its retail operations. Under their guidance, the Company continues to focus on collections and enhancing asset quality. This has also enabled the Company in building a profitable retail platform with growth potential to deliver excellent value to all its stakeholders. As on March 31, 2021, its Assets Under Management (AUM) stood at ₹ 83,976 million (net of COVID-related provisions).

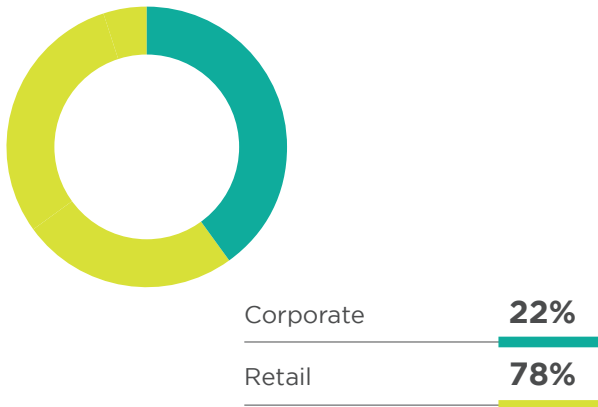
**Retail AUM (₹ mn)**



**Retail Disbursements (₹ mn)**



**AUM Split** (as on March 31, 2021)

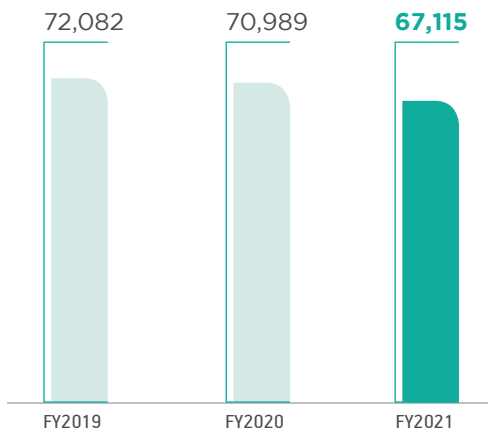


**BUSINESS REVIEW**

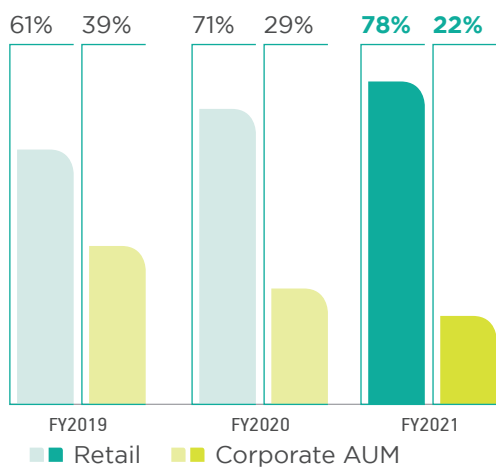
IndoStar capitalised on key focus areas, Commercial Vehicle Finance, Affordable Housing Finance and SME Finance, as it continued to widen its overall portfolio and increase its exposure in each of these segments. Its business of commercial vehicle finance, affordable housing finance and SME finance is spread across 218 locations in 19 states in India. As a part of its retailisation journey, IndoStar continues to strategically reduce its corporate book and expand its retail geographic footprint. The Company is planning for branch, geography as well as product expansion. The Company has also embarked on a digitisation journey which will enhance productivity and reduce the operating expenses. Its collection efficiency has been strong and the Company has seen a pick-up in disbursements.

Along with geographical expansion, the Company is also going to expand the product side. Apart from commercial vehicles, it is also going to focus on passenger vehicles, farm equipment like tractors and construction equipment. The Company is expanding the customer segment as well. It used to focus on two or three vehicle owners and is now looking at lending beyond this segment, with this expansion, the Company’s potential for growth is going to increase substantially.

**Retail AUM** (₹ mn)

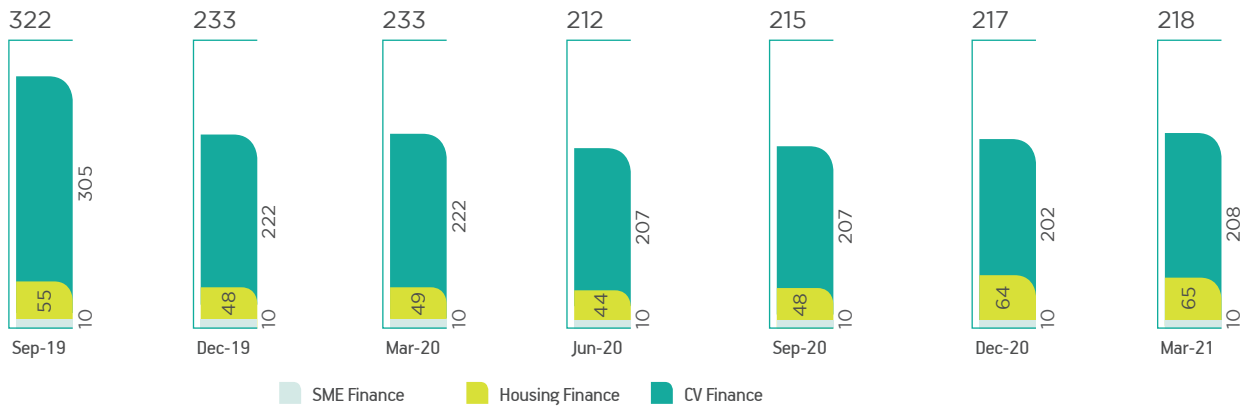


**Retail vs Corporate AUM (%)**



Overall, the CV segment of IndoStar has an AUM of ₹ 38,866 million as on March 31, 2021, as compared to an AUM of ₹ 45,197 million as on March 31, 2020.

**218 Branches across 19 states**



Some branches have multiple operating segments. Business segments include shared branches.

**Commercial Vehicle Finance**

IndoStar’s CV Finance business comprises loans for new and pre-owned commercial vehicles. The Company’s business model encompasses building this segment with 80% of disbursements towards Used Vehicles, while the remaining 20% will include New Vehicles.

This segment of commercial vehicle finance demonstrates immense potential on account of the Vehicle Scrappage Policy announced in Union Budget for 2021-22. The proposed policy prescribes that fitness tests should be conducted on commercial vehicles that are 15 years old or older.

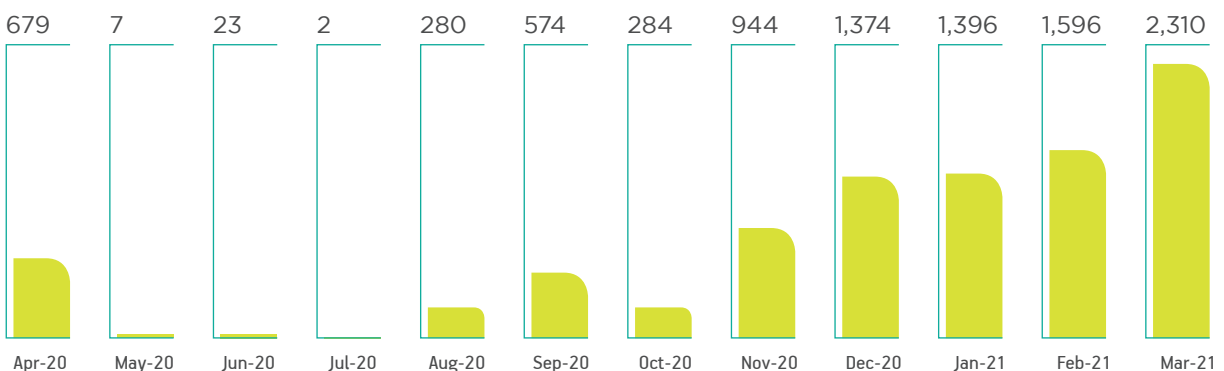
Vehicle financiers will be the biggest beneficiaries of the huge replacement market arising from this much awaited reform announced by the Government. It is estimated that over one million commercial vehicles in India are more than 15 years old. Scrapping them and creating a replacement demand would modernise the fleet and potentially result in an addition of approximately US\$ 15 billion in sales of new commercial vehicles. This replacement demand would translate into nearly 1.5 times the average annual sales of new commercial vehicles.

While the finer details of the policy are awaited, execution of the scheme will be key. If the Government provides for an additional incentive by way of an upgrade discount, the scheme will be extremely successful and truly modernise India’s fleet of vehicles.

IndoStar is actively focussed on the small road transport operators (SRT0) segment. Its vision is to expand its market presence and become a ‘go to’ organised lender of choice for SRT0s. With this, it intends to garner a significant proportion of the demand by appropriately factoring in the higher risks, while giving customers access to relatively affordable credit. While FY 2020-21 was a difficult year for most businesses, SRT0s were relatively less impacted as they were typically a part of the logistics network that could carry essentials to the last mile. Such operators were plying regularly even during the lockdown. During the pandemic’s second wave too, these vehicles have been less impacted as they are used for transportation of construction materials and waste, and this activity has been allowed to continue.

Overall, the CV segment of IndoStar has an AUM of ₹ 38,866 million as on March 31, 2021, as compared to an AUM of ₹ 45,197 million as on March 31, 2020.

**CV Finance - Monthly Disbursement Trend (₹ mn)**



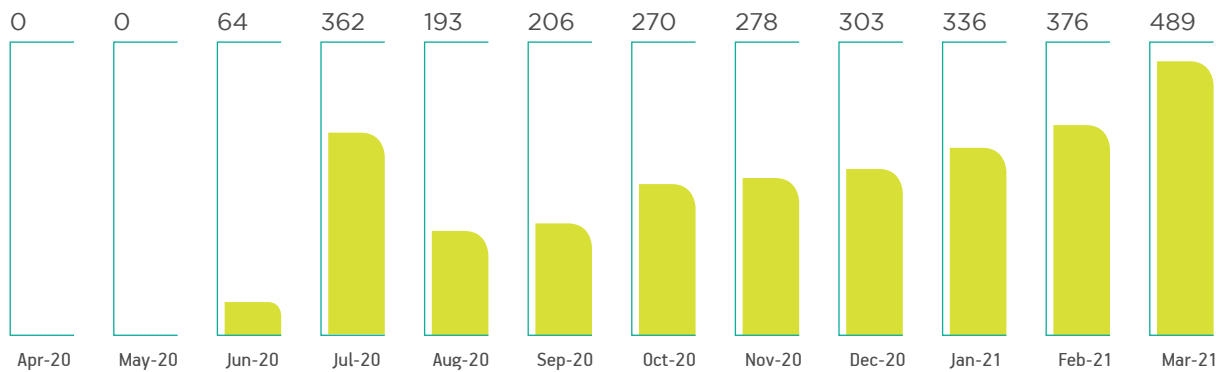
### Housing Finance

IndoStar’s Housing Finance business is operated through its wholly-owned subsidiary IndoStar Home Finance Private Limited. As in the case of its other retail businesses, IndoStar aims at providing access to credit to those underserved by the formal financial sector, specifically customers situated in Tier II and III cities, and those on the outskirts of urban markets. The Company provides affordable loans to self-employed and salaried individuals who seek

to avail loans for purchase and self-construction of residential properties. IndoStar’s key USP in this segment is its excellent asset quality and one of the lowest interest rates.

The Company aims to leverage the Pradhan Mantri Awas Yojana (PMAY) with the aim of building 50 million houses in urban and rural India by 2022. It aims to boost affordable housing and achieve the Government’s vision of Housing for All.

#### Housing Finance - Monthly Disbursement Trend (₹ mn)



### SME Finance

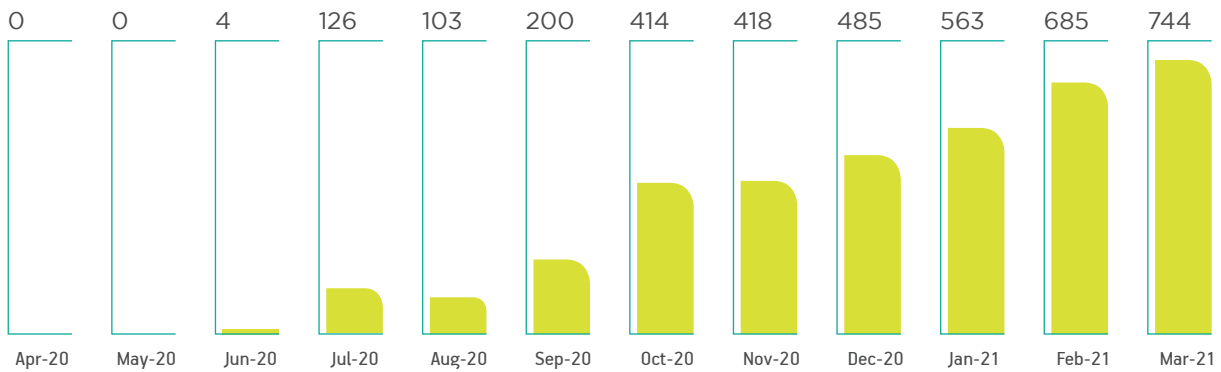
IndoStar’s SME Finance business operates through 10 branches and accounts for ₹ 18,338 million of the Company’s overall loan book. IndoStar foresees tremendous opportunity for funding in this space as it is under-penetrated and can be expected to grow rapidly due to India’s demographic profile. A key USP of this segment is its solid book and a strategy to sell the portfolio to banks through its ‘Build and Sell’ model.

IndoStar’s SME Finance business is aimed at primarily lending to small and medium enterprises for their business financing needs including working capital, business expansion or other requirements. The SME loans are predominantly offered against the collateral of a self-occupied residential or commercial property. Key customers include traders, manufacturers, self-employed professionals and service businesses, with almost 40% of the loans being disbursed to customers who qualify under the Priority Sector lending (PSL) category.



At the end of FY 2020-21, the AUM of the Housing Finance arm stood at ₹ 9,911 million with an Assigned /Securitized Portfolio of ₹ 1,503 million. Fresh loans assigned during the year amounted to ₹ 919 million.

**SME Finance - Monthly Disbursement Trend (₹ mn)**



By the end of FY 2020-21, the SME Finance vertical had an AUM of ₹ 18,338 million.

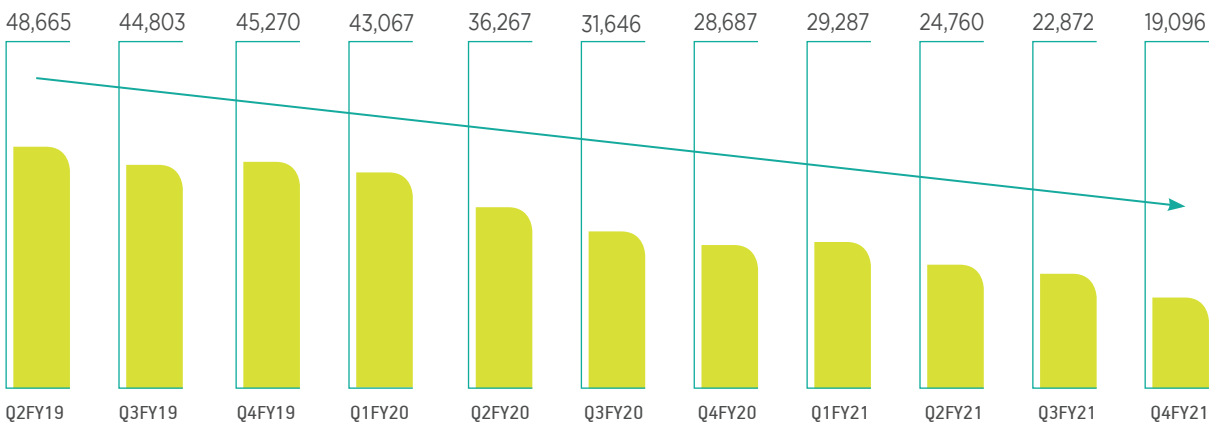
**Corporate Lending**

IndoStar commenced operations as a corporate lender in the year 2011. Under this division, the Company offers senior secured debt for developer financing and structured lending to mid-level and large corporates across diverse sectors. Despite the robust reputation

that it has built in this segment over the years, IndoStar made a strategic decision to move out of this business.

In the year under review, IndoStar continued to focus on steadily reducing its corporate book.

**Corporate Lending AUM (₹ mn)**





## REBUILDING INDOSTAR – KEY HIGHLIGHTS OF FY2021

Even as FY2021 presented a host of challenges, given the outbreak of COVID-19 and a challenging liquidity scenario, IndoStar weathered these challenges with a focus on asset quality, liquidity and cost control. Its priority was safety and security of its workforce, it ensured employee safety and took measures for its employees to work from home to ensure business continuity and ensured all the key operations were functioning. The Company utilised the lockdown period to future-proof and ring-fence the business from potential stress arising out of the tough business environment, and build a scalable and sustainable future.

### Listed below are the strategic highlights of the year and the key building blocks for value creation.

- a. **Inducting Brookfield Business Partners** During FY 2020-21, IndoStar received an equity capital infusion of ₹ 1,225 crore, from the Canada-based alternative asset manager Brookfield Business Partners L.P., through its subsidiary via equity shares and CCPS. With this infusion, Brookfield has become a co-promoter, along with IndoStar Capital Mauritius. This is Brookfield's first private equity investment in India and also the first in a listed NBFC. After Brookfield's stringent and thorough due diligence, transaction was finally completed on July 8, 2020, following which it now holds a stake of ~52% in IndoStar. Post-infusion, IndoStar's capital adequacy increased from 25.3% in FY2020 to 34.6% in FY2021, one of the highest among listed NBFCs. The strong liquidity and low debt-equity positions IndoStar well to further accelerate its retail lending strategy and equip it to effectively use capital to pursue organic and inorganic growth opportunities.
- b. **Building retail business in a highly scalable manner** As a part of its retailisation strategy, IndoStar had acquired the CV finance business of IIFL in FY2019. From being a corporate lending entity, the Company is well on its way to transform itself into a pure retail lending business. With a keen focus on becoming a retail financier of choice, IndoStar is considerably increasing its share of retail loans and reducing its corporate lending portion. It is working towards strengthening and growing its retail business over the next year. It is reducing its corporate book by bringing down its portfolio to ₹ 19,096 million in FY2021 from ₹ 45,721 million in FY2018. By FY2022, it aims to become a 100% retail lending NBFC with its wholesale and corporate book being brought down to zero.
- c. **Maintaining consistent communication with customers** IndoStar maintained a consistent and transparent communication with its customers. As the RBI directed banks and NBFCs to offer moratorium to their customers, IndoStar offered a moratorium to its customers to facilitate them to sail through the crisis. It offered Moratorium 1.0 to all its customers between April and May 2020. Later, as the lockdown continued, it offered Moratorium 2.0 from June to August 2020 to a select group of customers whose businesses continued to remain impacted due to COVID.
- d. **Continuing geographic expansion** While the southern and western regions have been its key area of strength, IndoStar has identified and placed the eastern region as a significant focus. During the year, it set up its first branch in the North East – at Guwahati. The Company is in the process of setting up independent branches for its Affordable Housing Finance business. Beyond its strong hold in the Southern region, it plans to build an all-India network through a 'Hub-and-Spoke' model.
- e. **Leveraging the ICICI Bank partnership** IndoStar had entered into a sourcing, servicing and collection arrangement with ICICI Bank in June 2019, towards extending credit to purchase used and new commercial vehicles across its branch network. The partnership with ICICI Bank has strengthened and this strategic initiative, combined with the building of huge infrastructure to support the aspirational plan for the next five years, has removed any uncertainty with regard to liquidity. We renegotiated terms with ICICI Bank. There are two key commercial parameters with this arrangement; firstly, the lending rate ICICI Bank charges for every loan that we book has been renegotiated downwards from the existing 10.4% to 8.6%. Secondly, the FLDG (First Loss Deposit Guarantee) that we keep with ICICI Bank that was 8% earlier and has moved to 5%.



The Company utilised the lockdown period to future-proof and ring-fence the business from potential stress arising out of the tough business environment, and build a scalable and sustainable future.



**f. Ensuring a robust balance sheet** IndoStar has a one of the highest capital adequacy ratios among all listed NBFCs, a strong liquidity position and a low debt-equity ratio of 1.6 times. Further, IndoStar has been strengthened by the recent affirmation of AA-rating by CRISIL with a stable asset quality, which has been obtained during the most challenging time of lockdown. With the Brookfield Investment, we have a comfortable net capital adequacy of 34.6% and a robust ALM. Going forward, with the comfortable capital position, control on asset quality and strengthened liquidity management practices will continue to provide comfort. The Company has strong liquidity pipeline and multiple avenues to raise further liabilities to finance additional growth.

**g. Maintaining asset quality** Our asset quality, in terms of non-performing loans, has been stable. In fact, when compared to the closing quarter of the previous financial year, we have seen a reduction in GNPA and NNPA to 4.4% and 2.1% at the end of FY 2020-21, respectively, from 4.8% and 3.8% at end FY 2019-20.

**h. Investing in technology** IndoStar is making investments in technology to improve its capabilities to become an agile and process-driven company and capture future growth opportunities. The Company is also making a strategic shift towards building smart branches, which are

digitally advanced and smaller in size, with reduced operational expenses. These smart branches are aimed at enhancing productivity, reducing operating expenses and promoting its retailisation plan. Our digital preparedness enabled us to adapt nimbly, operate efficiently, empower our people, offer seamless business continuity and meet customer expectations during the lockdown.

**i. Being agile and future-ready** IndoStar moved with speed and nimbleness to adapt to rapidly-changing environment. While it managed its liquidity requirements, it also made its balance sheet more robust with high capital adequacy and low leverage, becoming ready for a better future. As a part of future-proofing its business, it built strategies on optimising costs, reducing overheads and worked on improving its operational efficiencies to further strengthen the foundation and build a resilient business. Backed by sharper customer insights, harnessing the power of digital, we offered a seamless Customer Experience (CX) across our products and services, to the delight of our customers.

## PERFORMANCE REVIEW

During a challenging liquidity scenario, IndoStar's Assets Under Management decreased to ₹ 67,115 million by the end of FY2021, as compared to ₹ 68,160 million in FY2020, led by a reduction in Corporate lending, with its portfolio quality continuing to remain robust.



The Company enjoys a strong liquidity position with ₹ 11,503 million as on June 30, 2021 of liquidity reserves, with its capital adequacy standing at 34.6%, aided by the capital of ₹ 1,225 crore raised from Brookfield.

As the year progressed, its collections improved rapidly from 65% in July to 71% in August, 92% in September. By October 2020, collections increased to 100%, post which from November 2020, the Company restarted disbursements in all the three retail businesses.

With signs of an imminent economic recovery, it restarted disbursements and rapidly reached pre-covid levels. The recovery was swift and by Q3 of FY2021, it disbursed twice that of Q2 in FY2021. It is engaging into cautious disbursements and focussing more on asset quality to reduce the number of customers seeking moratorium by increasing collections.

From the first quarter, the Company implemented steps to ring-fence the balance sheet against possible risks associated with the pandemic during the year. Some of these steps included additional provisioning

in the face of COVID and rationalisation of costs. IndoStar also laid greater emphasis on digitalisation to ensure business continuity, reduce operating expenses and enhance its productivity. Its third critical focus was on maintaining its asset quality.

The Company enjoys a strong liquidity position with ₹ 11,503 million as on June 30, 2021 of liquidity reserves, with its capital adequacy standing at 34.6%, aided by the capital of ₹ 1,225 crore raised from Brookfield. Even during challenging times and the lockdown, the Company managed to secure funds from banks and institutions, including NHB, and raised an additional liquidity of ₹ 14,274 million for IndoStar Capital Finance Limited and ₹ 4,985.30 million for IndoStar Home Finance Limited respectively, at competitive rates.

## FINANCIAL OVERVIEW

(₹ million)

Particulars	FY 2020-21	FY 2019-20	YoY variance
Revenue from Operations	12,872	15,989	(19%)
Interest Expenses	7,086	8,634	(18%)
Net Revenue from Operations	5,786	7,355	(21%)
People Cost	1,737	1,887	(8%)
Operating Expenses	1,618	1,233	31%
Pre-provision Operating Profit	2,431	4,235	(37%)
Loss Before Tax	(2,189)	(4,366)	(50%)
Loss After Tax	(2,141)	(3,246)	(34%)

Key Metrics	FY 2020-21	FY 2019-20
Yield	13.7%	14.5%
Cost of Borrowings	10.1%	10.4%
Spread	2.1%	4.1%
NIM	5.5%	6.7%
Cost to Income	49.2%	42.1%

## INITIATIVES TO TACKLE COVID-19

Based on details provided by IndoStar. At IndoStar, we believe that volatility and uncertainty present an opportunity to reinvent. With COVID-19 throwing the world economy into turmoil, we knew that it was important for us to stay calm, think on our feet and realign ourselves to the new normal. Our inherent agility automatically kicked in and we enabled a swift and seamless transition to work from home. Our digital preparedness enabled us to adapt nimbly, operate efficiently, empower our people, offer seamless business continuity and meet customer expectations. We have been working from home during the lockdown and hence realised that large branches are not required. Accordingly, we have been working on digitisation and making smart (and smaller) branches. This will further help us in enhancing the productivity as well as reducing the operating expenses. Such initiatives will strengthen our retail aspirational plan.

### Fostering an informed and inclusive environment

**Leader Connect:** Our Vice-Chairman and CEO individually connected with all critical functions, providing much-needed assurance, appreciation, guidance and concern redressal.

**Employee Connect:** Through weekly communication from the CHRO's desk, we shared a situation analysis and the road ahead. One-on-one HR intervention provided necessary support during the transition to remote working.

The strength of character displayed by our people in these challenging times bears a testament to the IndoStar spirit. While 90% of them began operating remotely almost overnight, we knew that they would take some time to grapple with the new normal. At our end, we ensured that they were kept informed, engaged and enabled.

The Company reassured employees that in case of any hospitalisation, quarantine or treatment, the Group medical insurance policy provides adequate coverage to them and their dependent family members. The Company also amped up the engagement levels and engaged teams virtually via talent shows, jam sessions, challenges and other celebrations.

Regular communication emails are being sent to employees to increase their awareness on the importance of maintaining good hygiene and wearing masks at all times. IndoStar also shared the guidelines from National Housing Bank on precautions to be taken to ensure safety from the virus on all its social media platforms.

### Some other ongoing initiatives are:

- Employees testing positive for COVID are provided assistance through provision of bed at a hospital empanelled under the Company's medical insurance policy. The expenses incurred on their hospitalisation are covered through the Medclaim. The Human Resources (HR) team and senior leadership members engage with the employee that tests positive for COVID, and his or her family, to provide mental and emotional support.
- Regular employee connect calls are being conducted proactively by the HR team with employees to understand the magnitude of COVID-19 infected cases in their families and in their localities.
- Every branch is working with minimal strength and on rotational basis, any notification pertaining to new rules of lockdown for any State are dealt with immediate action to ensure all employees are aware and abide by the new rules imposed in their respective State.
- Weekly engagement initiatives are conducted to keep the employees motivated and engaged. For instance, the Company had a virtual Holi Celebration; in another instance, it has a platform where employees narrate a story from which they draw inspiration or which has had a major influence on their lives.
- In order to make employees better equipped, emphasis is given to employee upskilling with regular Product & Behavioural trainings being conducted for employees from all verticals.
- Currently, IndoStar is looking forward to extending its support to build a makeshift health care facility, provide aid in the form of oxygen concentrators at several government hospitals scattered across India through its CSR partnerships with a non-profit organisation. Attempts are also being made to secure vaccination for all its employees and citizens at large by liaising with local government bodies.

**BUSINESS OUTLOOK**

There are visible green shoots in the economy with consumer demand showing signs of an uptick and rural economy performing well. These factors will provide a fillip to companies like IndoStar. Despite the macro-economic and industry challenges, the sector offers tremendous opportunities to NBFCs with a strong franchise and sound management teams. With the Brookfield investment and its focussed retailisation strategy, IndoStar is well placed to take advantage of the market dislocation and capture increased market share in the retail business.

With each of its three business segments representing a key element for the development of a growing economy, there exists a huge and growing market potential across all the retail segments. An experienced management team, efficient risk management processes and a strong position in retail lending strategically positions IndoStar on a growth path, further supported by its strong capitalisation levels, low leverage, improved access to credit lines and a comfortable liquidity position. While the near-term outlook post-lockdown is clouded with challenges, we believe that the medium-term looks brighter. As developed markets continue with fiscal and

monetary expansion, emerging markets will benefit significantly on the exports front. In this context, India could potentially be a big winner. On the flip side, however, a prolonged COVID-19 crisis across the world has the potential to play spoilsport. Therefore, it is expected that while economic activity will remain muted in FY2022, it should gradually start to gain traction thereafter.

**HUMAN RESOURCES**

In October 2020, IndoStar onboarded Mr. Deep Jaggi as its Chief Business Officer. He comes with a rich experience and an excellent track record to enable IndoStar leverage its strengths of having a large equity partner, equity capital network, digitisation, smart branches to name a few.

For the past 10 years, he has garnered valuable experience with HDB Financial Services where he spearheaded the Asset Finance division. At HDB Financial Services, he had been instrumental in expanding and strengthening the P&L of Commercial vehicle, Construction equipment, PV & Tractor business. Under his leadership, IndoStar will look forward to strengthening its market position and profitably build over the next 5 years.

**HR Vision and Mission**

**Vision**

**Source | Train | Align | Retain – IndoSTAR way of Life!**

**Source & Build Right Talent**

Attracting, Sourcing & Recruiting the Right Talent

**Train to Learn & Grow**

Training & Development Program for Employees

**Align to IndoStar Goal**

Aligning employees to Org Goals through Communication, Performance Measurement & R&R

**Retain to Engage & Succeed**

Retaining employees through engagement interventions: Health & Wellness, Fun at Work, Employee-related benefits, Help desks

**Mission**

To be recognised as “RESILIENT, RESPONSIVE, RESPONSIBLE” team, partnering with business to achieve all its organisational goals.

To stay focussed on HR delivery the 4 key pillars, we have built in the additional dimension of cost efficiencies through innovative thinking, automation and increased employee reach.

**People Processes & Compliances**

Not only building on policies that are employee centric that meet regulatory & statutory compliance, but also streamlining them to make them easy to administer and use.

**Talent Management & Development**

Primary focus area to established a well-rounded strategy that includes all aspects like a robust PMS, R&R schemes, Learning & Development - for building our talent base.

**Employee Engagement**

Interventions to increase employee engagement in the areas of Health & Wellness, making the workplace more fun, work-life balance and supporting CSR causes continue

**HR Efficiency**

Digitalisation of key HR processes to make processes efficient.



## INFORMATION TECHNOLOGY

Technology has been a standout for us in the lockdown, not only from a communication perspective, but also for the adoption by businesses for customer outreach. We will continue to drive new tech initiatives to differentiate ourselves. IndoStar has embarked on its digital transformation journey. It seeks to digitise every aspect of the lending process from lead generation to disbursement, making them more transparent and paperless, with the use of analytics to track performance. Towards this end, it has on-boarded fintech and technology partners to implement the digital journey and define risk scorecards to ensure automated flows. This will also ensure efficient credit decisions. The business rule engines that digitise the credit process will enable the Company to leverage the fintech ecosystem for integrations to ensure reduced documentation, process checks and underwriting. It will also effectively utilise a risk analytics framework to facilitate better collection metrics.

The organisation will be implementing Robotic Process Automation in various functions of the organisation. This is largely targeted for bulk, voluminous and repetitive processes and thereby reducing operational cost and efficient processing.

The organisation is adapting the cloud model for its entire infrastructure thereby bringing in agility and resilience. We are in the path of being a Digital NBFC.

“

In October 2020, IndoStar onboarded Mr. Deep Jaggi as its Chief Business Officer. He comes with a rich experience and an excellent track record to enable IndoStar leverage its strengths of having a large equity partner, equity capital network, digitisation, smart branches.

## RISK MANAGEMENT

### Interest Rate Risk

It is the risk that the value of an investment will suffer as the result of a change in interest rates. Interest rate risk can be reduced through diversification of investment maturities or hedged using interest rate derivatives.

### Mitigation

IndoStar considers factors such as customer profile, competitive landscape and growth objectives while deciding on interest rate revisions. It closely monitors interest rate fluctuations and takes appropriate measures to protect the business.

### Asset Liability Management Risk

It is the risk faced due to mismatch between assets and liabilities on account of inadequate liquidity, changes in interest rates, etc.

### Mitigation

The Asset Liability Management Committee (ALCO) reviews market-related trends and risks and adopts various strategies related to assets and liabilities, in line with the Company's risk management framework. In addition, the Company has put in an ALM support group which meets frequently to review the liquidity position of the company. The Company always maintains adequate liquidity assets and reserves to enable business growth and repayment of obligations. It also ensures access to funds so that liquidity is available in case of unexpected events.

### Credit Risk

It is the risk of default or non-repayment of loan by a borrower due to liquidity crisis, economic downturns, bankruptcy or other reasons.

### Mitigation

The Company has comprehensive and well-defined credit policy, which encompass credit approval process along with guidelines for mitigating the risks associated with them. The Company has a robust post sanction monitoring process to identify credit portfolio trends and early warning signals.

### Operational Risk

Failure of processes and controls with respect to the operations can have adverse impact on the business continuity, reputation and profitability of the company.

### Mitigation

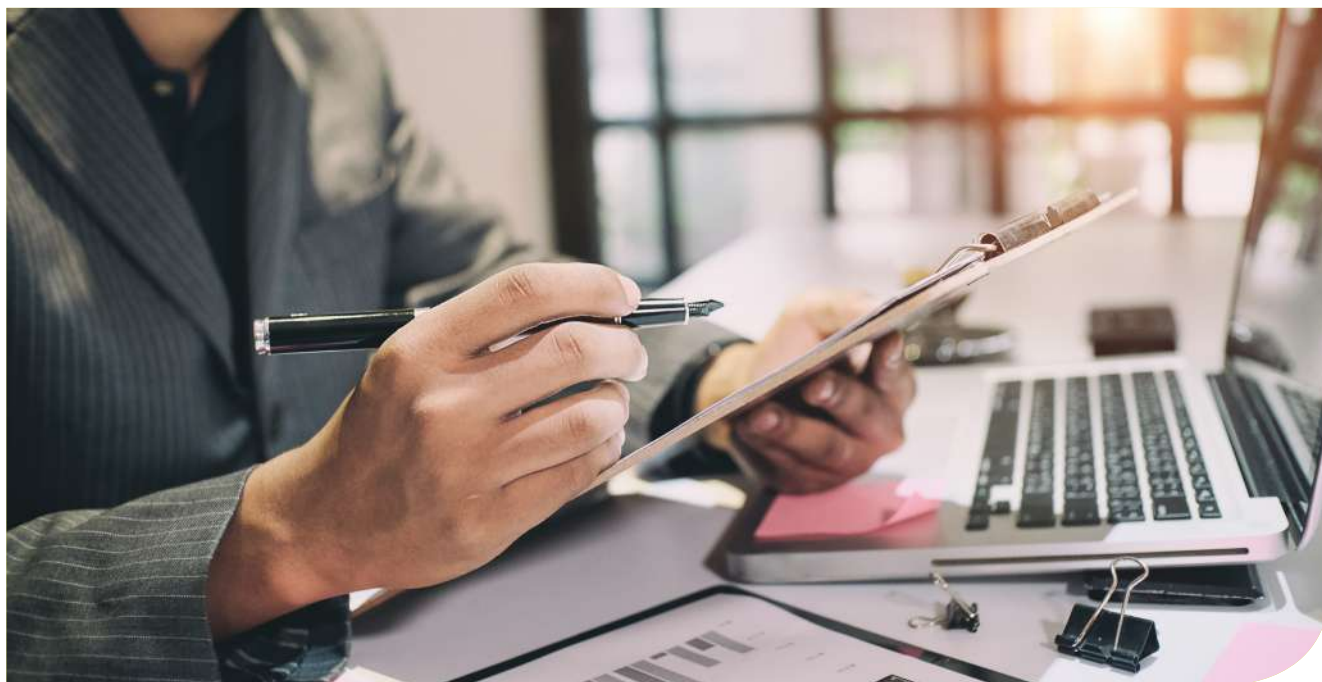
The Company has put in place robust control and audit mechanisms to identify and mitigate operational risks. A strong operating model which has well documented Standard Operating Processes and exception reporting framework ensures risk of operational errors is minimised.

### Regulatory Risk

The financial sector is exposed to a complex regulatory framework. Any changes or noncompliance with the regulations may result in monetary losses and damage the reputation of the company.

### Mitigation

Strong internal control framework, robust IT systems and an expert team ensure strict adherence to the applicable rules and regulations. The Company closely monitors the policy actions and proactively responds to the changes.



## INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

### Internal Financial Controls

The Company has put in place an adequate internal control mechanism to safeguard all its assets and ensure operational efficiency. The mechanism ensures compliance with laws and regulations, accuracy in financial reporting and management information, sound corporate governance and risk management. The Company has robust policy frameworks to ensure adequate controls on business processes.

The Company has also adopted an Internal Financial Control framework in line with requirement of the Companies Act, 2013 for ensuring the orderly conduct of its business, including adherence to the Company's policies, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of financial information. The Company has appointed an independent audit firm to ensure the effectiveness of internal financial controls which include the following:

- Review entity level controls covering key aspects relating to control environment, control activities, risk management, information, communication and monitoring framework
- Update Risk and Control Metrics for business and support functions for changes in control procedures and coverage of all components of internal financial controls
- Test the design and operating effectiveness of controls

The Company has engaged KPMG, a leading firm of Chartered Accountants, for verifying the efficacy and effectiveness of internal financial controls as well as conducting an internal audit covering all business verticals and support functions. The internal audit function independently reviews the crucial areas based on audit plans, which are then examined and approved by the Audit Committee. These audit plans are formulated on the basis of a risk assessment to determine the critical areas which need to be reviewed. The internal audit findings are reviewed by the Management Committee and the Audit Committee of the Board. Corrective actions are, thereafter, suggested and are implemented by the process owner across the relevant functional areas to continuously strengthen the internal control framework.

### CAUTIONARY STATEMENT

This document contains statements about expected future events, financial and operating results of IndoStar, which are forward-looking. By their nature, forward-looking statements require the Company to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that the assumptions, predictions and other forward-looking statements will not prove to be accurate. Readers are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause assumptions, actual future results and events to differ materially from those expressed in the forward-looking statements. Accordingly, this document is subject to the disclaimer and qualified in its entirety by the assumptions, qualifications and risk factors referred to in the management's discussion and analysis of IndoStar's Annual Report FY 2020-21.



# BOARD'S REPORT

Dear Members,

Your Directors take pleasure in presenting the 12<sup>th</sup> Annual Report on the affairs of your Company together with the audited financial statements for the financial year ended March 31, 2021.

## FINANCIAL HIGHLIGHTS

The key highlights of the audited standalone financial statements of your Company for the financial year ended March 31, 2021 and comparison with the previous financial year ended March 31, 2020 are summarized below:

Particulars	₹ in crore)	
	As at March 31, 2021	As at March 31, 2020
Total income	1,193.27	1,540.00
Total expenditure	1,450.37	1,987.66
<b>Profit before taxation</b>	(257.10)	(447.66)
<b>Less: Provision for taxation</b>		
- Current tax	-	0.02
- Deferred tax asset	(20.21)	(107.59)
- Tax of earlier years	4.56	-
<b>Net profit after taxes</b>	(241.47)	(340.09)
<b>Other comprehensive income, net of tax</b>	0.01	0.47
<b>Total comprehensive income</b>	(241.46)	(339.62)
Transfer to statutory reserve fund pursuant to Section 45-IC of the Reserve Bank of India Act, 1934	-	-
Appropriation towards dividend and dividend distribution tax	-	*22.24
<b>Surplus in the statement of profit and loss</b>	(241.41)	(361.86)
Balance brought forward from previous period	538.08	899.94
Balance carried to balance sheet	296.99	538.08
<b>Earnings per share (Face Value ₹ 10/- each)</b>		
Basic (₹)	(23.14)	(36.85)
Diluted (₹)	(23.14)	(36.85)

\*includes dividend and dividend distribution tax aggregating to ₹ 11.12 crore towards final dividend for financial year 2018-19 paid in financial year 2019-20.

## FINANCIAL PERFORMANCE AND COMPANY'S STATE OF AFFAIRS

The Company utilized the lockdown period to ring-fence the business from potential stress arising out of the tough business environment, and build a scalable and sustainable future. The conservative approach of ring fencing the balance sheet since the first quarter of the financial year under review, has strengthened the Company's position and placed it ideally to take advantage of future growth opportunities. The Company is now looking to accelerate the buildup of the retail business. The combination of opening smart branches along with the digitization initiative will help the Company to enhance productivity and reduce operating expenses.

Pursuant to the requirement of the Reserve Bank of India ("RBI") Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking

Company and Deposit taking Company (Reserve Bank) Directions, 2016, the circulars, directions, notifications issued by the RBI from time to time and provisions of the Companies Act, 2013 (the "Act") read with Rules made thereunder, a provision of ₹ 74.87 crore (previous year: ₹ 151.58 crore) at the rate of 1.06% of outstanding standard assets of the Company was made as at March 31, 2021. For details of Reserves and Surplus of the Company, please refer Note 21 of the audited standalone financial statements of the Company for the financial year ended March 31, 2021.

### Investment by Brookfield

On January 31, 2020, the Board of Directors of your Company approved (i) issue and allotment of 3,01,72,414 equity shares and 1,20,68,966 compulsorily convertible preference shares ("Subscription Securities") to BCP V Multiple Holdings Pte. Ltd. ("Brookfield"), at ₹ 290 per share, aggregating to an approximate investment

of ₹ 1,225 crore in the share capital of the Company (“Preferential Allotment”); and (ii) execution of a share subscription agreement (“SSA”) and shareholders’ agreement (“SHA”) among the Company, Brookfield and Indostar Capital (“ICM”). The SSA and SHA were executed on January 31, 2020 which had also triggered an obligation on Brookfield to make an open offer to the public shareholders of the Company in terms of Regulations 3(1) and 4 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (“SEBI Takeover Regulations”) [“Open Offer”].

During the year under review, upon receipt of approval of the shareholders of the Company and regulatory authorities, Brookfield acquired 56.55% stake in the fully diluted share capital of the Company by way of (i) acquisition of Subscription Securities on May 27, 2020 under Preferential Allotment, (ii) acquisition of 2,92,41,258 equity shares of the Company on July 08, 2020, under the Open Offer, and (iii) acquisition of 50,00,000 equity shares of the Company on July 09, 2020, from ICM. Subsequent to completion of the abovementioned acquisitions, in terms of the SHA and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, Brookfield is in control of the Company and a promoter of the Company. ICM continues to be in control and be classified as a promoter of the Company. Funds raised pursuant to the Preferential Allotment have been utilized for the purpose for which it was raised.

This strategic investment by Brookfield will enable your Company to leverage Brookfield’s expertise in the financial services domain globally to facilitate the raising of external finance, introduce operational improvements and continue to scale the business and will accelerate the pace of achieving your Company’s objective of becoming a leading provider of financing and credit solutions for commercial vehicle owners, affordable home finance, small and medium enterprises and emerging businesses.

Details on performance of your Company has also been covered in the Management Discussion and Analysis Report which forms part of the Annual Report.

During the year under review, there has been no change in the nature of business of your Company. Pursuant to conscious efforts of the Company towards its strategy to de-risk the balance sheet through retailisation, the share of retail AUM as on March 31, 2021 stood at 78% (as on March 31, 2020: 71%).

No material changes and commitments affecting the financial position of your Company have occurred between the end of year under review and date of this Board’s Report.

## IMPACT OF COVID-19

The year under review saw unprecedented economic and social disruption on account of the COVID-19 pandemic. The nation witnessed a complete lock-down at the start of the financial year which was gradually relaxed and tightened as and when the impact of the virus varied, which has contributed to a significant decline in economic activities and severely impacted the business and operations of your Company. The extent to which the COVID-19 pandemic will impact the Company’s financial position will depend on future developments, which are highly uncertain.

During the pandemic, safety of employees has been your Company’s priority. Further, your Company has collaborated with various non-governmental organisations to contribute towards the fight against COVID-19. Your Company and its employees have through their contribution supported various initiatives for providing PPE kits in hospitals, family essentials including dry ration for the underprivileged.

In support of the Government’s initiatives to support general public in the wake of disruption caused by the pandemic, your Company provided its borrowers affected by the pandemic with moratorium on payment of loan instalments and has extended credit wherever deemed fit, to eligible borrowers under the Emergency Credit Line Guarantee Scheme (ECLGS). Your Company believes that this move has enabled borrowers, especially small and medium sized business who have availed the facility, to cope with the difficult business conditions caused by the pandemic.

Detailed information on initiatives taken by your Company to tackle COVID-19 has been included under the Management Discussion and Analysis Report which forms part of the Annual Report.

## DIVIDEND AND DIVIDEND DISTRIBUTION POLICY

In terms of the Dividend Distribution Policy of the Company, dividend shall be declared / recommended on the equity shares of the Company, keeping in view the Company’s objective of meeting the long term capital requirement for the business from internal cash accruals and appropriately rewarding shareholders. Details of the Dividend Distribution Policy have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board’s Report and is also available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-services>.

With the intention to conserve cash in the Company *inter-alia* to meet the uncertainties arising out of COVID-19, the Board of Directors has not recommended final dividend on equity shares for financial year 2020-21.

Subsequent to the year under review, the Company paid dividend due on 1,20,68,966 compulsorily convertible preference shares (“CCPS”) of the Company, at the rate of 10% p.a. calculated on the issue price of CCPS i.e. ₹ 290 per CCPS, in accordance with terms of the CCPS approved by the equity shareholders of the Company.

### FINANCIAL STATEMENTS

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (“Ind AS”) notified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended from time to time.

In terms of Section 129 of the Act read with Rules framed thereunder, audited consolidated financial statements of the Company and its subsidiaries shall be laid before the ensuing Annual General Meeting of the Company along with the audited standalone financial statements of the Company for the financial year ended March 31, 2021.

The audited standalone and consolidated financial statements together with Auditor’s Report(s) thereon along with the salient features of the financial statements of the subsidiaries of the Company in the prescribed Form AOC-1 forms part of the Annual Report and are also available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-relations>.

### SUBSIDIARY COMPANIES & THEIR FINANCIAL PERFORMANCE

Your Company has 2 (two) unlisted wholly-owned subsidiaries namely, IndoStar Home Finance Private Limited (“IHFPL”) and IndoStar Asset Advisory Private Limited (“IAAPL”). Your Company does not have any joint venture(s) / associate company(ies) within the meaning of Section 2(6) of the Act.

During the year under review, there has been no change in the nature of business of the subsidiary companies and there were no additions / deletions in the number of subsidiaries of your Company.

The audited standalone financial statements of each of the subsidiaries are available on the website of the Company at <https://www.indostarcapital.com/investors-corner>. Members interested in obtaining a copy of the audited standalone financial statements of the subsidiaries may write to the Company Secretary at the Registered & Corporate Office of the Company or at [investor.relations@indostarcapital.com](mailto:investor.relations@indostarcapital.com).

In terms of Regulation 16(1)(c) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”) and Company’s Policy for Determining

Material Subsidiary, subsequent to the year under review, IHFPL has become a material subsidiary of your Company. Further, in terms of explanation to Regulation 24(1) of the Listing Regulations, the requirement of appointing an Independent Director of the Company on the board of directors of IHFPL is currently not applicable.

The Audit Committee reviews the financial statements of subsidiaries of the Company, the investments made by its subsidiaries and the statement of all significant transactions and arrangements entered into by the subsidiaries, if any, in terms of the Listing Regulations. The minutes of board meetings of the unlisted subsidiary companies and detailed presentations on business performance of material subsidiary, are placed before the Board.

#### IndoStar Home Finance Private Limited

IHFPL is registered with the National Housing Bank to carry on the business as a housing finance institution without accepting public deposits and primarily focuses on providing affordable home finance. IHFPL commenced business operations in mid of 2017 and has built a quality and profitable portfolio of over ₹838.22 crore as on March 31, 2021. IHFPL operates in 10 states across India through various branches and has an employee base of over 270 employees as on March 31, 2021.

During the year under review, the total income of IHFPL was ₹134.06 crore (previous year: ₹97.14 crore). The operations of IHFPL during the year under review has resulted in profit after tax of ₹27.95 crore (previous year: loss after tax was ₹14.20 crore).

Subsequent to the year under review, your Company further capitalized IHFPL with ₹250 crore, subsequent to which your Company’s investment in the equity share capital of IHFPL stands at ₹450 crore.

#### IndoStar Asset Advisory Private Limited

IAAPL is enabled under its objects to carry on the business of *inter-alia* advising, managing, providing investment advisory services, financial advisory services, management and facilitation services. Currently, IAAPL acts as an investment manager to IndoStar Credit Fund and IndoStar Recurring Return Credit Fund, both, Category II Alternative Investment Funds registered with the Securities and Exchange Board of India (“SEBI”). Since IndoStar Recurring Return Credit Fund is not operational, IAAPL has applied to SEBI for surrendering the registration of IndoStar Recurring Return Credit Fund and the application is under process.

The tenor of IndoStar Credit Fund expired on June 09, 2019, and in accordance with the provisions of Securities and Exchange Board of India (Alternative

Investment Funds) Regulations, 2012, the Board of Directors of IndoStar Asset Advisory Private Limited have approved winding up of the fund which is in process.

During the year under review, the total income of IAAPL was ₹ 0.04 crore (previous year: ₹ 1.85 crore) and the loss after tax was ₹ 0.04 crore (previous year: profit after tax was ₹ 0.63 crore).

## MANAGEMENT DISCUSSION AND ANALYSIS REPORT

In terms of the Listing Regulations and the circulars, directions, notifications issued by RBI (“RBI Directions”), the Management Discussion and Analysis Report for the year under review is presented in a separate section forming part of the Annual Report.

## AWARDS AND RECOGNITION

Your Company is a ‘Great Place to Work’ Certified organization. Being certified as a Great Place to Work means that the Company is committed to building and sustaining a culture that drives high performance and trust.

Every year, more than 10,000 organizations from over 60 countries partner with Great Place to Work Institute for assessment, benchmarking and planning actions to strengthen their workplace culture.

In order to get certified the Company undergoes a rigorous process by which Great Place to Work analyses suitability for certification:

- Culture Audit - which consists of organization demographic, key human resources (HR) matrices, detailed write ups and showcase of HR practices in predefined areas of HR intervention,
- Trust Index Survey - it consists of administering a “Trust Index Survey” to a 30% of the employee base selected on random basis, and
- Post Submission Audit - it includes conducting of telephonic interview to verify and validate the responses submitted during the abovementioned processes.

## SHARE CAPITAL

### Issued, Subscribed and Paid-up Share Capital

During the year under review, the Company issued and allotted (i) 3,01,72,414 equity shares and 1,20,68,966 compulsorily convertible preference shares to BCP V Multiple Holdings Pte. Ltd., by way of preferential allotment; and (ii) 11,07,000 equity shares pursuant to exercise of stock options under various Employee Stock Options Plans of the Company.

Subsequent to the year under review, your Company allotted 64,400 equity shares pursuant to exercise of stock options.

Consequent to the abovementioned allotments, the issued, subscribed and paid-up share capital of the Company as on the date of this report stands increased to ₹ 1,35,86,36,950/- divided into 12,37,94,729 equity shares and 1,20,68,966 compulsorily convertible preference shares.

Your Company has not issued any equity shares with differential rights as to voting, dividend or otherwise.

## DIRECTORS AND KEY MANAGERIAL PERSONNEL

At present, the Board of Directors of your Company comprises 8 (eight) Directors of which 3 (three) are Non-Executive Independent Directors, 4 (four) are Non-Executive Non-Independent Directors and 1 (one) is an Executive Director. The Chairman of the Board of Directors is a Non-Executive Independent Director. The Board composition is in compliance with the requirements of the Act, the Listing Regulations and the RBI Directions. Detailed composition of the Board of Directors of the Company has been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board’s Report.

### Appointments and Cessations:

All appointments of Directors are made in accordance with the relevant provisions of the Act, the Listing Regulations, the RBI Directions and other laws, rules, guidelines as may be applicable to the Company. The Nomination & Remuneration Committee (“NRC”) exercises due diligence *inter-alia* to ascertain the ‘fit and proper’ person status of person proposed to be appointed on the Board of Directors of the Company, and if deemed fit, recommends their candidature to the Board of Directors for consideration.

During the year under review, in terms of the SHA executed by the Company with Brookfield and ICM, the Board of Directors at its meeting held on July 10, 2020 approved appointment of Mr. Aditya Joshi and Mr. Sridhar Rengan (both nominated by Brookfield) and Mr. Vibhor Kumar Talreja (nominated by ICM), as Additional Directors in the category of Non-Executive Non-Independent Directors of the Company. Further, in terms of notice(s) received under Section 160 of the Act, proposing candidature of Mr. Joshi, Mr. Rengan and Mr. Talreja, the shareholders at the Annual General Meeting of the Company held on September 24, 2020 approved the appointment of Mr. Joshi, Mr. Rengan and Mr. Talreja, as Non-Executive Non-Independent Directors of the Company, liable to retire by rotation.

During the year under review, Mr. Bobby Parikh, Non-Executive Independent Director was appointed as

Chairman of the Board in place of Mr. Dhanpal Jhaveri with effect from July 10, 2020.

During the year under review, Mr. Shailesh Shirali, Whole-time Director, Mr. Dinesh Kumar Mehrotra, Non-Executive Independent Director and Mr. Alok Oberoi, Non-Executive Non-Independent Director, resigned from the Board of Directors of the Company with effect from July 10, 2020. Further, Mr. Sridhar Rengan resigned from the Board of Directors of the Company with effect from February 04, 2021. The Board of Directors places on record its sincere appreciation for the valuable contribution and guidance provided by Mr. Shirali, Mr. Mehrotra, Mr. Oberoi and Mr. Rengan, during their association with the Company.

Subsequent to resignation of Mr. Regan, upon nomination by Brookfield in terms of the SHA, the Board of Directors at its meeting held on February 04, 2021, approved appointment of Mr. Munish Dayal as Additional Non-Executive Non-Independent Director, to hold office up to the date of the ensuing Annual General Meeting of the Company. Further, notice in terms of Section 160 of the Act has been received from a Member of the Company, proposing the candidature of Mr. Dayal, as Non-Executive Non-Independent Director of the Company, which shall be considered by the shareholders at the ensuing Annual General Meeting of the Company. The Board of Directors recommends appointment of Mr. Dayal as Non-Executive Non-Independent Director of the Company, at the ensuing Annual General Meeting of the Company. Brief profile of Mr. Dayal has been included in the notice convening the ensuing Annual General Meeting of the Company.

#### Director(s) Retiring by Rotation

In terms of Section 152(6) of the Act read with the Articles of Association of the Company, Mr. R. Sridhar, Executive Director of the Company, shall retire by rotation and being eligible, has offered himself for re-appointment at the ensuing Annual General Meeting of the Company. A brief profile of Mr. Sridhar has been included in the notice convening the ensuing Annual General Meeting.

#### Director(s) Declaration and Disclosures

Based on the declarations and confirmations received in terms of the provisions of the Act, the Listing Regulations and the RBI Directions, none of the Directors on the Board of your Company are disqualified from being appointed / continuing as Directors.

A certificate from H Choudhary & Associates, Practicing Company Secretary, confirming that none of the Directors on the Board of the Company as on March 31, 2021 have been debarred or disqualified from being appointed or continuing as Director on the Board of the Company by the Securities and Exchange Board of India, the Ministry of Corporate Affairs or any

such statutory authority, forms part of the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

The Company has received declaration from all the Non-Executive Independent Director(s), affirming compliance with the criteria of independence as stipulated in Section 149(6) of the Act and Regulation 16(1)(b) of the Listing Regulations.

#### Key Managerial Personnel ("KMP")

During the year under review, Mr. Shailesh Shirali resigned from the office of Whole-time Director of the Company with effect from July 10, 2020.

Following are the KMPs of the Company as on date of this Board's Report:

- |    |                     |   |  |
|----|---------------------|---|--|
| 1. | Mr. R. Sridhar      | - | Executive Vice-Chairman & CEO          |
| 2. | Mr. Amol Joshi      | - | Chief Financial Officer                |
| 3. | Mr. Jitendra Bhati- |   | Company Secretary & Compliance Officer |

#### RBI DIRECTIONS

Your Company complies with the direction(s), circular(s), notification(s) and guideline(s) issued by the Reserve Bank of India as applicable to your Company as a systemically important non-deposit taking non-banking financial company ("NBFC").

Your Company has complied with the provisions of the extant circulars, regulations and guidelines related to foreign investment in India, with respect to the downstream investments.

#### COMPLIANCE WITH SECRETARIAL STANDARDS

In terms of provisions of Section 118 of the Act, your Company is in compliance with Secretarial Standards on Meetings of the Board of Directors and Secretarial Standards on General Meeting issued by the Institute of Company Secretaries of India.

#### DEPOSITS

Your Company has not accepted any public deposits during the year under review and shall not accept any deposits from the public without obtaining prior approval of the RBI. Further, your Company being an NBFC disclosure requirements under Chapter V of the Act read with Rule 8(5)(v) and 8(5)(vi) of the Companies (Accounts) Rules, 2014 are not applicable to your Company.

#### RESOURCES AND LIQUIDITY

Your Company has diversified funding sources including public sector banks, private sector banks, mutual funds, insurance companies and financial institutions. Funds were raised through various modes including bank borrowings, issuance of

non-convertible debentures on private placement basis and sale / assignment / securitisation of loan assets of the Company.

During the year under review, your Company has raised funds from *inter-alia* following sources (i) ₹ 1,225 crore by way of issue and allotment of 3,01,72,414 equity shares and 1,20,68,966 compulsorily convertible preference shares, at ₹ 290 per share, on private placement basis; (ii) ₹ 829.39 crore as bank borrowings (outstanding as on March 31, 2021: ₹ 2,776.14 crore); (iii) ₹ 550 crore through issuance of non-convertible debentures (outstanding as on March 31, 2021: ₹ 1,889.64 crore); and (iv) ₹ 373.39 crore by sale /

assignment / securitisation of loan assets of the Company. Funds raised through private placement of debentures were utilised for the purpose mentioned in the respective offer documents.

Capital Infusion by Brookfield has strengthened the Company's liquidity position and the Company is operating with low debt: equity ratio of 1.57:1 as on March 31, 2021. The investment not only provides capital funding but also access to new debt financing via Brookfield's relationships with financial institutions. This positions the Company well to further accelerate its retailisation strategy in a challenging market environment and equips it with the ability to use capital for both organic and inorganic growth.

### Credit Rating(s)

Your Company's financial discipline and prudence is reflected in the strong credit ratings ascribed by rating agencies. Ratings assigned to the Company as on March 31, 2021 is summarised below:

Particulars / Rating Agencies	Rating	Remarks
<b>Long Term:</b>		
<b>• Debt Programme</b>		
CARE Ratings Limited	"CARE AA-"	The ratings indicate that the instruments have high degree of safety regarding timely servicing of financial obligations and carry low credit risk.
CRISIL Ratings Limited	"CRISIL AA-"	
India Ratings and Research Private Limited (Fitch Group)	"IND AA-"	
<b>• Market Linked Debentures</b>		
CARE Ratings Limited	"CARE PP-MLD AA-"	
<b>• Short Term Debt Programme / Commercial Paper:</b>		
CRISIL Ratings Limited	"CRISIL A1+"	The ratings indicate that the instruments have very strong degree of safety regarding timely payment of financial obligations and carry lowest credit risk.
CARE Ratings Limited	"CARE A1+"	
ICRA Limited	"[ICRA] A1+"	
		Short Term Debt Programme / Commercial Paper of your Company carry the highest rating by three major credit rating agencies.

Subsequent to the year under review, upon request by the Company for voluntary withdrawal of rating, India Ratings and Research Private Limited re-affirmed and withdrew rating assigned to the long term debt program of the Company.

### DEBT EQUITY RATIO

Your Company's Debt Equity ratio as on March 31, 2021 stood at 1.57:1.

### CAPITAL ADEQUACY RATIO

Your Company is well capitalised to provide adequate capital for its continued growth. As on March 31, 2021, the Capital to Risk Assets Ratio ("CRAR") of your Company stood at 34.6%, well above the regulatory limit of 15% as prescribed by the RBI for NBFCs.

### NET OWNED FUNDS

The Net Owned Funds of your Company as on March 31, 2021 stood at ₹ 2,716.04 crore.

### AUDITORS

#### Statutory Auditors & their Report

In terms of provisions of the Act, M/s. Deloitte Haskins & Sells LLP, Chartered Accountants, having ICAI Firm Registration No. 117366W/W-100018, were appointed as the Statutory Auditors of the Company at the 11<sup>th</sup> Annual General Meeting of the Company held on September 24, 2020 for a term of five years and they held office till the conclusion of the 16<sup>th</sup> Annual General Meeting of the Company.

Subsequent to year under review, the RBI has issued guidelines on April 27, 2021 for appointment of statutory auditors for NBFCs applicable from second half of financial year 2021-22 which *inter-alia* mandates tenure of statutory auditors to be for a continuous period of three years subject to satisfying the eligibility criteria each year. The Company will be taking necessary steps to comply with the said RBI guidelines.

M/s. Deloitte Haskins & Sells LLP, Statutory Auditors in their report(s) on the audited standalone and consolidated financial statements of your Company for the financial year ended March 31, 2021, have not submitted any qualifications, reservations, adverse remarks or disclaimers.

During the year under review, the Statutory Auditors have not reported any instances of fraud in the Company committed by officers or employees of the Company to the Audit Committee.

#### Secretarial Auditors & their Report

In terms of Section 204 of the Act and Regulation 24A(1) of the Listing Regulations, secretarial audit report from M Siroya and Company, Practicing Company Secretary in the prescribed format for the financial year ended March 31, 2021 is enclosed herewith at **Annexure I** to this Board's Report.

M Siroya and Company, Practicing Company Secretary, in their report on the secretarial audit of your Company for the financial year ended March 31, 2021 have not

submitted any qualifications, reservations, adverse remarks or disclaimers.

### MAINTENANCE OF COST RECORDS

Your Company is not required to maintain cost records in terms of Section 148(1) of the Act.

### REPORT ON CORPORATE GOVERNANCE

The Corporate Governance Report for the year under review, including disclosures as stipulated under Regulation 34 read with Schedule V of the Listing Regulations and the RBI Directions is annexed to and forms an integral part of this Board's Report.

A certificate from H Choudhary & Associates, Practicing Company Secretary, confirming compliance with the conditions of Corporate Governance as prescribed under the Listing Regulations is annexed to the Corporate Governance Report.

### Meetings

The Board and Committees meet at regular intervals *inter-alia* to discuss, review and consider various matters including business performance, strategies, policies and regulatory updates and impact. During the year under review, the Board met 6 (six) times and several meetings of Committees including the Audit Committee were held. Details with respect to the meetings of the Board of Directors and Committees held during the year under review, including attendance by Directors / Members at such meetings have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

### Board Committees

The Board of Directors, in compliance with the requirements of various laws applicable to the Company, as part of good corporate governance practices and for operational convenience, has constituted several committees to deal with specific matters and has delegated powers for different functional areas to different committees.

The Board of Directors has amongst others, constituted Audit Committee, Credit Committee, Asset Liability Management Committee, Risk Management Committee, Nomination & Remuneration Committee, Corporate Social Responsibility Committee, Stakeholders Relationship Committee, IT Strategy Committee, Debenture Committee, Internal Complaints Committee(s), Banking Committee, Investment Committee and Grievances Redressal Committee.

Details with respect to the composition, terms of reference, number of meeting(s) held and attended by respective member(s), roles, powers and responsibilities of the Committee(s) have been

provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

### PERFORMANCE EVALUATION

In terms of the provisions of the Act and the Listing Regulations, the Board of Directors adopted a Board Performance Evaluation Policy to set out a formal mechanism for evaluating performance of the Board, that of its Committee(s) and individual Directors including the Chairperson. Additionally, in order to outline detailed process and criteria to be considered for performance evaluation, the Nomination & Remuneration Committee has put in place the 'Performance Evaluation Process - Board, Committees and Directors', which forms an integral part of the Board Performance Evaluation Policy.

In terms of the requirement of Schedule IV of the Act and Regulation 25 of the Listing Regulations, a separate meeting of the Independent Directors was held on March 23, 2021 to review the performance of the Non-Independent Directors including the Chairman and the Board, as a collective entity.

Subsequent to the year under review, the Board of Directors evaluated the performance of the Directors including Independent Directors, Committee(s) of the Board and the Board as a collective entity, during the year under review.

A statement indicating the manner in which formal evaluation of the performance of the Board, Committee(s) of the Board, individual Directors including the Chairman during the year under review was carried out, is provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

### FAMILIARISATION PROGRAMME FOR INDEPENDENT DIRECTORS

In compliance with the requirements of the Listing Regulations the Company has adopted and put in place a Familiarisation Programme for Independent Directors to familiarize Independent Directors *inter-alia* with the industry in which your Company and its subsidiaries operate, the Company's business model and its operations in order to give them an insight into the Company's business and its functioning. A formal letter of appointment is given to Independent Directors at the time of their appointment which lays down the fiduciary duties, roles and responsibilities of an Independent Director. The terms and conditions of appointment of Independent Directors is available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-services>.

Details of familiarisation programmes imparted to the Independent Directors during the year under review including details of number of programmes and number of hours spent by each Independent Director are hosted on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-services>.

### POLICY ON APPOINTMENT OF DIRECTORS AND SENIOR MANAGEMENT PERSONNEL

In terms of Section 178 of the Act, the Listing Regulations and the RBI Directions, the Board of Directors adopted a 'Policy on Selection Criteria / "Fit & Proper" Person Criteria' *inter-alia* setting out parameters to be considered for appointment of Directors and Senior Management Personnel of the Company.

Details of the Policy on Selection Criteria / "Fit & Proper" Person Criteria have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report and is also available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-services>.

### REMUNERATION POLICY, DISCLOSURE OF REMUNERATION & PARTICULARS OF EMPLOYEES

#### Remuneration Policy

In terms of Section 178 of the Act and the Listing Regulations, the Board of Directors adopted a Remuneration Policy *inter-alia* setting out the criteria for determining remuneration of Executive Directors, Non-Executive Directors, Senior Management and other employees of the Company.

Details of the Remuneration Policy have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report. The Remuneration Policy is also available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-services>.

#### Employee Remuneration

In terms of Section 197 of the Act read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the disclosures with respect to the remuneration of Directors, Key Managerial Personnel and employees of the Company have been provided at **Annexure II** to this Board's Report.

Statement containing details of employees as required in terms of Section 197 of the Act read with Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is available for inspection at the Registered & Corporate Office of the Company during working hours for a period of 21 days before the date of the ensuing



Annual General Meeting. A copy of the statement may be obtained by shareholders by writing to the Company Secretary at the Registered & Corporate Office of the Company or at investor.relations@indostarcapital.com.

The Board of Directors confirm that remuneration paid to the Directors was as per the Remuneration Policy of the Company.

### WHISTLE BLOWER POLICY / VIGIL MECHANISM

In terms of Section 177(9) and Section 177(10) of the Act and the Listing Regulations, the Board of Directors adopted a Whistle Blower Policy / Vigil Mechanism, *inter-alia* to provide a mechanism for Directors and employees of the Company to approach the Audit Committee of the Company and to report genuine concerns related to the Company. The Whistle Blower Policy / Vigil Mechanism provides for adequate safeguards against victimization of Director(s) or employee(s) who report genuine concerns under the mechanism.

Details of the Whistle Blower Policy / Vigil Mechanism have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

### CORPORATE SOCIAL RESPONSIBILITY

In terms of Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014 ("CSR Rules"), the Board of Directors have constituted a Corporate Social Responsibility (CSR) Committee and in light of your Company's philosophy of being a responsible corporate citizen, the Board of Directors adopted a CSR Policy which lays down the principles and mechanism for undertaking various projects / programs as part of Company's CSR activities. During the year under review, the CSR Policy of the Company was amended in order to *inter-alia* align the policy with amendments in the Act and the CSR Rules. In terms of the CSR Policy, during the year under review your Company's CSR activities were focused in the fields of education, women empowerment, environment and sanitation.

Details of the composition of the CSR Committee and the CSR Policy have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

Disclosures in terms of Section 134(3)(o) and Section 135 of the Act read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, with respect to CSR activities undertaken by the Company during the year under review, have been provided at **Annexure III** to this Board's Report.

### RISK MANAGEMENT FRAMEWORK

Your Company has in place a mechanism to identify, assess, monitor and mitigate various risks associated with the business of the Company. Major risks identified by the business and functions, if any, are systematically addressed through mitigating actions on a continuing basis. The Board of Directors have adopted a Risk Management Framework and Policy which *inter-alia* integrates various elements of risk management into a unified enterprise-wide policy.

The Risk Management Committee of the Company has not identified any elements of risk which in their opinion may threaten the existence of your Company. Details of the risks and concerns relevant to the Company are discussed in detail in the Management Discussion and Analysis Report which forms part of the Annual Report.

In terms of the RBI Directions and in order to further strengthen the risk management framework, the Company appointed a Chief Risk Officer ("CRO") and adopted a policy on Independence of the CRO. In order to ensure that the Company maintains high standards of risk management practices, the CRO functions independently with no relationship with business verticals of the Company. The CRO is *inter-alia* entrusted with the responsibility of identifying, measuring and mitigating risks which may affect the Company and putting in place and monitoring the risk management policies and practices of the Company.

Details of the Risk Management Framework and Policy have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

### INTERNAL CONTROL / INTERNAL FINANCIAL CONTROL SYSTEMS AND THEIR ADEQUACY

Your Company's well-defined organizational structure, documented policies, defined authority matrix and internal controls ensure efficiency of operations, compliance with internal system / policies and applicable laws. The internal control system / policies of your Company are supplemented with internal audits, regular reviews by the management and checks by external auditors. The Audit Committee and the Board of Directors monitor the internal controls system / policies of your Company. The Risk Management Committee and the Audit Committee periodically review various risks associated with the business of the Company along with risk mitigants and ensure that they have an integrated view of risks faced by the Company. The Board of Directors is of a view that your Company's internal control systems are commensurate with the nature of its business, size and complexity of operations.

The Company has set up an in-house Internal Audit Department, which will be instrumental in further strengthening the internal control systems and processes already adopted, developed and implemented by the Company.

To the best of our knowledge and belief, and according to the information and explanations obtained by us, and based on the report(s) of Statutory Auditors and submission(s) by Internal Auditors of the Company for the financial year under review, the Board of Directors is of the view that the internal financial controls with reference to the financial statements of the Company were adequate and operating efficiently and further confirm that:

- (i) the Company has comprehensive internal financial control systems that are commensurate with the size and nature of its business;
- (ii) the Company has laid down standards, processes and structures which enable implementation of internal financial control systems across the organisation and ensure that the same are adequate and operating effectively;
- (iii) the systems are designed in a manner to provide reasonable assurance about the integrity and reliability of the financial statements;
- (iv) the Company adopts prudent lending policies and exercises due diligence to safeguard its loan asset portfolio; and
- (v) the loan approval process involves origination and sourcing of business leads, credit appraisal and credit approval in accordance with approved processes / matrix.

### CEO & CFO CERTIFICATE

Compliance Certificate in terms of Regulation 17(8) of the Listing Regulations on the audited financial statements and other matters prescribed therein, submitted to the Board of Directors by the Executive Vice-Chairman & CEO and the Chief Financial Officer of the Company, for financial year ended March 31, 2021 is enclosed herewith at **Annexure IV** to this Board's Report.

### BUSINESS RESPONSIBILITY REPORT

In terms of Regulation 34(2)(f) of the Listing Regulations, the Business Responsibility Report (BRR) of your Company detailing initiatives undertaken by the Company on environmental, social and governance front during the year under review, forms part of this Annual Report and has been provided at **Annexure V** to this Board's Report and is also available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-relations>.

### CONTRACTS / ARRANGEMENTS WITH RELATED PARTIES AND RELATED PARTY TRANSACTION POLICY

In terms of the provisions of the Act, the Listing Regulations and the RBI Directions, the Board of Directors adopted 'Related Party Transaction Policy' to ensure obtaining of proper approvals and reporting of transactions with related parties.

In terms of Section 177 of the Act and Regulation 23 of the Listing Regulations read with the Related Party Transaction Policy of the Company, transactions with related parties were placed before the Audit Committee for its approval and omnibus approval of the Audit Committee was obtained for related party transactions of repetitive nature, within the limits prescribed by the Board of Directors. The Audit Committee is periodically updated with respect to related party transactions executed under omnibus approval.

During the year under review, no material related party transactions as prescribed in Section 188 of the Act read with Companies (Meetings of the Board and its Powers) Rules, 2014, were entered by your Company. Accordingly, the disclosure of related party transactions as required under Section 134(3)(h) of the Act in Form AOC-2 is not applicable to the Company. Further, during the year under review, the Company had not entered into transactions with related parties which could be considered to be 'material' in accordance with the Related Party Transaction Policy of the Company. All other transactions with related parties, during the year under review, were in compliance with the Related Party Transaction Policy of the Company. Further, the Company has not entered into transactions requiring disclosures in terms of Regulation 53(f) of the Listing Regulations.

Disclosure of the related party transactions as required under IndAS - 24 are reported in Note 32 of the audited standalone financial statements of the Company for the financial year ended March 31, 2021.

Details of the Related Party Transaction Policy have been provided in the Corporate Governance Report which is annexed to and forms an integral part of this Board's Report.

### PARTICULARS OF LOANS, GUARANTEES OR INVESTMENTS

In terms of Section 186(11) of the Act read with Companies (Meetings of Board and its Powers) Rules, 2014, the provisions of Section 186 in respect of loans made, guarantees given or securities provided or any investment made by the Company are not applicable to the Company.

## ANNUAL RETURN

In terms of Section 134(3)(a) and Section 92(3) of the Act read with the Companies (Management and Administration) Rules, 2014, the Annual Return as at financial year ended March 31, 2021 is available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-services>.

## EMPLOYEE STOCK OPTION PLANS (“ESOP PLANS”)

Your Company believes that its success and ability to achieve its objectives is largely determined by the quality of its workforce and recognises that not only good employment opportunities but also additional motivating mechanisms are needed to incentivise employees and aligning their interest with the interest of the Company. In recognition of the said objective, the Company adopted and implemented IndoStar ESOP Plan 2012 (“ESOP 2012”), IndoStar ESOP Plan 2016 (“ESOP 2016”), IndoStar ESOP Plan 2016-II (“ESOP 2016-II”), IndoStar ESOP Plan 2017 (“ESOP 2017”) and IndoStar ESOP Plan 2018 (“ESOP 2018”) (collectively referred to as “ESOP Plans”) to attract, retain, motivate and incentivise employees of the Company and its holding / subsidiary companies.

The ESOP Plans of the Company are implemented and administered by the Nomination & Remuneration Committee.

The Board of Directors confirms that the ESOP Plans are in compliance with the provisions of the Act and the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended (“SEBI ESOP Regulations”).

Disclosures in terms of Regulation 14 of the SEBI ESOP Regulations read with SEBI Circular No. CIR/CFD/POLICY CELL/2/2015 dated June 16, 2015 are available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-services>.

## DISCLOSURES UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION & REDRESSAL) ACT, 2013

Consistent with its core values, your Company is committed to create an environment in which all individuals are treated with respect and dignity and promote a gender sensitive and safe work environment. Accordingly, the Board of Directors adopted a Care & Dignity Policy and also constituted an Internal Complaints Committee, in compliance with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013.

Considering geographic diversification across the country and increase in number of employees,

the Board of Directors have constituted Regional Internal Complaints Committees for North, West and South regions.

During the year under review, no complaints related to sexual harassment were received by the Internal Complaints Committee and the Regional Internal Complaints Committees.

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

Since your Company is engaged in financial services activities, its operations are not energy intensive nor does it require adoption of specific technology and hence information in terms of Section 134(3)(m) of the Act read with the Companies (Accounts) Rules, 2014 is not provided in this Board’s Report. Your Company is vigilant on the need for conservation of energy.

During the year under review, your Company did not have any foreign exchange earnings and incurred foreign currency expenditure of ₹ 0.59 crore (Previous year foreign exchange expenditure: ₹ 1.04 crore).

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

During the year under review, no orders have been passed against your Company by any regulator(s) or court(s) or tribunal(s) which would impact the going concern status and / or the future operations of your Company.

## DIRECTORS RESPONSIBILITY STATEMENT

To the best of our knowledge and belief and according to the information and explanations obtained by us, pursuant to the provisions of Section 134(3)(c) read with Section 134(5) of the Act, the Directors hereby confirm that:

- a) in the preparation of the annual accounts for the year ended March 31, 2021, the applicable accounting standards have been followed and no material departures have been made from the same;
- b) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and 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 loss of the Company for that period;
- c) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- d) they have prepared the annual accounts on a going concern basis;
- e) they have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- f) they have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

#### **APPRECIATION AND ACKNOWLEDGEMENT**

The Directors take this opportunity to express their appreciation to all stakeholders of the Company including the Reserve Bank of India, the National Housing Bank, the Ministry of Corporate Affairs, the Securities

and Exchange Board of India, the Government of India and other Regulatory Authorities, the BSE Limited, the National Stock Exchange of India Limited, the Depositories, Bankers, Financial Institutions, Members and Customers of the Company for their continued support and trust. Your Directors would like to express deep appreciation for the commitment shown by the employees in supporting the Company in achieving continued robust performance on all fronts.

By the Order of the Board of Directors

For **IndoStar Capital Finance Limited**

Place: Mumbai  
Date: August 25, 2021

**Bobby Parikh**  
Chairman  
DIN: 00019437

## Annexure I

**FORM NO. MR-3**  
**SECRETARIAL AUDIT REPORT**  
**FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021**

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies  
 (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
 The Members,  
 IndoStar Capital Finance Limited  
 One World Center, 20<sup>th</sup> Floor,  
 Tower 2A, Jupiter Mills Compound,  
 Senapati Bapat Marg,  
 Mumbai - 400013

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **IndoStar Capital Finance Limited** (hereinafter called the "Company") for the audit period covering the financial year ended on March 31, 2021. 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 and also the information provided by the Company, its officers, agents and authorized 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, 2021 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

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 March 31, 2021 according to relevant and applicable 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 Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment in India;
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ("SEBI Act"):
  - a. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008;
  - b. The Securities and Exchange Board of India (Debenture Trustees) Regulations, 1993;
  - c. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
  - d. The Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018;
  - e. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulation, 2015;
  - f. The Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014;
  - g. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; and
  - h. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.
- (vi) Based on the representations made by the Company and its officers and our verification of the relevant records on test check basis, the Company has adequate system and process in place for compliance with the following laws applicable specifically to the Company:
  - a. The Reserve Bank of India Act, 1934, as applicable to Non-Banking Financial Companies;
  - b. Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016;

- c. Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016;
- d. Master Direction - Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016;
- e. Master Direction - Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016;
- f. Master Direction - Information Technology Framework for the NBFC Sector;
- g. Master Direction on Money Market Instruments: Call / Notice Money Market, Commercial Paper, Certificates of Deposit and Non-Convertible Debentures (original maturity up to one year);
- h. Master Direction - Know Your Customer (KYC) Direction, 2016;
- i. Prevention of Money Laundering Act, 2002 and the Rules made thereunder; and
- j. Various Circulars, Notifications, Directions, Guidelines, Master Circulars issued by the Reserve Bank of India from time to time in respect of Systemically Important Non-Deposit taking Non-Banking Financial Company.

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

1. Secretarial Standards issued by The Institute of Company Secretaries of India, as applicable;
2. The Debt Listing Agreement entered by the Company with the BSE Limited ("BSE"); and
3. The Equity Listing Agreement entered by the Company with the BSE Limited ("BSE") and National Stock Exchange of India Limited ("NSE").

During the period under review, the Company has complied with the provisions of the Act, Rules, Regulations, Circulars, Notifications, Directions, Guidelines, Standards, etc. mentioned above, subject to the observation that the remuneration paid / provided by the Company to Mr. Shailesh Shirali during the tenure of his appointment in the financial year ended March 31, 2021 is in excess of the limits provided under Section 197 of the Act read with Schedule V of the Act by ₹ 44.73 Lakhs. The Company has informed us that it proposes to seek approval of the Members of the Company by way of special resolution in the ensuing Annual General Meeting.

Other Statutes, Acts, Laws, Rules, Regulations, Guidelines and Standards as applicable to the Company are given below:

1. Labour Laws and other incidental laws related to employees appointed by the Company either on its payroll or on contract basis, as related to wages, gratuity, provident fund, ESIC, compensation etc.;
2. Stamps Acts and Registration Acts of respective states;
3. Acts as prescribed under Direct Tax and Indirect Tax;
4. Land Revenue laws of respective states;
5. Labour Welfare Acts of respective states;
6. Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013; and
7. Such other Local laws as applicable to the Company and its offices / branches.

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

Adequate notices were given to all the Directors to schedule the Board / Committee Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and in certain cases meetings were held through shorter notice after due compliance with the applicable provisions, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the Meeting and for meaningful participation & deliberations at these Meetings.

During the period under review, decisions were carried out with unanimous approval of the Board and no dissenting views were observed, while reviewing the minutes.

**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, circulars, notifications, directions and guidelines.

**We further report that** during the audit period the Company has undertaken following event / action having a major bearing on the Company's affairs in pursuance of the above referred laws, acts, rules,

regulations, circulars, notifications, directions, guidelines, standards:

i. The Board of Directors vide their circular resolution dated May 27, 2020 allotted the following securities on a preferential and private placement basis, for cash consideration to the BCP V Multiple Holdings Pte. Ltd. (“Brookfield”), after receiving requisite approval from Reserve Bank of India, other regulatory authority and stakeholders *inter-alia* for change in shareholding / control / management:

- a) 3,01,72,414 equity shares of the face value of ₹ 10 each at a price of ₹ 290 per equity share aggregating to approximately ₹ 875 Crore; and;
- b) 1,20,68,966 compulsorily convertible preference shares having face value of ₹ 10 each (“Preference Share”), at a price of ₹ 290 per Preference Share, aggregating to approximately ₹ 350 Crore, wherein each Preference Share carries a dividend of 10% (ten percent) per annum (calculated on issue price), net of any taxes, payable on a yearly basis and will be converted to 1 equity share per Preference Share within 18 months from the date of issuance.

The Company received final listing and trading approvals from NSE and BSE for the abovementioned equity shares, vide their respective letters dated June 2, 2020.

Subsequently, Brookfield made an open offer to the public shareholders of the Company in compliance with requirements of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, which opened on June 16, 2020 and closed on June 29, 2020, pursuant to which Brookfield acquired 2,92,41,258 equity shares on July 8, 2020. Further in terms of a Share Purchase Agreement dated January 31, 2020 (“SPA”) executed between Brookfield and Indostar Capital (“ICM”), Brookfield further acquired 50,00,000 equity shares of the Company on July 9, 2020 from ICM (by way of transfer of shares). In view of aforesaid acquisition and in terms of the SPA, the shareholders’ agreement (“SHA”) and share subscription agreement (“SSA”) both SHA and SSA dated January 31, 2020 executed among the Company, Brookfield and ICM, Brookfield became a promoter of the Company in accordance with applicable law, with effect from July 9, 2020 and ICM continues to be the Promoter of the Company.

ii. On July 10, 2020, the Board of Directors at their meeting *inter-alia* approved re-constitution of the Board of the Company;

iii. Members at their annual general meeting held on September 24, 2020 (“AGM”), *inter-alia* approved the following(s):

- a) Appointment of Deloitte Haskins & Sells LLP, Chartered Accountants, as the Statutory Auditors of the Company to hold office for a period of five years i.e. from the conclusion of the 11<sup>th</sup> Annual General Meeting of the Company till the conclusion of the 16<sup>th</sup> Annual General Meeting of the Company and to fix their remuneration;
- b) Appointment of Mr. Aditya Joshi, Mr. Sridhar Rengan and Mr. Vibhor Kumar Talreja as a Non-Executive Non-Independent Director of the Company;
- c) Issue of Non-Convertible Debentures under Private Placement during a period of 1 (one) year commencing from the date of passing of the Special Resolution at the AGM, for aggregate principal amount not exceeding ₹ 10,000 crore;
- d) Payment of Commission to Non-Executive Independent Directors of the Company for a period of five years commencing from financial year 2020-21;
- e) Policy on loan to employees of the Company and its subsidiaries;
- f) Waiver of recovery of excess managerial remuneration paid to Mr. R. Sridhar, Executive Vice-Chairman & Chief Executive Officer of the Company, for financial year 2019-20;
- g) Waiver of recovery of excess managerial remuneration paid to Mr. Shailesh Shirali, Former Whole-Time Director of the Company, for financial year 2019-20;
- h) Revised contract executed with Mr. R. Sridhar, Whole-Time Director of the Company;
- i) Amendment of IndoStar ESOP Plan 2012, IndoStar ESOP Plan 2016, IndoStar ESOP Plan 2016-II, IndoStar ESOP Plan 2017 and IndoStar ESOP Plan 2018 [collectively referred to as IndoStar ESOP Plan(s)];
- j) Amended Indostar ESOP Plan (s) - Grant of Options to the Eligible Employees of Subsidiary Companies / Holding Company; and
- k) Adoption of restated Articles of Association of the Company.

- iv. The Board of Directors at their meeting held on October 7, 2020 *inter-alia* increased the limits of investment / divestment of funds of the Company to an amount not exceeding ₹ 4,000 crore at any point of time;
- v. During the period under review, the Company allotted 11,07,000 equity shares of face value of ₹ 10 each fully paid up, on exercise of employees stock options, in accordance with the IndoStar Employee Stock Option Plan(s).
- vi. During the period under review, the Company allotted 5,500 Non-Convertible Debentures on Private Placement basis aggregating to ₹ 550 crore which were listed on the wholesale debt segment of the BSE Limited.
- vii. During the period under review, the Company redeemed / bought back 4,750 Non-Convertible

Debentures of face value of ₹ 10 Lakh each, aggregating to ₹ 475 Crore and 310 Non-Convertible Debentures of face value of ₹ 1 Crore each, aggregating to ₹ 310 crore.

For **M Siroya and Company**  
Company Secretaries

**Mukesh Siroya**  
Proprietor  
FCS No.: 5682; CP No.: 4157  
UDIN: F005682C000479760

Place: Mumbai  
Date: June 17, 2021

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,  
IndoStar Capital Finance Limited

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

1. Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these Secretarial records based on our audit.
2. 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. Wherever required, we have obtained the Management’s representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the Corporate and other applicable laws, rules, regulations, standards is the responsibility of the management. Our examination was limited to the verification of the 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.
7. In view of the ongoing restrictions / advisories issued by the Government of India / Maharashtra to contain the spread of Covid-19 pandemic on the movement of people, we have relied on electronic data for verification of the Company books, papers, minute books, forms, returns filed and other records maintained by the Company.

For **M Siroya and Company**  
Company Secretaries

**Mukesh Siroya**  
Proprietor  
FCS No.: 5682; CP No.: 4157  
UDIN: F005682C000479760

Place: Mumbai

Date: June 17, 2021

## Annexure II

### Disclosures in terms of sub-section 12 of Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 for the Financial Year ended March 31, 2021

Sr. No.	Requirement	Disclosure
1.	The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year	<b>Name of Director</b>
		Mr. R. Sridhar
		Ratio
		307.68
		*Mr. Shailesh Shirali (Remuneration is annualised)
		76.92
		^Mr. Bobby Parikh
		NA
		^Mr. Dinesh Kumar Mehrotra
		NA
		^Mr. Hemant Kaul
		NA
		^Ms. Naina Krishna Murthy
		NA
Mr. Dhanpal Jhaveri		
NA		
^Mr. Alok Oberoi		
NA		
# Mr. Aditya Joshi		
NA		
^Mr. Sridhar Rengan		
NA		
# Mr. Vibhor Kumar Talreja		
NA		
@Mr. Munish Dayal		
NA		
2.	The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer and Company Secretary in the financial year	<b>Name of Director / CEO / CFO / CS</b>
		<b>Percentage Increase in their remuneration during the financial year under review</b>
		Mr. R. Sridhar
		Nil
		Mr. Shailesh Shirali (Remuneration is annualised)
		Nil
		^Mr. Bobby Parikh
		NA
		^Mr. Dinesh Kumar Mehrotra
		NA
		^Mr. Hemant Kaul
		NA
		^Ms. Naina Krishna Murthy
		NA
Mr. Dhanpal Jhaveri		
NA		
^Mr. Alok Oberoi		
NA		
#Mr. Aditya Joshi		
NA		
^Mr. Sridhar Rengan		
NA		
^Mr. Vibhor Kumar Talreja		
NA		
@Mr. Munish Dayal		
NA		
Mr. Amol Joshi (CFO) (Appointed as CFO from September 20, 2019; remuneration for FY 2019-20 has been annualised)		
41%		
Mr. Jitendra Bhati (CS)		
62%		
3.	The percentage increase in the median remuneration of employees in the financial year	16%
4.	Number of permanent employees on the rolls of Company at the end of financial year	1,660
5.	Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration	Average percentile increase already made in the salaries of employees other than the managerial personnel in FY 2020-21 - 44.17%
		Average percentile increase already made in the salaries of managerial personnel in FY 2020-21 - (20)%
6.	Affirmation that the remuneration is as per Remuneration Policy of the Company	It is affirmed that remuneration paid is as per the Remuneration Policy of the Company.

\*Resigned with effect from July 10, 2020

# Appointed with effect from July 10, 2020

^ Appointed with effect from July 10, 2020 and resigned with effect from February 04, 2021

@ Appointed with effect from February 04, 2021

^The Nomination and Remuneration Committee and the Board of Directors of the Company have approved payment of remuneration of ₹ 10 lacs to each Independent Director of the Company for financial year 2020-21, subject to approval of shareholders of the Company at the ensuing Annual General Meeting of the Company. No remuneration was paid to Independent Directors for financial year 2019-20. Sitting fees paid to Non-Executive Independent Directors has not been considered as remuneration.

## Annexure III

### Annual Report on Corporate Social Responsibility (CSR) Activities

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

In terms of Section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014, the Company has adopted a CSR Policy in furtherance of the Company's objective to enhance value creation in the society and in the community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community, in fulfillment of its role as a socially responsible corporate citizen. The CSR Policy *inter-alia* includes the following:

- Areas in which the Company can undertake CSR activities (within the purview of Schedule VII of the Companies Act, 2013);
- Activities which will not be considered as CSR activities;
- The CSR budget of the Company;
- The implementation process;
- Roles and responsibilities of the Board and CSR Committee;
- Monitoring and reporting framework.

#### Overview of projects / programs undertaken:

##### Promoting Education

Avasara Leadership Institute – Avasara Academy & Avasara Leadership Fellows

Rays of Hope Charitable Trust – Priyanj Special School

Masoom - Night School Transformation Program (NSTP)

Punyabhushan Foundation – Password Campaign

TASK

KHUSHII Foundation - Shikshaantra Plus

##### Women Empowerment

Janvikas - Driverben

United Way Mumbai - Saksham

Save The Children – Enabling Economic Independence Among Women

Pollinate Group - Creating Micro Entrepreneurship Opportunities for Women in Urban Slum Communities

Kshamata

SMILE Foundation – Saksham Kishori

BOSCONET - Poverty Alleviation through Women group-based Income Generation in Organic Farming & Other Production Skills

##### Sanitation

Habitat for Humanity India

##### Environment

Siruthuli

#### Promoting Education

##### a. Avasara Leadership Institute – Avasara Academy & Avasara Leadership Fellows

Your Company continued to support Avasara Leadership Institute (“ALI”) for the sixth year, by contributing towards two of its programs namely Avasara Academy and Avasara Leadership Fellows.

**Avasara Academy:** Avasara Academy is a first-of-its kind residential secondary school for girls aged between 12-18 years which aims at enabling girls from economically weaker sections of the society to emerge as confident leaders. It provides a holistic educational experience that cultivates both academic and leadership potential, fully equipping each student with the skills and abilities

to serve as a successful leader in her community and affect positive change in the world around her. Through the efforts and success of each of the Avasara girls, they believe that the deep-rooted mindsets that have held women in India back for generations can and will change. Located in Lavale Valley in Pune, the Academy offers the internationally recognized Cambridge Curriculum and a supplementary curriculum in Leadership, Entrepreneurship and Indian Studies.

During the year under review, your Company contributed an amount of ₹ 15.86 lacs to Avasara Leadership Institute for its program Avasara Academy. Through your Company's support, Avasara Academy supported education of 4 Grade 11 students and 6 Grade 12 students.

**Avasara Leadership Fellows (“ALF”):** ALF Program is a selective, intensive after-school enrichment opportunity designed to meet the needs of able, highly motivated adolescent girls from low-income backgrounds. The ALF program will provide a range of opportunities and experiences for selected girls (ALF Fellows) to develop their personal leadership style and achieve academic excellence in the critical years before SSC (Secondary School Certificate) Board Examination. ALF introduces cutting edge pedagogy within established curriculum.

During the year under review, your Company contributed an amount of ₹ 9.14 lacs to Avasara Leadership Institute for its program ALF. Your Company’s contribution was utilized for education of 24 students in Grade 9 and 18 students in Grade 10.

**b. Rays of Hope Charitable Trust – Priyanj Special School**

Your Company continued its support to Priyanj Special School for the third year. Priyanj is a school for children having autism founded by Rays of Hope Charitable Trust. Priyanj provides special education services like remedial teaching, behaviour therapy, computing skills, social skills, daily living skills, arts and crafts and also covers occupational therapy services, speech therapy, vocational training and other extra – curricular activities. Priyanj aims to make each child independent by identifying their talent and developing the same.

During the year under review, your Company contributed an amount of ₹ 10.08 lacs to Priyanj Special School. Your Company’s contribution was utilised for education of 12 children with autism.

**c. Masoom - Night School Transformation Program (NSTP)**

Your Company continued its support to Masoom for the second year. Masoom is an organisation working with Night schools since 2008. The aim of Masoom is to improve the quality of night schools through the “Night Schools Transformation Program” by building the capacity of the night school stakeholders to achieve higher learning outcomes. The Transformation Program is specifically tailored to meet the needs of the night school and the night school students themselves. Night school students are working as class IV employees, canteen, courier service and domestic help. They come to night school to complete their education which makes them eligible to enter the organized service sector.

During the year, your Company contributed an amount of ₹ 5.26 lacs to Masoom for its program NSTP. Your Company’s contribution was utilised to support educational and supporting activities for 40 students.

**d. Punyabhushan Foundation – Password Campaign**

Your Company continued its support to Punyabhushan Foundation for the fourth year. Punyabhushan Foundation was established in the year 1989 and got formally registered as a Trust in the year 1999 to undertake social, educational and cultural activities, programs and projects to create awareness among youngsters and sensitize them on various social, educational and cultural issues of Maharashtra. It was established with a mission to promote and conserve rich traditions and heritage of Maharashtra through various social, educational, cultural & environmental activities & projects.

Your Company supported the Password Campaign of Punyabhushan Foundation which aims at enhancing reading and learning skills and competencies of school children with focus on students of 5<sup>th</sup> to 10<sup>th</sup> grade from underprivileged schools in Pune, Ahmednagar and Aurangabad. Password is a magazine which contains interactive inspiring stories contributed by renowned scientists, social workers and prominent personalities of national repute. The overall contents of Password help students to develop learning skills, thinking ability and competencies to develop innovative thinking and communication skills.

During the year under review, your Company contributed an amount of ₹ 15 lacs to Punyabhushan Foundation for its Password Campaign. 1,000 students each identified from 4 schools of Pune, Ahmednagar and Aurangabad and distributed magazines to them.

**e. TASK**

Your Company continued its support to TASK for the second year. Task is an organization that has been formed to provide vocational facilities to differently abled adults by way of conducting training sessions at regular intervals. Various products like block printed sling bags, shoulder bags, hand kerchiefs, paper block printed & laminated table mats, hand painted wooden tea coasters and handmade soaps are made by differently abled adults. Task also aims at developing students for taking up professional courses in the field of vocational training.

During the year under review, your Company contributed an amount of ₹ 8.05 lacs to TASK for vocational trainings for differently abled persons. 50 differently abled members have been trained on sling bag and soap making so far.

**f. KHUSHII Foundation - Shikshaantra Plus**

KHUSHII- Kinship for Humanitarian, Social and Holistic Interventions, is a non-governmental organization with a vision to generating maximum impact for the underserved communities through creating a culture of giving to promote

equity. 'Shikshaantra Plus' project of KHUSHII primarily focuses to deliver quality education to address the inequity in academic engagement and achievement for students with limited / no device access, help students achieve grade levels by bridging learning gaps that may be developed during lockdown, empowering at-risk students to stay in school, with priority placement at broadcast centres for continued engagement with academics and to provide mental health support to cope with the instability, uncertainty and rapid change brought by the pandemic.

During the year under review, your Company has contributed ₹ 10.71 lacs for Shikshaantra Plus project. Your Company's contribution was utilized for 504 students from classes II to VIII and 100% of the students received counselling.

### Women Empowerment

#### g. Janvikas - Driverben

Your Company continued its support to Janvikas for its project Driverben for the second year. Janvikas is a public charitable trust which became operational in 1987 and today is recognized as a leading development and support institute. Goal of Janvikas is to contribute towards building and strengthening a just, democratic and secular society and to bring about concrete and sustainable changes in the lives of the poor, marginalized and disadvantaged communities so that they can lead a life with dignity and social justice. Through its project 'Driverben', Janvikas encourages and trains women to become professional commercial drivers. Selected women are trained to enhance awareness in areas such as legal rights, first aid, self-defense, English language, personal presentation, hygiene, financial literacy and essential driving skills. Driverben aims at helping women with livelihood opportunities.

During the year under review, your Company contributed an amount of ₹ 10.50 lacs to Janvikas. Through your Company's contribution Janvikas supported training of 16 women to become professional commercial drivers and to purchase a car for use by Janvikas for the project Driverben.

#### h. United Way Mumbai - Saksham

United Way Mumbai is a part of the 130+ year old United Way movement spanning 41 countries across the world. Its project Saksham, aims to address the need for skilling and mentorship for young women from low income communities thereby helping young female students recognise their interest and aptitude, linking them to appropriate courses, ensure they receive the support they need for vocational training, provide handholding post training as well as grooming and personality development skills. The key interventions in the project are community mobilisation, beneficiary profiling, candidate selection & counselling, enrolment in vocational

training courses, personality development and grooming workshops.

During the year under review, your Company contributed an amount of ₹ 6.50 lacs to United Way Mumbai for its program Saksham whereby 25 women have been selected and undergoing skilling and job readiness training.

#### i. Save The Children: Enabling Economic Independence Among Young Women

Save the Children is a Pune based non-governmental organization, which primarily focus on preventing human trafficking and supporting survivors during their journey of justice and rehabilitation. Your Company supported its program enabling economic independence among 120 young women in Pune through Skills Training. The Program overall focus is to contribute to economic development of young women from targeted urban and semi urban communities, by removing critical skills shortage and the lack of life skills by taking up employment opportunities.

During the year under review, your Company contributed an amount of ₹ 10.02 lacs to Save The Children for its program enabling economic independence among young women. The contribution has been utilized for training 120 young women and 39 women have already been placed in various jobs.

#### j. Pollinate Group: Creating Micro Entrepreneurship Opportunities for Women in Urban Slum Communities

Pollinate Group is a social enterprise working towards women empowerment through micro entrepreneurship programs in underserved communities. Pollinate Group's mission is to find the poorest and most marginalised communities, empower and develop local female entrepreneurs, and connect them to local and global supply chains to guarantee their long-term adoption of high quality products (such as solar lights and modern cooking appliances) and services that directly meet community needs. Pollinate Group has been serving the residents of urban informal settlements (slum communities) that live below the poverty line since 2013. Through its Micro Entrepreneurship training program, women entrepreneurs gain business skills, financial literacy training to serve their communities through the products they provide, thereby creating an impact not just in their own lives but also in the communities they live in.

During the year under review, your Company contributed an amount of ₹ 12.11 lacs to Pollinate Group for its program Creating Micro Entrepreneurship Opportunities for Women in Urban Slum Communities. Your Company's contribution was utilized for training of 26 women entrepreneurs in Bangalore - who are undergoing

on-the-job training, business skill training and financial literacy training.

**k. Kshamata**

Kshamata's motto is transforming lives, supporting liberation, focusing on the re-habilitation and re-integration of women who are victims of trafficking, violence or abuse in general. Its core programme is where women stay at the Kshamata Transformation Centre, a residential training facility where women undergo in-depth learning of life skills and vocational skills, both formal training and on-the-job learning. Your Company supported Kshamata's objective of developing livelihood and supporting independent living through group stay units.

During the year under review, your Company contributed an amount of ₹ 15 lacs to Kshamata. Your Company's contribution was utilized for training of 30 girls.

**l. SMILE Foundation – Saksham Kishori**

Your Company continued its support to Smile Foundation for the third year to ensure continued support and increased access to digital learning. Smile has started an initiative called 'Saksham Kishori' with an aim to facilitate education for girls. Smile is 18 year old organization having over 152 projects in 25 States of India and works to empower underprivileged children, youth and women through the relevant education, innovative healthcare and market-focused livelihood programs.

During the year under review, your Company contributed an amount of ₹ 14.32 lacs to Smile Foundation for its program Saksham Kishori. Your Company's contribution was utilised for providing competitive scholarship to 50 girls.

**m. BOSCONET - Poverty Alleviation through Women group-based Income Generation in Organic Farming & Other Production Skills**

BOSCONET's project Poverty Alleviation through Women group-based Income Generation in Organic Farming & Other Production Skills, aims to ensure economic empowerment of women by transforming them as contributors to household economy through micro-business activities. Women, who have time, aptitude, and willingness to participate in group-based income-generation were included. These selected women formed into homogeneous groups (basis socio-economic status) and were given a series of training and contribution of capital (seed money) to start income generation.

Your Company has contributed ₹ 13.49 lacs to BOSCONET for its multi-year on-going project of which ₹ 0.45 lacs was spent in FY 2020-21

and ₹ 13.04 lacs was spent in FY 2021-22. Your contribution has been utilized for mobilizing 200 women for FGDs. 75 will be benefitted from the entire area of Haryana as a part of the organic farming project.

**Sanitation**

**n. Habitat for Humanity India**

Habitat for Humanity India is a non-government organization that seeks to eliminate poverty housing guided by the vision: "A world where everyone has a decent place to live". Its core areas of intervention in India are decent shelter, WASH (Water, Sanitation and Hygiene) and disaster risk reduction and response. Your Company continued its support to Habitat for Humanity India for the second year.

During the year under review, your Company contributed an amount of ₹ 41.06 lacs to Habitat for Humanity for its multi-year on-going project of which ₹ 30.28 lacs was spent in FY 2020-21 and ₹ 10.78 lacs was spent in FY 2021-22. Your Company's contribution has been utilized to (i) build and improve sanitization infrastructure in government schools in Maharashtra for 180 students, in Rajasthan for 465 students & in Kerala for 330 students; (ii) improve knowledge and attitude and practice towards adopting safe and hygienic behavior in light of COVID-19; and (iii) in Guwahati sanitation project initiated for 394 students.

**Environment**

**o. Siruthuli – Clean Kovai, Green Kovai:**

Siruthuli is a Trust registered to address the environmental problems and to improve the water stress situation caused by the failure of monsoons for three consecutive years in the early years of the millennium. Since then they have implemented several water resource management initiatives such as rejuvenation of tanks and ponds, the creation of new water bodies, implementation of watershed projects, building percolation ponds, construction of rainwater harvesting structures that have facilitated in connecting the clouds to the aquifers to a large extent. Siruthuli's project Clean Kovai, Green Kovai, aims at improving the green cover of the region in Thudiyalur, to control soil erosion, to reduce air pollution, increase the oxygen content in the region, improve the biodiversity of the region, improve water retention of the region and reduce global warming.

During the year the Company has contributed ₹ 6.20 to Siruthuli's Clean Kovai, Green Kovai Project. Your Company's contribution was utilised for Miyawaki Plantation of 2,000 trees at Railway land, Thudiyalur.

**2. Composition of CSR Committee as on date of report:**

Sr. No.	Name of the Director	Designation / Nature of Directorship	Number of meetings of CSR Committee held during the year	Number of meetings of CSR Committee attended during the year
1.	Ms. Naina Krishna Murthy	Non-Executive Independent Director (Chairperson)	1	1
2.	Mr. Bobby Parikh	Non-Executive Independent Director (Member)	1	1
3.	Mr. Dhanpal Jhaveri	Non-Executive Non-Independent Director (Member)	1	1
4.	Mr. R. Sridhar	Executive Director (Member)	1	1
5.	Mr. Munish Dayal	Non-Executive Non-Independent Director (Member)	1	0

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

<https://www.indostarcapital.com/investors-corner#committee-composition>

<https://www.indostarcapital.com/investors-corner#investor-services>

<https://www.indostarcapital.com/about-us#csr-indostar>

**4. Details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable: Not Applicable**
**5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any:**

Sr. No.	Financial Year	Amount available for set-off from preceding financial years (in ₹)	Amount required to be set-off for the financial year, if any (in ₹)
Not Applicable			

**6. Average net profit of the Company as per section 135(5) for the last three financial years prior to financial year ended March 31, 2021 - ₹ 101.66 crore calculated as per Section 198 of the Companies Act, 2013.**
**7. (a) Two percent of average net profit of the company as per section 135(5) - ₹ 2.03 crore**
**(b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years - Nil**
**(c) Amount required to be set off for the financial year, if any - Nil**
**(d) Total CSR obligation for the financial year (7a+7b-7c) - ₹ 2.03 crore**
**8. (a) CSR amount spent or unspent for the financial year:**

Total Amount Spent for the Financial Year	Amount Unspent (in ₹)				
	Total Amount transferred to Unspent CSR Account as per section 135(6)		Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5)		
	Amount	Date of transfer	Name of the Fund	Amount	Date of transfer
₹ 1.67 crore	₹ 0.24 crore	*Please refer Note	As decided by the Corporate Social Responsibility Committee and Board of Directors for the Company	₹ 0.12 crore	Will be transferred within timeline prescribed under the Act.

\*Note: amount marked for on-going projects was spent towards the said projects within 30 days of end of financial year 2020-21, hence such amount was not transferred to unspent CSR Account.

**(b) Details of CSR amount spent against ongoing projects for the financial year:**

(Amount in ₹ lacs)

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/No)	Location of the project		Project duration	Amount allocated for the project (in ₹)	Amount spent in the current financial year (in ₹)	Amount transferred to Unspent CSR Account for the project as per Section 135(6) (in ₹)	Mode of Implementation - Direct (Yes/No)	Mode of Implementation - through Implementing Agency	
				State	District						Name	CSR Registration number
1.	BOSCONET: Poverty Alleviation through women group-based Income Generation in Organic Farming and Other Production Skills)	Empowering women and enhancing women employment	Yes	Haryana	Karnal	FY 2020-21 FY 2021-22	13.49	0.45	*13.04	No	Through Implementation Agency	CSR00001441
2.	Habitat for Humanity India	Sanitation	Yes	Rajasthan, Maharashtra, Kerala and Assam	Bhiwadi, Pune, Ernakulam, Guwahati	FY 2020-21 FY 2021-22	41.06	30.28	*10.78	No	Through Implementation Agency	CSR00000402
<b>Total</b>		-	-	-	-	-	<b>54.55</b>	<b>30.73</b>	<b>23.82</b>	-	-	-

\*Amount marked for on-going projects was spent towards the said projects within 30 days of end of financial year 2020-21, hence amount was not transferred to unspent CSR Account.

Note: In case the Company has a branch in State where expenditure is made, it is considered as spend in local area.

**(c) Details of CSR amount spent against other than ongoing projects for the financial year:**

(Amount in ₹ lacs)

Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/ No)	Location of the project		Amount spent for the project (in ₹ lacs)	Mode of implementation - Direct (Yes/No)	Mode of implementation - through implementing agency	
				State	District			Name	CSR registration number
1.a.	Avasara Academy	Promoting education among children/ women,	Yes	Maharashtra	Mumbai, Pune	15.86	No	Avasara Leadership Institute	CSR00003007
1.b.	Avasara Leadership Fellows	empowering women and enhancing women employment		Maharashtra	Mumbai, Pune	9.14	No		
2.	Priyanj Special School	Promoting education including special education among children	Yes	Maharashtra	Mumbai	10.08	No	Rays of Hope Charitable Trust	CSR00012105
3.	Night School Transformation Program	Promoting education	Yes	Maharashtra	Mumbai	5.26	No	Masoom	CSR00000360
4.	Password Campaign	Promoting education among children	Yes	Maharashtra	Pune, Aurangabad, Ahmednagar	15.00	No	Punyabhushan Foundation	CSR00004022
5.	TASK	Promoting employment enhancing vocation skills and livelihood enhancement projects	Yes	Maharashtra	Mumbai	8.05	No	TASK	CSR00010663
6.	Shikshaantra Plus	Promoting Education	Yes	Karnataka	Banglore	10.71	No	KHUSHII Foundation	CSR00001135
7.	Driverben	Empowering women and enhancing women employment	Yes	Gujarat	Ahmedabad	10.50	No	Janvikas	CSR00002913
8.	Saksham	Empowering women and enhancing women employment	Yes	Maharashtra	Mumbai	6.50	No	United Way Mumbai	CSR00000762



Sl. No.	Name of the Project	Item from the list of activities in Schedule VII to the Act	Local area (Yes/ No)	Location of the project		Amount spent for the project (in ₹ lacs)	Mode of implementation - Direct (Yes/No)	Mode of implementation - through implementing agency	
				State	District			Name	CSR registration number
9.	Enabling Economic Independence Among Young Women	Empowering women and enhancing women employment	Yes	Maharashtra	Pune	10.02	No	Save The Children	CSR00000158
10.	Kshamata	Empowering women and enhancing women employment	Yes	Maharashtra	Thane	15.00	No	Kshamata	CSR00005484
11.	Saksham Kishori	Promoting education among children and women	Yes	Delhi Tamil Nadu	Gurugram, Chennai	14.32	No	Smile Foundation	CSR00001634
12.	Clean Kovai, Green Kovai	Environmental Sustainability	Other	Tamil Nadu	Coimbatore	6.20	No	Siruthuli	CSR00000023

Note: In case the Company has a branch in State where expenditure is made, it is considered as spend in local area.

**(d) Amount spent in Administrative Overheads - Nil**

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

**(f) Total amount spent for the Financial Year (8b+8c+8d+8e) - ₹ 2.03 crore** (including amount marked for on-going projects spent in FY 2021-22 and amount to be transferred to a fund specified in Schedule VII of the Act)

**(g) Excess amount for set off, if any - Nil**

Sl. No.	Particular	Amount (in ₹)
(i)	Two percent of average net profit of the company as per section 135(5)	Not Applicable
(ii)	Total amount spent for the Financial Year	Not Applicable
(iii)	Excess amount spent for the financial year [(ii)-(i)]	Not Applicable
(iv)	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Not Applicable
(v)	Amount available for set off in succeeding financial years [(iii)-(iv)]	Not Applicable

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

Sl. No.	Preceding Financial Year	Amount transferred to Unspent CSR Account under section 135 (6) (in ₹)	Amount spent in the reporting Financial Year (in ₹)	Amount transferred to any fund specified under Schedule VII as per section 135(6), if any			Amount remaining to be spent in succeeding financial years (in ₹)
				Name of the Fund	Amount (in ₹)	Date of transfer	
Not Applicable							

**(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):**

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
Sl. No.	Project ID	Name of the Project	Financial Year in which the project was commenced	Project duration	Total amount allocated for the project (in ₹)	Amount spent on the project in the reporting Financial Year (in ₹)	Cumulative amount spent at the end of reporting Financial Year (in ₹)	Status of the project - Completed / Ongoing
Not Applicable								

**10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details)**

- a) Date of creation or acquisition of the capital asset(s) - *Approved by the Board of Directors on October 01, 2020*
- b) Amount of CSR spent for creation or acquisition of capital asset - ₹ 4.40 lacs
- c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc. - Janvikas for its project Driverben - C/105, Royal Chinmay Tower, Opp.IOC Petrol Pump, Judges Bungalow Road, Bodakdev, Ahmedabad - 380054.
- d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset) - *The Company donated a Maruti Alto LXI car for use by Janvikas for its project Driverben.*

**11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5) -** Two projects supported by your Company namely BOSCONET and Habitat for Humanity were spanning over two years i.e. FY 2020-21 and FY 2021-22, and hence some portion of funds allocated to these projects was spent in FY 2021-22. Your Company exercises prudence in selecting projects and implementation partners for its CSR activities. In many cases since the funding requirement of evaluated projects was tied-up, your Company could not spend entire amount as prescribed under the Act. Accordingly, the Company will transfer the un-allocated & unspent amount to a fund specified under Schedule VII of the Act.

**R. Sridhar**  
(Executive Vice-Chairman & CEO)  
DIN: 00136697

**Naina Krishna Murthy**  
(Chairman - CSR Committee)  
DIN: 01216114

**Amol Joshi**  
Chief Financial Officer

**Annexure IV****CEO and CFO Compliance Certificate**

To  
The Board of Directors  
IndoStar Capital Finance Limited

We, R. Sridhar, Executive Vice Chairman & CEO and Amol Joshi, Chief Financial Officer, hereby certify that:

- a. we have reviewed financial statements and the cash flow statement for the financial year ended March 31, 2021, and to the best of our knowledge and belief:
  - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. these statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. to the best of our knowledge and belief, no transactions entered into by the Company during the year under review are fraudulent, illegal or violative of the Company's code of conduct.
- c. we accept responsibility for establishing and maintaining internal controls for financial reporting and we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and there have been no deficiencies in the design or operation of such internal controls, of which we are aware.
- d. we have indicated to the Auditors and the Audit committee
  - i. Significant changes, if any, in internal control over financial reporting during the year;
  - ii. Significant changes, if any, in accounting policies during the year requiring disclosures in the notes to the financial statements of the Company; and
  - iii. Instances of significant fraud, if any, of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Place: Mumbai  
Date: 17 June 2021

**R. Sridhar**  
Executive Vice-Chairman & CEO  
DIN: 00136697

**Amol Joshi**  
Chief Financial Officer

## Annexure V

### BUSINESS RESPONSIBILITY REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021

#### SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. Corporate Identity Number (CIN) of the Company	L65100MH2009PLC268160
2. Name of the Company	IndoStar Capital Finance Limited
3. Registered address	One World Center, 20 <sup>th</sup> Floor, Tower 2A, Jupiter Mills Compound, Senapati Bapat Marg, Mumbai – 400013
4. Website	www.indostarcapital.com
5. E-mail id	icf.legal@indostarcapital.com
6. Financial Year reported	April 01, 2020 to March 31, 2021
7. Sector(s) that the Company is engaged in (industrial activity code-wise)	Non-Banking Financial Company engaged in lending and allied activities – NIC Code 649
8. List three key products / services that the Company manufactures / provides (as in balance sheet)	Vehicle Finance Small and Medium Enterprise Finance Corporate Lending
9. Total number of locations where business activity is undertaken by the Company	
(a) Number of International Locations (Provide details of major 5)	Not Applicable
(b) Number of National Locations	Apart from operating from Registered Office, your Company has an extended network of 208 branches spread across India
10. Markets served by the Company – Local / State / National / International	Your Company serves Local, State and National Markets of India

#### SECTION B: FINANCIAL DETAILS OF THE COMPANY

1. Paid-up Capital (₹)	135.80 crore
2. Total Turnover (₹)	1,187.80 crore
3. Total profit / (loss) after taxes (₹)	(241.47) crore
4. Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	Please refer the Annual Report on Corporate Social Responsibility (CSR) Activities at <b>Annexure III</b> to the Board's Report.
5. List of activities in which expenditure in 4 above has been incurred	

#### SECTION C: OTHER DETAILS

1. Does the Company have any Subsidiary Company / Companies?	The Company has two wholly-owned subsidiaries: a. IndoStar Home Finance Private Limited b. IndoStar Asset Advisory Private Limited
2. Do the Subsidiary Company / Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	Some of the BR initiatives of the Company are also implemented by the subsidiary companies.
3. Do any other entity / entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity / entities? [Less than 30%, 30-60%, More than 60%]	No. However, the Company encourages participation by its business associates and representatives in the BR initiatives of the Company.

## SECTION D: BR INFORMATION

### 1. Details of Director / Directors responsible for BR

(a)	Details of the Director / Directors responsible for implementation of the BR policy / policies	
1.	DIN Number	00136697
2.	Name	R. Sridhar
3.	Designation	Executive Vice-Chairman & CEO
(b)	Details of the BR head	
1.	DIN Number (if applicable)	-
2.	Name	Amol Joshi
3.	Designation	Chief Financial Officer
4.	Telephone number	+91 22 4315 7000
5.	e-mail id	icf.legal@indostarcapital.com

### 2. Principle-wise (as per NVGs) BR Policy / policies

The 9 principles outlined in the National Voluntary Guidelines are as follows:

P1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
P2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
P3	Businesses should promote the wellbeing of all employees
P4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized
P5	Businesses should respect and promote human rights
P6	Business should respect, protect, and make efforts to restore the environment
P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
P8	Businesses should support inclusive growth and equitable development
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner

#### (a) Details of compliance

No.	Questions	P 1	P 2	P 3	P 4	P 5	@P 6	P 7	P 8	P 9
1	Do you have a policy / policies for	Y	NA	Y	Y	Y	Y	NA	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	--	Y	Y	Y	Y	--	Y	Y
3	*Does the policy conform to any national / international standards? If yes, specify? (50 words)	Y	--	Y	Y	Y	Y	--	Y	Y
4	**Has the policy being approved by the Board? If yes, has it been signed by MD / owner / CEO / appropriate Board Director?	Y	--	Y	Y	Y	Y	--	Y	Y
5	Does the company have a specified committee of the Board / Director / Official to oversee the implementation of the policy?	Y	--	Y	Y	Y	Y	--	Y	Y
6	Indicate the link for the policy to be viewed online?	<a href="https://www.indostarcapital.com/investors-corner#investor-services">https://www.indostarcapital.com/investors-corner#investor-services</a>								
7	#Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	--	Y	Y	Y	Y	--	Y	Y
8	^Does the company have in-house structure to implement the policy / policies.	Y	--	Y	Y	Y	Y	--	Y	Y
9	Does the Company have a grievance redressal mechanism related to the policy / policies to address stakeholders' grievances related to the policy / policies?	Y	--	Y	Y	Y	Y	--	Y	Y
10	^Has the company carried out independent audit / evaluation of the working of this policy by an internal or external agency?	Y	--	Y	Y	Y	Y	--	Y	Y

@Considering the nature of business of the Company, the Principle 6 may not be strictly applicable to the Company.

\*the Policies are developed and aligned with applicable legal provisions including circulars, regulations, guidelines, notifications issued by the Securities and Exchange Board of India, the Reserve Bank of India, the Ministry of Corporate Affairs and best governance practices and standards adopted by Company.

\*\*the Policies have been approved by the Board of Directors of the Company and signed by persons authorized by the Board.

#the Policies are hosted on the Company's website and on the Company's intranet for communicating to the relevant external / internal stakeholders.

^the Management Committee constituted by the Board of Directors of the Company assesses adequacy and implementation of codes / policies of the Company on an on-going basis. Implementation of codes and policies adopted by the Company is also assessed by an external audit firm.

(b) If answer to the question at serial number 1 against any principle, is 'No', please explain why:

No. Questions	P 1	P 2	P 3	P 4	P 5	P 6	P 7	P 8	P 9
1. The company has not understood the Principles									
2. The company is not at a stage where it finds itself in a position to formulate and implement the policies on specified principles									
3. The company does not have financial or manpower resources available for the task							Not Applicable		
4. It is planned to be done within next 6 months									
5. It is planned to be done within the next 1 year									
6. Any other reason (please specify)									

3. Governance related to BR

(a) Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, more than 1 year

Annually.

(b) Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

Yes. The Company publishes its BRR annually with the Annual Report for each year. The Annual Report is available on the Company's website at <https://www.indostarcapital.com/investors-corner#investor-relations>.

SECTION E: PRINCIPLE-WISE PERFORMANCE

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/No. Does it extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs / Others?

The Company expressly advocates that commitment to corporate governance is essential for delivery of strategic priorities and enhancement of shareholder value. The Company conducts its business in compliance with applicable laws and regulations, fairness, mutual respect and integrity under a comprehensive Code of Conduct for Directors and Employees.

The Company has also adopted an Anti-Corruption Policy to further affirm Company's zero-tolerance

approach towards corruption and to conduct business in an honest and ethical manner by preventing and countering corruption in its business dealings, and covers every person connected with the Company.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

Investor Complaints

Complaints at the beginning of the year	:	0
Complaints received during the year	:	0
Complaints remaining unresolved at the end of the year	:	0
% of Complaints resolved	:	NA

### Customer Complaints

Complaints at the beginning of the year :	39
Complaints received during the year :	268
Complaints remaining unresolved at the end of the year :	29
% of Complaints resolved :	90.55%

### Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

#### 1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and / or opportunities.

The Company strives to provide credit solutions for growing corporates, emerging SME businesses, and catering to the aspirations of the growing customer base of Middle-India. Retail lending business focuses on customers currently underserved financially and the growing "Middle India" population, which aspires to improve its lifestyle and financial well-being. Loans given to middle India borrowers enable them to own assets and grow their businesses. The Vehicle Finance business largely focuses on lending against secured assets, while targeting the large underserved customer base across 20 states in India. The key focus customers in the SME Finance space are, traders, manufacturers, self-employed professionals and service businesses, a large portion of the portfolio comprising customers falling under the priority sectors.

Also, in line with the Government's initiative on housing for all, the Company, through its subsidiary company IndoStar Home Finance Private Limited, provides affordable housing loans to economically weaker sections of society.

While the Company empowers its customers, it also co-creates new opportunities for them to increase business through its products portfolio.

#### 2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

(a) Reduction during sourcing / production / distribution achieved since the previous year throughout the value chain?

(b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

Not Applicable.

#### 3. Does the company have procedures in place for sustainable sourcing (including transportation)?

(a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

Not Applicable.

#### 4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

(a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

Not Applicable. However considering presence in various states across the Country, the Company endeavours to procure goods and services for supporting functioning of branches, from local vendors.

#### 5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof, in about 50 words or so.

Not Applicable.

### Principle 3: Businesses should promote the wellbeing of all employees

1. Please indicate the Total number of employees: **1,932**

2. Please indicate the Total number of employees hired on temporary / contractual / casual basis: **330**

3. Please indicate the Number of permanent women employees: **156**

4. Please indicate the Number of permanent employees with disabilities: **1**

5. Do you have an employee association that is recognized by management: **No**

6. What percentage of your permanent employees are members of this recognized employee association? - **Not Applicable**

7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year:

No.	Category	No. of complaints filed during the financial year	No. of complaints pending as on end of the financial year
1.	Child labour / forced labour / involuntary labour	Nil	Nil
2.	Sexual harassment	Nil	Nil
3.	Discriminatory employment	Nil	Nil

8. What percentage of your under mentioned employees were given safety & skill up- gradation training in the last year?

- (a) Permanent Employees : **85%**
- (b) Permanent Women Employees : **8%**
- (c) Casual / Temporary / Contractual Employees: **15%**
- (d) Employees with Disabilities: **0.04%**

The SARS-CoV-2 virus responsible for COVID-19 outbreak, which has been declared a global pandemic by the World Health Organization, caused the nation to witness a complete lock-down in the last week of March 2020. In the background of this pandemic, your Company's priority has been safety of its employees and has taken the following employee engagement activities:

**Creating Awareness:**

Employees are being sensitised and educated about COVID-19 through regular emails and SMS since the few cases were reported in India.

**Changes in Policy & Processes:**

- Biometric attendance system has been discontinued due to the risks associated with COVID-19 spread.
- Activated Business Continuity Plan & Work from Home (WFH) policy.

**Branch operations:**

Branch opening has been done in a phased manner depending on local situation and rules set up the local governing authorities. Each branch is thoroughly sanitized before being opened for employees. Sanitization kits are being dispatched to branches being opened, so that adequate care is taken. Standard Operating Process (SOP) in easy to understand PPT format has detailed instructions for employees as well as precautions to be followed.

**Employee Wellness**

- Vaccination drives for employees were arranged in states having major impact of COVID-19;
- Employees who tested positive of COVID-19 were guided to get admitted and get a bed in network hospitals;
- Sessions on Maintenance of Health & Hygienic at work – Healthy Eating, Staying Hydrated, Virtual open mic sessions – a platform to help employees showcase their talent and Personal wellness were conducted for employees;

- Services of clinical psychologist were provided to extend emotional support to employees.

**Care for Employees beyond work (COVID-19 care scheme for bereaved families)**

Your Company extended support to families of deceased employees due to COVID-19 through following initiatives:

- Financial assistance with salary payment for 24 months subject to minimum of ₹ 10 lacs and maximum of ₹ 25 lacs;
- Education assistance upto ₹ 2 lacs per child for two children up to graduation or 21 years whichever is higher; mediclaim benefit for the family of deceased employee as per existing coverage for a period of 2 years for the spouse and 2 children;
- Consider spouse / children for suitable job roles based on Company's policy as per requisite qualification skills. Skill training entitlement of ₹ 2 lacs for spouse who don't avail of the employment opportunity or are not eligible;
- Awareness of statutory benefits to such families was made.

**Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.**

1. **Has the company mapped its internal and external stakeholders? Yes / No**  
Yes.
2. **Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.**  
Yes.
3. **Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words or so.**  
It is one of the objectives of the Company to enhance value creation in the society and the community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and the community. Further, through partnerships with various recognized organisations engaged in social upliftment activities, the Company has supported various programs broadly in the field of education, women empowerment, health care, sanitation and environment protection. Details of such initiatives supported by the Company are listed at Annual Report on Corporate Social Responsibility (CSR) Activities at **Annexure III** to the Board's Report.



**Principle 5: Businesses should respect and promote human rights**

1. Does the policy of the company on human rights cover only the company or extend to the Group / Joint Ventures / Suppliers / Contractors / NGOs / Others?

The Company has adopted various policies to protect rights of not only its employees but all other stakeholders, some of the relevant policies are also implemented by the subsidiary companies.

2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?

None with respect to violation of Human Rights.

**Principle 6: Business should respect, protect, and make efforts to restore the environment**

Considering the nature of business of the Company, Principle 6 may not be strictly applicable to the Company.

1. Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures / Suppliers / Contractors / NGOs / others.

The Company's Corporate Social Responsibility Policy lists down various fields which shall be explored by the Company for providing support as a part of its corporate social responsibility initiatives, which includes contributing towards environmental sustainability.

In its effort of contributing towards environment protection, the Company has supported various organizations working in these fields and shall continue to look for more initiatives in these fields.

2. Does the company have strategies / initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.

The Company is engaged in the financial services sector and hence the Company's operations have no direct impact on the environment. However, the Company is vigilant on the need for conservation of the environment.

3. Does the company identify and assess potential environmental risks? Y / N

Not Applicable.

4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

Not Applicable.

5. Has the company undertaken any other initiatives on - clean technology, energy efficiency, renewable energy, etc. Y / N. If yes, please give hyperlink for web page etc.

Not Applicable.

6. Are the Emissions / Waste generated by the company within the permissible limits given by CPCB / SPCB for the financial year being reported?

Not Applicable.

7. Number of show cause / legal notices received from CPCB / SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

None.

**Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner**

1. Is your company a member of any trade and chamber or association? If Yes, name only those major ones that your business deals with:

During the year under review, the Company was a member of the Confederation of Indian Industries and South Indian Hire Purchase Association.

2. Have you advocated / lobbied through above associations for the advancement or improvement of public good? Yes / No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Water, Food Security, Sustainable Business Principles, Others)

The Company endeavors to provide suggestions for development of the financial services sectors to various forums.

**Principle 8: Businesses should support inclusive growth and equitable development**

1. Does the company have specified programmes / initiatives / projects in pursuit of the policy related to Principle 8? If yes details thereof.

The Company focuses to serve people who do not have easy access to the conventional banking system. The Vehicle Finance business largely focuses on lending to underserved customers in India. The key focus customers in the SME Finance space are traders, manufacturers, self-employed professionals and service businesses, with a large portion of the portfolio comprising customers falling under the priority sectors. Also, in line with the Government's initiative and focus on housing for all, the Company, through its subsidiary company IndoStar Home Finance Private Limited, focuses on providing affordable housing loans to economically weaker sections of society.

Further, the Company has adopted a Corporate Social Responsibility Policy which *inter-alia* lists down various fields which shall be explored by the Company for providing support as a part of its corporate social responsibility initiatives, which includes ensuring environmental sustainability. Please refer Annual Report on Corporate Social Responsibility (CSR) Activities at **Annexure III** to the Board's Report for details of various programs supported by the Company and its impact on the society.

**2. Are the programmes / projects undertaken through in-house team/own foundation / external NGO / government structures / any other organization?**

During the year under review, the Company extended support through external agencies who have experience and expertise in their respective areas.

**3. Have you done any impact assessment of your initiative?**

Yes. Update on impact of corporate social responsibility initiatives undertaken by the Company is placed before the Corporate Social Responsibility Committee and Board of Directors of the Company. Please refer Annual Report on Corporate Social Responsibility (CSR) Activities at **Annexure III** to the Board's Report for details of various programs supported by the Company and its impact on the society.

**4. What is your company's direct contribution to community development projects - Amount in ₹ and the details of the projects undertaken.**

Please refer to Annual Report on Corporate Social Responsibility (CSR) Activities at **Annexure III** to the Board's Report for details of various programs supported by the Company, amount contributed and its impact on the society.

**5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community? Please explain in 50 words, or so.**

Yes. The Company actively engages itself with its partnered agencies who execute the corporate

social responsibility programs supported by the Company. Employees of the Company participate in the programs and assist the agencies in effectively executing their initiatives. The Company also closely monitors utilisation of the money granted for various programs and impact of each program on the target population. Basis the impact analysis of each program, the Company decides on the requirement of further support.

**Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner**

**1. What percentage of customer complaints / consumer cases are pending as on the end of financial year.**

29 customer complaints i.e. 9.45% of aggregate compliants outstanding at the beniging of the year and received during the year in the ordinary course of business, were pending to be resolved as on March 31, 2021.

**2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes / No / N.A. / Remarks (additional information)**

Not Applicable.

**3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behaviour during the last five years and pending as on end of financial year. If so, provide details thereof, in about 50 words or so.**

No.

**4. Did your company carry out any consumer survey / consumer satisfaction trends?**

The Company has during the year under review, not carried out formal customer survey to evaluate customer satisfaction. The Company deals with its customers fairly and with transparency. In the Company's endeavor to ensure complete customer satisfaction, the Company has also established a formal process to ensure customer grievances, if any, are handled with responsibility and resolved satisfactorily.

# REPORT ON CORPORATE GOVERNANCE

## COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

At IndoStar we believe that sound corporate governance practices are the bedrock for the functioning of the Company and creation of value for its stakeholders on a sustainable and long-term basis. This philosophy guides us in defining and maintaining an ethical framework within which we operate.

## BOARD COMPOSITION

Your Company's Board of Directors has a fiduciary role to protect and enhance stakeholders' value through strategic supervision. The Board of Directors provides direction and exercises appropriate controls over the business and operations of the Company to achieve its objectives. The corporate governance principles of your Company have been formulated to ensure that the Board of Directors remains informed, independent and participates actively in the affairs of your Company.

In addition to the basic governance practices, the Board of Directors of your Company lays strong emphasis on transparency, accountability and integrity. Your Company also strives to enhance stakeholders' value by taking measures to continuously improve its corporate governance standards.

As on March 31, 2021, the Board of Directors of your Company comprised 8 Directors of which 3 were Non-Executive Independent Directors, 4 were Non-Executive Non-Independent Directors and 1 was Executive Director. The composition of the Board of your Company is governed by and is in compliance with the requirements of the Companies Act, 2013 read with Rules framed there under ("Act"), the Securities and Exchange Board of India (Listing Obligations

and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), the circulars / directions / notifications issued by the Reserve Bank of India ("RBI Directions") and the Articles of Association of the Company. None of the Directors of your Company are related to each other. Non-Executive Directors do not hold any shares of the Company, except Mr. Dhanpal Jhaveri, who holds 1,000 equity shares of the Company, jointly with his spouse Ms. Neeru Jhaveri.

## Skills / Expertise / Competencies of the Board of Directors

The diverse skills expertise and competencies of Board of Directors ensures that the Company retains its competitive advantage. The following is the list of core skills / expertise / competencies identified by the Board of Directors as required in the context of the Company's business(es) for it to function effectively:

- Leadership
- Experience in the Financial Services Industry
- Strategic Planning
- Knowledge of Regulatory Environment
- Financial and Accounting Expertise
- Board Service, Corporate Governance and Risk Management
- Knowledge in the field of Information Technology

The Board composition represents an optimal mix of professionalism, knowledge, expertise and experience which enables the Board to discharge its responsibilities and provide effective leadership to the business. Brief profile of the Directors is available on the Company's website at <http://www.indostarcapital.com/board-of-directors.html> and also forms part of this Annual Report.

The composition of the Board of Directors, including details of other directorship(s), committee membership(s) and chairmanship(s) of each Director on the Board of your Company as on March 31, 2021 are given below:

Name of Director	Category	Skills / expertise / competencies	*Number of Directorship(s) in other Companies	#Details of Directorships in other listed entities	@Number of Committee Membership (Chairmanship(s)) in other Companies
Mr. Bobby Parikh	Chairman & Non-Executive Independent Director	Taxation and Advisory to financial services industry and Strategic Transactions	7	Infosys Limited (Independent Director) Biocon Limited (Independent Director)	3(4)
Mr. R. Sridhar (Executive Vice-Chairman & CEO)	Whole-Time Director	Financial Services and Business Management	1	0	0
Mr. Dhanpal Jhaveri	Non-Executive Director	Investment Banking, Corporate Strategy, PE Investments and Mergers / Amalgamations	13	0	0
Mr. Hemant Kaul	Non-Executive Independent Director	Financial Services – Banking and Insurance sector, Business Management	9	- Transcorp International Limited (Independent Director) - Ashiana Housing Limited (Independent Director)	0(3)
Ms. Naina Krishna Murthy	Non-Executive Independent Director	Legal sector - corporate commercial law, specifically in the areas of mergers and acquisitions, joint ventures, collaborations and PE / VC investments	0	0	0
Mr. Vibhor Kumar Talreja	Non-Executive Director	Private Equity, Financial Services and Investment Banking	2	0	1(0)
Mr. Aditya Joshi	Non-Executive Director	Private Equity, Sectors – Financial Services, Healthcare, Technology and Consumer	1	0	1(0)
Mr. Munish Dayal	Non-Executive Director	Private Equity, Business Management, Financial Services, Technology and Commercial Real Estate	0	0	0

\* Includes directorship(s) in public companies and private companies, but does not include directorship(s) in foreign companies.

#Listed entities includes entities whose equity shares are listed on a recognised stock exchange(s).

@Includes membership(s) and chairmanship(s) in Audit Committee and Stakeholders' Relationship Committee in all public limited companies. Membership and Chairmanship in a Committee are counted only once i.e. if a Director is a Chairman of a Committee, he / she is not counted as Member separately.

The number of Directorship(s), Committee Membership(s) & Chairmanship(s) of all Directors on the Board of your Company are within respective limits prescribed under the Act and the Listing Regulations.

A certificate from H Choudhary & Associates, Practicing Company Secretary, confirming that none of the Directors on the Board of the Company as on March 31, 2021 have been debarred or disqualified from being appointed or continuing as director on the Board of the Company by the Securities and Exchange Board of India (“SEBI”), the Ministry of Corporate Affairs or any such statutory authority, is annexed to this Corporate Governance Report.

### BOARD AND COMMITTEE MEETINGS

The schedule of the Board / Committee meetings to be held in a financial year is circulated in advance to enable the Directors / Committee Members to plan their schedule and ensure highest participation at Board / Committee Meetings. Directors are given an option of attending Board / Committee meetings through video conference or other audio-visual means in order to ensure effective decision making through increased participation. The agenda along with detailed notes are circulated to the Directors / Members well in advance and all material information is incorporated in the agenda for facilitating meaningful and focused discussions at meetings of the Board and Committees. With a view to leverage technology and to contribute to environment conservation, your Company has adopted an electronic Board / Committee Meetings application where the agenda and all supporting documents are hosted online.

### BOARD

During the year under review, 6 (six) meetings of the Board of Directors were convened and held on June 17, 2020, July 10, 2020, August 12, 2020, October 07, 2020, November 05, 2020 and February 04, 2021. The gap between two board meetings was within the limits prescribed under the Act and the Listing Regulations. The required quorum was present at all the above mentioned meetings. Due to business exigencies, certain decisions were taken by the Board by way of resolutions passed through circulation, from time to time.

**Attendance of Directors at Board Meetings and Annual General Meeting (“AGM”) of the Company held during financial year ended March 31, 2021 is given below:**

Name of the Directors	No. of Meetings attended* (No. of Meetings held during tenure of directorship)	Attendance at the previous AGM
Mr. Bobby Parikh	6(6)	Yes
Mr. Dhanpal Jhaveri	6(6)	Yes
Mr. R. Sridhar	6(6)	Yes
*Mr. Shailesh Shirali	1(1)	Not Applicable
*Mr. Alok Oberoi	1(2)	Not Applicable
*Mr. Dinesh Kumar Mehrotra	1(2)	Not Applicable
Mr. Hemant Kaul	6(6)	Yes
Ms. Naina Krishna Murthy	4(6)	No
*Mr. Vibhor Kumar Talreja	5(5)	Yes
*Mr. Aditya Joshi	5(5)	Yes
*Mr. Sridhar Rengan	5(5)	Yes
*Mr. Munish Dayal	1(1)	Not Applicable

\*Note:

Mr. Shailesh Shirali, Whole-time Director, Mr. Dinesh Kumar Mehrotra, Non-Executive Independent Director and Mr. Alok Oberoi, Non-Executive Non-Independent Director, resigned from the Board of Directors of the Company from July 10, 2020.

Mr. Vibhor Kumar Talreja, Mr. Aditya Joshi and Mr. Sridhar Rengan were appointed as Non-Executive Non-Independent Directors from July 10, 2020. Mr. Rengan resigned as Non-Executive Non-Independent Director from February 04, 2021.

Mr. Munish Dayal was appointed as Non-Executive Non-Independent Director from February 04, 2021.

### INDEPENDENT DIRECTORS

Independent Directors play a significant role in the governance processes of the Board of Directors. Professional and ethical conduct of Independent Directors promotes confidence of the investment community, particularly minority shareholders and regulators, in the institution of independent directors. As on March 31, 2021, the Board of your Company consisted of 3 (three) Independent Directors.

All the Independent Directors have affirmed compliance with the criteria of independence as stipulated in the Act and the Listing Regulations and have also confirmed their enrollment in the databank of Independent Directors maintained by the Indian Institute of Corporate Affairs.

Further, in the opinion of the Board of Directors, all the Independent Directors of the Company satisfy the criteria of independence specified in the Act and the Listing Regulations and are independent of the Company's Management.

During the year under review, Mr. Dinesh Kumar Mehrotra resigned from directorship as Non-Executive Independent Director of the Company with effect from July 10, 2020, due to pre-occupation on account of other professional commitments. Mr. Mehrotra further confirmed that there was no other material reason for his resignation except as mentioned above.

### INDEPENDENT DIRECTORS MEETING

In terms of the Act and the Listing Regulations, a meeting of the Independent Directors was held on March 23, 2021 without the attendance of the Non-Independent Directors and members of the management of the Company. All the Independent Directors attended the meeting through video conference.

At their meeting, the Independent Directors evaluated and assessed the performance of the Non-Executive Non-Independent Directors, the Executive Directors, the Chairman and the Board, as a collective entity. The Independent Directors also reviewed the quality, quantity and timeliness of the flow of information between the management and the Board / Committees, which was necessary for the Board / Committee Members to perform their duties effectively.

### BOARD COMMITTEES

In terms of the RBI Directions, the applicable circular(s), regulation(s) and notification(s) issued by the SEBI, the applicable provisions of the Act and the Company's internal corporate governance standards, the Board of Directors has constituted various Committees mentioned herein below and the role of each Committee has been defined by the Board of Directors for effective functioning and governance within the Company. The Board of Directors has accepted and implemented the mandatory recommendations made by the Committee(s) during the year under review.

Minutes of the meetings of all the Committees constituted by the Board of Directors are placed before the Board of Directors for discussion and noting.

### CREDIT COMMITTEE

#### Composition, Meetings and Attendance

The Credit Committee comprises Mr. Aditya Joshi, Mr. Dhanpal Jhaveri and Mr. R. Sridhar.

During the year under review, the Credit Committee met 4 (four) times on June 17, 2020, August 12, 2020, November 05, 2020 and February 04, 2021. The required

quorum was present at all the above meetings. Due to business exigencies, certain decisions were taken by the Committee by way of resolutions passed through circulation, from time to time.

Composition of the Credit Committee and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Status	No. of Meetings attended (No. of Meetings held during tenure of membership)
*Mr. Shailesh Shirali	Chairman	1(1)
#Mr. Aditya Joshi	Chairman	3(3)
Mr. Dhanpal Jhaveri	Member	4(4)
Mr. R. Sridhar	Member	4(4)

\*Ceased to be Chairman from July 10, 2020

#Appointed as Chairman from July 10, 2020

### Terms of reference

The terms of reference of the Credit Committee *inter-alia* includes: approving credit proposals with respect to Corporate Lending Business and Retail Lending Business referred to it by the Corporate Lending Committee and Retail Lending Committee, respectively, in accordance with risk policy, review and monitor the loan portfolio of all the business segments, to determine overall investment limit and limit for investment under each approved category, to approve assignment / securitization of loan assets portfolio, to formulate, recommend, review, alter and implement the various policies adopted by the Company with reference to the Committee.

### AUDIT COMMITTEE

#### Composition, Meetings and Attendance

The Audit Committee comprises Mr. Bobby Parikh, Mr. Aditya Joshi, Mr. Hemant Kaul and Ms. Naina Krishna Murthy.

In terms of the Act and the Listing Regulations, two third of the Members of the Committee are Independent Directors. All the Members of the Committee are financially literate and majority members including the Chairman possess financial management expertise. The Company Secretary of the Company acts as Secretary to the Committee. The Statutory Auditors and the Internal Auditors of the Company submit their report(s) directly to the Audit Committee.

During the year under review, the Audit Committee met 4 (four) times on June 17, 2020, August 12, 2020, November 05, 2020 and February 04, 2021. The required quorum was present at all the above meetings. The Chairman of the Audit Committee was present

at the last Annual General Meeting of the Company held on September 24, 2020. Also, during the year under review, the Committee met with the Statutory Auditors and Internal Auditors of the Company without presence of the members of management.

Composition of the Audit Committee and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Status	No. of Meetings attended (No. of Meetings held during tenure of membership)
Mr. Bobby Parikh	Chairman	4(4)
*Mr. Dhanpal Jhaveri	Member	1(1)
Mr. Hemant Kaul	Member	4(4)
Ms. Naina Krishna Murthy	Member	3(4)
#Mr. Aditya Joshi	Member	3(3)

\* Ceased to be a member from July 10, 2020

# Appointed as member from July 10, 2020

#### Terms of reference

The terms of reference of the Audit Committee *inter-alia* includes: dealing with all material questions concerning the auditing and accounting policies of the Company / its subsidiary(s) and their financial controls and systems, review and ensure correctness, sufficiency and credibility of annual financial statements of the Company and subsidiary companies, review with the management financial condition and results of operation, review quarterly and annual financial results, scrutiny of inter-corporate loans and investments, recommend appointment / re-appointment / removal of Statutory and Internal Auditors, reviewing statement of utilization of funds raised through public / rights / preferential issue, overseeing the WhistleBlower Policy / Vigil Mechanism, review, approve and monitor transactions with related parties, reviewing, monitoring and evaluating the internal control system including internal financial controls and risk management system, reviewing utilization of loans / advances / investments made to subsidiary(s).

#### ASSET-LIABILITY MANAGEMENT COMMITTEE ("ALCO")

##### Composition, Meetings and Attendance

The ALCO comprises Mr. R. Sridhar, Mr. Dhanpal Jhaveri, Mr. Munish Dayal and Mr. Amol Joshi.

During the year under review, the ALCO met 4 (four) times on June 17, 2020, August 12, 2020, November 05, 2020 and February 04, 2021. The required quorum was present at all the above meetings. Due to business exigencies, certain decisions were taken by the ALCO by way of resolutions passed through circulation, from time to time.

Composition of the ALCO and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Status	No. of Meetings attended (No. of Meetings held during tenure of membership)
Mr. R. Sridhar	Chairman	4(4)
Mr. Dhanpal Jhaveri	Member	4(4)
*Mr. Shailesh Shirali	Member	1(1)
#Mr. Sridhar Rengan	Member	2(3)
§Mr. Amol Joshi	Member	3(3)
@Mr. Munish Dayal	Member	0(0)

\*Ceased to be a Member from July 10, 2020

#Appointed as a Member on July 10, 2020 and ceased to be a member from February 04, 2021.

§Appointed as a Member from July 10, 2020

@Appointed as Member from February 04, 2021

#### Terms of reference

The terms of reference of the ALCO *inter-alia* includes: monitoring the asset liability composition of the Company's business, determining actions to mitigate risks associated with the asset liability mismatches, determining and reviewing the current interest rate model of the Company, approve proposals and detailed terms and conditions of borrowings from banks, reviewing the borrowing programme of the Company, review product pricing and desired maturity profile of assets and liabilities and also the mix of incremental assets & liabilities.

#### RISK MANAGEMENT COMMITTEE ("RMC")

##### Composition, Meetings and Attendance

The RMC comprises Mr. Hemant Kaul, Mr. R. Sridhar, Mr. Vibhor Kumar Talreja, Mr. Aditya Joshi, Mr. Amol Joshi and Mr. Mohit Mairal.

During the year under review, the RMC met 4 (four) times on June 17, 2020, August 12, 2020, November 05, 2020 and February 04, 2021. The required quorum was present at all the above meetings.

Composition of the RMC and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Status	No. of Meetings attended (No. of Meetings held during tenure of membership)
*Mr. Dinesh Kumar Mehrotra	Chairman	1(1)
#Mr. Hemant Kaul	Chairman	4(4)
Mr. R. Sridhar	Member	4(4)
§Mr. Vibhor Kumar Talreja	Member	3(3)
§Mr. Aditya Joshi	Member	3(3)
Mr. Amol Joshi	Member	4(4)
@Mr. Prashant Joshi	Member	1(1)
^Mr. Nataraj Puroshathamam	Member	1(1)
&Mr. Mohit Mairal	Member	1(1)

\* Ceased to be Chairman and a Member from July 10, 2020  
 # Appointed as Chairman from July 10, 2020  
 § Appointed as a Member from July 10, 2020  
 @ Ceased to be a Member from July 10, 2020  
 ^ Appointed as a Member from July 10, 2020 and Ceased to be a Member from November 05, 2020  
 & Appointed as a Member from November 05, 2020

Subsequent to the year under review, the RMC was reconstituted by appointment of Mr. Munish Dayal as a Member and cessation of Mr. Aditya Joshi as a Member of the Committee.

**Terms of reference**

The terms of reference of the RMC *inter-alia* includes: identifying, monitoring and managing risks that affect / may affect the Company, deciding on the appropriateness of the size and nature of transactions undertaken by the Company, setting up and reviewing risk management policies of the Company, from time to time, overseeing execution / implementation of risk management practices, deciding on transactions that are proposed to be entered into by the Company that have a potential for a conflict of interest in assessment by the members of the Credit Committee.

**NOMINATION & REMUNERATION COMMITTEE (“NRC”)**

**Composition, Meetings and Attendance**

The NRC comprises Mr. Bobby Parikh, Mr. Dhanpal Jhaveri, Mr. Aditya Joshi and Mr. Hemant Kaul. In terms of the Act and the Listing Regulations, half of the Members of the NRC are Independent Directors.

During the year under review, the NRC met 4 (four) times on July 10, 2020, August 12, 2020, November 05, 2020 and February 04, 2021. The required quorum was present at all the above Meetings. The Chairman of the NRC was present at the last Annual General Meeting

of the Company held on September 24, 2020. Due to business exigencies, certain decisions were taken by the Committee by way of resolutions passed through circulation, from time to time.

Composition of the NRC and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Status	No. of Meetings attended (No. of Meetings held during tenure of membership)
*Mr. Bobby Parikh	Chairman / Member	4(4)
Mr. Dhanpal Jhaveri	Member	4(4)
#Mr. Alok Oberoi	Member	0(1)
§ Mr. Hemant Kaul	Chairman / Member	4(4)
@ Mr. Aditya Joshi	Member	3(3)

\* Stepped down from Chairmanship from July 10, 2020  
 # Ceased to be a Member from July 10, 2020  
 § Designated as Chairman from July 10, 2020  
 @ Appointed as a Member from July 10, 2020

**Terms of reference**

The terms of reference of the NRC *inter-alia* includes: identifying personnel qualified to be appointed as Directors or in the Senior Management of the Company, formulating criteria for determining qualification, positive attributes, ‘fit and proper’ person status of Directors / senior management personnel and independence of Directors, deciding on specific remuneration packages and recommending policy on remuneration of the Executive Directors, the Non-Executive Directors (including the Independent Directors) and senior level employees, formulate criteria for evaluation of Directors, the Board and its Committee(s) and formulate and administer employee stock options plans of the Company.

**CORPORATE SOCIAL RESPONSIBILITY (“CSR”) COMMITTEE**

**Composition, Meetings and Attendance**

The CSR Committee comprises Ms. Naina Krishna Murthy, Mr. Bobby Parikh, Mr. Dhanpal Jhaveri, Mr. R. Sridhar and Mr. Munish Dayal.

During the year under review, the CSR Committee met once on August 12, 2020. The required quorum was present at the said meeting. Due to business exigencies, certain decisions were taken by the Committee by way of resolutions passed through circulation, from time to time.



Composition of the CSR Committee and the details of attendance by the Members at the meeting held during the year under review are as under:

Name of the Members	Status	No. of Meeting attended (No. of Meeting held during tenure of membership)
*Mr. Dinesh Kumar Mehrotra	Chairman	0(0)
#Ms. Naina Krishna Murthy	Chairperson	1(1)
Mr. Dhanpal Jhaveri	Member	1(1)
Mr. R. Sridhar	Member	1(1)
§ Mr. Bobby Parikh	Member	1(1)
@Mr. Sridhar Rengan	Member	1(1)
^ Mr. Munish Dayal	Member	0(0)

\* Ceased to be Chairman and a Member from July 10, 2020

# Designated as Chairperson from July 10, 2020

§ Appointed as a Member from July 10, 2020

@ Appointed as a Member on July 10, 2020 and ceased to be a Member from February 04, 2021

^ Appointed as a Member from February 04, 2021

### Terms of reference

The terms of reference of the CSR Committee *inter-alia* includes: formulating and monitoring the CSR Policy, recommending to the Board the amount and area of CSR expenditure, implementation and monitoring the CSR Projects.

## DEBENTURE COMMITTEE

### Composition, Meetings and Attendance

The Debenture Committee comprises Mr. R. Sridhar, Mr. Amol Joshi and Mr. Pankaj Thapar.

During the year under review, the Debenture Committee met once on November 02, 2020. The required quorum was present at the said meeting. Due to business exigencies, certain decisions were taken by the Committee by way of resolutions passed through circulation, from time to time.

Composition of the Debenture Committee and the details of attendance by the Members at the meeting held during the year under review are as under:

Name of the Members	Status	No. of Meeting attended (No. of Meeting held during tenure of membership)
*Mr. Dhanpal Jhaveri	Chairman	0(0)
Mr. R. Sridhar	Member	1(1)
#Mr. Shailesh Shirali	Member	0(0)
@Mr. Amol Joshi	Member	1(1)
@Mr. Pankaj Thapar	Member	1(1)

\* Ceased to be Chairman and a Member from July 10, 2020

# Ceased to be a Member from July 10, 2020

@ Appointed as a Member from July 10, 2020

Subsequent to the year under review, the Debenture Committee was reconstituted by cessation of Mr. Pankaj Thapar as a Member of the Committee.

### Terms of reference

The terms of reference of the Debenture Committee *inter-alia* includes: determination and approval of all matters relating to issue / buyback / repurchase of debentures and all other acts and deeds that it deems necessary / incidental in that regard.

## STAKEHOLDERS' RELATIONSHIP COMMITTEE

### Composition, Meetings and Attendance

The Stakeholders' Relationship Committee comprises Mr. Dhanpal Jhaveri, Mr. R. Sridhar, Ms. Naina Krishna Murthy, Mr. Aditya Joshi and Mr. Bobby Parikh. Mr. Jitendra Bhati, Company Secretary acts as a Secretary of the Committee and is also the Compliance Officer of the Company.

During the year under review, the Stakeholders' Relationship Committee met once on August 12, 2020. All the members of the Committee were present at the said meeting. The Chairman of the Stakeholders' Relationship Committee was present at the last Annual General Meeting of the Company held on September 24, 2020.

Composition of the Stakeholders' Relationship Committee and the details of attendance by the Members at the meeting held during the year under review are as under:

Name of the Members	Status	No. of Meeting attended (No. of Meeting held during tenure of membership)
Mr. Dhanpal Jhaveri	Chairman	1(1)
Mr. R. Sridhar	Member	1(1)
*Mr. Dinesh Kumar Mehrotra	Member	0(0)
Mr. Bobby Parikh	Member	1(1)
#Ms. Naina Krishna Murthy	Member	1(1)
# Mr. Aditya Joshi	Member	1(1)

\* Ceased to be a Member from July 10, 2020

# Appointed as a Member from July 10, 2020

Subsequent to the year under review, the Stakeholders' Relationship Committee was reconstituted by appointment of Mr. Munish Dayal as a Member and cessation of Mr. Aditya Joshi as a Member of the Committee.

### Terms of Reference

The terms of reference of the Stakeholders' Relationship Committee *inter-alia* includes: to oversee, monitor and address grievances of shareholders, debenture holders, investors and other security holders, perform

all functions relating to the interests of security holders of the Company, oversee the performance of the registrar and transfer agents of the Company, monitor transfer of transferable amounts to investor education protection fund, reviewing measures taken for effective exercise of voting rights by shareholders, reviewing measures taken for reducing quantum of unclaimed dividends and ensuring timely receipt of dividend warrants / annual reports / statutory notices by the shareholders of the Company.

During the year under review, no complaints were received from investors / shareholders of the Company and no complaints were pending as on March 31, 2021.

### IT STRATEGY COMMITTEE

#### Composition, Meetings and Attendance

The IT Strategy Committee comprises Mr. Bobby Parikh, Mr. R. Sridhar, Mr. Aditya Joshi, Mr. Amol Joshi, Ms. Jaya Janardanan and Chief Information Officer / Chief Technology Officer.

During the year under review, the IT Strategy Committee met twice on July 14, 2020 and September 17, 2020. The required quorum was present at both the meeting(s).

Composition of the IT Strategy Committee and the details of attendance by the Members at the meeting(s) held during the year under review are as under:

Name of the Members	Status	No. of Meetings attended (No. of Meetings held during tenure of membership)
Mr. Bobby Parikh	Chairman	2(2)
Mr. R. Sridhar	Member	1(2)
*Mr. Aditya Joshi	Member	1(2)
#Mr. Pankaj Thapar	Member	0(0)
§Mr. Prashant Joshi	Member	1(1)
Mr. Pradeep Kumar	Member	2(2)
Mr. Amol Joshi	Member	2(2)
©Ms. Jaya Janardanan	Member	0(0)

\* Appointed as a Member from July 10, 2020

# Ceased to be a Member from July 10, 2020

§ Ceased to be a Member from August 12, 2020

© Appointed as a Member from February 04, 2021

Subsequent to the year under review, the IT Strategy Committee was reconstituted by appointment of Mr. Munish Dayal as a Member and cessation of Mr. Aditya Joshi as a Member of the Committee.

### Terms of Reference

The terms of reference of the IT Strategy Committee are guided by the prescriptions of the Master Direction - Information Technology Framework for the NBFC Sector issued by the Reserve Bank of India which *inter-alia* includes: to approve and monitor information technology (“IT”) strategy and policy documents, monitor processes and practices to ensure IT delivers value to business, ensure that IT investments represent a balance of risks and benefits, determine the IT resources required to achieve strategic goals, providing high-level direction for sourcing and use of IT resources and managing IT related risks.

### OTHER COMMITTEES INTERNAL COMPLAINTS COMMITTEE

#### Composition and Meetings

In terms of the Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013, the Board of Directors constituted an Internal Complaints Committee. Further, considering geographic diversification throughout the Country and increase in number of employees, the Board of Directors also constituted Regional Internal Complaints Committees for the North, West and South regions.

The Internal Complaint Committee comprises Ms. Benaifer Palsetia (Presiding Officer), Ms. Sneha Singh, Ms. Jaya Janardanan, Mr. Amol Joshi and Ms. Srividya Sriram (External Member from an association committed to the cause of women). During the year under review, Mr. Nishant Kotak, Mr. Shailesh Shirali, Mr. Prashant Joshi, Mr. Nataraj Puroshathaman and Mr. Jayant Gunjal ceased to be Members and Ms. Jaya Janardanan was appointed as a Member of the Committee.

No complaints related to sexual harassment were received / were pending during the year under review.

### Terms of Reference

The terms of reference of the Internal Complaints Committee *inter-alia* includes: conducting an inquiry into complaints made by any aggrieved woman at the workplace and arrive at a conclusion as to whether the allegation for which the complaint has been filed is proved or not and take necessary action to resolve the complaints, preparing annual report for each calendar year and submitting of the same to the Board of Directors, the District Officer and such other officer as may be prescribed, and monitoring and implementing the Company’s Care and Dignity Policy.

### GRIEVANCES REDRESSAL COMMITTEE

#### Composition and Meetings

The Grievances Redressal Committee (“GRC”) comprises Mr. R. Sridhar and Ms. Jaya Janardanan.

During the year under review, the Committee met once on August 12, 2020. All the Members were present at the said Meeting.

During the year under review, the GRC was reconstituted by appointment of Ms. Jaya Janardanan (Grievance Redressal Officer) as a Member in place of Mr. Prashant Joshi.

#### Terms of Reference

The terms of reference of the Grievances Redressal Committee *inter-alia* includes: addressing complaints of borrowers or customers of the Company, including but not limited to, applications for loans and their processing, loan appraisal and its terms / conditions, disbursement of loans, change in terms and conditions and any other grievances that a borrower or customer may have against the Company.

The status of the customer complaints pending at the beginning of the year, received during the year, redressed during the year and pending at the end of the year, forms part of notes to the standalone audited financial statements of the Company for the financial year ended March 31, 2021.

In addition, for the purpose of effective implementation of the Fair Practices Code, the Committee has also adopted a Grievance Redressal Mechanism which *inter-alia* assists in communicating to the customers the modes available to them for getting their grievances addressed to their satisfaction.

### BANKING COMMITTEE

#### Composition and Meetings

The Banking Committee comprises Mr. R. Sridhar (Chairman), Mr. Amol Joshi, Mr. Pankaj Thapar and Mr. Jayant Gunjal.

During the year under review, the Committee met once on June 17, 2020. All the Members were present at the said Meeting.

During the year under review, the Banking Committee was reconstituted with effect from July 10, 2020 by designation of Mr. R. Sridhar as the Chairman, appointment of Mr. Jayant Gunjal as a Member and cessation of Mr. Dhanpal Jhaveri as Chairman and a Member of the Committee.

Subsequent to the year under review, the Banking Committee was reconstituted by cessation of Mr. Pankaj Thapar as a Member of the Committee.

#### Terms of Reference

The terms of reference of the Banking Committee, constituted for the internal functioning and operational convenience of the Company *inter-alia* includes: matters relating to opening, operating,

closing, change in signatories or such related matters of bank account(s), demat account(s), broking account(s), trading account(s) and CSGL account(s) of the Company.

### INVESTMENT COMMITTEE

#### Composition and Meetings

The Investment Committee comprises the Chief Financial Officer, Head - Corporate Lending and Markets and Head - Debt Capital Markets.

The Committee meets on multiple occasions as and when required.

#### Terms of Reference

The terms of reference of the Investment Committee, constituted for the internal functioning of the Company *inter-alia* includes: defining criteria for classifying investments into current and long term, approving purchase or sale of investments, periodic review of the investment portfolio of the Company and approve brokers / other intermediaries who can be engaged for investment function.

### MANAGEMENT COMMITTEE, CORPORATE LENDING COMMITTEE AND RETAIL LENDING COMMITTEE

The Board of Directors constituted the Management Committee as the principal forum for taking operational decisions for the effective functioning of the Company. Pursuant to the growth of business, in size, as well as expansion across multiple products and locations, the Board of Directors also constituted the Corporate Lending Committee and Retail Lending Committee which *inter-alia* act as decision making bodies on business related matters of corporate lending and retail lending business segments of the Company, respectively.

#### Composition:

The Management Committee comprises Mr. R. Sridhar, Mr. Pankaj Thapar, Mr. Amol Joshi, Mr. Deep Jaggi and Ms. Jaya Janardanan.

During to the year under review, Mr. Shailesh Shirali and Mr. Prashant Joshi, ceased to be Members of the Committee and Mr. Deep Jaggi and Ms. Jaya Janardanan were appointed as Members of the Committee.

Subsequent to the year under review, the Management Committee was reconstituted by cessation of Mr. Pankaj Thapar as a Member of the Committee.

The Corporate Lending Committee comprises Mr. R. Sridhar, Mr. Pankaj Thapar and Mr. Amol Joshi.

During the year under review, Mr. Dhanpal Jhaveri ceased to be Chairman and a Member and Mr. Shailesh Shirali ceased to be a Member of the Committee.

Subsequent to the year under review, the Corporate Lending Committee was reconstituted by cessation of Mr. Pankaj Thapar as a Member of the Committee.

The Retail Lending Committee comprises Mr. R. Sridhar, Mr. Pankaj Thapar, Mr. Amol Joshi and Mr. Deep Jaggi.

During the year under review, Mr. Dhanpal Jhaveri ceased to be Chairman and a Member and Mr. Prashant Joshi ceased to be a Member of the Committee and Mr. Deep Jaggi was appointed as a Member of the Committee.

Subsequent to the year under review, the Retail Lending Committee was reconstituted by cessation of Mr. Pankaj Thapar as a Member of the Committee.

**Meetings:** The Committee(s) meet on multiple occasions as and when required.

#### **Terms of Reference:**

##### **Management Committee**

The terms of reference of the Management Committee *inter-alia* includes: decision making around all policy matters or legally mandated matters unless restricted by the law or the Board of Directors. The Management Committee is also responsible for all administrative and operational matters such as capital expenditure, leasing of premises, authority to represent the Company, change or appoint nominee shareholders in any subsidiary / associates companies and implement policies adopted by the Board of Directors.

##### **Corporate Lending Committee**

The terms of reference of the Corporate Lending Committee *inter-alia* includes the following with respect to the corporate lending business of the Company: examining credit proposals and recommending the same to the Credit Committee for its approval, approve deviations to sanctioned credit proposals, ensure adequate security / encumbrance is created / registered in favour of the Company, approve / recommend amendment(s) to / adoption of various relevant policies / manuals, approve deployment of funds in terms of Treasury Policy, approve proposals under Short Term Loan Programme and Sell Down Mandate of the Company, authorize officials of the Company to do all such acts, deeds, matters and things and exercise all rights under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, update and report to the Credit Committee and to do all other acts, deeds and things, which do not require specific approval of the Board of Directors / Credit Committee.

##### **Retail Lending Committee**

The terms of reference of the Retail Lending Committee *inter-alia* includes the following with respect to the retail lending business segments of the Company:

adopting / revising relevant policies, approving appointment of various agencies / vendors, approving or modifying various agreement(s), document(s) & contract(s), undertaking all or any business and / or operational activities, authorize officials of the Company to do all such acts, deeds, matters and things and exercise all rights under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, and updating / reporting to the Credit Committee.

#### **CODES AND POLICIES**

In terms of the RBI Directions, the circulars / regulations / guidelines issued by SEBI including the Listing Regulations, provisions of the Act, various other laws applicable to the Company and as a part of good corporate governance and also to ensure strong internal controls, the Board of Directors has adopted several codes / policies / guidelines which amongst others includes the following:

##### **Internal Guidelines on Corporate Governance**

In terms of the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 issued by the Reserve Bank of India ("RBI NDSI Directions") and in order to adopt best practices and facilitate greater transparency in operations, the Board of Directors adopted the 'Internal Guidelines on Corporate Governance'.

The Internal Guidelines on Corporate Governance covers areas related to corporate governance and compliance *inter-alia* with respect to the Board, the Committees constituted by the Board, subsidiary company(ies), auditors, conflict of interest and reference to other code(s) and policy(ies) of the Company. The Internal Guidelines on Corporate Governance is available on the website of the Company.

##### **Fair Practices Code**

In terms of the RBI NDSI Directions, the Board of Directors adopted a 'Fair Practices Code' which *inter-alia* deals with matters related to manner of application for loans, their processing, loan appraisal, terms / conditions and disbursement of loans and changes in terms and conditions of loans sanctioned.

In terms of the Fair Practices Code, to provide best customer services and to ensure speedy redressal of customer grievances, the Grievances Redressal Committee adopted a 'Customer Grievance Redressal Mechanism' which includes the manner in which complaints can be registered by a customer and the manner and time-lines for resolution of complaints by the Company.

The Fair Practices Code and the Grievance Redressal Mechanism are available on the website of the Company.

### **Investment and Loan Policy**

In terms of the requirements of the RBI NDSI Directions, to have a documented policy for investment and demand / call loans granted by the Company, the Board of Directors adopted an 'Investment and Loan Policy' which also includes specific provisions for demand / call loans.

The Investment and Loan Policy *inter-alia* covers, for investments - the criteria to classify the investments into current or long term investments, transfer of investments, norms for depreciation / appreciation, categorization, valuation and manner of transacting in government securities; and for lending - specific provisions for demand / call loans, takeover / refinancing, provisions around lending against shares, collateral value / asset cover, infrastructure loans, asset classification and provisioning requirements.

In addition to the Investment and Loan Policy, the Company has also adopted a 'Treasury Policy' for setting out an operational framework for management of surplus funds and an 'Investment Policy' to prescribe detailed criteria for investment / divestment of the funds of the Company (other than surplus funds) and to prescribe a formal framework for management of the Investment Portfolio of the Company.

### **Policy on Single / Group Exposure Norms**

In terms of the requirements of RBI NDSI Directions, to have a documented policy with respect to exposure to a single party or a single group of parties, the Board of Directors adopted a 'Policy on Single / Group Exposure Norms'.

The Policy on Single / Group Exposure Norms *inter-alia* intends to align the loan / investment amounts of the Company to the repayment capacity / servicing ability of the borrower and spread exposures over a large number of borrowers / entities and to contain the impact of market, economic and other movements on the loan / investment portfolio of the Company.

### **Policy on Know Your Customer ("KYC") Norms and Anti Money Laundering ("AML") Measures ("KYC & AML Policy")**

In terms of the circular(s) and direction(s) on KYC Norms and AML Measures issued by the Reserve Bank of India including Know Your Customer (KYC) Direction, 2016, the Prevention of Money Laundering Act, 2002 and rules made thereunder, the Board of Directors adopted a 'KYC & AML Policy' which *inter-alia* incorporates your Company's approach towards KYC norms, AML measures and combating of financing of terrorism ("CFT").

The KYC & AML Policy provides a comprehensive and dynamic framework and measures relating to KYC, AML and CFT to be considered while conducting business. The primary objective of the policy is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities.

### **Risk Framework and Policy**

In terms of the RBI NDSI Directions, the Listing Regulations and provisions of the Act, the Company's 'Risk Framework and Policy' encompasses the organisation structure, strategies, systems and procedures. It integrates various elements of risk management embodied in the business and administrative aspects of the Company into a unified enterprise-wide policy. The policy is laid down in light of the Company's objectives, business strategy and complexity arising out of the products / services and other activities carried out in pursuit of these objectives and implementation of these strategies.

### **Internal Control Framework**

In terms of the provisions of the Act and the Listing Regulations, requiring the Company to lay down adequate internal financial controls and in order to strengthen the existing internal controls of the Company enforced through its policies / processes / codes, the Board of Directors adopted an 'Internal Control Framework'. The Internal Control Framework largely outlines a framework for identifying financial reporting and operational risks which may affect the Company, necessary steps to mitigate such risks, reduce the probability of and potential impact in case of materialisation of risks, creating awareness amongst functional staff and draw down a risk ownership structure to manage risks in a timely manner.

### **Interest Rate Policy**

The Company determines the pricing of loans in a transparent manner. In terms of the requirement of RBI NDSI Directions, to have a policy document for interest rates being charged on loans disbursed by the Company and the Fair Practices Code of the Company, the Board of Directors adopted an 'Interest Rate Policy'.

The Interest Rate Policy of the Company *inter-alia* outlines the manner and factors to be considered while determining interest rate applicable to a particular loan and the approach of the Company for gradation of risk. The range of Annualised Rate of Interest that can be charged by the Company across its different business segments is mentioned in the Interest Rate Policy. Since the Company focuses on providing credit only to customers meeting its credit standards for varying tenors, the interest rate to be charged is assessed on a case to case basis, based on the evaluation of various factors and in line with

the range prescribed in the Interest Rate Policy. The Interest Rate Policy is available on the website of the Company.

#### **Asset Liability Management Policy (“ALCO Policy”)**

During the year under review, the ALCO Policy was amended to align with the requirements of the Liquidity Risk Management Framework prescribed vide RBI NDSI Directions to *inter-alia* strengthen and raise the standard of the Asset Liability Management (ALM) framework of the Company.

The ALCO Policy provides a comprehensive and dynamic framework for assessing, measuring, monitoring and managing ALM risks. The policy describes the process that should be followed by the ALCO to evaluate the effectiveness of the Company’s internal control procedures with respect to managing ALM risks. The ALCO Policy is available on the website of the Company.

#### **Resource Planning Policy**

In terms of the requirement of the Guidelines on Private Placement of Non-Convertible Debentures prescribed vide the RBI NDSI Directions, to have a documented policy with respect to resource planning for every year, the Board of Directors adopted a ‘Resource Planning Policy’ for the year under review.

The Resource Planning Policy of the Company *inter-alia* promotes discipline in resource planning and raising of funds *inter-alia* through private placement of non-convertible debentures, bank borrowings, loan assignment and issuance of commercial paper, etc. and also covers the planning horizon and the periodicity of fund raising by the Company.

#### **Fraud Risk Policy**

In terms of Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016 issued by the Reserve Bank of India for prevention of frauds and effective management of fraud risk, the Board of Directors adopted a ‘Fraud Risk Policy’. In order to ensure effective implementation of the Fraud Risk Policy, the Board of Directors adopted a ‘Fraud Risk Management Framework’.

The Fraud Risk Policy *inter-alia* sets out the responsibility of employees and management in relation to reporting of fraud or suspected fraud within the Company. The Fraud Risk Policy applies to any irregularity or suspected irregularity, involving employees, borrowers and where appropriate consultants, vendors, contractors, outside agencies doing business with the Company or employees of such agencies, and/or any other parties having a business relationship with the Company.

#### **Policy on Selection Criteria / “Fit & Proper” Person Criteria**

In terms of provisions of the Act, Guidelines on Corporate Governance prescribed vide RBI NDSI Directions and the Listing Regulations, the Board of Directors adopted a ‘Policy on Selection Criteria / “Fit and Proper” Person Criteria’ which lays down a framework relating to appointment of Director(s) and senior management personnel including key managerial personnel of the Company.

The Policy on Selection Criteria / “Fit and Proper” Person Criteria *inter-alia* includes:

- Manner / process for selection of Directors and senior management personnel including key managerial personnel;
- Criteria to be considered for appointment of Directors including qualifications, positive attributes, fit and proper person status and independence criteria for Independent Directors;
- Criteria to be considered for appointment in senior management of the Company.

In terms of the Policy on Selection Criteria / “Fit and Proper” Person Criteria, the Nomination & Remuneration Committee is primarily responsible for:

- Guiding and recommending to the Board of Directors the appointment and removal of Director(s), senior management personnel and key managerial personnel of the Company.
- Ensuring “Fit and Proper” Person status of proposed / existing Director(s)

The Policy on Selection Criteria / “Fit & Proper” Person Criteria is available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-services>.

#### **Outsourcing Policy**

In order to protect the interest of the customers of non-banking financial companies (“NBFCs”) and to ensure that NBFCs and the Reserve Bank of India have access to all relevant books, records and information available with service providers to whom financial activities of the NBFC have been outsourced, the Reserve Bank of India issued Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs (“RBI Outsourcing Directions”). In line with the RBI Outsourcing Directions, the Board of Directors adopted an ‘Outsourcing Policy’ to govern its material outsourcing arrangements *inter-alia* setting out parameters for defining materiality of outsourcing arrangements, listing out activities which can and cannot be outsourced, criteria for selection of service providers, risks in outsourcing and its mitigation, delegation of authority for entering into outsourcing

arrangements depending on risks and materiality, and systems to monitor and review the operations of the outsourced activities.

### **Information Technology related Policies and Processes**

In terms of the Master Direction - Information Technology Framework for the NBFC Sector issued by the Reserve Bank of India, the Board of Directors adopted various policies for Information Technology (IT) risk management, resource management and performance management which *inter-alia* include the 'IT Policy', 'Information Security Policy', 'Cyber Security Policy', 'IS Audit Policy', 'Logical Access Management Policy', 'Change Management Policy', 'Backup Management & Restoration Policy', 'Asset Management Policy', 'Capacity Management Policy' and 'IT Outsourcing Policy'. Further, the Board of Directors adopted various IT processes to ensure effective implementation of the IT policies.

### **Policy on Co-Lending with Banks**

In line with Reserve Bank of India's guidelines on Co-Lending by Banks and NBFCs to Priority Sector, whereby banks could engage with NBFCs for co-lending to priority sectors (Co-Lending Guidelines), the Board of Directors adopted a 'Policy on Co-lending with Banks' to enable the Company to explore opportunities of co-financing priority sectors loans with Banks.

### **Policy on Independence of Chief Risk Officer of the Company**

In terms of requirements of the RBI NDSI Directions, the Board of Directors of the Company adopted 'Policy on Independence of Chief Risk Officer (CRO)' *inter-alia* prescribing the norms including reporting channels for CRO, to ensure his independence from the executive management of the Company.

### **Policy on Staff Accountability with regard to Quick Mortality Loan Accounts**

In order to outline a mechanism for dealing with early mortality loan accounts *inter-alia* including identification, enquiry and investigation and action to be taken with respect to relevant borrower / vendor / employee, the Board of Directors have put in place a 'Policy on Staff Accountability' with with regard to Quick Mortality Loan Accounts.

### **MSME Restructuring Policy**

In line with various relaxations notified by the Reserve Bank of India ("RBI") to address systemic risk across MSME borrowers that come under stress due to events like demonitisation, implementation of GST and disruption caused due to COVID-19 pandemic, the Board of Directors have adopted an 'MSME Restructuring Policy'. The Policy is amended / updated

from time to time in line with new guidelines, as and when prescribed by RBI.

### **COVID-19 Moratorium Policy**

In recognition of the fact that it was important to mitigate the burden of debt servicing brought about by disruptions on account of the fall-out of the COVID-19 pandemic and ensure continuity of viable businesses, in line with RBI circulars issued in this regard, the Board of Directors of the Company adopted a COVID-19 Moratorium Policy - I & II, to provide moratorium to eligible borrowers in payment of principal and interest *inter-alia* outlining the eligibility of borrowers, loan products covered, key features, asset classification guidelines and implementation plan of moratorium to be granted to eligible borrowers.

### **Deferment of Date of Commencement of Commercial Operations and shift in repayment schedule of Loans for projects in Non Infrastructure and Commercial Real Estate (CRE) Sectors**

In line with RBI circular permitting NBFCs to defer the Date of Commencement of Commercial Operations (DCCO) for project and commercial real estate loans, the Board of Directors adopted a 'Policy on Deferment of Date of Commencement of Commercial Operations and shift in repayment schedule of Loans for projects in Non-Infrastructure and Commercial Real Estate (CRE) Sectors', in order to pass on the benefit of the relaxations to the borrowers.

### **Expected Credit Loss ("ECL") Policy**

In order to promote quality and consistent implementation of Accounting Standards as well as to facilitate comparison and better supervision of the financial parameters of the Company, RBI notified guidance on implementation of Indian Accounting Standards by NBFCs. In line with the RBI circular and outline sound methodologies that address policies, procedures and controls for assessing and measuring credit risk on all lending exposures commensurate with the size, complexity and risk profile specific to the NBFC and for computation of Expected Credit Losses, the Board of Directors adopted the 'ECL Policy'

### **Whistle Blower Policy / Vigil Mechanism**

In terms of requirements of the Listing Regulations and provisions of the Act, the Board of Directors adopted a codified 'Whistle Blower Policy / Vigil Mechanism' *inter-alia* to provide a mechanism for Directors and employees of the Company to approach the Audit Committee and to report genuine concerns related to the Company and to provide for adequate safeguards against victimization of Director(s) or employee(s) who report genuine concerns under the mechanism.

The Vigil Mechanism provides a channel to report to the management concerns about unethical behavior, actual or suspected fraud or violation of various codes

or policies of the Company and provides adequate safeguards against victimization of persons who use such mechanism. The mechanism provides for direct access to the Chairman of the Audit Committee in appropriate or exceptional cases. No person has been denied access to the Audit Committee. The Whistle Blower Policy / Vigil Mechanism is available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-services>.

Further, in order to digitize the process of registering a complaint and to maintain a complete record of a case till its closure, during the year under review, the Company implemented and disseminated to all its employees, an online platform and telephonic hotline no. for registration of complaints.

#### **Related Party Transaction Policy**

In term of the provisions of the Listing Regulations, the Act and RBI NDSI Directions, the Board of Directors adopted a 'Related Party Transaction Policy' to ensure proper approval and reporting of transactions between the Company and its related parties.

The Related Party Transaction Policy *inter-alia* sets out criteria for identifying material related party transactions and includes the process and manner of approval of transactions with related parties, identification of related parties and identification of potential related party transactions. In terms of the Related Party Transaction Policy of the Company, any transaction with any related parties shall be considered to be appropriate only if it is in the best interests of the Company and its shareholders. The Related Party Transaction Policy is available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-services>.

#### **Code of Conduct for Directors & Employees**

In terms of the Listing Regulations and as an initiative towards setting out a good corporate governance structure within the organisation, the Board of Directors adopted a comprehensive 'Code of Conduct for Directors and Employees' which is applicable to all the Directors, including Non-Executive and Independent Directors and employees of the Company to the extent of their role and responsibilities in the Company. The code provides guidance to the Directors and employees to conduct their business affairs ethically and in full compliance with applicable laws, rules and regulations.

All the members of the Board of Directors and senior management personnel have affirmed compliance with the Code of Conduct for Directors and Employees for the year under review. A declaration to that effect, from Mr. Sridhar, the Executive Vice-Chairman & CEO of the Company, is annexed to this Corporate Governance Report.

#### **Policy for Determining Material Subsidiary**

In terms of the provisions of the Listing Regulations, the Board of Directors adopted a 'Policy for Determining Material Subsidiary' which *inter-alia* sets out parameters for identifying a subsidiary as a "Material Subsidiary". The Policy for Determining Material Subsidiary is available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-services>.

#### **Policy for Determination of Materiality of Events and Information**

In terms of the provisions of the Listing Regulations, the Board of Directors adopted a 'Policy for Determination of Materiality of Events and Information', which *inter-alia* sets out guidelines for determining materiality of events / information for the purpose of disclosure to the stock exchanges and identifies officers of the Company who shall be authorized to make necessary disclosures to the stock exchanges. The Policy for Determination of Materiality of Events and Information is available on the website of the Company.

#### **Archival Policy**

In terms of the Listing Regulations, the Board of Directors adopted an 'Archival Policy' in order to prescribe the period for which events / information disclosed to the stock exchanges, shall be hosted on the website of the Company. The Archival Policy is available on the website of the Company.

#### **Policy on Diversity of Board of Directors**

In terms of the Listing Regulations, the Board of Directors adopted a 'Policy on Diversity of Board of Directors' to set out a transparent process for nomination of persons to the Board of Directors with the diversity of thought, experience, knowledge, perspective and gender.

#### **Remuneration Policy**

In terms of the provisions of the Listing Regulations and the Act, the Board of Directors adopted the 'Remuneration Policy' covering aspects relating to remuneration to be paid to Directors including criteria for making payment to Executive and Non-Executive Directors, senior management including key managerial personnel and other employees of the Company. During the year under review, the Remuneration Policy was amended to *inter-alia* add details on guaranteed bonus & recovery of annual bonus and modification of salary structure in accordance with prevailing tax laws.

The Remuneration Policy is adopted to *inter-alia* ensure that remuneration paid by the Company is in compliance with the requirements of the applicable law(s) and relationship of remuneration to performance is clear and meets appropriate



performance benchmarks. The Remuneration Policy is available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-services>.

Mentioned below are details of sitting fees paid to Non-Executive Independent Directors for attending Board and Committee Meetings held during the year under review:

(₹ In lacs)	
Name of the Directors	Sitting Fees
Mr. Bobby Parikh	8.35
*Mr. Dinesh Kumar Mehrotra	1.00
Mr. Hemant Kaul	8.35
Ms. Naina Krishna Murthy	4.95

\* Mr. Dinesh Kumar Mehrotra resigned as Non-Executive Independent Director from July 10, 2020.

The Nomination and Remuneration Committee and Board of Directors of the Company have approved payment of remuneration of ₹10 lacs to each Independent Director of the Company for financial year 2020-21, subject to approval of shareholders of the Company at the ensuing Annual General Meeting of the Company.

Non-Executive Directors were not paid any remuneration during the year under review except sitting fees paid to Independent Directors. The criteria for making payment to Non-Executive Directors including Independent Directors are prescribed in the Remuneration Policy which is available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-services>.

During the year under review, there were no pecuniary relationships or transactions between the Company and any of its Non-Executive Directors apart from payment of sitting fees as disclosed herein above.

Remuneration of Executive Director: Mr. R. Sridhar was appointed as Whole-time Director of the Company for a period of five years with effect from April 18, 2017. Further, in terms of the Management Contract executed with Mr. R. Sridhar governing his remaining tenure as Whole-time Director of the Company i.e. till April 17, 2022, Mr. Sridhar is entitled to gross salary of ₹ 3.20 crore per annum and fixed bonus of ₹ 6.80 crore per annum. The Management Contract can be terminated by the Company without any cause by giving 6 months' notice in writing or payment of salary in lieu thereof and by Mr. Sridhar by giving 6 months' notice in writing. There is no separate provision for payment of severance fees. As on March 31, 2021, Mr. Sridhar held 34,11,500 stock options of the Company.

Mr. Shailesh Shirali, Ex-Whole-time Director of the Company, who resigned with effect from July 10, 2020, was paid remuneration of ₹ 88.07 lacs for his tenure in the Company during financial year 2020-21.

#### Employee Loan Policy

In order to strengthen Company's ability to attract and retain high quality talent the Board of Directors of the Company adopted a Policy on Loans to Employees ("EL Policy") of the Company and its majority owned subsidiaries. All employees including Executive Directors, of the Company and its majority owned subsidiaries are covered under the EL Policy.

#### Record Retention Policy

In order to facilitate operations by promoting efficiency in record keeping, eliminating accidental destruction of valuable records and in order to be in compliance with various laws applicable in this regard including the Listing Regulations, the Board of Directors adopted a 'Record Retention Policy'.

The Record Retention Policy provides for the systematic review, retention, and destruction of records and documents received or created by the Company.

#### Dividend Distribution Policy

In terms of the Listing Regulations and as an initiative towards setting out a good corporate governance structure within the organisation, the Board of Directors adopted a 'Dividend Distribution Policy' in line with Company's idea of meeting the long term capital requirement from internal cash accruals and appropriately rewarding shareholders. The Dividend Distribution Policy prescribes parameters to be considered for declaring/recommending dividend and sets out indicative range and frequency of dividend pay-out.

The Dividend Distribution Policy of the Company is available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-services>.

#### Familiarisation Programme for Independent Directors

The Independent Directors of your Company were familiarised *inter-alia* with the industry in which your Company and its subsidiaries operate, the Company's business model and its operations in order to give them an insight into the Company's business and its functioning. The Independent Directors were also familiarised with their functioning roles, rights and responsibilities as Independent Directors. Details of the familiarisation programmes imparted to Independent Directors during the year under review is available on the website of the Company at

<https://www.indostarcapital.com/investors-corner#investor-services>.

### Business Responsibility Policy

In terms of the provisions of the Listing Regulations and National Voluntary Guidelines on Social, Environmental and Economic responsibilities of a Business published by the Ministry of Corporate Affairs governing conduct of companies, the Board of Directors adopted a 'Business Responsibility Policy' to set out a unified and common approach to the dimensions of business responsibility across the organisation.

### Corporate Social Responsibility ("CSR") Policy

In terms of the provisions of the Act, the Board of Directors adopted a 'CSR Policy' which helps towards contribution and furtherance of your Company's objective to create value in the society and community in which it operates, through its services, conduct and initiatives, so as to promote sustained growth for the society and community, in fulfillment of its role as a socially responsible corporate citizen.

The CSR Policy of the Company *inter-alia* indicates the CSR activities that can be undertaken by the Company and defines the roles and responsibilities of the Board of Directors and CSR Committee in implementing and monitoring CSR projects identified and supported by the Company.

During the year under the review, the CSR policy was amended to *inter-alia* align the policy with amendments in the Act.

The CSR Policy is available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-services>.

### Board Performance Evaluation Policy

In terms of the provisions of the Listing Regulations and the Act, the Board of Directors adopted a Board Performance Evaluation Policy to set out a formal mechanism for evaluating performance of the Board, that of its Committee(s) and individual Directors including the Chairman. Additionally, in order to outline detailed process and criteria for performance evaluation, the Nomination and Remuneration Committee has put in place the 'Performance Evaluation Process - Board, Committees and Directors', which forms an integral part of the Board Performance Evaluation Policy.

The manner in which formal annual evaluation of the performance of the Board, its Committees and individual Directors including Chairman was conducted is given below:

- A structured questionnaire prepared in accordance with the Board Performance Evaluation Policy and

Performance Evaluation Process, *inter-alia* setting out criteria for evaluation of performance of the Board collectively, individual non-independent directors and the Chairperson, was circulated to the Independent Directors. Performance ratings were given by the Independent Directors on the questionnaire circulated for each category to be evaluated by them at their separate meeting held.

- Based on Independent Directors feedback on the questionnaires, the Independent Directors, at their separate meeting, evaluated the performance of Non-Independent Directors, the Board as a whole and the Chairman;
- Further, based on evaluation by Independent Directors and in light of the criteria prescribed in the Performance Evaluation Process, the Board analysed and evaluated its own performance, that of its Committees and each Director including the chairman.

### Performance Evaluation Criteria for Independent Directors

The Performance Evaluation Process adopted by the Nomination & Remuneration Committee *inter-alia* prescribe criteria for performance evaluation of Independent Directors.

In terms of the performance evaluation process, performance of Independent Directors is to be evaluated broadly on parameters such as contribution towards strengthening corporate governance, financial reporting, development of strategy and risk management; relationship with other Board members; attendance and participation at the meetings of the Board, Committees and shareholders; understanding of the sector in which the Company operates, keeping up-to-date information about the Company and external environment in which it operates, latest developments in areas such as corporate governance, financial reporting and applicable regulatory aspects; level of integrity and confidentiality maintained by them, compliance with the Code of Conduct for Independent Directors, fulfillment of the prescribed Independence criteria and independence from the Management.

### Code of Conduct for Prohibition of Insider Trading and Internal Procedures, and Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information

In terms of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 and in order to maintain highest standards whilst dealing with confidential and unpublished price sensitive information of the Company and in order to ensure uniform dissemination of unpublished price sensitive information, the Board of Directors adopted (i) a

'Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information'; and (ii) a self-regulated 'Code of Conduct for Prohibition of Insider Trading and Internal Procedures'.

The Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information of the Company is available on the website of the Company.

#### **Code for Independent Directors**

In terms of provision of the Act, the Board of Directors adopted a 'Code for Independent Directors' in order to ensure fulfillment of responsibilities of Independent Directors of the Company in a professional manner.

The Code for Independent Directors aims to promote confidence of the investment community, particularly minority shareholders and regulators in the institution of Independent directors and sets out the guidelines of professional conduct of Independent Directors, their roles, functions and duties, the process of performance evaluation etc. The Code for Independent Directors is available on the website of the Company.

In addition, as a part of its larger good corporate governance initiative, the Board of Directors has also adopted certain other codes and policies.

#### **Anti-Corruption Policy**

To further affirm Company's zero-tolerance approach towards corruption, to act professionally with integrity in all its business dealings and relationships wherever it operates and to conduct its business in an honest and ethical manner by preventing / countering corruption within the organisation, the Board of Directors adopted an 'Anti-Corruption Policy'.

The Anti-Corruption Policy *inter-alia* aims to prohibit the Company's personnel, and any other entity or person acting for or on behalf of the Company from offering, providing or receiving prohibited gratuities,

bribes, gifts, entertainment, facilitating payments, or anything of value to or for the benefit of a government official or any other person contrary to anti-corruption laws or engaging in activities or transactions with sanctioned or blacklisted countries or individual parties contrary to applicable laws or engaging in any corrupt, fraudulent, coercive or collusive practice. The Anti-Corruption Policy is available on the website of the Company at <https://www.indostarcapital.com/investors-corner#investor-services>.

#### **Compliance Process**

Your Company believes that an effective compliance process is an important element of the corporate governance structure in any organisation. In order to promote a culture of valuing compliance, the Board of Directors adopted a 'Compliance Process' which demonstrates in clear terms the commitment of the Company to the high standards of ethics and approach towards compliance with the laws, industry practices and internal policies / processes / codes of the Company, which impact its functioning.

#### **Media Communication Policy**

The Company's 'Media Communication Policy' encompasses the organisation structure, systems and procedures to manage communications with external audiences in a co-ordinated way via appointed spokespeople to ensure that external communication is consistent and aligned with the policies and needs of the Company.

#### **Care and Dignity Policy**

Consistent with its core values, the Company is committed to creating an environment in which all individuals are treated with respect and dignity and promote a gender sensitive safe work environment. The Company has zero tolerance to any form of sexual discrimination and / or harassment and hence has adopted a 'Care and Dignity Policy' to ensure that its employees are not subjected to any form of discrimination and / or sexual harassment.

## GENERAL BODY MEETINGS

For Financial Year	Date	Time	Special Resolutions passed	Venue
2017-2018	September 27, 2018	11:00 a.m.	<ul style="list-style-type: none"> <li>• Increase in borrowing Limits for the Company</li> <li>• Issue of non-convertible debentures under private placement basis</li> <li>• Ratification and amendment of IndoStar ESOP Plan 2012, IndoStar ESOP Plan 2016, IndoStar ESOP Plan 2016-II, IndoStar ESOP Plan 2017 and IndoStar ESOP Plan 2018 (IndoStar ESOP Plans)</li> <li>• Ratification of IndoStar ESOP plans for grant of options to the eligible employees of subsidiary companies / holding company</li> <li>• Alteration to the Articles of Association of the Company</li> </ul>	Ravindra Natya Mandir, P.L. Deshpande Maharashtra Kala Academy, near Siddhivinayak Temple, Sayani Road, Prabhadevi, Mumbai - 400025
2018-19	August 30, 2019	3:00 p.m.	<ul style="list-style-type: none"> <li>• Re-appointment of Mr. Bobby Parikh as a Non-Executive Independent Director of the Company</li> <li>• Increase in Borrowing Limits of the Company</li> <li>• Issue of non-convertible debentures under private placement</li> <li>• Increase in aggregate limit of investment and holding by Foreign Portfolio Investors in the Equity Share Capital of the Company</li> <li>• Sale / Assignment / Securitisation of loan receivables of the Company upto ₹ 5,000 crore in a Financial Year</li> </ul>	Hall of Culture, Nehru Centre Conference Hall, Dr. Annie Besant Road, Worli, Mumbai - 400 018
2019-20	September 24, 2020	11:30 a.m.	<ul style="list-style-type: none"> <li>• Issue of Non-Convertible Debentures under Private Placement for aggregate principal amount not exceeding ₹ 10,000 crore, during a year</li> <li>• Policy on loans to employees of the Company and its Subsidiaries</li> <li>• Waiver of recovery of excess managerial remuneration paid to Mr. R. Sridhar, Executive Vice-Chairman &amp; Chief Executive Officer of the Company</li> <li>• Waiver of recovery of excess managerial remuneration paid to Mr. Shailesh Shirali, former Whole-time Director of the Company.</li> <li>• Approval of Contract executed with Mr. R. Sridhar, Whole-time Director of the Company</li> <li>• Amendment of IndoStar ESOP Plan 2012</li> <li>• Amendment of IndoStar ESOP Plan 2016</li> </ul>	Held through Video Conferencing / Other Audio Visual Means

For Financial Year	Date	Time	Special Resolutions passed	Venue
			<ul style="list-style-type: none"> <li>Amendment of IndoStar ESOP Plan 2016 – II</li> <li>Amendment of IndoStar ESOP Plan 2017</li> <li>Amendment of IndoStar ESOP Plan 2018</li> <li>Amended IndoStar ESOP Plan(s) - Grant of options to the eligible employees of subsidiary companies / holding company</li> <li>Adoption of Restated Articles of Association of the Company</li> </ul>	

During the year under review, no resolutions were passed through postal ballot.

None of the businesses to be transacted at the ensuing Annual General Meeting are proposed to be conducted through postal ballot.

### MEANS OF COMMUNICATION

- Quarterly and annual financial results of the Company are disseminated to stock exchanges and hosted on Company's website;
- Quarterly and annual financial results are published in Free Press Journal and Navshakti, as required under applicable law;
- Presentations and media releases on financial position and important events / material developments of the Company are issued by the Company for information of investors;
- The Company arranges for investors calls / conferences for discussing financial position of the Company from time to time;
- The shareholders can also access the details of corporate governance policies, Board committees, financial information, shareholding information, details of unclaimed dividends, etc. on the Company's website;
- Institutional investors / analysts presentations and media releases are submitted to the stock exchanges and are also hosted on the Company's website.

### GENERAL SHAREHOLDER INFORMATION

Annual General Meeting - Date, Time and Venue	12 <sup>th</sup> Annual General Meeting Date: September 28, 2021 Time: 11 a.m. (IST) Mode of conducting the meeting: Video conferencing / other audio visual means
Financial Year	April 01 to March 31
Dividend Payment Date	Not applicable
Date of Book Closure	Wednesday, September 22, 2021 to Tuesday, September 28, 2021 (both days inclusive)
Listing on Stock Exchanges	The BSE Limited ('BSE") (Equity Shares and Non-Convertible Debentures) Phiroze Jeejeeboy Towers, Dalal Street, Fort, Mumbai - 400 001  The National Stock Exchange of India Limited ("NSE") (Equity Shares) Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai - 400 051
Payment of Annual Listing Fees	Requisite Annual Listing Fees has been paid to both the Stock Exchanges.

Stock Code	BSE: 541336 NSE: INDOSTAR
In case the Securities are Suspended from Trading, the Directors Report shall explain the Reason thereof	Not applicable
Registrar and Transfer Agents	Link Intime India Private Limited Address: C 101, 247 Park, L.B.S Marg, Vikhroli (West), Mumbai - 400083 Telephone: +91 22 49186270 Fax: +91 22 49186060 Email id: <a href="mailto:rnt.helpdesk@linkintime.co.in">rnt.helpdesk@linkintime.co.in</a>
Share Transfer System	In terms of the Listing Regulations w.e.f April 01, 2019, the Equity Shares of the Company can be transferred only in dematerialised form, except in case of request received for transmission or transposition of securities, which shall be approved by the Stakeholders Relationship Committee.
Dematerialisation of Shares and Liquidity	Equity shares of the Company are available for trading only in dematerialised form under both the Depositories i.e. National Securities Depository Limited and Central Depository Services (India) Limited.  The International Securities Identification Number (ISIN) allotted to the Company's Equity Shares is INE896LO1010. As on March 31, 2021, out of 12,37,30,329 Equity Shares, 12,37,30,303 Equity Shares of the Company (99.99% of the Equity Share of the Company) were held in dematerialized form.
Outstanding Global Depository Receipts or American Depository Receipts or Warrants or any Convertible Instruments, Conversion Date and likely impact on Equity	The Company has not issued any global depository receipts or American depository receipts or warrants or any other convertible instruments.
Commodity Price Risk or Foreign Exchange Risk and Hedging Activities	Not applicable
Utilisation of Funds raised through Preferential Allotment / Qualified Institutions Placement	During the year under the review, the Company raised ₹ 1,225 crore by way of preferential allotment of equity shares and compulsorily convertible preference shares to BCP V Multiple Holdings Pte. Ltd. on May 27, 2020. The funds were utilized for the purposes for which they were raised.
Plant Locations	Since the Company is engaged in the business of providing financial services, the Company does not have any manufacturing plant. It operates from its Registered & Corporate Office and branches located at different places throughout India.
Address for Correspondence	Mr. Jitendra Bhati Company Secretary & Compliance Officer One World Center, 20 <sup>th</sup> Floor, Tower 2A, Jupiter Mills Compound, Senapati Bapat Marg, Mumbai - 400013. Telephone: +91 22 43157000; Fax: +91 22 43157010; Email id: <a href="mailto:investor.relations@indostarcapital.com">investor.relations@indostarcapital.com</a>

List of Credit Ratings along with any revisions during the financial year

#### LONG TERM

##### Debt Programme

CARE Ratings Limited	CARE AA-
CRISIL Ratings Limited	CRISIL AA-
India Ratings & Research Private Limited (Fitch Group)	IND AA-

##### Market Linked Debentures

CARE Ratings Limited	CARE PP-MLD AA-
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#### SHORT TERM DEBT PROGRAMME / COMMERCIAL PAPER:

CARE Ratings Limited	CARE A1+
ICRA Limited	[ICRA] A1+
CRISIL Ratings Limited	CRISIL A1+

Subsequent to the year under review, upon request by the Company for voluntary withdrawal of rating, India Ratings and Research Private Limited re-affirmed and withdrew rating assigned to the long term debt program of the Company.

#### Distribution of Shareholding as on March 31, 2021:

Sr. No.	No. of Equity Shares - Range		Shareholders		Shareholding		
			No. of equity shareholders	% of total equity shareholders	No. of equity shares held	% of total equity shares	
1	1	-	500	82,414	99.27	27,37,741	2.21
2	501	-	1000	345	0.42	2,58,346	0.21
3	1001	-	2000	130	0.16	1,91,541	0.15
4	2001	-	3000	49	0.06	1,24,164	0.10
5	3001	-	4000	16	0.02	57,901	0.05
6	4001	-	5000	11	0.01	50,380	0.04
7	5001	-	10000	21	0.03	1,43,063	0.12
8	10001 & above			36	0.04	12,01,67,193	97.12
<b>Total</b>				<b>83,022</b>	<b>100.00</b>	<b>12,37,30,329</b>	<b>100.00</b>

#### Shareholding Pattern as on March 31, 2021:

Sr. No.	Category of Shareholder	No. of equity shares	% of total equity shares
<b>A</b>	<b>Promoter &amp; Promoter Group</b>		
1	Promoter	11,20,07,900	90.53
2	Promoter Group	34,48,005	2.79
	<b>Total (A)</b>	<b>11,54,55,905</b>	<b>93.31</b>
<b>B</b>			
1	Mutual Funds	7,04,418	0.57
2	Alternative Investment Fund	-	-
3	Foreign Portfolio Investors	56,007	0.05
4	Financial Institutions / Banks	-	-
4	Insurance Companies	26,21,113	2.12
5	Individuals	40,49,624	3.27
6	Non-Resident Indians	1,29,487	0.10
7	Foreign Nationals	450	Negligible
8	Bodies Corporate	4,93,533	0.40
9	Others	2,19,792	0.18
	<b>Total (B)</b>	<b>82,74,424</b>	<b>6.69</b>
<b>Total (A+B)</b>		<b>12,37,30,329</b>	<b>100.00</b>

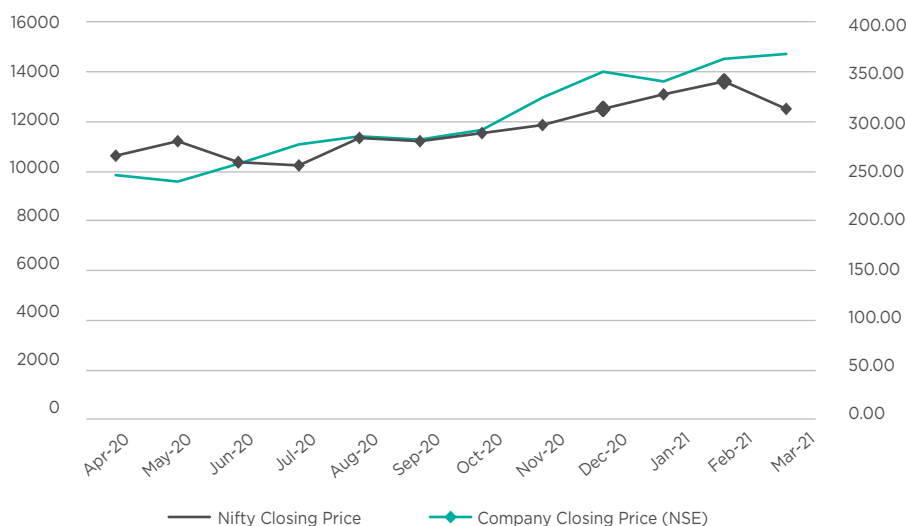
**Monthly high and low prices of equity shares of the Company during the financial year ended March 31, 2021:**

Month	BSE Limited		National Stock Exchange of India Limited	
	High (₹)	Low (₹)	High (₹)	Low (₹)
April 2020	279.90	245.00	272.00	242.75
May 2020	285.65	251.05	286.10	266.00
June 2020	287.90	254.90	287.80	255.00
July 2020	287.50	240.65	289.00	240.35
August 2020	332.00	238.10	331.20	237.60
September 2020	315.00	255.00	317.00	254.00
October 2020	296.70	277.90	297.35	278.25
November 2020	306.80	276.00	308.90	275.40
December 2020	412.00	293.95	423.80	294.90
January 2021	347.25	307.75	347.70	308.00
February 2021	365.00	314.80	365.00	304.00
March 2021	380.00	308.95	382.00	309.00

**Performance of Company's equity shares as compared with S&P BSE SENSEX during Financial Year ended March 31, 2021:**



**Performance of Company's equity shares as compared with NSE NIFTY 50 during Financial Year ended March 31, 2021:**





## OTHER DISCLOSURES

**Materially significant related party transactions:** During the year under review, the Company had not entered in to any materially significant related party transaction that may have potential conflict with the interests of the Company at large.

**Details of non-compliance:** There were no instances of non-compliance, penalties, strictures imposed on the Company by stock exchange(s) or the SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

### Compliance with Mandatory Requirements and adoption of the Non-Mandatory Requirements of Corporate Governance:

The Company has complied with the mandatory requirements including requirements of corporate governance norms as specified in Regulation 17 to Regulation 27 and clauses (b) to clause (i) of sub-regulation (2) of Regulation 46 and paragraph C, D and E of schedule V of the Listing Regulations, as applicable to the Company for financial year ended March 31, 2021. A certificate from H Choudhary & Associates, Practicing Company Secretary, to that effect is annexed to this Corporate Governance Report. The Company has adopted the following non-mandatory requirements of the Listing Regulations:

- The Board of Directors of the Company has resolved not to pay any remuneration to the Chairman to act in the capacity of the Chairman;
- Audit Report on the standalone and consolidated financial statements of the Company for the financial year ended March 31, 2021 is unqualified;
- The positions of Chairperson and that of Chief Executive Officer, respectively, are held by two different persons.
- The internal auditors of the Company report directly to the Audit Committee of the Board.

### Payment made to Statutory Auditor of the Company

Total fees for all services by the Company and its subsidiaries paid to statutory auditors during the year under review:

	₹ in lacs
Services / Particulars	Amount
*Statutory and Tax Audit	53.09
Certification	6.18
Other services	6.33

\* including payment to predecessor auditors of ₹ 10.09 lacs

### Disclosure with respect to demat suspense account / unclaimed suspense account:

No equity shares of the Company were lying in demat suspense account / unclaimed suspense account as on March 31, 2021.

### DECLARATION BY THE EXECUTIVE VICE-CHAIRMAN & CEO OF THE COMPANY UNDER REGULATION 34(3) READ WITH PARAGRAPH D OF SCHEDULE V OF THE LISTING REGULATIONS

I, R. Sridhar, Executive Vice-Chairman & CEO of IndoStar Capital Finance Limited hereby declare that all the Members of the Board of Directors and Senior Management Personnel have affirmed compliance with the Company's Code of Conduct for Directors and Employees for the financial year ended March 31, 2021.

Place: Mumbai

Date: August 25, 2021

**R. Sridhar**  
Executive Vice-Chairman & CEO  
DIN: 00136697

**Certificate of Non-Disqualification of Directors pursuant to point 10(i) of paragraph C of Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015**

To,  
The Members,  
**IndoStar Capital Finance Limited**

We have examined all the relevant records maintained by IndoStar Capital Finance Limited (“the Company”) and disclosures, notices and confirmations submitted by Directors of the Company, for the purpose of issuing a certificate under Regulation 34 (3) read with point 10(i) of paragraph C of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”) for financial year ended March 31, 2021.

In our opinion and to the best of our knowledge, based on the information furnished to us by the Company and the Directors of the Company and based on necessary verification by us, we certify that none of the following Directors, who were on the Board of Directors of the Company as on March 31, 2021, have been debarred or disqualified from being appointed or continuing as Director on the Board of the Company by the Securities and Exchange Board of India / Ministry of Corporate Affairs or any such statutory authority:

Sr. No.	Name of Director	Director Identification Number
1.	Mr. Bobby Parikh	00019437
2.	Mr. R. Sridhar	00136697
3.	Mr. Hemant Kaul	00551588
4.	Ms. Naina Krishna Murthy	01216114
5.	Mr. Dhanpal Jhaveri	02018124
6.	Mr. Vibhor Kumar Talreja	08768297
7.	Mr. Aditya Joshi	08684627
8.	Mr. Munish Dayal	01683836

**For H Choudhary & Associates**  
*Company Secretaries*

**CS Harnatharam Choudhary**  
*Proprietor*  
Membership No.: F8274  
C.P. No.: 9369  
UDIN Number: F008274C000833219

*Place: Mumbai*  
*Date: August 25, 2021*

**CORPORATE GOVERNANCE COMPLIANCE CERTIFICATE**

To,  
The Members,  
**IndoStar Capital Finance Limited**

We have examined all the relevant records of IndoStar Capital Finance Limited (“the Company”) for the purpose of certifying compliance of conditions of Corporate Governance as specified in Regulation 17 to Regulation 27, clause (b) to (i) of sub-regulation 2 of Regulation 46 and paragraph C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“the Listing Regulations”) as applicable, for financial year ended March 31, 2021.

Compliance of conditions of Corporate Governance under the Listing Regulations as mentioned above is the responsibility of the management of the Company. Our examination was limited to procedures adopted by the Company and implementation thereof for ensuring compliance of the conditions of Corporate Governance under the Listing Regulations. This certificate is neither an audit nor an expression of opinion on financial statements of the Company for the year ended March 31, 2021.

In our opinion based on the information and the explanations furnished to us by the Company, its officers, agents and authorized representative, we certify that the Company has during the financial year ended March 31, 2021 complied with the conditions of Corporate Governance as specified in Regulation 17 to Regulation 27, clause (b) to (i) of sub-regulation 2 of Regulation 46 and paragraph C, D and E of Schedule V of the Listing Regulations.

We further state that such certification is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

**For H Choudhary & Associates**  
*Company Secretaries*

**CS Harnatharam Choudhary**  
*Proprietor*  
*Membership No.: F8274*  
*C.P. No.: 9369*  
*UDIN Number: F008274C000833230*

*Place: Mumbai*  
*Date: August 25, 2021*



**STANDALONE  
FINANCIALS**

# INDEPENDENT AUDITOR'S REPORT

To  
The Members of  
**IndoStar Capital Finance Limited**

## Report on the Audit of the Standalone Financial Statements

### Opinion

We have audited the accompanying standalone financial statements of **IndoStar Capital Finance Limited** ("the Company"), which comprise the Balance Sheet as at 31 March 2021, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Cash Flows and the Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2021, and its loss, total comprehensive loss, its cash flows and the changes in equity for the year ended on that date.

### Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on

Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility 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 standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

### Emphasis of Matter

We draw attention to Note 31(F) of the standalone financial statements, in which the Company describes the continuing uncertainties arising from the COVID 19 pandemic. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key Audit Matter	Auditor's Response
1	<p><b>Allowances for Expected Credit Losses (ECL):</b></p> <p>(Refer Notes 2.3(f)(i) and 5 to the standalone financial statements)</p> <p>As at March 31, 2021, loan assets aggregated ₹ 6,692.46 crore (net of ECL ₹ 685.11 crore), constituting 68% of the Company's total assets which are measured at amortised cost.</p> <p>Significant judgement is used in classifying these loan assets and applying appropriate measurement principles. The allowance for expected credit losses ("ECL") on such loan assets measured at amortised cost is a critical estimate involving greater level of management judgement.</p>	<p>Principal audit procedures performed:</p> <p>We have read and assessed the accounting policies and the governance framework approved by the Board of Directors of the Company including the policy with respect of one-time restructuring offered to customers pursuant to the Resolution Framework issued by RBI.</p> <p>We have verified the methodology adopted for computation of ECL ("ECL Model") that addresses policies approved by the Board of Directors, procedures and controls for assessing and measuring credit risk on loan assets measured at amortised cost.</p>

As part of our risk assessment, we determined that the allowance for ECL on loan assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes for the financial statements. The elements of estimating ECL which involved increased level of audit focus are the following:

- Staging the loan assets i.e. classification in 'significant increase in credit risk' ('SICR') and 'default' categories
- Basis used for estimating Probabilities of Default ("PD");
- Basis used for estimating Loss Given Default ("LGD");
- Adjustments to model driven ECL results, to address emerging trends including the impact of COVID19 pandemic.

Our audit procedures related to the allowance for ECL included the following, among others:

- Testing the design and effectiveness of internal controls over the:
  - completeness and accuracy of the Exposure at Default ("EAD") and the classification thereof into stages consistent with the definitions applied in accordance with the policy approved by the Board of Directors including the appropriateness of the qualitative factors to be applied.
  - appropriateness of information used in the estimation of the PD and LGD for the different stages depending on the nature of the portfolio; and
  - computation of the ECL including methodology used to determine macro-economic overlays and adjustments to the output of the ECL Model including the impact of COVID19 pandemic.
- Also, for selected sample of loan assets:
  - we have tested the additional considerations applied by the management for staging of loans as SICR or default categories in view of Company's policy on one-time restructuring.
  - we tested the input data used in estimating the PD;
  - we evaluated reasonableness of LGD estimates.
- We tested the mathematical accuracy and computation of the allowances.
- We also assessed the disclosures made in relation to the ECL allowance to confirm compliance with the provisions of Ind AS.

### Information Other than the Financial Statements and Auditor's Report Thereon

- The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the management discussion and analysis and Board's report and its annexures, but does not include the consolidated financial statements, standalone financial statements and our auditor's report thereon. The management discussion and analysis and Board's report and its annexures are expected to be made available to us after the date of this auditor's report.
- Our opinion on the standalone financial statements does not cover the other information

and we will not express any form of assurance conclusion thereon.

- In connection with our audit of the standalone 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 standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- When we read management discussion and analysis and Board's report and its annexures, if we conclude that there is a material misstatement

therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'.

### Management's Responsibility for the Standalone Financial Statements

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 standalone financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the Ind AS and other accounting principles generally accepted in India. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 standalone financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone 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.

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

### Auditor's Responsibility for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone 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 SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

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

- Identify and assess the risks of material misstatement of the standalone 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 financial 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 system 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 the 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 standalone 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 standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the Company to express an opinion on the standalone financial statements.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the standalone financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the standalone financial statements.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone 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

The comparative financial information of the Company as of and for the year ended March 31, 2020 prepared in accordance with Ind AS included in this standalone financial statement have been audited by the predecessor auditor. The report of the predecessor auditor on these comparative financial information dated June 17, 2020 expressed an unmodified opinion.

Our opinion on the standalone financial statements and our report on Other Legal and Regulatory Requirements below is not modified in respect of this matter.

### Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report 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 purposes of our audit.

- 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 Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, the Statement of Cash Flows and Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account.
- d. In our opinion, the aforesaid standalone financial statements comply with the Ind-AS specified under Section 133 of the Act.
- e. On the basis of the written representations received from the directors as on 31 March, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March, 2021 from being appointed as a director in terms of Section 164(2) of the Act.
- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g. With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:
  - We draw attention to Note 32 of the standalone financial statements regarding excess remuneration paid to the whole-time director amounting to ₹ 0.44 crore for the year ended March 31, 2021 in terms of the prescribed limits under section 197 read with Schedule V to the Act, is subject to approval of the shareholders which the Company proposes to obtain at the forthcoming annual general meeting. Our opinion is not modified in respect to this matter.
- h. 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 has disclosed the impact of pending litigations on its financial position in its standalone financial statements;
- ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses;
- iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

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

For **Deloitte Haskins & Sells LLP**

Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

**Mukesh Jain**

(Partner)

Place: Mumbai (Membership No. 108262)

Date: 17 June 2021 (UDIN: 21108262AAAALK3406)

# ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

We have audited the internal financial controls over financial reporting of IndoStar Capital Finance Limited ("the Company") as of March 31, 2021 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

## Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control 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 its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

## Auditor's Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting of the Company based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

## Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with 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

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due

to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

In our opinion, to the best of our information and according to the explanations given to us the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021,

based on the criteria for internal financial control over financial reporting established by the respective 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 **Deloitte Haskins & Sells LLP**

Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

**Mukesh Jain**

(Partner)

Place: Mumbai (Membership No. 108262)

Date: 17 June 2021 (UDIN: 21108262AAAALK3406)

# ANNEXURE "B" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

- |  |   |
|--|---|
| <p>(i)(a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.</p>  | <p>(vi) Having regard to the nature of the Company's business, reporting under clause (vi) of CARO 2016 is not applicable.</p>  |
| <p>(i)(b) The Company has a program of verification of fixed assets to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain fixed assets were physically verified by the Management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.</p> | <p>(vii) According to the information and explanations given to us, in respect of statutory dues:</p> <p>(vii)(a) The Company has been generally been regular in depositing undisputed statutory dues, including Provident Fund, Employees' State Insurance, Income-tax, Goods and Service Tax, cess and other material statutory dues applicable to it to the appropriate authorities. To the best of our knowledge and belief, the Company was not required to deposit or pay any dues in respect of Sales tax, Custom Duty, Excise Duty, Value Added Tax and corresponding cess during the year.</p> |
| <p>(i)(c) According to the information and explanations given to us and the records examined by us and based on the examination of the registered conveyance deed / provided to us, we report that, immovable properties of land whose title deeds have been pledged as security for loans, are held in the name of the Company based on the relevant document which evidences title.</p>  | <p>(vii)(b) There were no undisputed amounts payable in respect of Provident Fund, Employees' State Insurance, Income-tax, Goods and Service Tax, cess and other material statutory dues in arrears as at March 31, 2021 for a period of more than six months from the date they became payable. The provisions relating to Sales Tax, Custom Duty, Excise Duty, Value Added Tax and corresponding cess is not applicable to the Company.</p>   |
| <p>(ii) The Company does not have any inventory and hence reporting under clause (ii) of the CARO 2016 is not applicable.</p>  |   |
| <p>(iii) The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013.</p>  | <p>(vii)(c) There are no dues of Income-tax and Goods and Service Tax as on March 31, 2021 on account of disputes. The provisions relating to Sales Tax, Custom Duty, Excise Duty and Value Added Tax is not applicable to the Company.</p>   |
| <p>(iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of grant of loans to director, investments made and guarantees provided. The Company has not provided any security to the parties covered under Section 185 and 186 of the Act.</p>   | <p>(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks and debenture holders.</p>   |
| <p>(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. Accordingly, the provisions of clause 3(v) of the Order are not applicable.</p>  | <p>(ix) In our opinion and according to the information and explanations given to us, money raised by way of debt instruments in the nature of debentures and commercial papers and the term loans have been applied by the Company during the year for the purposes for which they were raised, other than temporary deployment pending application of proceeds.</p>   |

- The Company has not raised any monies by way of initial public offer / further public offer.
- (x) To the best of our knowledge and according to the information and explanations given to us, no fraud by the Company and no material fraud on the Company by its officers or employees has been noticed or reported during the year.
- (xi) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid / provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V of the Act for the year ended March 31, 2021, except for ₹ 0.44 crore of remuneration paid to the whole-time director which is in excess of the limits prescribed under Section 197 read with Schedule V of the Act. As per the provisions of the Companies Act, 2013 the excess remuneration is subject to approval of the shareholders which the Company proposes to obtain in the forthcoming annual general meeting.
- (xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the CARO 2016 Order is not applicable.
- (xiii) In our opinion and according to the information and explanations given to us the Company is in compliance with Section 177 and 188 of the Companies Act, 2013, where applicable, for all transactions with the related parties and the details of related party transactions have been disclosed in the financial statements etc. as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us, the Company has made preferential allotment of shares during the year under review.
- In respect of the above, we further report that:
- the requirement of Section 42 of the Companies Act, 2013, as applicable, have been complied with; and
  - the amounts raised have been applied by the Company during the year for the purposes for which the funds were raised other than temporary deployment pending application.
- (xv) In our opinion and according to the information and explanations given to us, during the year the Company has not entered into any non-cash transactions with its directors or directors of its holding or subsidiary company or persons connected with them and hence provisions of section 192 of the Companies Act, 2013 are not applicable.
- (xvi) The Company is required to be registered under section 45-I of the Reserve Bank of India Act, 1934 and it has obtained the registration.

For **Deloitte Haskins & Sells LLP**

Chartered Accountants

(Firm's Registration No. 117366W/W-100018)

**Mukesh Jain**

(Partner)

Place: Mumbai (Membership No. 108262)

Date: 17 June 2021 (UDIN: 21108262AAAALK3406)

# BALANCE SHEET

as at March 31, 2021

(Currency : Indian Rupees in Lakhs)

Particulars	Note	As at March 31, 2021	As at March 31, 2020
<b>I. ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	3	26,862.05	14,703.53
Bank balances other than cash and cash equivalents	4	23,836.32	37,669.22
Loans	5	6,69,245.71	8,07,368.92
Investments	6	1,78,848.94	43,183.65
Other financial assets	7	11,693.88	33,090.49
		<b>9,10,486.90</b>	<b>9,36,015.81</b>
<b>Non-financial assets</b>			
Current tax assets (net)	8	11,824.56	13,162.92
Deferred tax assets (net)	9	14,519.20	12,499.07
Property, plant and equipment	10	5,920.90	7,683.66
Assets held for sale	11	1,609.37	2,701.49
Goodwill	12	30,018.69	30,018.69
Intangible assets	12	348.45	304.75
Other non-financial assets	13	4,001.98	3,940.49
		<b>68,243.15</b>	<b>70,311.07</b>
<b>TOTAL ASSETS</b>		<b>9,78,730.05</b>	<b>10,06,326.88</b>
<b>II. LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Financial liabilities</b>			
Trade payables	14		
(i) total outstanding to micro enterprises and small enterprises		7.80	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		420.45	957.03
Debt securities	15	2,01,276.18	2,08,947.14
Borrowings (other than debt securities)	16	3,74,790.64	4,99,775.91
Other financial liabilities	17	30,261.28	24,098.96
		<b>6,06,756.35</b>	<b>7,33,779.04</b>
<b>Non-financial liabilities</b>			
Provisions	18	697.83	850.51
Other non-financial liabilities	19	3,379.43	2,831.88
		<b>4,077.26</b>	<b>3,682.39</b>
<b>TOTAL LIABILITIES</b>		<b>6,10,833.61</b>	<b>7,37,461.43</b>
<b>Equity</b>			
Equity share capital	20	12,373.03	9,245.09
Preference share capital	20	1,206.90	-
Other equity	21	3,54,316.51	2,59,620.36
<b>TOTAL EQUITY</b>		<b>3,67,896.44</b>	<b>2,68,865.45</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,78,730.05</b>	<b>10,06,326.88</b>

See accompanying notes forming part of the financial statements 1 to 52

In terms of our report attached  
For Deloitte Haskins & Sells LLP  
Chartered Accountants

For and on behalf of the Board of Directors of  
IndoStar Capital Finance Limited

Mukesh Jain  
Partner

R. Sridhar  
Executive Vice-Chairman & CEO  
DIN: 00136697

Bobby Parikh  
Non-Executive Independent Chairman  
DIN: 00019437

Amol Joshi  
Chief Financial Officer

Jitendra Bhati  
Company Secretary

Place: Mumbai  
Date: June 17, 2021

Place: Mumbai  
Date: June 17, 2021

# STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2021

(Currency : Indian Rupees in Lakhs)

Particulars	Note	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Revenue from operations</b>	22		
Interest income		1,10,560.38	1,41,948.71
Fees and commission income		3,142.70	4,814.32
Net gain on fair value changes		4,803.20	4,620.60
Gain on derecognition of financial instruments measured at amortised cost category		273.88	2,616.90
<b>Total revenue from operations</b>		<b>1,18,780.16</b>	<b>1,54,000.53</b>
Other income	23	546.56	-
<b>Total income</b>		<b>1,19,326.72</b>	<b>1,54,000.53</b>
<b>Expenses</b>			
Finance costs	24	69,224.61	85,736.39
Impairment on financial instruments	25	45,240.80	85,528.16
Employee benefit expenses	26	15,563.01	16,504.77
Depreciation and amortisation expenses	27	3,149.38	2,823.76
Other expenses	28	11,859.72	8,173.78
<b>Total expenses</b>		<b>1,45,037.52</b>	<b>1,98,766.86</b>
<b>Profit/(loss) before tax</b>		<b>(25,710.80)</b>	<b>(44,766.33)</b>
<b>Tax expense:</b>	29		
1. Current tax		-	1.67
2. Tax of earlier years		456.55	-
3. Deferred tax expenses		(2,020.55)	(10,759.32)
<b>Total tax expenses</b>		<b>(1,564.00)</b>	<b>(10,757.65)</b>
<b>Profit/(loss) after tax</b>		<b>(24,146.80)</b>	<b>(34,008.68)</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit and loss			
- Remeasurements of the defined benefit plans		8.36	62.39
- Income tax relating to items that will not be reclassified to profit or loss		(2.11)	(15.70)
		<b>6.25</b>	<b>46.69</b>
Items that will be reclassified to profit and loss			
- Debt instruments through other comprehensive income		(6.72)	-
- Income tax relating to items that will be reclassified to profit or loss		1.69	-
		<b>(5.03)</b>	<b>-</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>1.22</b>	<b>46.69</b>
<b>Total comprehensive income for the year</b>		<b>(24,145.58)</b>	<b>(33,961.99)</b>
<b>Earnings per equity share</b>	30		
Basic earnings per share (₹)		(23.14)	(36.85)
Diluted earnings per share (₹)		(23.14)	(36.85)
(Equity Share of face value of ₹ 10 each)			

See accompanying notes forming part of the financial statements 1 to 52

In terms of our report attached  
**For Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Mukesh Jain**  
Partner

Place: Mumbai  
Date: June 17, 2021

**For and on behalf of the Board of Directors of  
IndoStar Capital Finance Limited**

**R. Sridhar**  
Executive Vice-Chairman & CEO  
DIN: 00136697

**Amol Joshi**  
Chief Financial Officer

Place: Mumbai  
Date: June 17, 2021

**Bobby Parikh**  
Non-Executive Independent Chairman  
DIN: 00019437

**Jitendra Bhati**  
Company Secretary

# STATEMENT OF CASH FLOWS

for the year ended March 31, 2021

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>A Cash Flow from Operating Activities</b>		
Profit/ (loss) before tax	(25,710.80)	(44,766.33)
<b>Adjustments for:</b>		
Interest income on financial assets	(1,10,560.38)	(1,41,948.51)
Finance costs	69,224.91	85,735.87
Depreciation and amortisation expense	3,149.38	2,823.76
Loss on sale of property plant and equipment	614.23	18.63
Provisions for expected credit loss	45,240.80	85,528.16
Impairment allowance on assets held for sale	108.76	300.12
Provision for gratuity and leave encashment	49.76	237.10
Employee share based payment expense	878.05	1,714.08
Gain on sale/revaluation of investments	(4,803.20)	(4,620.60)
	<b>(21,808.49)</b>	<b>(14,977.72)</b>
Interest income realised on financial assets	1,13,137.67	1,35,205.76
Finance costs paid	(65,112.64)	(83,269.32)
<b>Cash generated from operating activities before working capital changes</b>	<b>26,216.54</b>	<b>36,958.72</b>
<b>Adjustments:</b>		
(Increase)/Decrease in loans and advances	72,805.72	1,79,435.63
(Increase)/Decrease in other financial assets	20,880.51	(27,221.01)
(Increase)/Decrease in other non-financial assets	679.44	(4,023.60)
Increase/(Decrease) in trade payable	(528.78)	(574.95)
Increase/(Decrease) in other financial liabilities	5,300.22	(3,010.12)
Increase/(Decrease) in other non-financial liabilities	147.31	3,258.70
<b>Cash (used in)/generated from operating activities</b>	<b>1,25,500.96</b>	<b>1,84,823.37</b>
Taxes paid / (refund)	882.03	(9,588.10)
<b>Net cash (used in)/generated operating activities (A)</b>	<b>1,26,382.99</b>	<b>1,75,235.27</b>
<b>B Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(680.93)	(3,971.38)
Sale of property, plant and equipment	644.72	-
Purchase of intangible assets	(242.66)	(160.84)
Payment on account of acquisition of business	-	(2,00,621.67)
Proceeds/(Investment) in bank deposits of maturity greater than 3 months (net)	13,832.90	(34,110.63)
(Acquisition)/redemption of FVTPL investments (net)	(99,459.54)	11,650.72
(Acquisition)/redemption of FVOCI investments (net)	(12,640.36)	-
<b>Net cash (used in)/generated from investing activities (B)</b>	<b>(98,545.87)</b>	<b>(2,27,213.80)</b>



# STATEMENT OF CASH FLOWS

for the year ended March 31, 2021

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>C Cash Flow from Financing Activities</b>		
Proceeds from issue of equity shares (including securities premium and net off share issue expenses)	1,22,212.77	287.50
Proceeds from bank borrowings	82,939.33	2,22,909.05
Repayments towards bank borrowings	(2,08,267.03)	(1,10,542.49)
Proceeds from issuance of Non-Convertible Debentures	55,000.00	1,818.42
Repayments towards Non-Convertible Debentures	(78,500.00)	(1,20,500.00)
Proceeds from/(repayments towards) Commercial Papers (net)	12,312.20	(29,116.54)
Payment of lease liabilities	(1,375.86)	(828.75)
Dividend and DDT paid	-	(2,224.08)
<b>Net cash (used in)/generated from financing activities (C)</b>	<b>(15,678.59)</b>	<b>(38,196.89)</b>
<b>Net Increase/(decrease) in cash and cash equivalents (A) + (B) + (C)</b>	<b>12,158.52</b>	<b>(90,175.42)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>14,703.53</b>	<b>1,04,878.95</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>26,862.05</b>	<b>14,703.53</b>
<b>Reconciliation of cash and cash equivalents with the balance sheet</b>		
Cash on hand	460.19	127.74
Balances with banks		
- in current accounts	10,325.06	7,839.06
Deposits with original maturity of less than three months	16,076.80	6,736.73
<b>Total</b>	<b>26,862.05</b>	<b>14,703.53</b>

See accompanying notes forming part of the financial statements 1 to 52

In terms of our report attached  
**For Deloitte Haskins & Sells LLP**  
 Chartered Accountants

**For and on behalf of the Board of Directors of  
 IndoStar Capital Finance Limited**

**Mukesh Jain**  
 Partner

**R. Sridhar**  
 Executive Vice-Chairman & CEO  
 DIN: 00136697

**Bobby Parikh**  
 Non-Executive Independent Chairman  
 DIN: 00019437

**Amol Joshi**  
 Chief Financial Officer

**Jitendra Bhati**  
 Company Secretary

Place: Mumbai  
 Date: June 17, 2021

Place: Mumbai  
 Date: June 17, 2021

# STATEMENT OF CHANGES IN EQUITY (SOCIE)

for the year ended March 31, 2021

(Currency : Indian Rupees in Lakhs)

(a) Equity share capital of face value of ₹ 10/- each	Note	Amount
Balance as at April 1, 2019		9,225.74
Shares issued during the year		19.35
<b>Balance as at March 31, 2020</b>	<b>20</b>	<b>9,245.09</b>
Balance as at April 1, 2020		9,245.09
Shares issued during the year		3,127.94
<b>Balance as at March 31, 2021</b>	<b>20</b>	<b>12,373.03</b>

(b) Preference share capital of face value of ₹ 10/- each	Note	Amount
Balance as at April 1, 2019		-
Shares issued during the year		-
<b>Balance as at March 31, 2020</b>	<b>20</b>	<b>-</b>
Balance as at April 1, 2020		-
Shares issued during the year		1,206.90
<b>Balance as at March 31, 2021</b>	<b>20</b>	<b>1,206.90</b>

Particulars	Reserves and surplus						Debt instruments through other comprehensive income	Total
	Securities Premium Account	Statutory Reserves u/s 45(IC)	Capital Reserve	Share options outstanding account	General reserve	Retained earnings		
<b>Balance at April 1, 2019</b>	1,71,166.53	25,905.39	0.43	6,697.71	-	89,993.61	-	2,93,763.67
Loss after tax for the year	-	-	-	-	-	(34,008.68)	-	(34,008.68)
Debt instruments through other comprehensive income	-	-	-	-	-	-	-	-
Gain/loss on re-measurement of defined benefit plans	-	-	-	-	-	46.69	-	46.69
<b>Total</b>	-	-	-	-	-	<b>(33,961.99)</b>	-	<b>(33,961.99)</b>
Dividend and Dividend Distribution Tax	-	-	-	-	-	(2,224.09)	-	(2,224.09)
Share based payment expense	-	-	-	1,774.62	-	-	-	1,774.62
Shares issued during the year	268.15	-	-	-	-	-	-	268.15
<b>Balance at March 31, 2020</b>	<b>1,71,434.68</b>	<b>25,905.39</b>	<b>0.43</b>	<b>8,472.33</b>	-	<b>53,807.53</b>	-	<b>2,59,620.36</b>
<b>Balance at April 1, 2020</b>	<b>1,71,434.68</b>	<b>25,905.39</b>	<b>0.43</b>	<b>8,472.33</b>	-	<b>53,807.53</b>	-	<b>2,59,620.36</b>
Loss after tax for the year	-	-	-	-	-	(24,146.80)	-	(24,146.80)
Debt instruments through other comprehensive income	-	-	-	-	-	-	(5.03)	(5.03)
Gain/loss on re-measurement of defined benefit plans	-	-	-	-	-	6.25	-	6.25
<b>Total</b>	-	-	-	-	-	<b>(24,140.55)</b>	<b>(5.03)</b>	<b>(24,145.58)</b>
Proceeds from issue of shares	1,17,877.92	-	-	-	-	-	-	1,17,877.92
Share based payment expense	-	-	-	963.81	-	-	-	963.81
Transfer from ESOP reserves	2,057.67	-	-	(4,060.97)	1,971.29	32.01	-	(0.00)
<b>Balance at March 31, 2021</b>	<b>2,91,370.27</b>	<b>25,905.39</b>	<b>0.43</b>	<b>5,375.17</b>	<b>1,971.29</b>	<b>29,698.99</b>	<b>(5.03)</b>	<b>3,54,316.51</b>

In terms of our report attached  
For Deloitte Haskins & Sells LLP  
Chartered Accountants

**Mukesh Jain**  
Partner

Place: Mumbai  
Date: June 17, 2021

For and on behalf of the Board of Directors of  
IndoStar Capital Finance Limited

**R. Sridhar**  
Executive Vice-Chairman & CEO  
DIN: 00136697

**Amol Joshi**  
Chief Financial Officer

Place: Mumbai  
Date: June 17, 2021

**Bobby Parikh**  
Non-Executive Independent Chairman  
DIN: 00019437

**Jitendra Bhati**  
Company Secretary

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

### 1 Corporate Information

IndoStar Capital Finance Limited ('the Company' or 'ICFL') was incorporated on July 21, 2009 and is domiciled in India. The Company is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company vide certificate No. N-13.02109. The Company is primarily engaged in lending business.

### 2 Basis of Preparation and Significant accounting policies

#### 2.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Indian Accounting Standards ('Ind AS') as notified by Ministry of Corporate Affairs pursuant to Section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time. 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.

The financial statements are prepared on a going concern basis, as the management is satisfied that the Company shall be able to continue its business for the foreseeable future and no material uncertainty exists that may cast significant doubt on the going concern assumption. In making this assessment, the management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources. The outbreak of COVID-19 has not affected the going concern assumption of the Company.

#### 2.2 Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Division III to Schedule III to the Act applicable for Non Banking Finance Companies ("NBFC"). The Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS 7 "Statement of Cash Flows". The disclosure requirements with respect to items in the Balance Sheet and Statement of Profit and Loss, as prescribed in the Division III to Schedule III to the Act, are presented by way of notes forming part of the financial

statements along with the other notes required to be disclosed under the notified accounting Standards and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- the normal course of business
- the event of default
- the event of insolvency of bankruptcy of the Company/ or its counterparties

#### 2.3 Significant Accounting Policies

##### a) Financial Instruments

Financial assets and financial liabilities can be termed as financial instruments.

Financial instruments are recognised when the Company becomes a party to the contractual terms of the instruments.

##### (i) Classification of Financial Instruments

The Company classifies its financial assets into the following measurement categories:

1. Financial assets to be measured at amortised cost
2. Financial assets to be measured at fair value through other comprehensive income
3. Financial assets to be measured at fair value through profit or loss account

The classification depends on the contractual terms of the financial assets' cash flows and the Company's business model for managing financial assets.

The Company classifies its financial liabilities at amortised cost unless it has designated liabilities at fair value through the profit and loss account or is required to measure liabilities at fair value through profit or loss (FVTPL) such as derivative liabilities. Financial liabilities, other than loan commitments and financial

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

guarantees, are measured at FVTPL when they are derivative instruments or the fair value designation is applied.

Transaction costs directly pertaining to the acquisition or issue of financial instruments are added to or deducted from the initial measurement amount of the instrument except where the instrument is initially measured as fair value through profit or loss.

#### (ii) Assessment of business model and contractual cash flow characteristics for financial assets

##### **Business model assessment**

The Company determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Company's business model determines whether the cash flows will be generated by collecting contractual cash flows, selling financial assets or by both. The Company's business model is assessed at portfolio level and not at instrument level, and is based on observable factors such as:

- (i) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- (ii) The risks that affect the performance of the business model and, in particular, the way those risks are managed;
- (iii) The expected frequency, value and timing of sales are also important aspects of the Company's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. "

##### **Solely payment of principal and interest (SPPI) test**

Subsequent to the assessment to the relevant business model of the financial assets, the Company assesses the contractual terms of financial assets to identify whether the cash flow realised are towards solely payment of principal and interest.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

#### (iii) Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value.

#### (iv) Classification of Financial Instruments as per business model and SPPI test

##### **(a) Loans and Debt instruments at amortised cost**

A 'loan or debt instrument' is measured at the amortised cost if both the following conditions are met:

- i) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- ii) The 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 amortization is included in interest income in the profit or loss. The losses arising from impairment are recognised in the profit or loss.

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

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows that give rise on specified dates to sole payments of principal and interest on the principal amount outstanding and by selling financial assets.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

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

Financial assets at fair value through profit or loss are those that are either held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under Ind AS 109. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met (such designation is determined on an instrument-by-instrument basis):

The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis.

Financial assets at FVTPL are recorded in the balance sheet at fair value. Changes in fair value are recorded in profit and loss.

### (d) *Debt securities and other borrowed funds*

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

### (e) *Financial guarantees*

Financial guarantees are initially recognised in the financial statements (within 'Provisions') at fair value, being the premium/deemed premium received. Subsequent to initial recognition, the Company's liability under each guarantee is measured at the higher of (i) the amount initially recognised less cumulative amortisation recognised in the Statement of Profit and Loss and (ii) the amount of loss allowance. The premium/deemed premium is recognised in the Statement of Profit and Loss on a straight line basis over the life of the guarantee.

### (f) *Undrawn loan commitments*

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to

the customer. Undrawn loan commitments are in the scope of the ECL requirements.

### (v) *Reclassification of financial assets and liabilities*

The Company does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Company acquires, disposes of, or terminates a business line.

### (vi) *Derecognition of financial assets in the following circumstances*

#### (a) *Derecognition of financial assets due to substantial modification of terms and conditions*

The Company derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially it becomes a new loan with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit-impaired at the origination date.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Company records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

#### (b) *Derecognition of financial assets other than due to substantial modification* *Financial assets*

A financial asset or a part of financial asset is derecognised when the rights to receive cash flows from the financial asset have expired. The Company also derecognises the financial asset if it has transferred the financial asset and the transfer qualifies for derecognition.

The Company has transferred the financial asset if, and only if, either:

- The Company has transferred its contractual rights to receive cash flows from the financial asset; or

**NOTES  
TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows.

A transfer only qualifies for derecognition if either:

- The Company has transferred substantially all the risks and rewards of the asset; or
- The Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Company considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Company has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Company's continuing involvement, in which case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

**Write off**

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in Statement of profit and loss.

**(vii) Derecognition of Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where 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 a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

**b) Fair Value Measurement**

On initial recognition, all the financial instruments are measured at fair value. For subsequent measurement, the Company measures certain categories of financial instruments at fair value on 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

A fair value measurement of a non-financial asset takes into account 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.

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

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred, if any.

### c) **Property plant and equipment Recognition and measurement**

Property, plant and equipment (PPE) is recognised when it is probable that the future economic benefits associated with it will flow to the company and the cost can be measured reliably.

Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the year till such assets are ready to be put to use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Gains or losses arising from derecognition of such 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.

### **Subsequent expenditure**

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate only if it is probable that the future economic benefits associated with the item will flow to the Company and that the cost of the item can be reliably measured. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repair and maintenance expenses are charged to the Statement of Profit and Loss during the reporting period in which they are incurred.

### **Depreciation**

Depreciation is provided on Straight Line Method ('SLM'), which reflects the management's estimate of the useful life of the respective assets. The estimated useful life used to provide depreciation are as follows:

Particulars	Estimated useful life as prescribed by the Company	Useful life as prescribed by Schedule II of the Companies Act 2013
Computers	3 years	3 years
Office Equipment	5 years	5 years
Office Equipment - mobiles	2 years	5 years
Furniture and fixtures	5 years	10 years
Servers and networks	5 years	6 years

Property, plant and equipment items individually costing less than ₹ 5,000 are depreciated fully in the year of purchase.

Leasehold improvement is amortised on Straight Line Method over the lease term, subject to a maximum of 60 months.

Useful life of assets different from prescribed in Schedule II of the Act has been estimated by management and supported by technical assessment.

Depreciation on assets acquired/sold during the year is recognised on a pro-rata basis to the Statement of Profit and Loss till the date of sale.

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

The useful lives and the method of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

#### d) Intangible assets

##### Recognition and measurement

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. Following initial recognition, intangible assets are carried at cost less accumulated amortisation. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

##### Amortisation

Intangible assets are amortised using the straight line method over a period of 3 years, which is the management's estimate of its useful life. The amortisation period and the amortisation method are reviewed at least as at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the Statement of Profit and Loss.

#### e) Business Combination and goodwill thereon

Business combinations other than under common control are accounted for using the acquisition method. The cost of an acquisition is measured at the value which is aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The identifiable assets acquired and the liabilities assumed are recognised at their fair values, as on date of acquisition.

#### Measurement

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. In case the excess is on account of bargain purchase, the gain is recognised directly in equity as capital reserve. When the transaction is of nature other than bargain purchase, then the gain is recognised in OCI and accumulated in equity as capital reserve.

#### f) Impairment

##### (i) Financial Assets

##### (a) Expected Credit Loss (ECL) principles

The Company records allowance for expected credit losses for all loans, debt financial assets not held at FVTPL, undrawn loan commitments (referred to as 'financial instruments').

For the computation of ECL on the financial instruments, the Company categories its financial instruments as mentioned 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 advances upto 30 days overdue 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:** Exposures are classified as Stage 2 when the amount is due for more than 30 days but do not exceed 90 days. 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.

**Stage 3:** All exposures are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

have occurred. Exposures where the amount remains due for 91 days or more are considered as to be stage 3 assets.

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 undertakes the classification of exposures within the aforesaid stages at borrower level.

### (b) Definition of default

A default on a financial asset is when the counterparty fails to make the contractual payments within 90 days of when they fall due. Accordingly, the financial assets shall be classified as Stage 3, if on the reporting date, it has been more than 90 days past due. Non-payment on another obligation of the same customer is also considered as a Stage 3.

### (c) Calculation of ECL:

ECL is a probability weighted credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial instruments. Cash shortfalls are the difference between the cash flows that the entity is entitled to receive on account of contract and the cash flows that the entity expects to receive."

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

**Exposure-At-Default (EAD):** The Exposure at Default is the amount the Company is entitled to receive as on reporting date including repayments due for principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities.

**Probability of Default (PD):** The Probability of Default is an estimate of the likelihood of default of the exposure 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.

**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 lender would expect to receive, including from the realisation of any collateral.

The ECL allowance is applied on the financial instruments depending upon the classification of the financial instruments as per the credit risk involved. ECL allowance is computed on the below mentioned basis:

**12-month ECL:** 12-month ECL is the portion of Lifetime ECL that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. 12-month ECL is applied on stage 1 assets.

**Lifetime ECL:** Lifetime ECL for credit losses expected to arise over the life of the asset in cases of credit impaired loans and in case of financial instruments where there has been significant increase in credit risk since origination. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument. Lifetime ECL is applied on stage 2 and stage 3 assets.

The Company computes the ECL allowance either on individual basis or on collective basis, depending on the nature of the underlying portfolio of financial instruments. The Company has grouped its loan portfolio into Corporate loans, SME loans and Commercial vehicle loans.

### Significant increase in Credit Risk

The Company monitors all financial assets and financial guarantee contracts that are subject to the impairment requirements to assess whether there

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Company's historical experience and expert credit assessment.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change in absolute terms in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when loan asset not being a loan becomes 30 days past due, the Company considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL in respect of all retail assets. In respect of the corporate loan assets, shifting to Stage 2 has been rebutted using historical evidence from own portfolio to a threshold of 60 days past due, which is reviewed annually.

For the purpose of counting of days past due for the assessment of significant increase in credit risk, the special dispensations to any class of assets in accordance with COVID19 Regulatory

Package notified by the Reserve Bank of India (RBI) has been applied by the company.

#### **Modification and derecognition of financial assets**

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction of new covenants or adjustment of existing covenants of an existing loan may constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Company renegotiates loans to customers in financial difficulty to maximise collection and minimise the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants.

When a financial asset is modified the Company assesses whether this modification results in derecognition. In accordance with the Company's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

from the original contractual terms the Company considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI,
- Change in currency or change of counterparty,
- The extent of change in interest rates, maturity, covenants.

If this does not clearly indicate a substantial modification, then:

- (a) In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Company monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.
- (b) When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Company determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- the remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified, where modification did not result in derecognition, the estimate of PD reflects the Company's ability to collect the modified cash flows taking into account the Company's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL. The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition, the Company calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Company measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

### **Presentation of ECL allowance in the Balance Sheet**

Loss allowances for ECL are presented in the statement of financial position as follows:

- **for financial assets measured at amortised cost:** as a deduction from the gross carrying amount of the assets;

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

- **for debt instruments measured at FVTOCI:** no loss allowance is recognised in Balance Sheet as the carrying amount is at fair value.

#### (ii) Non-financial assets

##### (a) Intangible 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 recognised when the carrying amount of an individual asset exceeds its recoverable amount. The recoverable amount is the higher of fair value of the asset less cost of its disposal and value in use.

##### (b) Goodwill

Goodwill is recorded at the cost less any accumulated impairment losses in the previous years. Goodwill on acquisition is tested for impairment where the same allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit (CGU) to which goodwill has been allocated is tested for impairment on annual basis or whenever required in case where the Company is of the opinion that goodwill may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. Such impairment loss already recognised for goodwill is not reversed in subsequent periods.

#### g) Recognition of income

Revenue generated from the business transactions (other than for those items to which Ind AS 109 Financial Instruments are applicable) is measured at fair value of the consideration to be received or receivable

by the Company. Ind AS 115 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

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

Step 1: Identify contract(s) with a customer;

Step 2: Identify performance obligations in the contract(s);

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract(s);

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

##### (a) Recognition of interest income

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR for the amortised cost asset is calculated by taking into account any discount or premium on acquisition, origination fees and transaction costs that are an integral part of the EIR.

If expectations regarding the cash flows on the financial asset are revised for reasons other than credit risk, the adjustment is booked as a positive or negative adjustment to the carrying amount of the asset in the balance sheet with an increase or reduction in interest income. The adjustment is subsequently amortised through Interest income in the statement of profit and loss.

The Company calculates interest income by applying the EIR to the gross carrying

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Company recognised the interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial status of the financial asset improves and it no longer remains to be a credit-impaired, the Company revises the application of interest income on such financial asset to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised as interest income in the statement of profit or loss.

**(b) Dividend income**

Dividend income is recognised when the Company's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the Company and the amount of the dividend can be measured reliably.

**(c) Syndication, advisory & other fees**

Syndication, advisory & other fees are recognised as income when the performance obligation as per the contract with customer is fulfilled and when the right to receive the payment against the services has been established.

**(d) Origination fees**

Origination fees, which the Company has received/recovered at time of granting of a loan, is considered as a component for computation of the effective rate of interest (EIR) for the purpose of computing interest income.

**(e) Management Fees:**

Management fees and other fees are recognised as income when the performance obligation as per the contract with customer is fulfilled and when the right to receive the payment against the services has been established.

**(f) Assignment income**

In accordance with Ind AS 109, in case of assignment transactions with complete transfer of risks and rewards, gain arising on such assignment transactions is recorded upfront in the Statement of Profit and Loss and the corresponding asset is derecognised from the Balance Sheet immediately upon execution of such transactions. Further the transfer of financial assets qualifies for derecognition in its entirety, the whole of the interest spread at its present value (discounted over the expected life of the asset) is recognised on the date of derecognition itself as excess interest spread and correspondingly recognised as profit on derecognition of financial asset.

**(g) Securitisation transactions :**

In accordance with Ind AS 109, in case of securitisation transactions, the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

**(h) Net gain/(loss) on Fair value changes**

Any differences between the fair values of financial assets classified as fair value through the profit or loss, held by the Company on the balance sheet date is recognised as an unrealised gain or loss as a gain or expense respectively.

Similarly, any realised gain or loss on sale of financial instruments measured at FVTPL and debt instruments measured at FVOCI is recognised in net gain / loss on fair value changes.

**(i) Sourcing and servicing fee**

The revenue from the contract as a service provider (sourcing and collection agent) on behalf of customer, is recognised upfront for services rendered as sourcing agent and on straight line basis over the loan tenure for services in the nature of collection and performance agent. The financial guarantee provided under the service contract is recognised at fair

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

value on sourcing and is amortised over the period of contract with subsequent measurement at higher of the unamortised value as per Ind AS 115 or expected credit losses as per Ind AS 109.

#### h) Finance Costs

The Company recognises interest expense on the borrowings as per EIR methodology which is calculated by considering any ancillary costs incurred and any premium payable on its maturity.

#### i) Retirement and other employee benefits

##### (i) Defined Contribution Plan

###### **Provident Fund**

All the employees of the Company are entitled to receive benefits under the Provident Fund, a defined contribution plan in which both the employee and the Company contribute monthly at a stipulated rate. The Company has no liability for future Provident Fund benefits other than its annual contribution and recognises such contributions as an expense, when an employee renders the related service.

##### (ii) Defined Benefit schemes

###### **(a) Gratuity**

The Company provides for the gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated year mentioned under 'The Payment of Gratuity Act, 1972'. The Company accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out for assessing liability as at the reporting date.

Net interest recognised in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognised as part of re-measurement of net defined liability or asset through other comprehensive

income. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through Other comprehensive income ('OCI') in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

###### **(b) Compensated absences**

Compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related services are provided for based on estimates. Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related services are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method as at the reporting date. Actuarial gains/losses are immediately taken to Statement of profit and loss account and are not deferred.

#### j) Share based employee payments

##### **Equity settled share based payments**

The stock options granted to employees are measured at the fair value of the options at the grant date. The fair value of the options is treated as discount and accounted as employee compensation cost over the vesting period on a straight line basis. The amount recognised as expense in each year is arrived at based on the number of grants expected to vest. If a grant lapses after the vesting period, the cumulative discount recognised as expense in respect of such grant is transferred to the general reserve within equity.

#### k) Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

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.

### Company as a lessee

Leases that do not transfer to the Company substantially all of the risks and benefits incidental to ownership of the leased items are treated as operating leases. 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. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

### Critical accounting estimate and judgement

#### 1. Determination of lease term

Ind AS 116 Leases requires lessee to determine the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease, if the use of such option is reasonably certain. The Company makes assessment on the expected lease term on lease by lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the contract will be exercised. In evaluating the lease term, the Company considers factors such as any significant leasehold improvements undertaken over the lease term, costs relating to the termination of lease and the importance of the underlying to the Company's operations taking into account the location of the underlying asset and the availability of the suitable alternatives. The lease term in future periods is reassessed to ensure that the lease term reflects the current economic circumstances.

#### 2. Discount Rate

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

#### l) Foreign currency translation

##### Functional and presentational currency

The financial statements are presented in INR which is also functional currency of the Company and the currency of the primary economic environment in which the Company operates.

#### m) Provisions

A provision is recognised when the Company has a present obligation as a result of past event; it is probable that outflow of resources will be required to settle the obligation, in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

#### n) Taxes

##### (i) 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). 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.

##### (ii) Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, the

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

#### o) 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 by the weighted average number of equity shares outstanding during the year.

For the purpose of 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.

#### p) 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 recognised 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 recognised because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

#### q) Segment reporting

Operating segments are those components of the business whose operating results are regularly reviewed by the chief operating decision making body in the Company to make decisions for performance assessment and resource allocation.

The reporting of segment information is the same as provided to the management for the purpose of the performance assessment and resource allocation to the segments.

Segment accounting policies are in line with the accounting policies of the Company. In addition, the following specific accounting policies have been followed for segment reporting:

i) Segment revenue includes operational revenue directly identifiable with/ allocable to the segment.



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

- ii) Expenses that are directly identifiable with/allocable to segments are considered for determining the segment result.
- iii) Income which relates to the Company as a whole and not allocable to segments is included in “unallocable corporate income / (expenditure) (net)”.
- iv) Segment result includes the finance costs incurred on interest bearing advances with corresponding credit included in “unallocable corporate income/(expenditure)(net)”.
- v) Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relate to the Company as a whole.

### 2.4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with Ind AS requires that the management of the Company makes estimates

and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates include useful lives of property, plant and equipment & intangible assets, allowance for expected credit losses, fair value measurement, business projections for impairment assessment of goodwill etc. Difference, if any, between the actual results and estimates is recognised in the period in which the results are known.

### 2.5 Securities premium account

#### a) Securities premium includes:

- The difference between the face value of the equity shares and the consideration received in respect of shares issued;
  - The fair value of the stock options which are treated as expense, if any, in respect of shares allotted pursuant to Stock Options Scheme.
- b) The issue expenses of securities which qualify as equity instruments are written off against securities premium account/ retained earning in accordance with Ind AS.

**NOTES**  
**TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**  
 (Currency : Indian Rupees in Lakhs)

**Note 3**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Cash and cash equivalents</b>		
Cash on hand	460.19	127.74
Balances with banks		
- in current accounts	10,325.06	7,839.06
Deposits with original maturity of less than three months	16,076.80	6,736.73
	<b>26,862.05</b>	<b>14,703.53</b>

**Note 4**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Bank balances other than cash and cash equivalents</b>		
Deposits with original maturity of more than three months	99.32	11,230.46
Earmarked deposits with banks	23,737.00	26,438.76
	<b>23,836.32</b>	<b>37,669.22</b>

**Note 5**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Loans</b>		
<b>At amortised cost</b>		
<b>Business Loans</b>		
Corporate lending	1,91,751.96	2,94,312.61
Small and medium enterprises lending (SME)	1,46,318.61	1,36,145.06
Commercial vehicle lending	3,58,655.68	3,81,505.74
Loan to subsidiary company	39,291.64	52,913.74
Other loans	1,738.50	-
<b>Total - Gross</b>	<b>7,37,756.39</b>	<b>8,64,877.15</b>
Less: Impairment allowance	(68,510.68)	(57,508.23)
<b>Total - Net</b>	<b>6,69,245.71</b>	<b>8,07,368.92</b>
(a) Secured by tangible assets	6,82,615.11	7,93,996.23
(b) Unsecured	55,141.28	70,880.92
<b>Total - Gross</b>	<b>7,37,756.39</b>	<b>8,64,877.15</b>
Less: Impairment allowance	(68,510.68)	(57,508.23)
<b>Total - Net</b>	<b>6,69,245.71</b>	<b>8,07,368.92</b>
<b>Loans in India</b>		
(a) Public sector	-	-
(b) Others	7,37,756.39	8,64,877.15
<b>Total - Gross</b>	<b>7,37,756.39</b>	<b>8,64,877.15</b>
Less: Impairment allowance	(68,510.68)	(57,508.23)
<b>Total - Net (a)</b>	<b>6,69,245.71</b>	<b>8,07,368.92</b>
<b>Loans outside India (b)</b>	-	-
<b>Total - Net (a)+(b)</b>	<b>6,69,245.71</b>	<b>8,07,368.92</b>

**footnote :**

Stage classification of loans, investments and its impairment allowance is disclosed in Note 31(D) and Note 31(E).  
 Loans covered under security receipts are presented as part of "Note 6 - Investment".

**NOTES  
TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**Note 6**

Particulars	Amortised cost <sup>1</sup>	At Fair Value		At cost	Total
		Through other comprehensive income	Through profit and loss		
<b>Investments</b>					
<b>Investments as at March 31, 2021</b>					
Mutual funds	-	-	1,27,137.18	-	1,27,137.18
Security Receipts*	22,452.41	-	-	-	22,452.41
Treasury Bills	-	12,729.94	-	-	12,729.94
Subsidiaries	-	-	-	20,212.91	20,212.91
<b>Total - Gross</b>	<b>22,452.41</b>	<b>12,729.94</b>	<b>1,27,137.18</b>	<b>20,212.91</b>	<b>1,82,532.44</b>
Investments in India	22,452.41	12,729.94	1,27,137.18	20,212.91	1,82,532.44
Investments outside India	-	-	-	-	-
<b>Total - Gross</b>	<b>22,452.41</b>	<b>12,729.94</b>	<b>1,27,137.18</b>	<b>20,212.91</b>	<b>1,82,532.44</b>
Less: Impairment loss allowance	(3,683.50)	-	-	-	(3,683.50)
<b>Total - Net</b>	<b>18,768.91</b>	<b>12,729.94</b>	<b>1,27,137.18</b>	<b>20,212.91</b>	<b>1,78,848.94</b>

(\* net of amount written off ₹ 9,315.85 lakhs)

1. Detailed analysis on year end stage classification of investments and impairment allowance is disclosed in Note 31D

**Investment in Subsidiaries comprises of:**

Name of Subsidiary	Carrying Amount	% Holding
IndoStar Asset Advisory Private Limited	1.00	100%
IndoStar Home Finance Private Limited*	20,211.91	100%
<b>Total</b>	<b>20,212.91</b>	

\*includes cross charge of ₹ 211.91 lakh in form of deemed investment in subsidiary on account of ESOPs given to employees of subsidiary.

Particulars	Amortised cost	At Fair Value		At cost	Total
		Through other comprehensive income	Fair value through profit or loss		
<b>Investments as at March 31, 2020</b>					
Mutual funds	-	-	23,055.69	-	23,055.69
Security Receipts	-	-	-	-	-
Subsidiaries	-	-	-	20,127.96	20,127.96
<b>Total - Gross</b>	<b>-</b>	<b>-</b>	<b>23,055.69</b>	<b>20,127.96</b>	<b>43,183.65</b>
Investments in India	-	-	23,055.69	20,127.96	43,183.65
Investments outside India	-	-	-	-	-
<b>Total - Gross</b>	<b>-</b>	<b>-</b>	<b>23,055.69</b>	<b>20,127.96</b>	<b>43,183.65</b>
Less: Impairment loss allowance	-	-	-	-	-
<b>Total - Net</b>	<b>-</b>	<b>-</b>	<b>23,055.69</b>	<b>20,127.96</b>	<b>43,183.65</b>

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### Note 6 (Continued)

Investment in Subsidiaries comprises of:

Name of Subsidiary	Carrying Amount	% Holding
IndoStar Asset Advisory Private Limited	1.00	100%
IndoStar Home Finance Private Limited*	20,126.96	100%
<b>Total</b>	<b>20,127.96</b>	

\*includes cross charge of ₹ 72.29 lakh in form of deemed investment in subsidiary on account of ESOPs given to employees of subsidiary.

#### Note 7

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Other financial assets</b>		
Security deposit	945.24	659.48
Assignment receivables	2,691.43	3,341.84
Other receivables	9,957.73	29,123.71
	13,594.40	33,125.03
Less: Impairment loss allowance	(1,900.52)	(34.54)
	<b>11,693.88</b>	<b>33,090.49</b>

#### Note 8

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Current tax assets (net)</b>		
Advance tax (net of provision)	11,824.56	13,162.92
	<b>11,824.56</b>	<b>13,162.92</b>

#### Note 9

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Deferred tax assets (net)</b>		
<b>Deferred Tax Assets</b>		
Provision for expected credit loss	15,066.92	9,950.13
Provision for gratuity	114.08	72.11
Provision for leave encashment	29.71	73.64
Debt instruments through OCI	1.69	-
Fair valuation of ESOPs	-	621.82
Lease liabilities	38.98	-
Income amortisation	354.78	638.85
Depreciation on PPE and intangible assets	515.38	507.98
Carry forward book losses	7,427.23	5,570.84
<b>Total (A)</b>	<b>23,548.77</b>	<b>17,435.37</b>
<b>Deferred tax liability</b>		
Goodwill	(7,555.10)	(2,597.07)
Fair valuation of security deposits	-	(0.21)
Assignment income amortisation	(677.38)	(881.30)
Borrowing cost amortisation	(797.09)	(1,251.63)
Lease liabilities	-	(206.09)
<b>Total (B)</b>	<b>(9,029.57)</b>	<b>(4,936.30)</b>
<b>Net deferred tax asset (A-B) (also refer Note 29)</b>	<b>14,519.20</b>	<b>12,499.07</b>

**NOTES****TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

DESCRIPTION	Land - Freehold*	Buildings	Furniture and fixtures	Leasehold Improvement	Office equipment	Computers	Right of Use - Premises	Total
<b>Property, plant and equipment</b>								
Cost as at April 1, 2019	15.05	1,050.30	748.09	4,119.26	569.30	1,670.85	-	8,172.85
Additions	-	-	11.21	386.39	57.19	322.33	3,199.65	3,976.77
Disposals	-	-	(5.48)	-	(20.81)	(0.56)	-	(26.85)
Adjustment	-	-	-	(31.53)	(0.03)	-	-	(31.56)
<b>Cost as at March 31, 2020</b>	<b>15.05</b>	<b>1,050.30</b>	<b>753.82</b>	<b>4,474.12</b>	<b>605.65</b>	<b>1,992.62</b>	<b>3,199.65</b>	<b>12,091.21</b>
Additions	-	-	7.43	241.58	23.34	408.58	1,523.55	2,204.48
Disposals	-	(1,050.30)	(0.92)	(28.70)	(4.00)	-	(332.99)	(1,416.91)
<b>Cost as at March 31, 2021 (A)</b>	<b>15.05</b>	<b>-</b>	<b>760.33</b>	<b>4,687.00</b>	<b>624.99</b>	<b>2,401.20</b>	<b>4,390.21</b>	<b>12,878.78</b>
<b>Accumulated depreciation as at April 1, 2019</b>	<b>-</b>	<b>20.71</b>	<b>13.94</b>	<b>1,104.19</b>	<b>80.08</b>	<b>579.74</b>	<b>-</b>	<b>1,798.66</b>
Depreciation charged during the period	-	17.54	157.11	830.62	119.96	548.53	988.14	2,661.90
Disposals	-	-	(3.62)	-	(17.27)	(0.56)	-	(21.45)
Adjustment	-	-	-	(30.50)	(0.42)	(0.64)	-	(31.56)
<b>Accumulated depreciation as at March 31, 2020</b>	<b>-</b>	<b>38.25</b>	<b>167.43</b>	<b>1,904.31</b>	<b>182.35</b>	<b>1,127.07</b>	<b>988.14</b>	<b>4,407.55</b>
Depreciation charged during the period	-	7.69	157.58	929.60	147.38	589.36	1,118.81	2,950.42
Disposals	-	(45.94)	(0.56)	(18.54)	(2.06)	-	(332.99)	(400.09)
<b>Accumulated depreciation as at March 31, 2021 (B)</b>	<b>-</b>	<b>-</b>	<b>324.45</b>	<b>2,815.37</b>	<b>327.67</b>	<b>1,716.43</b>	<b>1,773.96</b>	<b>6,957.88</b>
Net carrying amount as at March 31, 2021 (A) - (B)	15.05	-	435.88	1,871.63	297.32	684.77	2,616.25	5,920.90
Net carrying amount as at March 31, 2020	15.05	1,012.05	586.39	2,569.81	423.30	865.55	2,211.51	7,683.66

\* Mortgaged as security against Secured Non-convertible Debentures

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### Note 11

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Assets held for sale</b>		
Assets held for sale	2,018.25	3,001.61
Less: Impairment loss allowance	(408.88)	(300.12)
	<b>1,609.37</b>	<b>2,701.49</b>

#### Note 12

Particulars	Total
<b>(a) Goodwill</b>	
Cost as at April 1, 2019	30,018.69
Acquisition of business	-
<b>Cost as at March 31, 2020</b>	<b>30,018.69</b>
Acquisition of business	-
<b>Cost as at March 31, 2021 (A)</b>	<b>30,018.69</b>
<b>Accumulated impairment as at April 1, 2019</b>	
Addition	-
<b>Accumulated impairment as at March 31, 2020</b>	
Addition	-
<b>Accumulated impairment as at March 31, 2021 (B)</b>	
<b>Net carrying amount as at March 31, 2021 (A)- (B)</b>	<b>30,018.69</b>
<b>Net carrying amount as at March 31, 2020</b>	<b>30,018.69</b>

The Company has assessed that there is no impairment of Goodwill for the year ended March 2021. The recoverable amount has been determined based on a value in use calculation. The calculation uses cash flow projections of commercial vehicle business based on financial budgets covering a five-year period and a discount rate of 16 per cent. The Company has determined that the recoverable amount calculations are most sensitive to changes in the assumptions of yield and spread during the budget period and the discounting rate. The management believes that any reasonably possible change in the key assumptions, on which recoverable amount is based would not cause carrying amount to exceed its recoverable amount.

Particulars	Computer Software	Total
<b>(b) Other intangible assets</b>		
Cost as at April 1, 2019	598.15	598.15
Additions	160.84	160.84
Disposals	-	-
<b>Cost as at March 31, 2020</b>	<b>758.99</b>	<b>758.99</b>
Additions	242.66	242.66
Disposals	-	-
<b>Cost as at March 31, 2021 (A)</b>	<b>1,001.65</b>	<b>1,001.65</b>
<b>Accumulated amortisation as at April 1, 2019</b>	<b>292.38</b>	<b>292.38</b>
Amortisation recognised for the period	161.86	161.86
Disposals	-	-
<b>Accumulated amortisation as at March 31, 2020</b>	<b>454.24</b>	<b>454.24</b>
Amortisation recognised for the period	198.96	198.96
Disposals	-	-
Adjustment	-	-
<b>Accumulated amortisation as at March 31, 2021 (B)</b>	<b>653.20</b>	<b>653.20</b>
<b>Net carrying amount as at March 31, 2021 (A)- (B)</b>	<b>348.45</b>	<b>348.45</b>
<b>Net carrying amount as at March 31, 2020</b>	<b>304.75</b>	<b>304.75</b>

**NOTES**  
**TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**  
(Currency : Indian Rupees in Lakhs)

**Note 13**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Other non-financial assets</b>		
Prepaid expenses	1,071.36	878.75
Advances recoverable in cash or in kind or for value to be received	2,930.62	3,061.74
	<b>4,001.98</b>	<b>3,940.49</b>

Footnote: Advances recoverable in cash or in kind or for value to be received includes ₹ 844.40 lakhs (Previous year Nil) as claim receivable towards ex-gratia under GOI Scheme.

**Note 14**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Trade payables</b>		
Dues to Micro, small and medium enterprises	7.80	-
Dues to Others	420.45	957.03
	<b>428.25</b>	<b>957.03</b>

**Note 15**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Debt securities</b>		
At amortised cost		
Redeemable non convertible debentures (Refer note (a) below)	1,88,963.98	2,08,947.14
Commercial paper (net of unamortised discount) (Refer note (b) below)	12,312.20	-
	<b>2,01,276.18</b>	<b>2,08,947.14</b>
Debt securities in India	2,01,276.18	2,08,947.14
Debt securities outside India	-	-
<b>Total</b>	<b>2,01,276.18</b>	<b>2,08,947.14</b>
Secured	1,88,963.98	2,08,947.14
Unsecured	12,312.20	-
<b>Total</b>	<b>2,01,276.18</b>	<b>2,08,947.14</b>

**(a) Non Convertible Debenture**

**Privately placed Redeemable Non Convertible Debentures of ₹ 10,00,000/- each**

**Terms of repayment**

Redeemable within	As at March 31, 2021	As at March 31, 2020
	Rate of interest > 8.08% < 11.40%	Rate of interest > 8.95% < 11.40%
	Amount	Amount
Above 60 Months	-	-
48-60 Months	-	2,483.06
36-48 Months	2,492.77	13,905.15
24-36 Months	18,945.03	37,245.93
12-24 Months	51,849.55	98,407.87
0-12 Months	1,15,676.63	56,905.13
<b>Total</b>	<b>1,88,963.98</b>	<b>2,08,947.14</b>

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### Nature of Security:

Security is created in favour of the Debenture Trustee, as follows:

- (i) First pari-passu charge (along with banks, financial institutions and other lenders which provide credit facilities to the Issuer) by way of hypothecation of standard asset portfolio of receivables (net of NPA) of the Issuer and / or cash / cash equivalent and / or such other asset, as may be identified by the Company of ₹ 1,99,479 lakhs (March 2020: ₹ 2,09,368 lakhs); and
- (ii) First pari-passu charge on immovable property situated at village Maharajpura of Kadi taluka, Mehsana district, Gujarat.

Other Terms: Debentures may be bought back subject to applicable statutory and/or regulatory requirements, upon the terms and conditions as may be decided by the Company.

#### b) Commercial papers Terms of repayment

Redeemable within	As at March 31, 2021	As at March 31, 2020
	Rate of interest 8.50%	Rate of interest -
	Amount	Amount
0-12 Months	12,312.20	-
<b>Total</b>	<b>12,312.20</b>	<b>-</b>

#### Note 16

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Borrowings</b>		
<b>At amortised cost</b>		
<b>Term loans</b>		
Term loans from banks (Refer note (a) below)*	2,59,513.89	3,21,115.14
<b>Loans repayable on demand</b>		
Working capital demand loans from banks **	18,100.00	15,500.00
Bank overdrafts **	-	7,033.91
Other borrowings (including Inter Corporate Deposits)	97,176.75	1,56,126.86
<b>Total</b>	<b>3,74,790.64</b>	<b>4,99,775.91</b>
Borrowings in India	3,74,790.64	4,99,775.91
Borrowings outside India	-	-
<b>Total</b>	<b>3,74,790.64</b>	<b>4,99,775.91</b>
Secured borrowings	3,72,441.28	4,48,388.07
Unsecured borrowings	2,349.36	51,387.84
<b>Total</b>	<b>3,74,790.64</b>	<b>4,99,775.91</b>



**NOTES****TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**(a) Term loan from banks (TL):****Terms of repayment:**

Repayable within <sup>#</sup>	As at	As at
	March 31, 2021	March 31, 2020
	Rate of interest > 6.21% < 11.00%	Rate of interest > 8.40% < 12.20%
	Amount	Amount
Above 60 Months	-	-
48-60 Months	6,079.89	1,601.86
36-48 Months	19,275.98	36,955.86
24-36 Months	53,524.53	56,645.50
12-24 Months	67,903.96	87,785.12
0-12 Months	1,12,729.53	1,38,126.80
<b>Total</b>	<b>2,59,513.89</b>	<b>3,21,115.14</b>

\* first pari-passu charge by way of hypothecation of standard asset portfolio of receivables (net of NPA) of the Issuer and / or cash / cash equivalent and / or such other asset.

\*\* secured by first pari-passu charge by way of hypothecation on the standard asset portfolio.

<sup>#</sup> also refer note 31(G)

**(b) Working capital demand loans and bank overdraft:****Terms of repayment:**

Redeemable within	As at	As at
	March 31, 2021	March 31, 2020
	Rate of interest > 6.50% < 7.35%	Rate of interest > 9.15% < 11.00%
	Amount	Amount
0-12 Months	18,100.00	22,533.91
<b>Total</b>	<b>18,100.00</b>	<b>22,533.91</b>

**Note 17**

Particulars	As at	As at
	March 31, 2021	March 31, 2020
<b>Other financial liabilities</b>		
Book overdraft	7,764.51	38.04
Employee benefits payable	2,351.82	801.76
Others	20,144.95	23,259.16
	<b>30,261.28</b>	<b>24,098.96</b>

**Note 18**

Particulars	As at	As at
	March 31, 2021	March 31, 2020
<b>Provisions</b>		
Provision for employee benefits:		
- Gratuity	453.27	390.83
- Compensated absences	118.05	247.90
Others :		
- Expected credit loss on undrawn loan commitments	126.51	211.78
	<b>697.83</b>	<b>850.51</b>

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### Note 19

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Non-financial liabilities</b>		
Statutory dues payable	608.29	460.98
Unamortised lease liabilities	2,771.14	2,370.90
	<b>3,379.43</b>	<b>2,831.88</b>

#### Note 20

##### Equity share capital

##### a. Details of authorised, issued and subscribed share capital

	As at March 31, 2021		As at March 31, 2020	
	Number	Amount	Number	Amount
<b>Authorised capital</b>				
Equity shares of ₹ 10/- each	15,25,00,000	15,250.00	15,25,00,000	15,250.00
Compulsorily Convertible Preference Shares of Face Value of ₹ 10/- each	1,25,00,000	1,250.00	1,25,00,000	1,250.00
<b>Issued, subscribed and fully paid up</b>				
Equity shares of ₹ 10/- each fully paid	12,37,30,329	12,373.03	9,24,50,915	9,245.09
Compulsorily Convertible Preference Shares of Face Value of ₹ 10/- each fully paid	1,20,68,966	1,206.90	-	-
<b>Total</b>	<b>13,57,99,295</b>	<b>13,579.93</b>	<b>9,24,50,915</b>	<b>9,245.09</b>

##### b. Reconciliation of number of equity shares and amount outstanding at the beginning and at the end of the year

	As at March 31, 2021		As at March 31, 2020	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	9,24,50,915	9,245.09	9,22,57,415	9,225.74
Add: Shares issued during the year	3,12,79,414	3,127.94	1,93,500	19.35
<b>Shares outstanding at the end of the year</b>	<b>12,37,30,329</b>	<b>12,373.03</b>	<b>9,24,50,915</b>	<b>9,245.09</b>

##### c. Particulars of equity shares held by Holding Company

Name of shareholder	Relationship	As at March 31, 2021		As at March 31, 2020	
		No of equity shares held	Percentage	No of equity shares held	Percentage
BCP V Multiple Holdings Pte. Ltd.	Holding Company	6,44,13,672	52.06%	-	-
Indostar Capital (Mauritius)	Promoter	-	-	5,25,94,228	56.89%

As per records of the Company, including its register of shareholders/members, the above shareholding represents legal ownerships of shares.

##### d. Particulars of shareholders holding more than 5% of the equity share capital

Name of shareholder	Relationship	As at March 31, 2021		As at March 31, 2020	
		No of equity shares held	Percentage	No of equity shares held	Percentage
BCP V Multiple Holdings Pte. Ltd.	Holding Company	6,44,13,672	52.06%	-	-
Indostar Capital (Mauritius)	Promoter	4,75,94,228	38.47%	5,25,94,228	56.89%
SBI Small Cap Fund	-	-	-	81,13,036	8.78%

As per records of the Company, including its register of shareholders/members, the above shareholding represents legal ownerships of shares.

**NOTES  
TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**e. Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to proportionate vote on basis of his contribution to fully paid up share capital.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the proportionate amount of contribution made by the equity shareholder to the total equity share capital.

**f. Reconciliation of number of Compulsorily Convertible Preference Shares (“CCPS”) and amount outstanding at the beginning and at the end of the year**

	As at March 31, 2021		As at March 31, 2020	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	-	-	-	-
Add: Shares issued during the year	1,20,68,966	1,206.90	-	-
<b>Shares outstanding at the end of the year</b>	<b>1,20,68,966</b>	<b>1,206.90</b>	-	-

**g. Particulars of CCPS held by Holding Company**

Name of shareholder	Relationship	As at March 31, 2021		As at March 31, 2020	
		No of CCPS held	Percentage	No of CCPS held	Percentage
BCP V Multiple Holdings Pte. Ltd.	Holding Company	1,20,68,966	100.00%	-	-
<b>Shares outstanding at the end of the year</b>		<b>1,20,68,966</b>	<b>100.00%</b>	-	-

**h. Particulars of shareholders holding more than 5% of CCPS**

Name of shareholder	Relationship	As at March 31, 2021		As at March 31, 2020	
		No of CCPS held	Percentage	No of CCPS held	Percentage
BCP V Multiple Holdings Pte. Ltd.	Holding Company	1,20,68,966	100.00%	-	-

**i. Terms/rights attached to Compulsorily Convertible Preference Shares (“CCPS”):**

CCPS are convertible into equity shares of the Company within a period of 18 months and carry a dividend rate of 10% p.a., payable annually, calculated on issue price, net of any taxes. Upon winding up or liquidation of the Company, the CCPS holder shall be entitled to distribution in accordance with applicable law.

**Note 21**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Other equity</b>		
Capital Reserve	0.43	0.43
Statutory reserves u/s 45-IC of The RBI Act, 1934	25,905.39	25,905.39
Securities premium	2,91,370.27	1,71,434.68
Share options outstanding account	5,375.17	8,472.33
General reserve	1,971.29	-
Retained earnings	29,698.99	53,807.53
Debt instruments through other comprehensive income	(5.03)	-
	<b>3,54,316.51</b>	<b>2,59,620.36</b>

**NOTES**

**TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**21.1 Other equity movement**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Capital Reserve</b>		
Opening Balance	0.43	0.43
Add : Transferred from surplus	-	-
<b>Closing Balance</b>	<b>0.43</b>	<b>0.43</b>
<b>Statutory reserves u/s 45-IC of The RBI Act, 1934</b>		
Opening Balance	25,905.39	25,905.39
Add : Transferred from surplus	-	-
<b>Closing Balance</b>	<b>25,905.39</b>	<b>25,905.39</b>
<b>Securities premium</b>		
Opening Balance	1,71,434.68	1,71,166.53
Less : Share issue expenses	(2,970.70)	-
Add: Transfer from ESOP reserves	2,057.67	-
Add : Premium collected on share allotment	1,20,848.62	268.15
<b>Closing Balance</b>	<b>2,91,370.27</b>	<b>1,71,434.68</b>
<b>Share options outstanding account</b>		
Opening Balance	8,472.33	6,697.71
Movement during the year	(3,097.16)	1,774.62
<b>Closing Balance</b>	<b>5,375.17</b>	<b>8,472.33</b>
<b>General reserve</b>		
Opening Balance	-	-
Movement during the year	1,971.29	-
<b>Closing Balance</b>	<b>1,971.29</b>	<b>-</b>
<b>Retained earnings</b>		
Opening Balance	53,807.53	89,993.61
Add: Remeasurement of defined benefit obligations	6.25	46.69
Add: Transferred from the statement of profit and loss	(24,146.80)	(34,008.68)
Less: Transfer to statutory reserve as per Section 45-IC of The RBI Act, 1934	-	-
Less: Appropriation towards dividend and dividend distribution tax	-	(2,224.09)
Add: Transfer from Share options outstanding account	32.01	-
<b>Closing Balance</b>	<b>29,698.99</b>	<b>53,807.53</b>
<b>Other Comprehensive Income</b>		
Opening Balance	-	-
Add: Debt instruments through other comprehensive income	(5.03)	-
<b>Closing Balance</b>	<b>(5.03)</b>	<b>-</b>

**NOTES****TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**21.2 Nature and purpose of reserves****Capital Reserve**

Capital reserve comprises of the amount received on shares forfeited by the Company on non-payment of call money.

**Statutory reserves u/s 45-IC of The RBI Act, 1934**

Statutory reserves fund is required to be created by a Non-Banking Financial Company as per Section 45-IC of the Reserve Bank of India Act, 1934. The Company is not allowed to use the reserve fund except with authorisation of Reserve Bank of India.

**Securities premium**

Securities premium is used to record the premium on issue of shares. It can be utilised in accordance with the provision of the Companies Act, 2013.

**Share options outstanding account (ESOP Reserve)**

The shares options outstanding account is used to recognise the grant date fair value of options issued to employees under stock option schemes of the Company.

**Retained earnings**

Retained earnings represents surplus of accumulated earnings of the Company and which are available for distribution to shareholders.

**General reserve**

General reserve represents transfer of fair value of options granted to employees from ESOP Reserve to General Reserve on lapse/forefeiture of options by employees.

**21.3 Dividend**

The Board of Directors of the Company at their meeting held on June 17, 2021 declared and approved payment of dividend due on 1,20,68,966 Compulsorily Convertible Preference Shares of face value ₹ 10 each allotted on May 27, 2020 (CCPS), at rate of 10% p.a. calculated on the issue price (₹ 290 per CCPS) amounting to ₹ 3,888.89 lakhs (dividend of ₹ 3,500.00 lakhs and withholding tax of ₹ 388.89 lakhs) for the period from May 27, 2020 to May 26, 2021, pursuant to terms approved by the Shareholders of the Company and fixed the Record Date for the purpose of determining entitlement of CCPS holders for payment of said dividend as Thursday, June 17, 2021.

**Note 22**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Revenue from operations		
Interest income on financial assets measured at amortised cost:		
Interest on loans		
- Loan portfolio	1,08,201.77	1,40,669.57
Interest on deposits		
- Deposits with banks	2,358.61	1,279.14
	<b>1,10,560.38</b>	<b>1,41,948.71</b>
Fees and commission income		
- Origination fees & other charges		
- Syndication, advisory & other fees	3,142.70	4,814.32
	<b>3,142.70</b>	<b>4,814.32</b>
Net gain on fair value changes		
Net gain/(loss) on financial instruments at fair value through profit or loss		
- Investments	4,803.20	4,620.60
Total fair value changes	<b>4,803.20</b>	<b>4,620.60</b>

**NOTES  
TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**  
(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Fair value changes:</b>		
- Realised	2,865.78	4,613.84
- Unrealised	1,937.42	6.76
<b>Total fair value changes</b>	<b>4,803.20</b>	<b>4,620.60</b>
<b>Gain on derecognition of financial instruments measured at amortised cost category</b>		
- Assignment income	273.88	2,616.90
	<b>273.88</b>	<b>2,616.90</b>
	<b>1,18,780.16</b>	<b>1,54,000.53</b>

**Note 23**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Other income</b>		
Miscellaneous income	248.66	-
Interest on income tax refund	297.90	-
	<b>546.56</b>	<b>-</b>

**Note 24**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Finance cost</b>		
<b>Interest expense on financial liabilities measured at amortised cost:</b>		
<b>Interest expense on borrowings</b>		
Loans from banks	31,429.51	38,302.44
Other borrowings (including Inter Corporate Deposits)	13,570.31	18,794.36
<b>Interest expense on debt securities</b>		
Debentures	22,510.66	26,481.43
Commercial paper	791.46	1,383.46
<b>Other interest expense</b>		
Bank charges & other related costs	922.67	774.70
	<b>69,224.61</b>	<b>85,736.39</b>

**Note 25**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Impairment on financial instruments at amortised cost</b>		
<b>Impairment on loans</b>		
Provision for expected credit loss	16,118.18	30,658.80
Financial assets written off (net of recovery)	29,285.35	49,738.98
<b>Impairment on investments</b>		
Pass through certificates	-	-
<b>Impairment on others</b>		
Undrawn loan commitments	(85.27)	189.78
Provision for corporate guarantee	135.18	3,981.56
Provision on co-lending arrangements	(578.62)	938.75
Others	365.98	20.29
	<b>45,240.80</b>	<b>85,528.16</b>

**NOTES**  
**TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**  
 (Currency : Indian Rupees in Lakhs)

**Note 26**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Employee Benefits Expenses</b>		
Salaries, other allowances and bonus	14,053.09	13,829.10
Gratuity expenses	158.01	120.49
Compensated absences	(108.25)	116.60
Contribution to provident and other funds	556.81	673.10
Staff welfare expenses	79.35	134.27
Share based payment expense	878.05	1,714.08
Employee shared service costs recovered	(54.05)	(82.87)
	<b>15,563.01</b>	<b>16,504.77</b>

**Note 27**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Depreciation</b>		
Depreciation of property, plant and equipment (PPE)	2,950.42	2,661.90
Amortisation of intangible assets	198.96	161.86
	<b>3,149.38</b>	<b>2,823.76</b>

**Note 28**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Other Expenses</b>		
Rent	632.36	827.56
Rates & taxes	208.58	94.89
Printing and stationery	93.74	64.56
Travelling & conveyance	473.38	972.51
Advertisement	49.85	212.32
Business Promotion	12.21	173.24
Commission & brokerage	9.38	33.64
Office expenses	2,650.57	2,716.52
Directors' fees & commission	23.11	75.16
Insurance	360.80	512.99
Communication expenses	385.09	477.43
Payment to auditors (note below)	65.60	62.51
CSR expenses (note below)	203.32	392.41
Legal & professional charges	6,261.27	1,388.86
Loss on sale of property plant and equipment	614.23	18.63
Membership & subscriptions	48.42	93.05
Other shared service costs recovered	(369.00)	(312.38)
Other fees and commission	-	69.76
Impairment allowance on assets held for sale	108.76	300.12
Provision on employee advance	28.05	-
	<b>11,859.72</b>	<b>8,173.78</b>

**NOTES**

**TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Payment to auditors*:</b>		
a) Statutory Audit	50.09	44.69
b) Tax Audit	3.00	3.27
c) Certifications	6.18	7.36
d) Other Services	6.33	7.19
<b>Total</b>	<b>65.60</b>	<b>62.51</b>
* including payment to predecessor auditors ₹ 10.09 lakh		
<b>Details for expenditure on Corporate Social Responsibility:</b>		
a) Gross amount required to be spent during the year	203.32	715.99
b) Amount spent during the year:		
- Expenses paid	190.28	392.41
- Expenses yet to be paid for	13.04	-
<b>Total</b>	<b>203.32</b>	<b>392.41</b>
c) Nature of expenditure:		
- Capital expenditure (asset acquisition/creation)	-	-
- Revenue expenditure	203.32	392.41
<b>Total</b>	<b>203.32</b>	<b>392.41</b>

**Note 29**

**Income taxes**

**Tax expense**

**(a) Amounts recognised in statement of profit and loss**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Current tax expense</b>		
Current year	-	1.67
Tax expense of earlier years	456.55	-
	<b>456.55</b>	<b>1.67</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(2,020.55)	(10,759.32)
	<b>(2,020.55)</b>	<b>(10,759.32)</b>
<b>Tax expense for the year</b>	<b>(1,564.00)</b>	<b>(10,757.65)</b>

**(b) Amounts recognised in other comprehensive income**

	For the year ended March 31, 2021			For the year ended March 31, 2020		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
<b>Items that will not be reclassified to profit or loss</b>	8.36	(2.11)	6.25	62.39	(15.70)	46.69
Remeasurements of the defined benefit liability (asset)	(6.72)	1.69	(5.03)	-	-	-
- Debt instruments through other comprehensive income						
	<b>1.64</b>	<b>(0.42)</b>	<b>1.22</b>	<b>62.39</b>	<b>(15.70)</b>	<b>46.69</b>



**NOTES****TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**Note 29****Income taxes (Continued)****(c) Reconciliation of effective tax rate**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Profit/(loss) before tax</b>	<b>(25,710.80)</b>	<b>(44,766.33)</b>
Statutory income tax rate	25.17%	25.17%
Expected income tax expense	(6,470.89)	(11,266.79)
<b>Difference in tax rate due to:</b>		
- Effect of non-deductible expenses	57.44	51.07
- Effect of change in tax rate/laws (refer footnote below)	4,958.04	491.12
- Tax expense of earlier years	456.55	-
- Effect of previously unrecognised deductible temporary differences now recognised as deferred tax assets	-	-
- Others	(565.14)	(33.05)
<b>Total tax expense</b>	<b>(1,564.00)</b>	<b>(10,757.65)</b>
<b>Effective tax rate</b>	<b>6.08%</b>	<b>24.03%</b>
<b>Current tax</b>	-	1.67
Tax expense of earlier years	456.55	-
Deferred tax	(2,020.55)	(10,759.32)
	<b>(1,564.00)</b>	<b>(10,757.65)</b>

**Footnote:**

The Finance Act, 2021 has introduced an amendment to section 32 of the Income Tax Act, 1961, whereby Goodwill of a business will not be considered as a depreciable asset and depreciation on goodwill will not be allowed as deductible expenditure effective April 1, 2020.

In accordance with the requirements of Ind AS 12 - Income Taxes, the Company has recognised one time tax expense amounting to ₹ 4,958 lakhs as the outcome of the difference between Goodwill as per the books of account and its updated tax base of Nil, resulting from the aforementioned amendment in the Income Tax Act. This deferred tax liability is not expected to be a cash outflow in the future.

**(d) Movement in deferred tax balances**

Particulars	As at March 31, 2021			
	Net balance April 1, 2020	Recognised in profit or loss	Recognised in OCI	Net deferred tax asset/ liability
<b>Deferred Tax Assets</b>				
Provision for expected credit loss	9,950.13	5,116.78	-	15,066.91
Provision for gratuity	72.11	44.08	(2.11)	114.08
Provision for leave encashment	73.64	(43.93)	-	29.71
Debt instruments through OCI	-	-	1.69	1.69
Fair valuation of ESOPs	621.82	(621.82)	-	-
Income amortisation	638.85	(284.07)	-	354.78
Depreciation on PPE and intangible assets	507.98	7.40	-	515.38
Lease liabilities	(206.09)	245.07	-	38.98
Carry forward book losses	5,570.84	1,856.39	-	7,427.23
<b>Deferred tax liability</b>				
Fair valuation of security deposits	(0.21)	0.21	-	-
Goodwill amortisation	(2,597.07)	(4,958.04)	-	(7,555.11)
Assignment income amortisation	(881.30)	203.92	-	(677.38)
Borrowing cost amortisation	(1,251.63)	454.55	-	(797.08)
<b>Deferred tax assets / (liabilities)</b>	<b>12,499.07</b>	<b>2,020.55</b>	<b>(0.42)</b>	<b>14,519.20</b>

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

The Management considers the deferred tax assets on carried forward losses to be fully set-off against future available profits considering the expected net interest income (NIM) from the existing loan book over the tenure of the loan and the expected disbursements.

#### (e) Movement in deferred tax balances

Particulars	As at March 31, 2020			
	Net balance April 1, 2019	Recognised in profit or loss	Recognised in OCI	Net deferred tax asset/liability
<b>Deferred Tax Assets</b>				
Provision for expected credit loss	2,296.73	7,653.41	-	9,950.13
Provision for gratuity	58.59	29.22	(15.70)	72.11
Provision for leave encashment	55.38	18.26	-	73.64
Fair valuation of ESOPs	863.35	(241.53)	-	621.82
Income amortisation	1,367.93	(729.08)	-	638.85
Depreciation on PPE and intangible assets	130.68	377.30	-	507.98
Carry forward book losses	-	5,570.84	-	5,570.84
<b>Deferred tax liability</b>				
Fair valuation of security deposits	(0.30)	0.12	-	(0.21)
Goodwill amortisation	(1,311.22)	(1,285.85)	-	(2,597.07)
Assignment income amortisation	(637.03)	(244.27)	-	(881.30)
Lease liabilities	-	(206.09)	-	(206.09)
Borrowing cost amortisation	(1,068.62)	(183.01)	-	(1,251.63)
<b>Deferred tax assets / (liabilities)</b>	<b>1,755.49</b>	<b>10,759.32</b>	<b>(15.70)</b>	<b>12,499.07</b>

#### Note 30

##### Earnings per share (EPS)

Basic EPS calculated by dividing the net profit for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders (after adjusting profit impact of dilutive potential equity shares, if any) by the aggregate of weighted average number of equity shares outstanding during the year and the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>i. Profit attributable to equity holders (A)</b>		
Profit/(loss) for the year	(24,146.80)	(34,008.68)
Less: Dividend on compulsorily convertible preference shares (CCPS)	(3,292.24)	-
Profit attributable to equity holders for basic and diluted EPS	(27,439.04)	(34,008.68)
<b>ii. Weighted average number of equity shares for calculating Basic EPS (B)</b>	11,85,72,703	9,22,81,963
<b>iii. Weighted average number of equity shares for calculating Diluted EPS (C)</b>	11,85,72,703	9,22,81,963
<b>iv. Basic earnings per share (₹)</b>	(23.14)	(36.85)
<b>v. Diluted earnings per share (₹)</b>	(23.14)	(36.85)

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

### Note 31

#### Financial instruments - Fair values and Risk management

##### A. Accounting classification and fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using a valuation technique.

The management has assessed that the carrying amounts of cash and cash equivalents, loans carried at amortised cost, other financial assets, trade payables, borrowings, bank/book overdrafts and other current liabilities are a reasonable approximation to their fair value.

##### B. Risk Management Framework:

Company's risk management framework is based on

- (a) Clear understanding and identification of various risks
- (b) Disciplined risk assessment by evaluating the probability and impact of each risk
- (c) Measurement and monitoring of risks by establishing key risk indicators with thresholds for all critical risks and
- (d) Adequate review mechanism to monitor and control risks.

Company's risk management division works as a value centre by constantly engaging with the business providing reports based on key analysis and insights. The key risks faced by the company are credit risk, liquidity risk, interest rate risk, operational risk, reputational and regulatory risk, which are broadly classified as credit risk, market risk and operational risk. The company has a well established risk reporting and monitoring framework. The company identifies and monitors risks periodically. This process enables the company to reassess all the critical risks in a changing environment that need to be focused on.

##### C. Risk governance structure:

Company's risk governance structure operates with a robust Board and Risk Management Committee ('RMC') with a clearly laid down charter and roles and responsibilities. The Board oversees the risk management process and monitors the risk profile of the company directly as well as through a Board constituted Risk Management Committee. The Committee reviews the risk management policy, implementation of risk management framework, monitoring of critical risks, review and approval of exposures with conflict of interest and review of various other initiatives. The risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate limits and controls and to monitor risks and adherence to limits. The RMC reviews the risk management policies regularly to reflect the changes in market conditions and Company's activities.

The Audit Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of risk management framework in relation to the risk faced by the Company.

The risk management committee has established a comprehensive risk management framework across the business and provides appropriate reports on risk exposures and analysis in its pursuit of creating awareness across the Company about risk management.

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### D. Fair value hierarchy

Ind AS 107, 'Financial Instrument - Disclosure' requires classification of the valuation method of financial instruments measured at fair value in the Balance Sheet, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurements). The hierarchy gives the highest priority to un-adjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to un-observable inputs (Level 3 measurements). The three levels of the fair-value-hierarchy under Ind AS 107 are described below:

**Level 1:** Level 1 hierarchy includes financial instruments measured using quoted prices.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and place limited reliance on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level. This is the case for unlisted equity securities included in level 3.

The following table shows the carrying amounts and fair values of financial assets including their levels in the fair value hierarchy:

Particulars	As at March 31, 2021							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs*	Total
<b>Investments covered under Ind AS 109</b>								
(a) Investments in Mutual funds	1,27,137.18	-	-	1,27,137.18	1,27,137.18	-	-	1,27,137.18
(b) Investments in Security Receipts	-	-	18,768.91	18,768.91	-	-	18,768.91	18,768.91
(c) Treasury Bills		12,729.94	-	12,729.94	12,729.94	-	-	12,729.94
<b>Total</b>	<b>1,27,137.18</b>	<b>12,729.94</b>	<b>18,768.91</b>	<b>1,58,636.03</b>	<b>1,39,867.12</b>	<b>-</b>	<b>18,768.91</b>	<b>1,58,636.03</b>

\* based on NAV statements and other information received from assets reconstruction company and adjusted for Expected credit losses as per Model.

Particulars	As at March 31, 2020							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs*	Total
<b>Investments covered under Ind AS 109</b>								
(a) Investments in Mutual funds	23,055.69	-	-	23,055.69	23,055.69	-	-	23,055.69
<b>Total</b>	<b>23,055.69</b>	<b>-</b>	<b>-</b>	<b>23,055.69</b>	<b>23,055.69</b>	<b>-</b>	<b>-</b>	<b>23,055.69</b>

**NOTES  
TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**D. Fair value hierarchy (continued)**

An analysis of changes in the gross carrying amount and the corresponding impairment loss allowances in relation to investments in security receipt measured at amortised cost is as follows:

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	-	-	-	-	-	-	-	-
Reclassified from Loan Assets*	-	14,450.00	10,710.00	25,160.00	-	-	-	-
Assets derecognised or repaid (excluding write offs)	-	-	(2,707.59)	(2,707.59)	-	-	-	-
Transfers to stage 1	-	-	-	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-	-	-	-
Transfers to stage 3	-	(14,450.00)	14,450.00	-	-	-	-	-
Amounts written off (net of recovery)	-	-	-	-	-	-	-	-
Gross carrying amount closing balance	-	-	22,452.41	22,452.41	-	-	-	-

\* net of amount written-off

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance - opening balance	-	-	-	-	-	-	-	-
New assets originated or purchased	-	-	3,683.50	3,683.50	-	-	-	-
Impairment loss allowance - closing balance	-	-	3,683.50	3,683.50	-	-	-	-

The following table shows the carrying amounts and fair values of financial assets including their levels in the fair value hierarchy:

Particulars	As at March 31, 2021							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs*	Total
Loans covered under Ind AS 109	-	-	6,69,245.71	6,69,245.71	-	-	6,69,245.71	6,69,245.71
Total	-	-	6,69,245.71	6,69,245.71	-	-	6,69,245.71	6,69,245.71

Particulars	As at March 31, 2020							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs*	Total
Loans covered under Ind AS 109	-	-	8,07,368.92	8,07,368.92	-	-	8,07,368.92	8,07,368.92
Total	-	-	8,07,368.92	8,07,368.92	-	-	8,07,368.92	8,07,368.92

\*Discounted cash flow approach adopted for fair valuation of level 3 instruments

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### E. Credit risk

Credit risk arises when a borrower is unable to meet his contractual obligations to the lender. The effective management of credit risk requires the establishment of appropriate credit risk policies and processes. The Company has comprehensive and well defined credit policies across various businesses, products and segments, which encompass credit approval process for all businesses along with guidelines for mitigating the risks associated with them. The appraisal process includes detailed risk assessment of the borrowers, physical verifications and field visits. The company has a robust post sanction monitoring process to identify portfolio-wise credit risk trends and early warning signals. This enables it to implement necessary changes to the credit policy, whenever the need arises to prevent any further slippage in the credit quality.

#### Grouping financial assets measured on a collective basis

The company splits its exposure into smaller homogeneous portfolios, based on shared credit risk characteristics, as described below in the following order:

- Customer i.e. corporate and retail
- Nature of product i.e. commercial vehicle and SME

#### Significant increase in credit risk

The credit risk on a financial asset of the Company are assumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due. The retail loans where the renegotiated terms are not substantially different and involve repayment terms to be extended including interest or the EMI amount readjusted over the tenure are classified as Stage 2. In case of corporate loan the assessment of significant increase in credit risk is performed on a case to case basis. Additionally, accounts identified and reviewed by the credit committee for labelling as breaching pre-defined critical credit risk parameters will also be classified as Stage 2. Accordingly, the financial assets shall be classified as Stage 2, based on the quantitative as well as qualitative factors.

#### Write off

The Company writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in Statement of profit and loss.

#### Restructured financial assets

A loan where repayment terms are renegotiated on substantially different terms as compared to the original contracted terms due to significant increase in credit risk of the borrower are classified as stage 2. Such loans continue to be in stage 2 until they exhibit regular payment of renegotiated principal and interest over a minimum observation period typically 12 months-post renegotiation, and there are no other indicators of impairment. Having satisfied the conditions of timely payment over the observation period these loans could be transferred to stage 1 or 2 and a fresh assessment of the risk of default is done.

#### Overview of the Expected Credit Loss principles

The Company records allowance for expected credit losses for all loans, debt financial assets not held at FVTPL, undrawn loan commitments (referred to as 'financial instruments').

For the computation of ECL on the financial instruments, the Company categories its financial instruments as mentioned 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 advances upto 30 days overdue 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:** Exposures are classified as Stage 2 when the amount is due for more than 30 days but do not exceed 90 days. 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.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

### Note 31

#### Financial Instruments-Fair Values and Risk Management (Continued)

##### E. Credit Risk (continued)

**Stage3:** All exposures are 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. Exposures where the amount remains due for 91 days or more are considered as to be stage 3 assets.

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 undertakes the classification of exposures within the aforesaid stages at borrower level.

##### Definition of default

A default on a financial asset is when the counterparty fails to make the contractual payments within 90 days of when they fall due. Accordingly, the financial assets shall be classified as Stage 3, if on the reporting date, it has been more than 90 days past due. Non-payment on another obligation of the same customer is also considered as a Stage 3.

##### The calculation of ECL

ECL is a probability weighted credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial instruments. Cash shortfalls are the difference between the cash flows that the entity is entitled to receive on account of contract and the cash flows that the entity expects to receive.

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

##### Portfolio Segmentation:

For ECL purpose, the loan portfolio is broadly segmented as below :

- 1) Corporate lending
- 2) Small and medium enterprises lending ('SME')
- 3) Commercial vehicle lending

**Exposure-At-Default (EAD) :** The Exposure at Default is the amount the Company is entitled to receive as on reporting date including repayments due for principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities.

**Probability of Default (PD) :** The Probability of Default is an estimate of the likelihood of default of the exposure 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.

**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 lender would expect to receive, including from the realisation of any collateral.

The ECL allowance is applied on the financial instruments depending upon the classification of the financial instruments as per the credit risk involved. ECL allowance is computed on the below mentioned basis:

**12-month ECL:** 12-month ECL is the portion of Lifetime ECL that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. 12-month ECL is applied on stage 1 assets.

**Lifetime ECL:** Lifetime ECL for credit losses expected to arise over the life of the asset in cases of credit impaired loans and in case of financial instruments where there has been significant increase in credit risk since origination. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument. Lifetime ECL is applied on stage 2 and stage 3 assets. The Company computes the ECL allowance either on individual basis or on collective basis, depending on the nature of the underlying portfolio of financial instruments. The Company has grouped its loan portfolio into Corporate loans, SME loans and Commercial vehicle loans.

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### Note 31

#### Financial Instruments-Fair Values and Risk Management (Continued)

##### Forward looking information

The company employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. Such statistical models are selected considering the availability of information related to the probability of default for each product. This analysis includes the identification and calibration of relationships between changes in GNPA as proxy for default rates and changes in key macro-economic factors. Key economic indicators considered for forward looking includes:

- GDP growth
- WPI (Wholesale price index)

For the purpose of determination of impact of forward looking information, the company applies macro economic (ME) variables as stated above to each product and assess the trend of the historical probability of defaults as compared to the forecasted probability of default. Based on the directional trend of output, management applies an overlay if required. Overtime, new ME variable may emerge to have a better correlation and may replace ME being used now.

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

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	6,80,890.20	1,45,053.19	38,933.76	8,64,877.15	10,15,709.50	99,305.34	30,757.88	11,45,772.72
New assets originated or purchased	1,70,156.60	5,257.07	662.11	1,76,075.78	1,10,940.81	10,637.56	1,380.17	1,22,958.54
Assets derecognised or repaid (excluding write offs)	(2,12,040.62)	(31,875.85)	(4,834.72)	(2,48,751.19)	(3,35,862.19)	(13,704.12)	(4,548.82)	(3,54,115.13)
Transfers to stage 1	15,122.29	(12,502.26)	(2,620.03)	-	7,856.02	(5,944.93)	(1,911.09)	-
Transfers to stage 2	(1,20,286.60)	1,22,719.49	(2,432.89)	-	(77,719.41)	77,719.41	-	-
Transfers to stage 3	(11,572.21)	(17,093.19)	28,665.40	-	(8,620.11)	(19,857.03)	28,477.15	0.01
Amounts written off (net of recovery)	(2,612.07)	(11,496.55)	(15,176.72)	(29,285.34)	(31,414.42)	(3,103.04)	(15,221.53)	(49,738.99)
Presented under Investments as Security Receipts*	-	(14,450.00)	(10,710.00)	(25,160.00)	-	-	-	-
Gross carrying amount closing balance	5,19,657.59	1,85,611.90	32,486.91	7,37,756.40	6,80,890.20	1,45,053.19	38,933.76	8,64,877.15

\* Presented under Investments in Security Receipts (Refer to Note 31(D))



**NOTES  
TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**Note 31****Financial Instruments-Fair Values and Risk Management (Continued)**

Reconciliation of Impairment loss allowance is given below:

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance - opening balance	35,986.42	14,067.20	7,454.61	57,508.23	10,069.24	6,325.68	11,285.03	27,679.95
New assets originated or purchased	2,393.05	431.91	587.87	3,412.83	954.78	265.23	372.78	1,592.79
Assets derecognised or repaid (excluding write offs)	(15,060.31)	(1,784.87)	(530.23)	(17,375.41)	(1,176.43)	(965.51)	(1,477.16)	(3,619.10)
Transfers to stage 1	1,197.56	(573.83)	(623.73)	-	1,160.58	(420.69)	(739.89)	-
Transfers to stage 2	(1,657.78)	2,212.38	(554.59)	0.01	(1,309.06)	1,694.39	(385.33)	-
Transfers to stage 3	(2,983.91)	(1,480.96)	4,464.87	-	(76.68)	(97.21)	173.89	-
Impact on year end ECL of exposures transferred between stages during the year	8,312.91	9,947.86	16,502.34	34,763.11	26,425.39	7,491.60	3,809.73	37,726.72
Amounts written off (net of recovery)	(20.10)	(751.86)	(9,026.13)	(9,798.09)	(61.40)	(226.29)	(5,584.44)	(5,872.13)
Impairment loss allowance - closing balance	28,167.84	22,067.83	18,275.01	68,510.68	35,986.42	14,067.20	7,454.61	57,508.23

**F. Risk Management amidst COVID-19:**

Estimation uncertainty relating to COVID-19 global health pandemic:

In assessing the recoverability of loans, receivables, goodwill and investments, the Company has considered internal and external sources of information, economic forecasts and industry reports upto the date of approval of these financial results. The Company has performed stress testing on the assumptions used and based on current indicators of future economic conditions, the Company expects to recover the carrying amount of these assets. The Company has developed estimates and applied management overlays for the purpose of determination of the provision for impairment of financial assets.

The full extent of impact of the pandemic (Wave 2) on the Company's operations and financial performance (including impact on carrying value of Goodwill and impairment allowances for financial asset) will depend on future developments including governmental and regulatory measures and the Company's responses thereto, which are highly uncertain at this time.

Further, in view of the matters mentioned above, the Company is regularly assessing and monitoring the impact of the Novel Coronavirus (COVID-19) pandemic on its liquidity and ability to repay its obligations as and when they are due. Based on the foregoing and necessary stress tests considering various scenarios, management believes that the Company will be able to pay its obligations as and when these become due in the foreseeable future.

**G. Liquidity risk**

Liquidity is the Company's capacity to fund increase in assets and meet both the expected and unexpected obligations without incurring unacceptable losses. Liquidity risk is the inability to meet such obligations as they become due without adversely affecting the company's financial conditions. The Asset Liability Management Policy of the Company stipulates a broad framework for Liquidity risk management to ensure that the Company can meet its liquidity obligations. The Asset Liability Management Committee ('ALCO') monitors composition, characteristics and diversification of funding sources to ensure there is no over reliance on single source of funding. The Company tracks the cash flow mismatches for measuring and managing net funding requirement through Maturity Ladder approach and reviews short-term liquidity

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### Note 31

#### Financial Instruments-Fair Values and Risk Management (Continued)

profiles based on business projections and other commitments for planning purposes through Dynamic Liquidity analysis. The ALCO also reviews the individual mismatch in each time bucket and cumulative mismatch and ensures the bucket wise limits are not breached.

The Company maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The liquidity position of the company is assessed under a variety of scenarios giving due consideration to stress factors relating to both the market in general and risk specifics to the Company. Basis the liquidity position assessed under various stress scenarios; the Company reviews the following to effectively handle any liquidity crisis:

- Adequacy of contingency funding plan in terms of depth of various funding sources, time to activate, cost of borrowing, etc
- Availability of unencumbered eligible assets

**Maturity profile of undiscounted cash flows for financial liabilities as on balance sheet date have been provided below:**

**As on March 31, 2021**

Particulars	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>Financial Liabilities</b>					
Trade payables	428.25	-	-	-	428.25
Debt securities	56,079.14	71,909.70	73,287.34	-	2,01,276.18
Borrowings (other than debt securities)*	72,234.16	96,247.88	1,80,766.01	25,542.59	3,74,790.64
Other financial liabilities	30,261.28	-	-	-	30,261.28
<b>Total</b>	<b>1,59,002.83</b>	<b>1,68,157.58</b>	<b>2,54,053.35</b>	<b>25,542.59</b>	<b>6,06,756.35</b>

\* The Company has borrowing facilities with various Banks. Few of such facilities have overriding clause to terminate, reduce, suspend or cancel the facility in future, at the absolute discretion of the lender. As at the date of approval of financial statements, none of lenders have terminated, reduced, suspended or cancelled any facility including undrawn limits. Accordingly, ₹ 59,621.95 lakhs scheduled for payment after March 31, 2022 for these facilities have been classified as per prevailing contractual maturity.

**As on March 31, 2020**

Particulars	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>Financial Liabilities</b>					
Trade payables	957.03	-	-	-	957.03
Debt securities	9,271.80	47,633.34	1,52,042.00	-	2,08,947.14
Borrowings (other than debt securities)	54,854.92	1,41,021.61	2,57,862.46	46,036.92	4,99,775.91
Other financial liabilities	24,098.96	-	-	-	24,098.96
<b>Total</b>	<b>89,182.71</b>	<b>1,88,654.95</b>	<b>4,09,904.46</b>	<b>46,036.92</b>	<b>7,33,779.04</b>

#### H. Market risk

Market Risk is the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates and other asset prices. The Company's exposure to market risk is a function of asset liability management and interest rate sensitivity assessment. The company is exposed to interest rate risk and liquidity risk, if the same is not managed properly. The company continuously monitors these risks and manages them through appropriate risk limits. The Asset Liability Management Committee ('ALCO') reviews market related trends and risks and adopts various strategies related to assets and liabilities, in line with the Company's risk management framework.

#### I. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The operational risks of the Company are managed through comprehensive internal

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

### Note 31

#### Financial Instruments-Fair Values and Risk Management (Continued)

control systems and procedures. Failure of managing operational risk might lead to legal / regulatory implications due to non-compliance and lead to financial loss due to control failures. While it is not practical to eliminate all the operational risk, the Company has put in place adequate control framework by way of segregation of duties, well defined process, staff training, maker and checker process, authorisation and clear reporting structure. The effectiveness of control framework is assessed by internal audit on a periodic basis.

To manage fraud risk effectively, the Company has Independent Risk Containment Unit ('RCU') which is responsible for implementing fraud risk management framework and ensure compliance. The RCU undertakes various activities such as pre-sanction loan applicant verification, pre-sanction and post disbursement documents verification, vendor verification, etc to prevent and manage frauds.

#### J. Capital Disclosure

The Company maintains adequate capital to cover risks inherent in the business and is meeting the capital adequacy requirements of our regulator, Reserve Bank of India ('RBI'). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.

Company has complied in full with all its externally imposed capital requirements over the reported period.

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 maintains its capital structure in line with economic conditions and the risk characteristics of its activities. The Company has adopted a dividend distribution policy and the Board reviews the capital position on a regular basis.

Particulars	As at March 31, 2021	As at March 31, 2020
CRAR - Tier I capital (%)	34.6%	20.4%
CRAR - Tier II capital (%)	0.0%	4.9%
<b>CRAR (%)</b>	<b>34.6%</b>	<b>25.3%</b>

### Note 32

**Related Party Disclosures, as required by Indian Accounting Standard 24 (Ind AS 24) are given below:**

#### a) Relationships

##### I. Ultimate Controlling Party

Brookfield Asset Management Inc. (from July 9, 2020)

##### II. Holding Company

Indostar Capital (Mauritius) (upto May 27, 2020)

BCP V Multiple Holdings Pte. Ltd. (from July 9, 2020)

##### III. Subsidiary Company

IndoStar Asset Advisory Private Limited

IndoStar Home Finance Private Limited

**Names of other related parties with whom the Company had transactions during the year:**

#### Key Managerial Personnel

R. Sridhar - Executive Vice-Chairman & CEO

Shailesh Shirali - Wholetime Director (upto July 10, 2020)

Bobby Parikh - Non-Executive Independent Chairman

Dinesh Kumar Mehrotra - Non-Executive Independent Director (upto July 10, 2020)

Hemant Kaul - Non-Executive Independent Director

Naina Krishna Murthy - Non-Executive Independent Director

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### *Other related parties - entities in which Key Managerial Personnel has interest/significant influence.*

Avasara Leadership Institute

Bobby Parikh & Associate

Krishnamurthy & Co.

Jaipur Advisory Group Private Limited

#### b) Transactions with Holding Company

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Subscription to Equity Shares of the Company by Holding Company	87,500.00	-
Subscription to Compulsorily Convertible Preference Shares of the Company by Holding Company	35,000.00	-

#### c) Transactions with Key Managerial Personnel :

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
1) Short-term employee benefits	1,204.12	1,188.16
2) Sitting fees to Non-Executive Independent Directors	23.87	31.56
3) Reimbursement of expenses	6.63	1.44
4) Dividend paid	-	6.74
5) Loan given	2,500.00	-

Compensation of the Company's key managerial personnel includes salaries, non-cash benefits, bonus provision and contributions to post-employment defined benefit plan.

The Company has paid managerial remuneration for the year ended March 31, 2021 to Mr. R. Sridhar, Whole-Time Director designated as Executive Vice-Chairman & CEO, in accordance with the requisite approvals obtained from the Members of the Company under the provisions of Section 197 read with Schedule V to the Companies Act, 2013 ("Act"). Further, managerial remuneration for the year ended March 31, 2021 paid to Mr. Shailesh Shirali, Whole-Time Director for a period from April 1, 2020 to July 10, 2020, is in excess by ₹ 44.73 lakhs of the limits provided in section 197 read with Schedule V to the Act. The Company proposes to obtain approval of the Members of the Company in General meeting by way of special resolution for waiver of recovery of excess remuneration paid to Mr. Shirali.

#### d) Transactions other than those with key management personnel :

Particulars		Subsidiary Companies	Other related parties
1) Recovery of expenses	2021	531.72	-
	2020	553.13	-
2) Loan given to subsidiary (net)	2021	13,000.00	-
	2020	17,500.00	-
3) Interest income on loan to subsidiary	2021	4,021.26	-
	2020	4,009.12	-
4) Professional fees	2021	-	35.65
	2020	-	-
5) Corporate social responsibility	2021	-	25.00
	2020	-	69.02

**NOTES****TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**e) The related party balances outstanding at year end are as follows:**

Particulars		Holding Company	Subsidiary Companies	Key Managerial Personnel
1) Investment in subsidiary	2021	-	20,212.91	-
	2020	-	20,127.96	-
2) Reimbursement of expenses	2021	-	493.17	-
	2020	-	491.42	-
3) Loans outstanding	2021	-	39,291.64	2,500.00
(including interest accrued)	2020	-	52,913.74	-

**Note 33****Set out below is the disaggregation of the revenue from contracts with customers**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Type of Services or service</b>		
Syndication, advisory & other fees	3,142.70	4,814.32
<b>Total revenue from contracts with customers</b>	<b>3,142.70</b>	<b>4,814.32</b>
<b>Geographical markets</b>		
India	3,142.70	4,814.32
Outside India	-	-
<b>Total revenue from contracts with customers</b>	<b>3,142.70</b>	<b>4,814.32</b>
<b>Timing of revenue recognition</b>		
Services transferred at a point in time	3,142.70	4,814.32
Services transferred over time	-	-
<b>Total revenue from contracts with customers</b>	<b>3,142.70</b>	<b>4,814.32</b>

**Note 34****Contingent liabilities and Commitments**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Contingent liabilities:</b>		
Corporate guarantee given by Company to banks	5,652.78	4,625.00
<b>Capital commitments:</b>		
Estimated amount of contracts remaining to be executed on capital account	50.42	26.51
<b>Other commitments:</b>		
Loans sanctioned not yet disbursed	37,203.20	87,448.98

**Note 35****Disclosures as required by Ind AS 116 'Leases'****(A) Lease liability movement**

Particulars	As at March 31, 2021	As at March 31, 2020
Opening balance	2,370.90	2,940.21
Add : Adjustments/additions during the year	1,355.04	259.44
Add : Interest on lease liability	252.55	269.12
Less : Lease rental payments	(1,207.35)	(1,097.87)
	<b>2,771.14</b>	<b>2,370.90</b>

**NOTES**

**TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**(B) Future lease cashflow for all leased assets**

Particulars	As at March 31, 2021	As at March 31, 2020
Not later than one year	1,233.52	1,376.38
Later than one year but not later than five years	1,884.77	3,080.07
Later than five years	262.10	-
	<b>3,380.39</b>	<b>4,456.45</b>

**(C) Maturity analysis of lease liability**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Lease liability</b>		
Less than 12 months	1,007.30	843.04
More than 12 months	1,763.84	1,527.86
	<b>2,771.14</b>	<b>2,370.90</b>

**Note 36**

**Dues to Micro, Small and Medium enterprises as per MSMED Act, 2006**

The following disclosure is made as per the requirement under The Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED Act') on the basis of confirmations sought from suppliers on registration with the specified authorities under MSMED :

Particulars	As at March 31, 2021	As at March 31, 2020
a. Principal and interest amount remaining unpaid	7.80	-
b. Interest due thereon remaining unpaid	-	-
c. Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day	-	-
d. Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act,2006)	-	-
e. Interest accrued and remaining unpaid	-	-
f. Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-

The aforementioned is based on the responses received by the Company to its inquiries with suppliers with regard to applicability under the said Act. This has been relied upon by the auditors. No interest has been paid/is payable during the year to the suppliers registered under this Act.

**NOTES****TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**Note 37****Gratuity and other post-employment benefit plans:**

The Company has a funded defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for gratuity on separation at 15 days basic salary (last drawn salary) for each completed year of service.

Based on Ind AS 19 'Employee Benefits' notified under Section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, the following disclosures have been made as required by the standard:

Particulars	As at March 31, 2021	As at March 31, 2020
<b>A. Amount recognised in the balance sheet</b>		
Present value of the obligation as at the end of the year	457.11	394.42
Fair value of plan assets as at the end of the year	3.84	3.59
<b>Net (asset) / liability to be recognised in the balance sheet</b>	<b>453.27</b>	<b>390.83</b>
<b>B. Change in projected benefit obligation</b>		
Projected benefit of obligation at the beginning of the year	394.42	396.82
Current service cost	127.46	110.66
Past service cost	-	-
Interest cost	26.34	12.59
Benefits paid	(78.85)	(60.75)
Actuarial (gain) / loss on obligation	(12.26)	(64.90)
<b>Projected benefit obligation at the end of the year</b>	<b>457.11</b>	<b>394.42</b>
<b>C. Change in plan assets</b>		
Fair value of plan assets at the beginning of the year	3.59	3.34
Return on plan assets	4.15	2.75
Actuarial gain/(loss)	(3.90)	(2.50)
<b>Fair value of plan assets at the end of the year</b>	<b>3.84</b>	<b>3.59</b>
<b>D. Amount recognised in the statement of profit and loss</b>		
Current service cost	127.46	110.66
Net interest cost	22.19	9.83
<b>Expenses recognised in the statement of profit and loss</b>	<b>149.65</b>	<b>120.49</b>
<b>E. Amount recognised in other comprehensive income</b>		
Actuarial (gains) / loss		
- change in financial assumption	19.16	23.54
- experience variation	(31.42)	(88.44)
Return on plan assets, excluding amount recognised in net interest expense	3.90	2.51
	<b>(8.36)</b>	<b>(62.39)</b>
<b>F. Assumptions used</b>		
Discount rate	6.35%	6.85%
Salary growth rate	6.00%	6.00%
Withdrawal rate	10% at younger ages reducing to 6% at older ages	10% at younger ages reducing to 6% at older ages

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### Note 37

##### Gratuity and other post-employment benefit plans : (Continued)

###### G. Sensitivity analysis

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Particulars	As at March 31, 2021		As at March 31, 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	437.95	477.75	378.30	411.74
Salary growth rate (0.5% movement)	474.62	440.35	408.05	381.11
Withdrawal rate (10% movement)	454.80	459.24	393.76	394.84

###### H. Other information :

- Plans assets comprises 100% of Insurance funds
- The expected contribution for the next year is ₹ 138.87 lakh
- The average outstanding term of the obligations as at valuation date is 8.88 years.

#### Note 38

##### Employee stock option plans

The Company provides share-based employee benefits to the employees of the Company, Subsidiary Company, the Director, whether a whole time Director or otherwise but excluding Non-Executive Independent Director, including the Director of the Company, or a Subsidiary Company, such other entities or individuals as may be permitted by Applicable Laws and any of the aforesaid employees who are on deputation at the request of the Company and during the year ended March 31, 2021, employee stock option plans (ESOPs) were in existence. The relevant details of the schemes and the grant are as below.

###### A. Description of share-based payment arrangements

As at March 31, 2021, the Company has the following share-based payment arrangements:

###### Share option plans (equity settled)

According to the Schemes, the employee selected by the Nomination and Remuneration Committee ('NRC') from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The contractual life (comprising the vesting period and the exercise period) of options granted is 5 years.

###### I. Details of the ESOP

Particulars	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016 - II	ESOP Plan 2017	ESOP Plan 2018
Date of Shareholder's Approval	30-Jul-12	09-May-16	17-Oct-16	28-Apr-17	15-Dec-17
Total Number of Options approved	15,00,000	27,00,000	30,00,000	20,00,000	60,00,000
Vesting requirements	Vesting criteria will specified for each option holder by the Nomination and Remuneration Committee ('NRC') at the time of grant of options. For valid vesting of options, the concerned option holder is required to be an eligible employee on the respective vesting date and must neither be serving his/her notice period for termination of service nor be subject to any disciplinary proceedings pending against him/her. Unless the NRC provides otherwise, the vesting of options granted hereunder shall be stalled / blocked during any unauthorised and unpaid leave of absence for such period as may prescribed by NRC or for any cause as deemed fit by the NRC.				
The pricing formula	Options can be exercised at any of the following exercise price, as may be determined by the NRC at its sole discretion at the time of grant of options:(i) fair market value rounded to the nearest rupee; or(ii) market price rounded to the nearest rupee; or(iii) such price as may be determined by the NRC. However, the exercise price shall not be less than the fair market value of the shares.				



**NOTES****TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**Note 38****Employee stock option plans (Continued)**

Particulars	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016 - II	ESOP Plan 2017	ESOP Plan 2018
Maximum term of options granted (years)	Options granted under the ESOP plans would vest not less than 1 (one) year from the date of grant of options. Options shall be capable of being exercised within a period of 4 years from the date of vesting.				
Method of settlement	Equity				
Source of shares	Primary				
Variation in terms of ESOP	ESOP Plan 2012, ESOP Plan 2016, ESOP Plan 2016 - II, ESOP Plan - 2017 and ESOP Plan 2018 were amended pursuant to resolution passed by NRC and the Board of Directors at their respective meeting held on August 12, 2020 and members of Company at the Annual General Meeting held on September 24, 2020 by deleting the maximum period within which options should vest with option grantees.				
Method used for accounting of options	Fair Value Method				

**II. Option Movement during the year ended Mar 2021**

Particulars	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016 - II	ESOP Plan 2017	ESOP Plan 2018
	No. of Options	No. of Options	No. of Options	No. of Options	No. of Options
No. of options outstanding at the beginning of the year	74,700	25,03,277	25,50,500	17,44,500	14,58,000
Options granted during the year	-	-	-	-	15,75,000
Options forfeited / lapsed during the year	-	17,35,777	13,84,500	15,000	10,000
Options exercised during the year	64,000	2,55,000	7,88,000	-	-
Total number of shares arising as a result of exercise of options	64,000	2,55,000	7,88,000	-	-
Number of options outstanding at the end of the year	10,700	5,12,500	3,78,000	17,29,500	30,23,000
Number of options exercisable at the end of the year	5,450	3,31,200	3,00,300	90,300	1,13,500
Weighted average market price of options exercised for the year ended March 31, 2021	284.55	331.06	309.72	-	-

**II. Option Movement during the year ended Mar 2020**

Particulars	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016 - II	ESOP Plan 2017	ESOP Plan 2018
	No. of Options	No. of Options	No. of Options	No. of Options	No. of Options
No. of options outstanding at the beginning of the year	2,68,200	25,13,277	25,60,500	18,29,000	14,36,000
Options granted during the year	-	-	-	-	1,05,000
Options forfeited / lapsed during the year	-	10,000	10,000	84,500	83,000
Options exercised during the year	1,93,500	-	-	-	-
Total number of shares arising as a result of exercise of options	1,93,500	-	-	-	-
Number of options outstanding at the end of the year	74,700	25,03,277	25,50,500	17,44,500	14,58,000
Number of options exercisable at the end of the year	67,950	22,43,677	13,63,800	31,600	34,500
Weighted average market price of options exercised for the year ended March 31, 2020	286.32	-	-	-	-

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### Note 38

##### Employee stock option plans (Continued)

##### III. Weighted Average remaining contractual life

Particulars	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016 - II	ESOP Plan 2017	ESOP Plan 2018
Range of exercise price (₹ per share)	140.00 - 437.00	225.00 - 437.00	255.00 - 437.00	315.00 - 437.00	279.05 - 437.00
No. of options outstanding as on March 31, 2021	10,700	5,12,500	3,78,000	17,29,500	30,23,000
Contractual life (in years)	3.97	2.21	3.50	3.67	4.61

##### IV. Method and Assumptions used to estimate the fair value of options granted:

The fair value has been calculated using the Black Scholes Option Pricing model.

The assumptions used in the model are as follows:

Variables	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016 - II	ESOP Plan 2017	ESOP Plan 2018
1. Risk Free Interest Rate	NA	NA	NA	NA	5.2%
2. Expected Life (in years)	NA	NA	NA	NA	4.79
3. Expected Volatility	NA	NA	NA	NA	42.48%
4. Dividend Yield	NA	NA	NA	NA	0.3%
5. Exercise Price	NA	NA	NA	NA	293.00
6. Price of the underlying share in market at the time of the option grant (₹)	NA	NA	NA	NA	292.25

##### V. Effect of share-based payment transactions on the Company's Profit or Loss for the period:

Particulars	31-Mar-21	31-Mar-20
Employee share based expense (₹)	878.05	1,714.08
Total ESOP reserve outstanding at the end of the period (₹)	5,375.17	8,472.33

#### Note 39

##### Grossing up of acquired securitised loans as part of business combination

During the current year, the loan assets and corresponding borrowing, the interest income and interest expense are recognised on a gross basis with respect to the securitised portfolio acquired from India Infoline Finance Limited in March 2019. Accordingly, the figures of the previous year have been re-grouped/re-stated to make them comparable with current year.

Particulars	March 31, 2020		March 31, 2019	
	Gross Basis	Net Basis	Gross Basis	Net Basis
<b>Balance Sheet</b>				
Loans	8,07,368.92	7,58,253.85	11,18,092.77	10,18,310.99
Borrowings	4,99,775.91	4,53,589.17	6,40,987.39	5,41,208.13
Other financial liabilities	24,098.96	21,170.63	19,201.13	19,198.61
<b>Statement of Profit and Loss</b>				
Interest income	1,41,948.71	1,34,992.53	-	-
Interest expense	85,736.39	78,780.20	-	-

#### Note 40

##### Disclosure pursuant to Ind AS 108 'Operating Segments'

The Company has provided segmental information in the consolidated financial statements as per Ind AS 108 - Operating Segments.

## NOTES

## TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

**Note 41 - Maturity pattern of Assets and Liabilities**

Financial statements of the Company are disclosed in the format of order of liquidity. An analysis of its assets and liabilities according to their timing of recoverability and settlement has been presented below in a tabulated format.

Particulars	Note	As on March 31, 2021		As on March 31, 2020	
		Within 12 months	More than 12 months	Within 12 months	More than 12 months
<b>Assets</b>					
<b>Financial assets</b>					
Cash and cash equivalents	3	26,862.05	-	14,703.53	-
Bank balances other than cash and cash equivalents	4	99.32	23,737.00	11,230.46	26,438.76
Loans	5	1,57,154.78	5,12,090.93	2,22,063.18	5,85,305.74
Investments	6	1,39,867.11	38,981.83	23,055.69	20,127.96
Other financial assets	7	3,572.01	8,121.87	32,431.01	659.48
<b>Non-financial assets</b>					
Current tax assets (net)	8	-	11,824.56	-	13,162.92
Deferred tax assets (net)	9	-	14,519.20	-	12,499.07
Property, plant and equipment	10	-	5,920.90	-	7,683.66
Assets held for sale	11	1,609.37	-	2,701.49	-
Goodwill		-	30,018.69	-	30,018.69
Intangible assets	12	-	348.45	-	304.75
Other non-financial assets	13	4,001.98	-	3,940.49	-
<b>Total Assets</b>		<b>3,33,166.62</b>	<b>6,45,563.43</b>	<b>3,10,125.85</b>	<b>6,96,201.03</b>
					<b>10,06,326.88</b>
<b>Liabilities</b>					
<b>Financial liabilities</b>					
Trade payables	14	428.25	-	957.03	-
Debt securities	15	1,27,988.84	73,287.34	56,905.14	1,52,042.00
Borrowings (other than debt securities)*	16	1,68,482.04	2,06,308.60	1,95,876.53	3,03,899.38
Other financial liabilities	17	30,261.28	-	24,098.96	-
<b>Non-financial liabilities</b>					
Provisions	18	163.06	534.77	165.23	685.28
Other non-financial liabilities	19	1,615.59	1,763.84	1,304.02	1,527.86
<b>Total Liabilities</b>		<b>3,28,939.06</b>	<b>2,81,894.55</b>	<b>2,79,306.91</b>	<b>4,58,154.52</b>
					<b>7,37,461.43</b>

\* also refer note 31(G)

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### Note 42

##### Asset liability management

Particulars	1 day to 30/31 days (one month)	Over one month to 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years
<b>Liabilities*:</b>								
Borrowings from banks	25,336.49	6,797.48	29,521.36	23,670.66	45,503.55	1,21,428.49	25,355.87	-
Market borrowings	31,753.23	8,218.56	26,686.18	20,895.01	78,088.38	98,519.63	8,749.36	25,542.59
<b>Assets:</b>								
Loans and advances (gross)	17,268.22	11,388.42	10,966.72	34,518.58	99,100.76	3,12,358.27	1,48,544.24	1,03,611.17
Investments (gross)	1,27,137.18	-	-	7,409.96	5,319.97	-	22,452.42	20,212.91

\* The Company has borrowing facilities with various Banks. Few of such facilities have overriding clause to terminate, reduce, suspend or cancel the facility in future, at the absolute discretion of the lender. As at the date of approval of financial statements, none of lenders have terminated, reduced, suspended or cancelled any facility including undrawn limits. Accordingly, ₹ 59,621.95 lakhs scheduled for payment after March 31, 2022 for these facilities have been classified as per prevailing contractual maturity.

In addition to the investments shown in the table above, the Company also has cash and cash equivalents as mentioned below and undrawn funding lines amounting to ₹ 15,400.00 lakhs :

- Cash & Cash Equivalents (refer note 3)	26,862.05
- Bank balances other than cash and cash equivalents (refer note 4)	23,836.32
<b>Total</b>	<b>50,698.37</b>

#### Note 43

##### Exposure to real estate sector

Category	As at March 31, 2021	As at March 31, 2020
<b>A Direct exposure</b>		
<b>i. Residential Mortgages</b>		
Lending fully secured by mortgages on residential property that is or will be occupied by the borrower or that is rented; Individual housing loans up to 15 lakhs ₹ NIL. (Previous year ₹ NIL )	1,08,519.90	91,803.14
<b>ii. Commercial Real Estate</b>		
Lending secured by mortgages on commercial real estate's (office buildings, retail 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;	2,05,781.85	3,57,094.97
<b>iii. Investments in Mortgage Backed Securities (MBS) and other securitised exposures</b>		
- Residential	Nil	Nil
- Commercial Real Estate	Nil	Nil
<b>B Indirect Exposure</b>		
Fund based and non-fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs)	59,503.55	73,040.70

**NOTES  
TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**Note 44****Exposure to capital market**

Category	As at March 31, 2021	As at March 31, 2020
1 Direct investment in equity shares, convertible bonds, convertible debentures and units of equity-oriented mutual funds the corpus of which is not exclusively invested in corporate debt;	-	-
2 Advances against shares / bonds / debentures or other securities or on clean basis to individuals for investment in shares (including IPOs / ESOPs), convertible bonds, convertible debentures, and units of equity-oriented mutual funds;	-	-
3 Advances for any other purposes where shares or convertible bonds or convertible debentures or units of equity oriented mutual funds are taken as primary security;	-	-
4 Advances for any other purposes to the extent secured by the collateral security of shares or convertible bonds or convertible debentures or units of equity oriented mutual funds i.e. where the primary security other than shares / convertible bonds / convertible debentures / units of equity oriented mutual funds' does not fully cover the advances;	-	-
5 Secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
6 Loans sanctioned to corporates against the security of shares/ bonds / debentures or other securities or on clean basis for meeting promoter's contribution to the equity of new companies in anticipation of raising resources;	-	-
7 Bridge loans to companies against expected equity flows / issues;	-	-
8 All exposures to Venture Capital Funds (both registered and unregistered)	-	-

**Note 45****Other Disclosures Pursuant to the RBI Master Directions, 2016****I - Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account**

Particulars	As at March 31, 2021	As at March 31, 2020
1 Provisions for depreciation on Investment	3,683.50	-
2 Provision towards NPA	10,820.40	(3,067.66)
3 Provision made towards Income tax	456.55	1.67
4 Other Provision and Contingencies	(162.73)	5,130.38
5 Provision for Standard Assets and other receivable	1,614.28	33,658.70

**II - Concentration of Advances**

Particulars	As at March 31, 2021	As at March 31, 2020
1 Total Advances to twenty largest borrowers	1,97,755.57	2,84,079.68
2 Percentage of Advances to twenty largest borrowers to Total Advances	26.8%	34.8%

## NOTES

### TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### Note 45

#### Other Disclosures Pursuant to the RBI Master Directions, 2016 (Continued)

##### III - Concentration of Exposures

Particulars	As at March 31, 2021	As at March 31, 2020
1 Total Exposure to twenty largest borrowers /customers	2,27,692.30	3,71,344.66
2 Percentage of Exposures to twenty largest borrowers / customers to Total Exposure*	29.7%	41.1%

\* being total exposures of all borrowers and undrawn commitments of top 20 borrowers.

##### IV - Concentration of NPAs

Particulars	As at March 31, 2021	As at March 31, 2020
1 Total Exposure to top four NPA accounts	4,198.11	16,445.89

##### V - Sectorwise NPA (% of NPA to Total Advances in that sector)

Particulars	As at March 31, 2021	As at March 31, 2020
1 Agriculture and allied activities	2.06%	4.84%
2 MSME	2.65%	1.78%
3 Corporate borrowers	-	5.28%
4 Services	8.98%	6.45%
5 Unsecured personal loans	-	-
6 Auto loans	4.18%	1.23%
7 Other personal loans	-	-

##### VI - Movement of NPAs

Particulars	As at March 31, 2021	As at March 31, 2020
Net NPAs to Net Advances (%)	1.98%	3.67%
<b>Movement of NPAs (Gross)</b>		
Opening balance	38,933.76	30,757.88
Additions during the year/period	29,327.51	29,857.32
Reductions during the year/period	(35,774.36)	(21,681.44)
Closing balance	32,486.91	38,933.76
<b>Movement of Net NPAs</b>		
Opening balance	31,479.15	19,472.85
Additions during the year/period	7,772.43	25,500.92
Reductions during the year/period	(25,039.68)	(13,494.62)
Closing balance	14,211.90	31,479.15
<b>Movement of provisions for NPAs (excluding provisions on standard assets)</b>		
Opening balance	7,454.61	11,285.03
Provisions made during the year/period	21,555.08	4,356.40
Write-off / write-back of excess provisions	(10,734.68)	(8,186.82)
Closing balance	18,275.01	7,454.61

**NOTES****TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**VII - Details of assignment transactions undertaken during the period:**

Particulars	As at March 31, 2021	As at March 31, 2020
1 No. of accounts	111	5,477
2 Aggregate value (net of provisions) of accounts assigned	7,739.61	1,09,750.66
3 Aggregate consideration	7,739.61	1,09,750.66
4 Additional consideration realized in respect of accounts transferred in earlier years	-	-
5 Aggregate gain / loss over net book value	-	-

**VIII - Details of financial assets sold to Asset Reconstruction/Securitisation Companies during the period:**

Particulars	As at March 31, 2021	As at March 31, 2020
1 No. of accounts	4,465	10,786
2 Aggregate value (net of provisions) of accounts assigned	35,375.09	57,018.82
3 Aggregate consideration	29,600.00	55,590.40
4 Additional consideration realized in respect of accounts transferred in earlier years	-	-
5 Aggregate gain / (loss) over net book value	(5,775.09)	(1,428.42)

**IX - Customer Complaints**

Particulars	As at March 31, 2021	As at March 31, 2020
1 No. of complaints pending at the beginning of the period	39	3
2 No. of complaints received during the period	268	194
3 No. of complaints redressed during the period	278	158
4 No. of complaints pending at the end of the period	29	39

**Note 45****Other Disclosures Pursuant to the RBI Master Directions, 2016****X - Investments**

Particulars	As at March 31, 2021	As at March 31, 2020
1 Value of Investments		
(i) Gross Value of Investments		
(a) In India	1,82,532.44	43,183.65
(b) Outside India	-	-
(ii) Provision for Depreciation		
(a) In India	3,683.50	-
(b) Outside India	-	-
(iii) Net Value of Investments		
(a) In India	1,78,848.94	43,183.65
(b) Outside India	-	-
2 Movement of provisions held towards depreciation on investments		
(i) Opening balance	-	-
(ii) Add : Provisions made during the year	3,683.50	-
(iii) Less : Write-off/ write-back of excess provision during the year	-	-
(iv) Closing balance	3,683.50	-

**NOTES**

**TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**XI - Registration obtained from other financial sector regulators : None**

**XII -Details of Single Borrower Limit (SBL) / Group Borrower Limit (GBL) exceeded by NBFC**

The Company has not exceeded the Single Borrower Limit (SBL) / Group Borrower Limit (GBL) during the financial year/period.

**XIII - Details of financing of parent Company products : None**

**XIV- Disclosure of penalties imposed by RBI and other regulators : None**

**XV - Draw down from reserves : None**

**XVI -Rating assigned by credit rating agencies and migration of ratings during the year/period**

Sr. No.	Instrument	Credit Rating Agency	As at March 31, 2021	As at March 31, 2020
1	Commercial Paper	CARE	A1+	A1+
		ICRA	A1+	A1+
		CRISIL	A1+	A1+
2	Long Term Facilities	CARE	AA-	AA-
		INDIA RATINGS	AA-	AA-
3	NCD	CARE	AA-	AA-
		INDIA RATINGS	AA-	AA-

**XVII - Unsecured Advances against intangible securities : None**



**NOTES**  
**TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**  
(Currency : Indian Rupees in Lakhs)

Sr. No.	Type of restructuring	Asset Classification	SME Debt Restructuring Mechanism				Under CDR Mechanism /				Others			Total		
			Standard	Sub-Standard	Doubtful	Loss	Total	Standard	Sub-Standard	Doubtful	Loss	Total				
1	Restructured account as on April 1, 2020 (Opening Figures)		-	-	-	-	-	-	-	-	4,892	409	2	-	5,303	5,303
		Number of Borrowers	-	-	-	-	-	-	-	-	78,511.44	6,710.13	31.01	-	85,252.58	85,252.58
		Amount Outstanding	-	-	-	-	-	-	-	-	4,239.62	671.01	6.20	-	4,916.83	4,916.83
		Provision Thereon	-	-	-	-	-	-	-	-	2,048	-	-	-	2,048	2,048
2	Fresh Restructuring during the year		-	-	-	-	-	-	-	-	33,670.69	-	-	-	33,670.69	33,670.69
		Number of Borrowers	-	-	-	-	-	-	-	-	15,476.73	-	-	-	15,476.73	15,476.73
		Amount Outstanding	-	-	-	-	-	-	-	-	4,878	335	-	-	5,213	5,213
		Provision Thereon	-	-	-	-	-	-	-	-	17,405.01	4,825.61	-	-	22,230.62	22,230.62
3	Upgradations to restructured standard category during the year		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Number of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision Thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4	Restructured Standard advances which cease to attract higher provisioning and/or additional risk weight at the end of the FY20-21 and hence need not be shown as restructured standard advances at the beginning of the next FY		-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Number of Borrowers	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision Thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5	Downgradations of restructured accounts during FY 20-21 (Slipped to NPA as on March 31, 2021)		-	-	-	-	-	-	-	-	(663)	663	-	-	-	-
		Number of Borrowers	-	-	-	-	-	-	-	-	(15,551.19)	15,551.19	-	-	(0)	(0)
		Amount Outstanding	-	-	-	-	-	-	-	-	(7,625.55)	7,625.55	-	-	-	-
		Provision Thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Write-offs of the restructured accounts during FY 20-21		-	-	-	-	-	-	-	-	-	136	2	-	138	138
		Number of Borrowers	-	-	-	-	-	-	-	-	-	4,812.62	31.01	-	4,843.63	4,843.63
		Amount Outstanding	-	-	-	-	-	-	-	-	-	6.20	(6.20)	-	-	-
		Provision Thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7	Restructured account as on March 31, 2021 (Closing Figures)		-	-	-	-	-	-	-	-	79,225.94	12,623.08	-	-	91,849.02	91,849.02
		Number of Borrowers	-	-	-	-	-	-	-	-	12,090.80	8,302.76	-	-	20,393.56	20,393.56
		Amount Outstanding	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		Provision Thereon	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**NOTES**

**TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**Note 46**

**Disclosure pursuant to Reserve Bank of India circular no. RBI/2019-20/220 DOR.NO.BP.BC.63/21.04.048/2019-20:**

Particulars	As at March 31, 2020	As at March 31, 2021
Respective amounts in SMA/overdue categories, where the moratorium/ deferment was extended, in terms of paragraph 2 and 3 of RBI Circular	1,71,942.28	6,600.22
Respective amount where asset classification benefits is extended	1,71,942.28	6,600.22
Provisions made in terms of paragraph 5 of RBI Circular *	17,194.23	660.02
Provisions adjusted during the respective accounting periods against slippages in terms of paragraph 6 and reversal	-	17,854.25
The residual provisions in terms of paragraph 6 of RBI Circular	17,194.23	-

\* the Company created entire provision @10% in Q4 FY2020.

**Note 47**

**Note 47- Disclosure pursuant to Reserve Bank of India circular no. RBI/2019-20/170 DOR (NBFC).CC.PD. NO.109/22.10.106/2019-20:**

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)
<b>Performing Assets</b>						
Standard	Stage 1	5,19,657.59	28,167.84	4,91,489.75	1,754.87	26,412.97
	Stage 2	1,85,611.90	22,067.83	1,63,544.07	5,732.15	16,335.68
<b>Subtotal</b>		<b>7,05,269.49</b>	<b>50,235.67</b>	<b>6,55,033.82</b>	<b>7,487.02</b>	<b>42,748.65</b>
<b>Non-Performing Assets (NPA)</b>						
Substandard	Stage 3	27,265.64	15,300.26	11,965.38	2,298.72	13,001.54
Doubtful - up to 1 year	Stage 3	3,840.86	2,302.73	1,538.13	990.70	1,312.03
1 to 3 years	Stage 3	1,380.41	672.02	708.39	507.75	164.27
More than 3 years	Stage 3	-	-	-	-	-
<b>Subtotal for doubtful</b>		<b>5,221.27</b>	<b>2,974.75</b>	<b>2,246.52</b>	<b>1,498.45</b>	<b>1,476.30</b>
Loss	Stage 3	-	-	-	-	-
<b>Subtotal for NPA</b>		<b>32,486.91</b>	<b>18,275.01</b>	<b>14,211.90</b>	<b>3,797.17</b>	<b>14,477.84</b>

**NOTES  
TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

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)
<b>Total</b>		<b>7,37,756.40</b>	<b>68,510.68</b>	<b>6,69,245.72</b>	<b>11,284.19</b>	<b>57,226.49</b>
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	37,203.20	126.51		-	126.51
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
	<b>Subtotal</b>	<b>37,203.20</b>	<b>126.51</b>	<b>-</b>	<b>-</b>	<b>126.51</b>
<b>Total</b>	Stage 1	5,56,860.79	28,294.35	4,91,489.75	1,754.87	26,539.48
	Stage 2	1,85,611.90	22,067.83	1,63,544.07	5,732.15	16,335.68
	Stage 3	32,486.91	18,275.01	14,211.90	3,797.17	14,477.84
	<b>Total</b>	<b>7,74,959.60</b>	<b>68,637.19</b>	<b>6,69,245.72</b>	<b>11,284.19</b>	<b>57,353.00</b>

# includes securitised loans in the scope of Ind-AS 109 and Impairment loss allowance thereon.

**Note 48****Liquidity coverage ratio:**

Particulars	Amounts (Average)	
	Unweighted (average) <sup>1</sup>	Weighted (average) <sup>2</sup>
<b>High Quality Liquid Assets</b>		
<b>1 Total High Quality Liquid Assets (HQLA)<sup>5</sup></b>	<b>13,882.26</b>	<b>13,882.26</b>
<b>Cash Outflows</b>		
2 Deposits (for deposit taking companies)	-	-
3 Unsecured wholesale funding	70.67	81.27
4 Secured wholesale funding	35,056.54	40,315.02
5 Additional requirements, of which	21,482.22	24,704.56
(i) Outflows related to derivative exposures and other collateral requirements	-	-
(ii) Outflows related to loss of funding on debt products	-	-
(iii) Credit and liquidity facilities	21,482.22	24,704.56
6 Other contractual funding obligations	9,967.99	11,463.19
7 Other contingent funding obligations	179.94	206.93
<b>8 Total Cash Outflows</b>	<b>66,757.36</b>	<b>76,770.97</b>
<b>Cash Inflows</b>		
9 Secured Lending	-	-
10 Inflows from fully performing exposures	13,481.09	10,110.81
11 Other cash inflows	99,222.14	74,416.60

**NOTES**

**TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**Note 48**

**Liquidity coverage ratio: (Continued)**

Particulars	Amounts (Average)	
	Unweighted (average) <sup>1</sup>	Weighted (average) <sup>2</sup>
12 Total Cash Inflows	1,12,703.23	84,527.41
		<b>Total Adjusted Value</b>
13 Total HQLA		13,882.26
14 Total Net Cash Outflows (Weighted value of Total Cash Outflows – Minimum of (Weighted value of Total Cash Inflows, 75% of Weighted value of Total Cash Outflows)) <sup>3</sup>		19,192.74
15 Liquidity Coverage Ratio (%)		72%

- 1) Unweighted value calculated as outstanding balances maturing or callable within 30 days (for inflows and outflows).
- 2) Weighted values calculated after the application of respective haircuts (for HQLA) and stress factors on inflow (75%) and outflow (115%).
- 3) The Company, during the quarter ended March 31, 2021, had maintained average HQLA of ₹ 13,882.36 lakhs HQLA primarily includes cash on hand, bank balances in current account and Government securities.

**Note 49**

**Disclosure of details as required by Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.**

Particulars	As at March 31, 2021	
	Amount outstanding	Amount overdue
<b>Liabilities side :</b>		
<b>(1) Loans and advances availed by the NBFCs inclusive of interest accrued thereon but not paid:</b>		
(a) Debenture : Secured	1,88,963.98	-
: Unsecured	12,312.20	-
(b) Deferred Credits	-	-
(c) Term Loans	2,59,513.89	-
(d) Inter-corporate loans and borrowing	97,176.75	-
(e) Commercial Paper	12,312.20	-
(f) Public Deposits (Refer Note 1 below)	-	-
(g) Other Loans	18,100.00	-
<b>(2) Break-up of (1)(f) above (Outstanding public deposits inclusive of interest accrued thereon but not paid):</b>		
(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	-	-

**NOTES  
TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

Assets side :	As at March 31, 2021
	Amount outstanding
<b>(3) Break-up of Loans and Advances including bills receivables (other than those included in (4) below ):</b>	
(a) Secured	6,82,615.11
(b) Unsecured	55,141.28
<b>(4) Break up of Leased Assets and stock on hire counting towards AFC activities</b>	<b>Amount outstanding</b>
(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	-
<b>(5) Break-up of Investments :</b>	
Current Investments :	
1. Quoted :	
(i) Shares : (a) Equity	-
(b) Preference	-
(ii) Debenture 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	1,27,137.18
(iv) Government Securities	12,729.94
(v) Others (Please specify)	-

**NOTES**

**TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

Assets side :	As at March 31, 2021
	Amount outstanding
<b>Break-up of Investments :</b>	
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	-
2. Unquoted :	
(I) Shares: (a) Equity	20,212.91
(b) Preference	-
(ii) Debentures and Bonds	-
(iii) Units of mutual funds	-
(iv) Government Securities	-
(v) Others: Security receipts	22,452.41

**(6) Borrower group-wise classification of assets, financed as in (3) and (4) above :**

Category	Amount ( Net of provisions )		
	Secured	Unsecured	Total
1. Related Parties **			
(a) Subsidiaries	-	39,134.48	39,134.48
(b) Companies in the same group	-	-	-
(c) Other related parties	-	-	-
2. Other than related parties	6,17,137.85	12,973.37	6,30,111.23

**(7) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):**

Category	Market Value / Break up or fair value or NAV*	Book Value (Net of Provisions)
1. Related Parties **		
(a) Subsidiaries	20,212.91	20,212.91
(b) Companies in the same group	-	-
(c) Other related parties	-	-
2. Other than related parties	1,58,636.03	1,58,636.03

**NOTES  
TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**(8) Other information**

Particulars	Amount
(i) Gross Non-Performing Assets	
(a) Related parties**	-
(b) Other than related parties	32,486.91
(ii) Net Non-Performing Assets	
(a) Related parties**	-
(b) Other than related parties	14,211.90
(iii) Assets acquired in satisfaction of debt	-

**Note 50**

The Company does not have any unhedged foreign currency exposure for the year ended March 31, 2021.

**Note 51**

The comparative financial information for the previous year prepared in accordance with Ind AS included have been audited by the predecessor auditors. The report of the predecessor auditor expressed an unmodified opinion.

**Note 52**

To provide more reliable and relevant information about certain items of the financial statements, previous year's figures have been regrouped or reclassified, to conform to such current year grouping / classification. There is no impact on equity or net loss due to this regrouping / reclassification.

**For and on behalf of the Board of Directors of  
IndoStar Capital Finance Limited**

**R. Sridhar**

Executive Vice-Chairman & CEO  
DIN: 00136697

**Bobby Parikh**

Non-Executive Independent Chairman  
DIN: 00019437

**Amol Joshi**

Chief Financial Officer

**Jitendra Bhati**

Company Secretary

Place: Mumbai

Date: June 17, 2021



**CONSOLIDATED  
FINANCIALS**



# INDEPENDENT AUDITOR'S REPORT

To  
The Members of  
**IndoStar Capital Finance Limited**

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of **IndoStar Capital Finance Limited** ("the Parent") and its subsidiaries, (the Parent and its subsidiaries together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at 31 March 2021, and the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Cashflows and the Consolidated Statement of Changes in Equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended, ("Ind AS") and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at 31 March 2021, and their consolidated loss, their consolidated total comprehensive loss, their consolidated cash flows and their consolidated changes in equity for the year ended on that date.

### Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on

Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibility for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group 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 consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

### Emphasis of Matter

We draw attention to Note 31(F) of the consolidated financial statements, in which the Group describes the continuing uncertainties arising from the COVID 19 pandemic. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Sr. No.	Key Audit Matter	Auditor's Response
1	<p><b>Allowances for Expected Credit Losses (ECL):</b></p> <p>(Refer Notes 2.3(f)(i) and 5 to the consolidated financial statements)</p> <p>As at March 31, 2021, loan assets aggregated ₹ 7,139.34 crore (net of ECL ₹ 698.87 crore), constituting 71% of the Group's total assets which are measured at amortised cost.</p>	<p>Principal audit procedures performed:</p> <p>We have read and assessed the accounting policies and the governance framework approved by the Board of Directors of the respective Companies including the policy with respect of one-time restructuring offered to customers pursuant to the Resolution Framework issued by RBI.</p>

Sr. No.	Key Audit Matter	Auditor's Response
	<p>Significant judgement is used in classifying these loan assets and applying appropriate measurement principles. The allowance for expected credit losses ("ECL") on such loan assets measured at amortised cost is a critical estimate involving greater level of management judgement.</p> <p>As part of our risk assessment, we determined that the allowance for ECL on loan assets has a high degree of estimation uncertainty, with a potential range of reasonable outcomes for the financial statements. The elements of estimating ECL which involved increased level of audit focus are the following:</p> <ul style="list-style-type: none"> <li>• Staging the loan assets i.e. classification in 'significant increase in credit risk' ('SICR') and 'default' categories</li> <li>• Basis used for estimating Probabilities of Default ("PD")</li> <li>• Basis used for estimating Loss Given Default ("LGD")</li> <li>• Adjustments to model driven ECL results, to address emerging trends including the impact of COVID19 pandemic.</li> </ul>	<p>We have verified the methodology adopted for computation of ECL ("ECL Model") that addresses policies approved by the Board of Directors of the respective companies, procedures and controls for assessing and measuring credit risk on loan assets measured at amortised cost.</p> <p>Our audit procedures related to the allowance for ECL included the following, among others:</p> <ul style="list-style-type: none"> <li>• Testing the design and effectiveness of internal controls over the: <ul style="list-style-type: none"> <li>- completeness and accuracy of the Exposure at Default ("EAD") and the classification thereof into stages consistent with the definitions applied in accordance with the policy approved by the Board of Directors of the respective companies including the appropriateness of the qualitative factors to be applied.</li> <li>- appropriateness of information used in the estimation of the PD and LGD for the different stages depending on the nature of the portfolio; and</li> <li>- computation of the ECL including methodology used to determine macro-economic overlays and adjustments to the output of the ECL Model including the impact of COVID19 pandemic.</li> </ul> </li> <li>• Also, for selected sample of loan assets: <ul style="list-style-type: none"> <li>- we have tested the additional considerations applied by the management for staging of loans as SICR or default categories in view of policy on one-time restructuring.</li> <li>- we tested the input data used in estimating the PD;</li> <li>- we evaluated reasonableness of LGD estimates.</li> </ul> </li> <li>• We tested the mathematical accuracy and computation of the allowances.</li> <li>• We also assessed the disclosures made in relation to the ECL allowance to confirm compliance with the provisions of Ind AS.</li> </ul>

**Information Other than the Financial Statements and Auditor's Report Thereon**

- The Parent's Board of Directors is responsible for the other information. The other information comprises the information included in the management discussion and analysis and Board's report and its annexures, but does not

include the consolidated financial statements, standalone financial statements and our auditor's report thereon. The management discussion and analysis and Board's report and its annexures are expected to be made available to us after the date of this auditor's report.

- Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.
- In connection with our audit of the consolidated 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 consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- When we read management discussion and analysis and Board's report and its annexures, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance as required under SA 720 'The Auditor's responsibilities Relating to Other Information'.

### Management's Responsibility for the Consolidated Financial Statements

The Parent's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance including other comprehensive income, consolidated cash flows and consolidated changes in equity of the Group in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group 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, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Parent Company, as aforesaid.

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the respective entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

basis of accounting unless the respective Board of Directors either intends to liquidate their respective entities or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

### Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 financial 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 Parent has adequate internal financial controls system 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 the 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 ability of the Group 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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the branches, entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities or business activities included in the consolidated financial statements of which we are the independent auditors. We remain solely responsible for our audit opinion.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the consolidated financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the consolidated financial statements.

We communicate with those charged with governance of the Parent and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the

consolidated 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

The comparative financial information of the Group as of and for the year ended March 31, 2020 prepared in accordance with Ind AS included in this consolidated financial statement have been audited by the predecessor auditor. The report of the predecessor auditor on these comparative financial information dated June 17, 2020 expressed an unmodified opinion.

Our opinion on the consolidated financial statements above and our report on Other Legal and Regulatory Requirements below is not modified in respect of this matter.

#### Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit we report 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 purposes of our audit of the aforesaid consolidated financial statements.
  - b. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.
  - c. The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including Other Comprehensive Income, the Consolidated Statement of Cashflows and Consolidated Statement of Changes in Equity dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
  - d. In our opinion, the aforesaid consolidated financial statements comply with the Ind-AS specified under Section 133 of the Act.
  - e. On the basis of the written representations received from the directors of the Parent as on 31 March, 2021 taken on record by the Board of Directors of the Company and the reports of the statutory auditors of the subsidiary companies incorporated in India, none of the directors of the Group companies

is disqualified as on 31 March, 2021 from being appointed as a director in terms of Section 164(2) of the Act.

- f. With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in “Annexure A” which is based on the auditor’s reports of the parent and subsidiary companies incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company’s internal financial controls over financial reporting of those companies.
- g. With respect to the other matters to be included in the Auditor’s Report in accordance with the requirements of section 197(16) of the Act, as amended:
- We draw attention to Note 33 of the consolidated financial statements regarding excess remuneration paid to the whole-time director of the Parent amounting to ₹ 0.44 crore for the year ended March 31, 2021 in terms of the prescribed limits under section 197 read with Schedule V to the Act, is subject to approval of the shareholders which the Parent proposes to obtain at the forthcoming annual general meeting. Our opinion is not modified in respect of this matter
- h. 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 consolidated financial statements disclose the impact of pending litigations on the consolidated financial position of the Group.
  - ii. The Group did not have any material foreseeable losses on long-term contracts including derivative contracts.
  - iii. There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Parent and its subsidiary companies incorporated in India.

For **Deloitte Haskins & Sells LLP**

Chartered Accountants

(Firm’s Registration No. 117366W/W-100018)

**Mukesh Jain**

(Partner)

Place: Mumbai (Membership No. 108262)

Date: 17 June 2021 (UDIN: 21108262AAAALL9646)

# ANNEXURE "A" TO THE INDEPENDENT AUDITOR'S REPORT

(Referred to in paragraph 1(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

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

In conjunction with our audit of the consolidated Ind AS financial statements of the Company as of and for the year ended March 31, 2021, we have audited the internal financial controls over financial reporting of **IndoStar Capital Finance Limited** (hereinafter referred to as "the Parent") and its subsidiary companies which are companies incorporated in India to whom internal financial controls over financial reporting is applicable, as of that date.

## Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Parent and its subsidiary companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies 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 (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective 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 Companies Act, 2013.

## Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Parent and its subsidiary companies, which are companies incorporated in India, based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial

controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls system over financial reporting of the Parent and its subsidiary companies, which are companies incorporated in India.

## Meaning of Internal Financial Controls Over Financial Reporting

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with 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**

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

### **Opinion**

In our opinion to the best of our information and according to the explanations given to us, the Parent and its subsidiary companies, which are companies

incorporated in India, and where such reporting under section 143(3) is applicable, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2021, based on the criteria for internal financial control over financial reporting established by the respective companies 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 **Deloitte Haskins & Sells LLP**

Chartered Accountants  
(Firm's Registration No. 117366W/W-100018)

**Mukesh Jain**

(Partner)

Place: Mumbai

(Membership No. 108262)

Date: 17 June 2021 (UDIN: 21108262AAAALL9646)

# CONSOLIDATED BALANCE SHEET

as at March 31, 2021

(Currency : Indian Rupees in Lakhs)

Particulars	Note	As at March 31, 2021	As at March 31, 2020
<b>I. ASSETS</b>			
<b>Financial assets</b>			
Cash and cash equivalents	3	27,917.57	16,835.17
Bank balances other than cash and cash equivalents	4	24,096.60	37,669.22
Loans	5	7,13,933.61	8,29,309.31
Investments	6	1,59,136.05	23,055.69
Other financial assets	7	14,377.47	33,939.28
		<b>9,39,461.30</b>	<b>9,40,808.67</b>
<b>Non-financial assets</b>			
Current tax assets (net)	8	12,053.80	13,386.58
Deferred tax assets (net)	9	14,293.49	12,978.33
Property, plant and equipment	10	6,092.79	7,861.61
Assets held for sale	11	2,087.45	3,873.85
Goodwill	12	30,018.69	30,018.69
Intangible assets	12	452.43	383.58
Other non-financial assets	13	3,697.58	3,545.30
		<b>68,696.23</b>	<b>72,047.94</b>
<b>TOTAL ASSETS</b>		<b>10,08,157.53</b>	<b>10,12,856.61</b>
<b>II. LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>Financial liabilities</b>			
Trade payables	14		
(i) total outstanding to micro enterprises and small enterprises		8.12	-
(ii) total outstanding dues of creditors other than micro enterprises and small enterprises		386.29	1,109.83
Debt securities	15	2,01,276.18	2,08,947.14
Borrowings (other than debt securities)	16	3,99,483.46	5,05,245.05
Other financial liabilities	17	32,836.04	25,648.61
		<b>6,33,990.09</b>	<b>7,40,950.63</b>
<b>Non-financial liabilities</b>			
Provisions	18	757.95	906.66
Other non-financial liabilities	19	3,584.40	2,942.95
		<b>4,342.35</b>	<b>3,849.61</b>
<b>TOTAL LIABILITIES</b>		<b>6,38,332.44</b>	<b>7,44,800.24</b>
<b>Equity</b>			
Equity share capital	20	12,373.03	9,245.09
Preference share capital	20	1,206.90	-
Other equity	21	3,56,245.16	2,58,811.28
<b>TOTAL EQUITY</b>		<b>3,69,825.09</b>	<b>2,68,056.37</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>10,08,157.53</b>	<b>10,12,856.61</b>

See accompanying notes forming part of the consolidated financial statements 1 to 44

In terms of our report attached  
For Deloitte Haskins & Sells LLP  
Chartered Accountants

For and on behalf of the Board of Directors of  
IndoStar Capital Finance Limited

Mukesh Jain  
Partner

R. Sridhar  
Executive Vice-Chairman & CEO  
DIN: 00136697

Bobby Parikh  
Non-Executive Independent Chairman  
DIN: 00019437

Amol Joshi  
Chief Financial Officer

Jitendra Bhati  
Company Secretary

Place: Mumbai  
Date: June 17, 2021

Place: Mumbai  
Date: June 17, 2021



# CONSOLIDATED STATEMENT OF PROFIT AND LOSS

for the year ended March 31, 2021

(Currency : Indian Rupees in Lakhs)

Particulars	Note	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Revenue from operations</b>	22		
Interest income		1,17,387.64	1,46,615.90
Fees and commission income		3,265.98	5,154.89
Net gain on fair value changes		4,895.30	4,732.91
Gain on derecognition of financial instruments measured at amortised cost category		2,430.16	3,240.57
<b>Total revenue from operations</b>		<b>1,27,979.08</b>	<b>1,59,744.77</b>
Other income	23	736.79	146.17
<b>Total income</b>		<b>1,28,715.87</b>	<b>1,59,890.94</b>
<b>Expenses</b>			
Finance costs	24	70,861.24	86,339.63
Impairment on financial instruments	25	46,198.02	86,016.73
Employee benefit expenses	26	17,371.25	18,870.37
Depreciation and amortisation expenses	27	3,350.19	3,010.31
Other expenses	28	12,824.50	9,321.38
<b>Total expenses</b>		<b>1,50,605.20</b>	<b>2,03,558.42</b>
<b>Profit/(loss) before tax</b>		<b>(21,889.33)</b>	<b>(43,667.48)</b>
<b>Tax expense:</b>	29		
1. Current tax		380.42	36.12
2. Tax of earlier years		456.50	-
3. Deferred tax expenses		(1,315.76)	(11,240.88)
<b>Total tax expenses</b>		<b>(478.84)</b>	<b>(11,204.76)</b>
<b>Profit/(loss) after tax</b>		<b>(21,410.49)</b>	<b>(32,462.72)</b>
<b>Other comprehensive income</b>			
Items that will not be reclassified to profit and loss			
- Remeasurements of the defined benefit plans		11.42	70.50
- Income tax relating to items that will not be reclassified to profit or loss		(2.29)	(17.74)
		<b>9.13</b>	<b>52.76</b>
Items that will be reclassified to profit and loss			
- Debt instruments through other comprehensive income		(6.72)	-
- Income tax relating to items that will be reclassified to profit or loss		1.69	-
		<b>(5.03)</b>	<b>-</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>4.10</b>	<b>52.76</b>
<b>Total comprehensive income for the year</b>		<b>(21,406.39)</b>	<b>(32,409.96)</b>
<b>Earnings per equity share</b>	30		
Basic earnings per share (₹)		(20.83)	(35.18)
Diluted earnings per share (₹) (Equity Share of face value of ₹ 10 each)		(20.83)	(35.18)

See accompanying notes forming part of the consolidated financial statements 1 to 44

In terms of our report attached  
**For Deloitte Haskins & Sells LLP**  
Chartered Accountants

For and on behalf of the Board of Directors of  
**IndoStar Capital Finance Limited**

**Mukesh Jain**  
Partner

**R. Sridhar**  
Executive Vice-Chairman & CEO  
DIN: 00136697

**Bobby Parikh**  
Non-Executive Independent Chairman  
DIN: 00019437

**Amol Joshi**  
Chief Financial Officer

**Jitendra Bhati**  
Company Secretary

Place: Mumbai  
Date: June 17, 2021

Place: Mumbai  
Date: June 17, 2021

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended March 31, 2021

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>A Cash flows from operating activities</b>		
Profit/ (loss) before tax	(21,889.33)	(43,667.48)
<b>Adjustments for:</b>		
Interest income on financial assets	(1,17,387.64)	(1,46,615.90)
Finance costs	70,861.24	86,339.63
Depreciation and amortisation expense	3,350.19	3,010.31
Loss on sale of property plant and equipment	623.22	18.63
Provisions for expected credit loss	46,198.03	86,016.13
Provision for asset held for sale	108.76	430.43
Provision for gratuity, leave encashment and employee advances	55.27	267.71
Employee share based payment expense	963.01	1,768.75
Gain on sale/revaluation of investments	(4,895.30)	(4,732.91)
	<b>(22,012.55)</b>	<b>(17,164.70)</b>
Interest income realised on financial assets	1,19,964.99	1,39,526.86
Finance costs paid	(66,756.48)	(83,872.78)
<b>Cash generated from operating activities before working capital changes</b>	<b>31,195.96</b>	<b>38,489.38</b>
<b>Adjustments:</b>		
(Increase)/Decrease in trade receivables	-	53.10
(Increase)/Decrease in loans and advances	49,066.67	1,75,491.35
(Increase)/Decrease in other financial assets	20,337.37	(24,071.82)
(Increase)/Decrease in other non-financial assets	(152.27)	(4,613.46)
Increase/(Decrease) in trade payable	(715.42)	(837.70)
Increase/(Decrease) in other financial liabilities	6,409.04	(5,892.15)
Increase/(Decrease) in provisions	-	(87.65)
Increase/(Decrease) in other non-financial liabilities	148.15	2,319.18
<b>Cash (used in)/generated from operating activities</b>	<b>1,06,289.50</b>	<b>1,80,850.23</b>
Taxes paid / (refund)	496.25	(9,836.35)
<b>Net cash (used in)/generated from operating activities (A)</b>	<b>1,06,785.75</b>	<b>1,71,013.88</b>
<b>B Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(681.58)	(4,030.69)
Sale of property, plant and equipment	645.04	-
Purchase of intangible assets	(345.34)	(203.51)
Payment on account of acquisition of business	-	(2,00,621.67)
Proceeds/(Investment) in bank deposits of maturity greater than 3 months (net)	13,572.63	(34,110.63)
(Acquisition)/redemption of FVTPL investments (net)	(99,782.51)	11,763.03
(Acquisition)/redemption of FVOCI investments (net)	(12,640.35)	-
<b>Net cash (used in)/generated from investing activities (B)</b>	<b>(99,232.11)</b>	<b>(2,27,203.47)</b>

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended March 31, 2021

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>C Cash flows from financing activities</b>		
Proceeds from issue of equity shares (including securities premium and net off of share issue expenses)	1,22,212.76	287.50
Proceeds from bank borrowings	1,05,599.33	2,27,186.31
Repayments towards bank borrowings	(2,11,691.69)	(1,12,473.36)
Proceeds from issuance of Non-Convertible Debentures	55,000.00	1,818.42
Repayments towards Non-Convertible Debentures	(78,500.00)	(1,20,500.00)
Proceeds from/(repayments towards) Commercial Papers (net)	12,312.49	(29,116.54)
Payment of lease liabilities	(1,404.13)	(358.39)
Dividend and DDT paid	-	(2,224.08)
<b>Net cash (used in)/generated from financing activities (C)</b>	<b>3,528.76</b>	<b>(35,380.14)</b>
<b>Net Increase/(decrease) in cash and cash equivalents (A) + (B) + (C)</b>	<b>11,082.40</b>	<b>(91,569.73)</b>
<b>Cash and Cash Equivalents at the beginning of the year</b>	<b>16,835.17</b>	<b>1,08,404.90</b>
<b>Cash and Cash Equivalents at the end of the year</b>	<b>27,917.57</b>	<b>16,835.17</b>
<b>Reconciliation of cash and cash equivalents with the balance sheet</b>		
Cash on hand	461.22	131.86
Balances with banks		
- in current accounts	11,379.55	9,966.58
- Deposits with original maturity of less than 3 months	16,076.80	6,736.73
<b>Total</b>	<b>27,917.57</b>	<b>16,835.17</b>

See accompanying notes forming part of the consolidated financial statements 1 to 44

In terms of our report attached  
**For Deloitte Haskins & Sells LLP**  
 Chartered Accountants

**For and on behalf of the Board of Directors of  
 IndoStar Capital Finance Limited**

**Mukesh Jain**  
 Partner

**R. Sridhar**  
 Executive Vice-Chairman & CEO  
 DIN: 00136697

**Bobby Parikh**  
 Non-Executive Independent Chairman  
 DIN: 00019437

**Amol Joshi**  
 Chief Financial Officer

**Jitendra Bhati**  
 Company Secretary

Place: Mumbai  
 Date: June 17, 2021

Place: Mumbai  
 Date: June 17, 2021

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (SOCIE)

for the year ended March 31, 2021

(Currency : Indian Rupees in Lakhs)

<b>(a) Equity share capital of face value of ₹ 10/- each</b>	<b>Note</b>	<b>Amount</b>
Balance as at April 1, 2019		9,225.74
Shares issued during the period		19.35
<b>Balance as at March 31, 2020</b>	<b>20</b>	<b>9,245.09</b>
Balance as at April 1, 2020		9,245.09
Shares issued during the year		3,127.94
<b>Balance as at March 31, 2021</b>	<b>20</b>	<b>12,373.03</b>
<b>(b) Preference share capital of face value of ₹ 10/- each</b>		
Balance as at April 1, 2019		-
Shares issued during the year		-
<b>Balance as at March 31, 2020</b>	<b>20</b>	<b>-</b>
Balance as at April 1, 2020		-
Shares issued during the year		1,206.90
<b>Balance as at March 31, 2021</b>	<b>20</b>	<b>1,206.90</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (SOCIE)

for the year ended March 31, 2021

(Currency : Indian Rupees in Lakhs)

(c) Other equity	Reserves and surplus					Share options outstanding account	General reserve	Retained earnings	Debt instruments through other comprehensive income	Total
	Particulars	Securities Premium Account	Statutory Reserves u/s 45(C)	Statutory Reserve u/s Section 29C	Capital Reserve					
<b>Balance at April 1, 2019</b>	1,71,166.53	25,905.39	8.53	0.43	6,697.71	-	87,623.96	-	2,91,402.55	
Profit/(loss) after tax for the year	-	-	-	-	-	-	(32,462.72)	-	(32,462.72)	
Gain/loss on re-measurement of defined benefit plans	-	-	-	-	-	-	52.76	-	52.76	
<b>Total comprehensive income</b>	-	-	-	-	-	-	<b>(32,409.96)</b>	-	<b>(32,409.96)</b>	
Transfer from Retained earnings	-	-	283.95	-	-	-	(283.95)	-	-	
Dividend and Dividend Distribution Tax	-	-	-	-	-	-	(2,224.08)	-	(2,224.08)	
Share based payment expense	-	-	-	-	1,774.62	-	-	-	1,774.62	
Shares issued during the year	268.15	-	-	-	-	-	-	-	268.15	
<b>Balance at March 31, 2020</b>	<b>1,71,434.68</b>	<b>25,905.39</b>	<b>292.48</b>	<b>0.43</b>	<b>8,472.33</b>	-	<b>52,705.97</b>	-	<b>2,58,811.28</b>	
<b>Balance at April 1, 2020</b>	1,71,434.68	25,905.39	292.48	0.43	8,472.33	-	52,705.97	-	2,58,811.28	
Profit/(loss) after tax for the year	-	-	-	-	-	-	(21,410.49)	-	(21,410.49)	
Debt instruments through other comprehensive income	-	-	-	-	-	-	-	(5.03)	(5.03)	
Gain/loss on re-measurement of defined benefit plans	-	-	-	-	-	-	9.13	-	9.13	
<b>Total comprehensive income</b>	-	-	-	-	-	-	<b>(21,401.36)</b>	<b>(5.03)</b>	<b>(21,406.39)</b>	
Transfer from Retained earnings	-	-	559.03	-	-	-	(559.03)	-	-	
Share issue expense	(2,971.35)	-	-	-	-	-	-	-	(2,971.35)	
Share based payment expense	-	-	-	-	963.01	-	-	-	963.01	
Transfer from ESOP reserves	2,057.67	-	-	-	(4,060.17)	1,970.49	32.01	-	-	
Shares issued during the year	1,20,848.61	-	-	-	-	-	-	-	1,20,848.61	
<b>Balance at March 31, 2021</b>	<b>2,91,369.61</b>	<b>25,905.39</b>	<b>851.51</b>	<b>0.43</b>	<b>5,375.17</b>	<b>1,970.49</b>	<b>30,777.59</b>	<b>(5.03)</b>	<b>3,56,245.16</b>	

For and on behalf of the Board of Directors of  
**IndoStar Capital Finance Limited**

**R. Sridhar**

Executive Vice-Chairman & CEO

DIN: 00136697

**Amol Joshi**

Chief Financial Officer

Place: Mumbai  
Date: June 17, 2021

**Bobby Parikh**

Non-Executive Independent Chairman

DIN: 00019437

**Jitendra Bhati**

Company Secretary

In terms of our report attached  
**For Deloitte Haskins & Sells LLP**  
Chartered Accountants

**Mukesh Jain**

Partner

Place: Mumbai  
Date: June 17, 2021

## NOTES

### TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### 1 Corporate Information

IndoStar Capital Finance Limited ('the Company' or 'ICFL') was incorporated on 21 July 2009 and is domiciled in India. The Company is registered with the Reserve Bank of India (RBI) as a Non-Banking Financial Company vide Certificate No. N-13.02109. The Company together with its subsidiaries (collectively, the Group), is primarily engaged in lending activities.

IndoStar Capital Finance Limited is engaged in business of lending to Corporates and SME businesses. The Company has two subsidiaries, IndoStar Asset Advisory Private Limited which is primarily engaged in business of investment advisory and asset management services and IndoStar Home Finance Private Limited which is engaged in housing finance business."

#### 2 Basis of Preparation, Basis for Consolidation and Significant accounting policies

##### 2.1 a. Basis of Preparation

The consolidated financial statements have been prepared in accordance with Indian Accounting Standards ('Ind AS') as notified by Ministry of Corporate Affairs pursuant to Section 133 of the Companies Act, 2013 ('the Act') read with the Companies (Indian Accounting Standards) Rules, 2015, as amended from time to time. 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.

The financial statements are prepared on a going concern basis, as the management is satisfied that the Group shall be able to continue its business for the foreseeable future and no material uncertainty exists that may cast significant doubt on the going concern assumption. In making this assessment, the management has considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows and capital resources. The outbreak of COVID-19 has not affected the going concern assumption of the Group.

##### 2.1 b. Basis for Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2021. The Company

consolidates a subsidiary when it controls it. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights
- The size of the Group's holding of voting rights relative to the size and dispersion of the holdings of the other voting rights holders

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. The financial statements of all entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company, i.e., year ended on 31 March 2021.

##### Consolidation procedure:

- (a) Combine like items of assets, liabilities, equity, income, expenses and cash flows of the parent with those of its subsidiaries. For this purpose, income and expenses of the subsidiary are based on the amounts of the assets and liabilities recognised in the

## NOTES

### TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

consolidated financial statements at the acquisition date.

(b) Offset (eliminate) the carrying amount of the parent's investment in each subsidiary and the parent's portion of equity of each subsidiary. Business combinations policy explains how to account for any related goodwill.

(c) Eliminate in full intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group (profits or losses resulting from intragroup transactions that are recognised in assets, such as inventory and fixed assets, are eliminated in full). Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Ind AS 12 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

#### 2.2 Presentation of financial statements

Financial assets and financial liabilities are generally reported gross in the balance sheet. They are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event, the parties also intend to settle on a net basis in all of the following circumstances:

- the normal course of business;
- the event of default;
- the event of insolvency or bankruptcy of the Group or its counterparties.

#### 2.3 Significant Accounting Policies

##### a) Financial Instruments

Financial assets and financial liabilities can be termed as financial instruments.

##### (i) Classification of Financial Instruments

The Group classifies its financial assets into the following measurement categories:

1. Financial assets to be measured at amortised cost
2. Financial assets to be measured at fair value through other comprehensive income
3. Financial assets to be measured at fair value through profit or loss account

The classification depends on the contractual terms of the financial assets' cash flows and the Group's business model for managing financial assets.

The Group classifies its financial liabilities at amortised cost unless it has designated liabilities at fair value through the profit and loss account or is required to measure liabilities at fair value through profit or loss (FVTPL) such as derivative liabilities. Financial liabilities, other than loan commitments and financial guarantees, are measured at FVTPL when they are derivative instruments or the fair value designation is applied.

##### (ii) Assessment of business model and cash flows for financial assets

###### **Business model assessment**

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. The Group's business model is assessed at portfolio level and not at instrument level, and is based on observable factors such as:

- (i) How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- (ii) The risks that affect the performance of the business model and, in particular, the way those risks are managed; and

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

(iii) The expected frequency, value and timing of sales are also important aspects of the Group's assessment. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. "

### **Solely payment of principal and interest (SPPI) test**

Subsequent to the assessment to the relevant business model of the financial assets, the Group assesses the contractual terms of financial assets to identify whether the cash flow realised are towards solely payment of principal and interest.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

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

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value.

### **(iv) Classification of Financial Instruments as per business model and SPPI test**

#### **(a) Loans and Debt instruments at amortised cost**

A 'loan or debt instrument' is measured at the amortised cost if both the following conditions are met:

- i) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and
- ii) The 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 profit or loss. The losses arising from impairment are recognised in the profit or loss.

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

Financial assets are measured at fair value through other comprehensive income if these financial assets are held within a business model whose objective is achieved by both collecting contractual cash flows that give rise on specified dates to sole payments of principal and interest on the principal amount outstanding and by selling financial assets.

#### **(c) Financial assets at fair value through profit or loss**

Financial assets are those that are either held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under Ind AS 109. Management only designates an instrument at FVTPL upon initial recognition when one of the following criteria are met (such designation is determined on an instrument-by-instrument basis):

The designation eliminates, or significantly reduces, the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis.

Financial assets at FVTPL are recorded in the balance sheet at fair value. Changes in fair value are recorded in profit and loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

### (d) *Debt securities and other borrowed funds*

After initial measurement, debt issued and other borrowed funds are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on issue funds, and costs that are an integral part of the EIR. A compound financial instrument which contains both a liability and an equity component is separated at the issue date.

### (e) *Financial guarantees*

Financial guarantees are initially recognised in the financial statements (within 'Provisions') at fair value, being the premium/deemed premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the Statement of Profit and Loss. The premium/deemed premium is recognised in the statement of Profit and Loss on a straight line basis over the life of the guarantee.

### (f) *Loan commitments*

Loan commitments are commitments under which, over the duration of the commitment, the Group is required to provide a loan with pre-specified terms to the customer. Subsequent to initial recognition, the Group's liability under each loan commitment shall be recorded at the amount higher of (i) the amount initially recognised less the cumulative amortisation recognised in the Statement of Profit or Loss and (ii) the amount of loss allowance (within 'Provisions').

### (v) *Reclassification of financial assets and liabilities*

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line.

### (vi) *Derecognition of financial assets in following circumstances*

#### (a) *Derecognition of financial assets due to substantial modification of terms and conditions*

The Group derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially it becomes a new loan with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be credit-impaired at the origination date.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Group records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

#### (b) *Derecognition of financial assets other than due to substantial modification* *Financial assets*

A financial asset or a part of financial asset is derecognised when the rights to receive cash flows from the financial asset have expired. The Group also derecognises the financial asset if it has transferred the financial asset and the transfer qualifies for derecognition.

The Group has transferred the financial asset if, and only if, either:

- The Group has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows.

A transfer only qualifies for derecognition if either:

- The Group has transferred substantially all the risks and rewards of the asset; or

## NOTES

### TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

The Group considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Group has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Group's continuing involvement, in which case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

#### **Write off**

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in Statement of profit and loss.

#### **(vii) Derecognition of Financial liabilities**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where 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 a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

#### **b) Fair Value Measurement**

On initial recognition, all the financial instruments are measured at fair value. For subsequent measurement, the Group measures certain categories of financial instruments at fair value on 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

A fair value measurement of a non-financial asset takes into account 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.

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

In order to show how fair values have been derived, financial instruments are classified based on a hierarchy of valuation techniques, as summarised below:

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;

Level 3: inputs for the asset or liability that are not based on observable market data.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred, if any.

### c) Property plant and equipments Recognition and measurement

Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and impairment losses, if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of assets which takes substantial period of time to get ready for its intended use are also included to the extent they relate to the year till such assets are ready to be put to use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Gains or losses arising from derecognition of such 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.

#### Subsequent expenditure

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate only if it is probable that the future economic benefits associated with the item will flow to the Group and that the cost of the item can be reliably measured. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repair and maintenance expenses are charged to the Statement of Profit and Loss during the reporting period in which they are incurred.

#### Depreciation

Depreciation is provided on Straight Line Method ('SLM'), which reflects the management's estimate of the useful life

of the respective assets. The estimated useful life used to provide depreciation are as follows:

Particulars	Estimated useful life by the Group	Useful life as prescribed by Schedule II of the Companies Act 2013
Computers	3 years	3 years
Office Equipment	5 years	5 years
Office Equipments - mobiles	2 years	5 years
Furniture and fixtures	5 years	10 years
Servers and networks	5 years	6 years

Property, plant and equipment items individually costing less than ₹ 5,000 are depreciated fully in the year of purchase.

Leasehold improvement is amortised on Straight Line Method over the lease term, subject to a maximum of 60 months.

Useful life of assets different from prescribed in Schedule II of the Act has been estimated by management and supported by technical assessment.

Depreciation on assets acquired/sold during the year is recognised on a pro-rata basis to the statement of Profit and Loss till the date of sale.

The useful lives and the method of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates.

### d) Intangible assets

#### Recognition and measurement

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 Group. Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition,

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intangible assets are carried at cost less accumulated amortisation. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition.

**Amortisation**

Intangible assets are amortised using the straight line method over a period of 3 years, which is the management's estimate of its useful life. The amortisation period and the amortisation method are reviewed at least as at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortisation period is changed accordingly.

Gains or losses arising from the retirement or disposal of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and recognised as income or expense in the statement of Profit and Loss.

**e) Business Combination and goodwill thereon**

Business combinations other than under common control are accounted for using the acquisition method. The cost of an acquisition is measured at the value which is aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The identifiable assets acquired and the liabilities assumed are recognised at their fair values, as on date of acquisition. Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date.

**Measurement**

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. In case the excess is on account of bargain purchase, the gain is recognised directly in equity as capital reserve. When the transaction is of nature other than bargain purchase, then the gain is recognised in OCI and accumulated in equity as capital reserve.

**f) Impairment**

**(i) Financial Assets**

**(a) Expected Credit Loss (ECL) principles for Financial assets**

The Group records allowance for expected credit losses for all loans, other debt financial assets not held at FVTPL, undrawn loan commitments (referred to as 'financial instruments').

For the computation of ECL on the financial instruments, the Group categories its financial instruments as mentioned 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 Group classifies all advances upto 30 days overdue 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. Advances are termed as to have significant increase in credit risk when they are due for more than 30 days but do not exceed 90 days.

**Stage 3:** All exposures are 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. Advances where the amount remains due for more than 90 days are considered to be stage 3 assets.

The Group 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 Group undertakes the classification of exposures within the aforesaid stages at borrower level.

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### (b) Definition of default

A default on a financial asset is when the counterparty fails to make the contractual payments within 90 days of when they fall due. Accordingly, the financial assets shall be classified as Stage 3, if on the reporting date, it has been more than 90 days past due. Non-payment on another obligation of the same customer is also considered as a Stage 3.

### (c) Calculation of ECL:

ECL is a probability weighted credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial instruments. Cash shortfalls are the difference between the cash flows that the entity is entitled to receive on account of contract and the cash flows that the entity expects to receive.

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

**Exposure-At-Default (EAD):** The Exposure at Default is the amount the Group is entitled to receive as on reporting date including repayments due for principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities.

**Probability of Default (PD) :** The Probability of Default is an estimate of the likelihood of default of the exposure 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.

**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 lender would expect to receive, including from the realisation of any collateral.

The ECL allowance is applied on the financial instruments depending

upon the classification of the financial instruments as per the credit risk involved. ECL allowance is computed on the below mentioned basis:

**12-month ECL:** 12-month ECL is the portion of Lifetime ECL that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. 12-month ECL is applied on stage 1 assets.

**Lifetime ECL:** Lifetime ECL for credit losses expected to arise over the life of the asset in cases of credit impaired loans and in case of financial instruments where there has been significant increase in credit risk since origination. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument. Lifetime ECL is applied on stage 2 and stage 3 assets.

The Group computes the ECL allowance on either individual basis or collective basis, depending on the nature of the underlying portfolio of financial instruments. The Group has grouped its loan portfolio into Corporate loans, SME loans, Commercial vehicle loans and Home loans

### ECL on Trade Receivables:

The Group applies the simplified approach for computation of ECL on trade receivables as allowed as per Ind AS 109. Thus, the Group is recognising lifetime ECL for trade receivables.

### Significant increase in Credit Risk

The Group monitors all financial assets and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased

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significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change in absolute terms in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

As a back-stop when loan asset not being a loan becomes 30 days past due, the Group considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL in respect of all retail assets. In respect of the corporate loan assets, shifting to Stage 2 has been rebutted using historical evidence from own portfolio to a threshold of 60 days past due, which is reviewed annually. For the purpose of counting of days past due for the assessment of significant increase in credit risk, the special dispensations to any class of assets in accordance with COVID19 Regulatory Package notified by the Reserve Bank of India (RBI) has been applied by the Group.

**(ii) Financial Liabilities**

**(a) Loan commitments**

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Group is required to provide a loan with

pre-specified terms to the customer. Undrawn loan commitments are in the scope of the ECL requirements.

**(b) Financial guarantee contracts**

The Group's liability under financial guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the statement of profit and loss, and the ECL provision. For this purpose, the Group estimates ECLs by applying a credit conversion factor. The ECLs related to financial guarantee contracts are recognised within Provisions. Currently, the Group has not recognised any ECL in respect of financial guarantee based on estimate of expected cash flows.

**(iii) Non-financial assets**

**(a) Intangible 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 recognised when the carrying amount of an individual asset exceeds its recoverable amount. The recoverable amount is the higher of fair value of the asset less cost of its disposal and value in use.

**(b) Goodwill**

Goodwill is recorded at the cost less any accumulated impairment losses in the previous years. Goodwill on acquisition is tested for impairment where the same allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

A cash generating unit (CGU) to which goodwill has been allocated is tested for impairment on annual basis or whenever required in case where the Group is of the opinion that goodwill may be impaired. If the recoverable amount of the cash generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

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then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss. Such impairment loss already recognised for goodwill is not reversed in subsequent periods.

### g) Recognition of income

Revenue generated from the business transactions (other than for those items to which Ind AS 109 Financial Instruments are applicable) is measured at fair value of the consideration to be received or receivable by the Group. Ind AS 115 Revenue from contracts with customers outlines a single comprehensive model of accounting for revenue arising from contracts with customers.

The Group recognises revenue from contracts with customers based on a five step model as set out in Ind 115:

Step 1: Identify contract(s) with a customer;

Step 2: Identify performance obligations in the contract;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations in the contract;

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

### (a) Recognition of interest income

Interest income is recorded using the effective interest rate (EIR) method for all financial instruments measured at amortised cost. The EIR is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

The EIR for the amortised cost asset is calculated by taking into account any discount or premium on acquisition, origination fees and transaction costs that are an integral part of the EIR.

The Group calculates interest income by applying the EIR to the gross carrying

amount of financial assets other than credit-impaired assets. When a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3', the Group recognised the interest income by applying the effective interest rate to the net amortised cost of the financial asset. If the financial status of the financial asset improves and it no longer remains to be a credit-impaired, the Group revises the application of interest income on such financial asset to calculating interest income on a gross basis.

Interest income on all trading assets and financial assets mandatorily required to be measured at FVTPL is recognised using the contractual interest rate in net gain on fair value changes.

### (b) Dividend income

Dividend income is recognised when the Group's right to receive the payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

### (c) Syndication, advisory & other fees

Syndication, advisory & other fees are recognised as income when the performance obligation as per the contract with customer is fulfilled and when the right to receive the payment against the services has been established.

### (d) Origination fees

Origination fees, which the Group has received/recovered at time of granting of a loan, is considered as a component for computation of the effective rate of interest (EIR) for the purpose of computing interest income.

### (e) Management Fees:

Management fees and other fees are recognised as income when the performance obligation as per the contract with customer is fulfilled and when the right to receive the payment against the services has been established.

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**(f) Assignment income**

In accordance with Ind AS 109, in case of assignment transactions with complete transfer of risks and rewards without any retention of residual interest, gain arising on such assignment transactions is recorded upfront in the Statement of Profit and Loss and the corresponding asset is derecognised from the Balance Sheet immediately upon execution of such transactions. Further the transfer of financial assets qualifies for derecognition in its entirety, the whole of the interest spread at its present value (discounted over the life of the asset) is recognised on the date of derecognition itself as excess interest spread and correspondingly recognised as profit on derecognition of financial asset.

**(g) Securitisation transactions :**

In accordance with Ind AS 109, in case of securitisation transactions, the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognises a collateralised borrowing for the proceeds received.

**(h) Net gain/(loss) on Fair value changes**

Any differences between the fair values of financial assets classified as fair value through the profit or loss, held by the Group on the balance sheet date is recognised as an unrealised gain or loss as a gain or expense respectively.

Similarly, any realised gain or loss on sale of financial instruments measured at FVTPL and debt instruments measured at FVOCI is recognised in net gain / loss on fair value changes.

**(i) Sourcing and servicing fee**

The revenue from the contract as a service provider (sourcing and collection agent) on behalf of customer, is recognised upfront for services rendered as sourcing agent and on straight line basis over the loan tenure for services in the nature of collection and performance agent. The financial guarantee provided under the service contract is recognised at fair

value on sourcing and is amortised over the period of contract with subsequent measurement at higher of the unamortised value as per Ind AS 115 or expected credit losses as per Ind AS 109.

**h) Finance Costs**

The Group recognises interest expense on the borrowings as per EIR methodology which is calculated by considering any ancillary costs incurred and any premium payable on its maturity.

**i) Retirement and other employee benefits**

**(i) Defined Contribution Plan**

**Provident Fund**

All the employees of the Group are entitled to receive benefits under the Provident Fund, a defined contribution plan in which both the employee and the Group contribute monthly at a stipulated rate. The Group has no liability for future Provident Fund benefits other than its annual contribution and recognises such contributions as an expense, when an employee renders the related service.

**(ii) Defined Benefit schemes**

**(a) Gratuity**

The Group provides for the gratuity, a defined benefit retirement plan covering all employees. The plan provides for lump sum payments to employees upon death while in employment or on separation from employment after serving for the stipulated year mentioned under 'The Payment of Gratuity Act, 1972'. The Group accounts for liability of future gratuity benefits based on an external actuarial valuation on projected unit credit method carried out for assessing liability as at the reporting date.

Net interest recognised in profit or loss is calculated by applying the discount rate used to measure the defined benefit obligation to the net defined benefit liability or asset. The actual return on the plan assets above or below the discount rate is recognised as part of re-measurement of net defined liability or asset through other comprehensive income. Remeasurements, comprising of actuarial gains and losses, the effect of the asset ceiling, excluding amounts



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included in net interest on the net defined benefit liability and the return on plan assets (excluding amounts included in net interest on the net defined benefit liability), are recognised immediately in the balance sheet with a corresponding debit or credit to retained earnings through Other comprehensive income ('OCI') in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

### (b) **Compensated absences**

Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method as at the reporting date.

Actuarial gains/losses are immediately taken to Statement of profit and loss account and are not deferred.

### j) **Share based employee payments**

#### **Equity settled share based payments**

The stock options granted to employees are measured at the fair value of the options at the grant date. The fair value of the options is treated as discount and accounted as employee compensation cost over the vesting period on a straight line basis. The amount recognised as expense in each year is arrived at based on the number of grants expected to vest. If a grant lapses after the vesting period, the cumulative discount recognised as expense in respect of such grant is transferred to the general reserve within equity.

### k) **Ind AS 116 Leases**

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.

#### **Group as a lessee**

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

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. Contingent rental payable is recognised as an expense in the period in which they it is incurred.

### **Critical accounting estimate and judgement**

#### **1. Determination of lease term**

Ind AS 116 Leases requires lessee to determine the lease term as the non-cancellable period of a lease adjusted with any option to extend or terminate the lease, if the use of such option is reasonably certain. The Group makes assessment on the expected lease term on lease by lease basis and thereby assesses whether it is reasonably certain that any options to extend or terminate the contract will be exercised. In evaluating the lease term, the Group considers factors such as any significant leasehold improvements undertaken over the lease term, costs relating to the termination of lease and the importance of the underlying to the Group's operations taking into account the location of the underlying asset and the availability of the suitable alternatives. The lease term in future periods is reassessed to ensure that the lease term reflects the current economic circumstances.

#### **2. Discount Rate**

The discount rate is generally based on the incremental borrowing rate specific to the lease being evaluated or for a portfolio of leases with similar characteristics.

### **l) Foreign currency translation**

#### **Functional and presentational currency**

The financial statements are presented in INR which is also functional currency of the Group and the currency of the primary economic environment in which the Group operates.

### **m) Provisions**

A provision is recognised when the Group has a present obligation as a result of past event; it is probable that outflow of resources will be required to settle the obligation, in respect

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of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

**n) Taxes**

**(i) 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 Group 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). 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.

**(iii) Deferred tax**

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss (either in other comprehensive income or in equity). Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

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

**o) Earnings Per Share**

The Group 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 by the weighted average number of equity shares outstanding during the year.

For the purpose of 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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

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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.

### p) 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 Group or a present obligation that is not recognised 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 recognised because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the financial statements.

### q) Segment reporting

Operating segments are those components of the business whose operating results are regularly reviewed by the chief operating decision making body in the Group to make decisions for performance assessment and resource allocation.

The reporting of segment information is the same as provided to the management for the purpose of the performance assessment and resource allocation to the segments.

Segment accounting policies are in line with the accounting policies of the Group. In addition, the following specific accounting policies have been followed for segment reporting:

- i) Segment revenue includes operational revenue directly identifiable with/ allocable to the segment.
- ii) Expenses that are directly identifiable with/allocable to segments are considered for determining the segment result.
- iii) Income which relates to the Group as a whole and not allocable to segments

is included in “unallocable corporate income / (expenditure)(net)”.

- iv) Segment result includes the finance costs incurred on interest bearing advances with corresponding credit included in “unallocable corporate income/(expenditure)(net)”.
- v) Segment assets and liabilities include those directly identifiable with the respective segments. Unallocable corporate assets and liabilities represent the assets and liabilities that relate to the Group as a whole.

### 2.4 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with Ind AS requires that the management of the Group makes estimates and assumptions that affect the reported amounts of income and expenses of the period, the reported balances of assets and liabilities and the disclosures relating to contingent liabilities as of the date of the financial statements. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates include useful lives of property, plant and equipment & intangible assets, allowance for expected credit losses, fair value measurement, business projections used for the purpose of goodwill impairment etc. Difference, if any, between the actual results and estimates is recognised in the period in which the results are known.

### 2.5 Securities premium account

#### a) Securities premium includes:

- The difference between the face value of the equity shares and the consideration received in respect of shares issued;
  - The fair value of the stock options which are treated as expense, if any, in respect of shares allotted pursuant to Stock Options Scheme.
- b) The issue expenses of securities which qualify as equity instruments are written off against securities premium account/ retained earning in accordance with Ind AS.

## NOTES

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#### Note 3

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Cash and cash equivalents</b>		
Cash on hand	461.22	131.86
Balances with banks		
- in current accounts	11,379.55	9,966.58
Deposits with original maturity of less than three months	16,076.80	6,736.73
	<b>27,917.57</b>	<b>16,835.17</b>

#### Note 4

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Bank balances other than cash and cash equivalents</b>		
Deposits with original maturity of more than three months	359.61	11,230.46
Earmarked deposits with banks	23,736.99	26,438.76
	<b>24,096.60</b>	<b>37,669.22</b>

#### Note 5

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Loans</b>		
<b>At amortized cost</b>		
<b>Business Loans</b>		
Corporate lending	1,91,751.96	2,94,312.60
Small and medium enterprises lending (SME)	1,46,318.61	1,36,145.06
Commercial vehicle lending	3,58,655.67	3,81,505.74
Home Loans	85,355.75	75,291.17
Other loans	1,738.50	-
<b>Total - Gross</b>	<b>7,83,820.49</b>	<b>8,87,254.57</b>
Less: Impairment allowance	(69,886.88)	(57,945.26)
<b>Total - Net</b>	<b>7,13,933.61</b>	<b>8,29,309.31</b>
(a) Secured by tangible assets	7,67,970.85	8,69,287.39
(b) Unsecured	15,849.64	17,967.18
<b>Total - Gross</b>	<b>7,83,820.49</b>	<b>8,87,254.57</b>
Less: Impairment allowance	(69,886.88)	(57,945.26)
<b>Total - Net</b>	<b>7,13,933.61</b>	<b>8,29,309.31</b>
<b>Loans in India</b>		
(a) Public sector	-	-
(b) Others	7,83,820.49	8,87,254.57
<b>Total - Gross</b>	<b>7,83,820.49</b>	<b>8,87,254.57</b>
Less: Impairment allowance	(69,886.88)	(57,945.26)
<b>Total - Net (a)</b>	<b>7,13,933.61</b>	<b>8,29,309.31</b>
<b>Loans outside India (b)</b>	<b>-</b>	<b>-</b>
<b>Total - Net (a)+(b)</b>	<b>7,13,933.61</b>	<b>8,29,309.31</b>

**Note:**

Stage classification of loans, investments and its impairment allowance is disclosed in Note 31D and Note 31E.

**NOTES**  
**TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**  
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**Note 6**

Particulars	Amortised cost	At Fair Value		Total
		Through other comprehensive income	Through profit and loss	
<b>Investments</b>				
<b>Investments as on March 31, 2021</b>				
Mutual funds	-	-	1,27,637.20	1,27,637.20
Treasury Bills	-	12,729.94	-	12,729.94
Security Receipts*	22,452.41	-	-	22,452.41
<b>Total - Gross</b>	<b>22,452.41</b>	<b>12,729.94</b>	<b>1,27,637.20</b>	<b>1,62,819.55</b>
Investments in India	22,452.41	12,729.94	1,27,637.20	1,62,819.55
Investments outside India	-	-	-	-
<b>Total - Gross</b>	<b>22,452.41</b>	<b>12,729.94</b>	<b>1,27,637.20</b>	<b>1,62,819.55</b>
Less: Impairment loss allowance	(3,683.50)	-	-	(3,683.50)
<b>Total - Net</b>	<b>18,768.91</b>	<b>12,729.94</b>	<b>1,27,637.20</b>	<b>1,59,136.05</b>

(\* net of amount written off ₹ 9,315.85 lakhs)

Particulars	Amortised cost	At Fair Value		Total
		Through other comprehensive income	Through profit and loss	
<b>Investments as on March 31, 2020</b>				
Mutual funds	-	-	23,055.69	23,055.69
<b>Total - Gross</b>	<b>-</b>	<b>-</b>	<b>23,055.69</b>	<b>23,055.69</b>
Investments in India	-	-	23,055.69	23,055.69
Investments outside India	-	-	-	-
<b>Total - Gross</b>	<b>-</b>	<b>-</b>	<b>23,055.69</b>	<b>23,055.69</b>
Less: Impairment loss allowance	-	-	-	-
<b>Total - Net</b>	<b>-</b>	<b>-</b>	<b>23,055.69</b>	<b>23,055.69</b>

**NOTES**  
**TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**  
(Currency : Indian Rupees in Lakhs)

**Note 7**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Other financial assets</b>		
Security deposit	964.14	672.20
Assignment receivables	5,391.20	4,107.48
Other receivables	9,993.95	29,199.88
	16,349.29	33,979.56
Less: Impairment loss allowance	(1,971.82)	(40.28)
	<b>14,377.47</b>	<b>33,939.28</b>

**Note 8**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Current tax assets (net)</b>		
Advance tax (net of provision)	12,053.80	13,386.58
	<b>12,053.80</b>	<b>13,386.58</b>

**Note 9**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Deferred tax assets (net)</b>		
<b>Deferred Tax Assets</b>		
Provision for expected credit loss	15,432.92	10,029.45
Provision for gratuity	124.57	78.70
Provision for leave encashment	33.14	76.97
Debt instruments through OCI	1.69	-
Fair valuation of ESOPs	-	621.82
Lease liabilities	40.04	-
Income amortisation	408.29	677.63
Depreciation on PPE and intangible assets	539.71	540.55
Provision on Assets held for sale	32.79	32.89
Carry forward book losses	7,427.23	6,025.46
<b>Total (A)</b>	<b>24,040.38</b>	<b>18,083.47</b>
<b>Deferred tax liability</b>		
Goodwill	(7,555.10)	(2,597.06)
Fair valuation of security deposits	-	(0.21)
Assignment income amortisation	(1,356.86)	(1,011.94)
Borrowing cost amortisation	(834.93)	(1,284.07)
Lease liabilities	-	(211.86)
<b>Total (B)</b>	<b>(9,746.89)</b>	<b>(5,105.14)</b>
<b>Net deferred tax asset (A-B) (also refer Note 29)</b>	<b>14,293.49</b>	<b>12,978.33</b>
<b>Deferred tax assets</b>		
IndoStar Capital Finance Limited	14,519.20	12,499.07
IndoStar Home Finance Private Limited	-	466.07
IndoStar Asset Advisory Private Limited	-	13.19
<b>Total deferred tax assets (A)</b>	<b>14,519.20</b>	<b>12,978.33</b>
<b>Deferred tax liabilities</b>		
IndoStar Capital Finance Limited	-	-
IndoStar Home Finance Private Limited	225.71	-
IndoStar Asset Advisory Private Limited	-	-
<b>Total deferred tax liabilities (B)</b>	<b>225.71</b>	<b>-</b>
<b>Net deferred tax asset (A-B) (also refer Note 29)</b>	<b>14,293.49</b>	<b>12,978.33</b>

**NOTES**  
**TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**  
(Currency : Indian Rupees in Lakhs)

Description	Land - Freehold*	Buildings	Furniture and fixtures	Leasehold Improvement	Office equipment	Computers	Right of Use - Premises	Total
<b>Property, plant and equipment</b>								
Cost as at April 1, 2019	15.05	1,050.30	748.49	4,222.53	587.11	1,915.99	-	8,539.47
Additions	-	-	11.21	391.36	59.32	331.61	3,242.59	4,036.09
Disposals	-	-	(5.48)	-	(20.81)	(0.56)	-	(26.85)
Adjustment	-	-	-	(31.53)	(0.03)	-	-	(31.56)
<b>Cost as at March 31, 2020</b>	<b>15.05</b>	<b>1,050.30</b>	<b>754.22</b>	<b>4,582.36</b>	<b>625.59</b>	<b>2,247.04</b>	<b>3,242.59</b>	<b>12,517.15</b>
Additions	-	-	8.05	241.58	23.34	408.62	1,640.22	2,321.91
Disposals	-	(1,050.30)	(0.92)	(28.70)	(4.30)	-	(367.71)	(1,451.93)
<b>Cost as at March 31, 2021 (A)</b>	<b>15.05</b>	<b>-</b>	<b>761.35</b>	<b>4,795.24</b>	<b>644.63</b>	<b>2,655.66</b>	<b>4,515.10</b>	<b>13,387.13</b>
<b>Accumulated depreciation as at April 1, 2019</b>	<b>-</b>	<b>20.71</b>	<b>14.00</b>	<b>1,126.50</b>	<b>83.40</b>	<b>670.00</b>	<b>-</b>	<b>1,914.61</b>
Depreciation charged during the year	-	17.54	157.19	853.16	123.74	629.58	1,012.73	2,793.94
Disposals	-	-	(3.62)	-	(17.27)	(0.56)	-	(21.45)
Adjustment	-	-	-	(30.50)	(0.42)	(0.64)	-	(31.56)
<b>Accumulated depreciation as at March 31, 2020</b>	<b>-</b>	<b>38.25</b>	<b>167.57</b>	<b>1,949.16</b>	<b>189.45</b>	<b>1,298.38</b>	<b>1,012.73</b>	<b>4,655.54</b>
Depreciation charged during the year	-	7.69	158.45	951.90	151.87	658.86	1,144.93	3,073.70
Disposals	-	(45.94)	(0.55)	(18.54)	(2.16)	-	(367.71)	(434.90)
<b>Accumulated depreciation as at March 31, 2021 (B)</b>	<b>-</b>	<b>-</b>	<b>325.47</b>	<b>2,882.52</b>	<b>339.16</b>	<b>1,957.24</b>	<b>1,789.95</b>	<b>7,294.34</b>
<b>Net carrying amount as at March 31, 2021 (A) - (B)</b>	<b>15.05</b>	<b>-</b>	<b>435.88</b>	<b>1,912.72</b>	<b>305.47</b>	<b>698.42</b>	<b>2,725.15</b>	<b>6,092.79</b>
<b>Net carrying amount as at March 31, 2020</b>	<b>15.05</b>	<b>1,012.05</b>	<b>586.65</b>	<b>2,633.20</b>	<b>436.14</b>	<b>948.66</b>	<b>2,229.86</b>	<b>7,861.61</b>

\* Mortgaged as security against Secured Non-convertible Debentures

**Note 10**

**NOTES**  
**TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**  
 (Currency : Indian Rupees in Lakhs)

**Note 11**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Assets held for sale</b>		
Assets held for sale	2,626.64	4,304.28
Less: Impairment loss allowance	(539.19)	(430.43)
	<b>2,087.45</b>	<b>3,873.85</b>

**Note 12**

Particulars	Total
<b>Intangible assets</b>	
<b>(a) Goodwill</b>	
Cost as at April 1, 2019	30,018.69
Acquisition of business	-
<b>Cost as at March 31, 2020</b>	<b>30,018.69</b>
Acquisition of business	-
<b>Cost as at March 31, 2021 (A)</b>	<b>30,018.69</b>
<b>Accumulated impairment as at April 1, 2019</b>	
Addition	-
<b>Accumulated impairment as at March 31, 2020</b>	<b>-</b>
Addition	-
<b>Accumulated impairment as at March 31, 2021 (B)</b>	<b>-</b>
<b>Net carrying amount as at March 31, 2021 (A)- (B)</b>	<b>30,018.69</b>
<b>Net carrying amount as at March 31, 2020</b>	<b>30,018.69</b>

Particulars	Computer Software	Total
<b>(b) Other intangible assets</b>		
Cost as at April 1, 2019	746.11	746.11
Additions	203.52	203.52
Disposals	-	-
<b>Cost as at March 31, 2020</b>	<b>949.63</b>	<b>949.63</b>
Additions	345.34	345.34
Disposals	-	-
<b>Cost as at March 31, 2021 (A)</b>	<b>1,294.97</b>	<b>1,294.97</b>
<b>Accumulated amortisation as at April 1, 2019</b>	<b>349.69</b>	<b>349.69</b>
Amortisation recognised for the period	216.36	216.36
Disposals	-	-
<b>Accumulated amortisation as at March 31, 2020</b>	<b>566.05</b>	<b>566.05</b>
Amortisation recognised for the period	276.49	276.49
Disposals	-	-
<b>Accumulated amortisation as at March 31, 2021 (B)</b>	<b>842.54</b>	<b>842.54</b>
<b>Net carrying amount as at March 31, 2021 (A)- (B)</b>	<b>452.43</b>	<b>452.43</b>
<b>Net carrying amount as at March 31, 2020</b>	<b>383.58</b>	<b>383.58</b>



**NOTES****TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**Note 13**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Other non-financial assets</b>		
Prepaid expenses	1,080.29	893.20
Advances recoverable in cash or in kind or for value to be received (refer footnote below)	2,617.29	2,652.10
	<b>3,697.58</b>	<b>3,545.30</b>

Footnote: Advances recoverable in cash or in kind or for value to be received includes ₹ 1,005.70 lakhs (Previous year Nil) as claim receivable towards ex-gratia under GOI Scheme.

**Note 14**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Trade payables</b>		
Dues to Micro, small and medium enterprises	8.12	-
Dues to Others	386.29	1,109.83
	<b>394.41</b>	<b>1,109.83</b>

**Note 15**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Debt securities</b>		
At amortised cost		
Redeemable non convertible debentures (Refer note (a) below)	1,88,963.98	2,08,947.14
Commercial paper (net of unamortised discount) repayable within next twelve months	12,312.20	-
	<b>2,01,276.18</b>	<b>2,08,947.14</b>
Debt securities in India	2,01,276.18	2,08,947.14
Debt securities outside India	-	-
<b>Total</b>	<b>2,01,276.18</b>	<b>2,08,947.14</b>
Secured	1,88,963.98	2,08,947.14
Unsecured	12,312.20	-
<b>Total</b>	<b>2,01,276.18</b>	<b>2,08,947.14</b>

**(a) Non Convertible Debenture****Privately placed Redeemable Non Convertible Debentures of ₹ 10,00,000/- each****Terms of repayment**

Redeemable within	As at March 31, 2021	As at March 31, 2020
	Rate of interest > 8.08% < 11.40%	Rate of interest > 8.95% < 11.40%
	Amount	Amount
Above 60 Months	-	-
48-60 Months	-	2,483.05
36-48 Months	2,492.67	13,905.15
24-36 Months	18,945.02	37,245.93
12-24 Months	51,849.55	98,407.87
0-12 Months	1,15,676.64	56,905.14
<b>Total</b>	<b>1,88,963.88</b>	<b>2,08,947.14</b>

## NOTES

### TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### Nature of Security:

Security is created in favour of the Debenture Trustee, as follows:

- (i) First pari-passu charge (along with banks, financial institutions and other lenders which provide credit facilities to the Issuer) by way of hypothecation of standard asset portfolio of receivables (net of NPA) of the Issuer and / or cash / cash equivalent and / or such other asset, as may be identified by the Company of ₹ 1,99,479 lakhs (March 2020: ₹ 2,09,368 lakhs); and
- (ii) First pari-passu charge on immovable property situated at village Maharajpura of Kadi taluka, Mehsana district, Gujarat.

Other Terms: Debentures may be bought back subject to applicable statutory and/or regulatory requirements, upon the terms and conditions as may be decided by the Company.

#### b) Commercial papers Terms of repayment

Redeemable within	As at March 31, 2021	As at March 31, 2020
	Rate of interest 8.50%	Rate of interest -
	Amount	Amount
0-12 Months	12,312.20	-
<b>Total</b>	<b>12,312.20</b>	<b>-</b>

#### Note 16

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Borrowings</b>		
<b>At amortised cost</b>		
Term loans from banks (Refer note (a) below)*	2,84,206.71	3,26,555.72
<b>Loans repayable on demand</b>		
Working capital demand loans from banks **	18,100.00	15,500.00
Bank overdrafts **	-	7,033.91
Other borrowings (including Inter Corporate Deposits)	97,176.75	1,56,155.42
<b>Total</b>	<b>3,99,483.46</b>	<b>5,05,245.05</b>
Borrowings in India	3,99,483.46	5,05,245.05
Borrowings outside India	-	-
<b>Total</b>	<b>3,99,483.46</b>	<b>5,05,245.05</b>
Secured borrowings	3,02,306.70	3,49,089.63
Unsecured borrowings	97,176.75	1,56,155.42
<b>Total</b>	<b>3,99,483.46</b>	<b>5,05,245.05</b>

**NOTES****TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**(a) Term loan from banks (TL):****Terms of repayment:**

Repayable within <sup>#</sup>	As at	As at
	March 31, 2021	March 31, 2020
	Rate of interest > 6.21% < 11.00%	Rate of interest > 8.65% < 11.20%
	Amount	Amount
Above 60 Months	3,015.62	122.12
48-60 Months	8,250.85	1,846.08
36-48 Months	23,040.05	37,444.29
24-36 Months	57,744.16	57,866.58
12-24 Months	72,869.04	89,277.54
0-12 Months	1,19,286.99	1,39,999.11
<b>Total</b>	<b>2,84,206.71</b>	<b>3,26,555.72</b>

\* first pari-passu charge by way of hypothecation of standard asset portfolio of receivables (net of NPA) of the Issuer and / or cash / cash equivalent and / or such other asset.

\*\* secured by first pari-passu charge by way of hypothecation on the standard asset portfolio.

# also refer note 31(G)

**(b) Working capital demand loans and bank overdraft:****Terms of repayment:**

Redeemable within	As at	As at
	March 31, 2021	March 31, 2020
	Rate of interest > 6.50% < 7.35%	Rate of interest > 9.15% < 11.00%
	Amount	Amount
0-12 Months	18,100.00	22,533.91
<b>Total</b>	<b>18,100.00</b>	<b>22,533.91</b>

**Note 17**

Particulars	As at	As at
	March 31, 2021	March 31, 2020
<b>Other financial liabilities</b>		
Book overdraft	7,971.72	39.26
Employee benefits payable	2,438.51	833.31
Others	22,425.81	24,776.04
	<b>32,836.04</b>	<b>25,648.61</b>

**Note 18**

Particulars	As at	As at
	March 31, 2021	March 31, 2020
<b>Provisions</b>		
Provision for employee benefits:		
- Gratuity	494.93	418.04
- Compensated absences	131.66	276.84
Others :		
- Expected credit loss on undrawn loan commitments	131.36	211.78
	<b>757.95</b>	<b>906.66</b>

## NOTES

### TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### Note 19

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Non-financial liabilities</b>		
Statutory dues payable	700.20	552.05
Unamortised lease liabilities	2,884.20	2,390.90
	<b>3,584.40</b>	<b>2,942.95</b>

#### Note 20

##### Equity share capital

##### a. Details of authorised, issued and subscribed share capital

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number	Amount	Number	Amount
<b>Authorised capital</b>				
Equity shares of ₹ 10/- each	15,25,00,000	15,250.00	15,25,00,000	15,250.00
Compulsorily Convertible Preference Share of Face Value of ₹ 10/- each	1,25,00,000	1,250.00	1,25,00,000	1,250.00
<b>Issued, subscribed and fully paid up</b>				
Equity shares of ₹ 10/- each fully paid	12,37,30,329	12,373.03	9,24,50,915	9,245.09
Compulsorily Convertible Preference Shares of Face Value of ₹ 10/- each fully paid	1,20,68,966	1,206.90	-	-
<b>Total</b>	<b>13,57,99,295</b>	<b>13,579.93</b>	<b>9,24,50,915</b>	<b>9,245.09</b>

##### b. Reconciliation of number of equity shares and amount outstanding at the beginning and at the end of the year

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	9,24,50,915	9,245.09	9,22,57,415	9,225.74
Add: Shares issued during the year	3,12,79,414	3,127.94	1,93,500	19.35
<b>Shares outstanding at the end of the year</b>	<b>12,37,30,329.00</b>	<b>12,373.03</b>	<b>9,24,50,915</b>	<b>9,245.09</b>

##### c. Particulars of shares held by Holding Company

Name of shareholder	Relationship	As at March 31, 2021		As at March 31, 2020	
		No of equity shares held	Percentage	No of equity shares held	Percentage
BCP V Multiple Holdings Pte. Ltd.	Holding Company	6,44,13,672	52.06%	-	-
Indostar Capital (Mauritius)	Promoter	-	-	5,25,94,228	56.89%

As per records of the Company, including its register of shareholders/members, the above shareholding represents legal ownerships of shares.

##### d. Particulars of shareholders holding more than 5% of the equity share capital

Name of shareholder	Relationship	As at March 31, 2021		As at March 31, 2020	
		No of equity shares held	Percentage	No of equity shares held	Percentage
BCP V Multiple Holdings Pte. Ltd.	Holding Company	6,44,13,672	52.06%	-	-
Indostar Capital (Mauritius)	Promoter	4,75,94,228	38.47%	5,25,94,228	56.89%
SBI Small Cap Fund	-	-	-	81,13,036	8.78%

As per records of the Company, including its register of shareholders/members, the above shareholding represents legal ownerships of shares.

**NOTES****TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**e. Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par value of ₹ 10 per share. Each holder of equity shares is entitled to proportionate vote on basis of his contribution to fully paid up share capital.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the proportionate amount of contribution made by the equity shareholder to the total equity share capital.

**f. Reconciliation of number of Compulsorily Convertible Preference Shares (“CCPS”) and amount outstanding at the beginning and at the end of the year**

	As at March 31, 2021		As at March 31, 2020	
	Number	Amount	Number	Amount
Shares outstanding at the beginning of the year	-	-	-	-
Add: Shares issued during the year	1,20,68,966	1,206.90	-	-
<b>Shares outstanding at the end of the year</b>	<b>1,20,68,966</b>	<b>1,206.90</b>	<b>-</b>	<b>-</b>

**g. Particulars of CCPS held by Holding Company**

Name of shareholder	Relationship	As at March 31, 2021		As at March 31, 2020	
		No of CCPS held	Percentage	No of CCPS held	Percentage
BCP V Multiple Holdings Pte. Ltd.	Holding Company	1,20,68,966	100.00%	-	-
<b>Shares outstanding at the end of the year</b>		<b>1,20,68,966</b>	<b>100.00%</b>	<b>-</b>	<b>-</b>

**h. Particulars of shareholders holding more than 5% of CCPS**

Name of shareholder	Relationship	As at March 31, 2021		As at March 31, 2020	
		No of CCPS held	Percentage	No of CCPS held	Percentage
BCP V Multiple Holdings Pte. Ltd.	Holding Company	1,20,68,966	100.00%	-	-

**i. Terms/rights attached to Compulsorily Convertible Preference Shares (“CCPS”):**

CCPS are convertible into equity shares of the Company within a period of 18 months and carry a dividend rate of 10% p.a., payable annually, calculated on issue price, net of any taxes. Upon winding up or liquidation of the Company, the CCPS holder shall be entitled to distribution in accordance with applicable law.

**Note 21**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Other equity</b>		
Capital Reserve	0.43	0.43
Statutory reserves u/s 45-IC of The RBI Act, 1934	25,905.39	25,905.39
Statutory reserves u/s 29C of the National Housing Bank Act, 1987	851.51	292.47
Securities premium	2,91,369.61	1,71,434.68
Share options outstanding account	5,375.17	8,472.33
General reserve	1,970.49	-
Retained earnings	30,777.59	52,705.98
Debt instruments through other comprehensive income	(5.03)	-
	<b>3,56,245.16</b>	<b>2,58,811.28</b>

## NOTES

### TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### 21.1 Other equity movement

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Capital Reserve</b>		
Opening Balance	0.43	0.43
Add : Transferred from surplus	-	-
<b>Closing Balance</b>	<b>0.43</b>	<b>0.43</b>
<b>Statutory reserves u/s 45-IC of The RBI Act, 1934</b>		
Opening Balance	25,905.39	25,905.39
Add : Transferred from surplus	-	-
<b>Closing Balance</b>	<b>25,905.39</b>	<b>25,905.39</b>
<b>Statutory reserves u/s 29C of the National Housing Bank Act, 1987</b>		
Opening Balance	292.48	8.53
Add : Transferred from surplus	559.03	283.95
<b>Closing Balance</b>	<b>851.51</b>	<b>292.48</b>
<b>Securities premium</b>		
Opening Balance	1,71,434.68	1,71,166.53
Less : Share issue expenses	(2,971.35)	-
Add: Transfer from ESOP reserves	2,057.67	-
Add : Premium collected on share allotment	1,20,848.61	268.15
<b>Closing Balance</b>	<b>2,91,369.61</b>	<b>1,71,434.68</b>
<b>Share options outstanding account</b>		
Opening Balance	8,472.33	6,697.71
Movement during the year	(3,097.16)	1,774.62
<b>Closing Balance</b>	<b>5,375.17</b>	<b>8,472.33</b>
<b>General reserve</b>		
Opening Balance	-	-
Movement during the year	1,970.49	-
<b>Closing Balance</b>	<b>1,970.49</b>	<b>-</b>
<b>Retained earnings</b>		
Opening Balance	52,705.97	87,623.96
Add: Remeasurement of defined benefit plan/obligations	9.13	52.76
Add: Transferred from the statement of profit and loss	(21,410.49)	(32,462.72)
Less: Transfer to statutory reserve u/s 45-IC of The RBI Act, 1934	-	-
Less: Transfer to statutory reserves u/s 29C of the National Housing Bank Act, 1987	(559.03)	(283.95)
Less: Appropriation towards dividend and dividend distribution tax	-	(2,224.08)
Add: Transfer from Share options outstanding account	32.01	-
<b>Closing Balance</b>	<b>30,777.59</b>	<b>52,705.97</b>
<b>Other Comprehensive Income</b>		
Opening Balance	-	-
Add: Debt instruments through other comprehensive income	(5.03)	-
<b>Closing Balance</b>	<b>(5.03)</b>	<b>-</b>

**NOTES****TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**21.2 Nature and purpose of reserves****Capital Reserve**

Capital reserve comprises of the amount received on shares forfeited by the Company on non-payment of call money.

**Statutory reserves u/s 45-IC of The RBI Act, 1934**

Statutory reserves fund is required to be created by a Non-Banking Financial Company as per Section 45-IC of the Reserve Bank of India Act, 1934. The Company is not allowed to use the reserve fund except with authorisation of Reserve Bank of India.

**Statutory reserves u/s 29C of the National Housing Bank Act, 1987**

Statutory reserves fund is required to be created by Housing Finance Company as per Section 29C of the National Housing Bank of India Act, 1987. The Company is not allowed to use the reserve fund except with authorisation of Reserve Bank of India.

**Securities premium**

Securities premium is used to record the premium on issue of shares. It can be utilised only for limited purposes such as issuance of bonus shares in accordance with the provisions of the Companies Act, 2013.

**Share options outstanding account**

The shares options outstanding account is used to recognise the grant date fair value of options issued to employees under stock option schemes of the Company.

**Retained earnings**

Retained earnings represents accumulated surplus of the accumulated earnings of the Company and which are available for distribution to shareholders.

**General reserve**

General reserve represents Transfer of fair value of options granted to employees from ESOP Reserve to General Reserve on lapse/forefeiture of options by employees.

**21.3 Dividend**

The Board of Directors of the Company at their meeting held on June 17, 2021 declared and approved payment of dividend due on 1,20,68,966 Compulsorily Convertible Preference Shares of face value ₹ 10 each allotted on May 27, 2020 (CCPS), at rate of 10% p.a. calculated on the issue price (₹ 290 per CCPS) amounting to ₹ 3,888.89 lakhs (dividend - ₹ 3,500.00 lakhs and withholding tax - ₹ 388.89 lakhs) for the period from May 27, 2020 to May 26, 2021, pursuant to terms approved by the Shareholders of the Company and fixed the Record Date for the purpose of determining entitlement of CCPS holders for payment of said dividend as Thursday, June 17, 2021.

**Note 22**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Revenue from operations</b>		
<b>Interest income on financial assets measured at amortised cost:</b>		
<b>Interest on loans</b>		
- Loan portfolio	1,15,018.75	1,45,336.76
<b>Interest on deposits</b>		
- Deposits with banks	2,368.89	1,279.14
	<b>1,17,387.64</b>	<b>1,46,615.90</b>
<b>Fees and commission income</b>		
- Management fee	-	2.99
- Syndication, advisory & other fees	3,265.98	5,151.90
	<b>3,265.98</b>	<b>5,154.89</b>

## NOTES

### TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Net gain on fair value changes</b>		
<b>Net gain/(loss) on financial instruments at fair value through profit or loss</b>		
- Investments	4,895.30	4,732.91
<b>Total fair value changes</b>	<b>4,895.30</b>	<b>4,732.91</b>
<b>Fair value changes:</b>		
- Realised	2,957.83	4,726.15
- Unrealised	1,937.47	6.76
<b>Total fair value changes</b>	<b>4,895.30</b>	<b>4,732.91</b>
<b>Gain on derecognition of financial instruments measured at amortised cost category</b>		
- Assignment income	2,430.16	3,240.57
	<b>2,430.16</b>	<b>3,240.57</b>
	<b>1,27,979.08</b>	<b>1,59,744.27</b>

#### Note 23

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Other income</b>		
Miscellaneous income	436.40	146.17
Interest on income tax refund	300.39	
	<b>736.79</b>	<b>146.17</b>

#### Note 24

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Finance cost</b>		
<b>Interest expense on financial liabilities measured at amortised cost:</b>		
<b>Interest expense on borrowings</b>		
Loans from banks	32,872.82	38,854.35
Other borrowings (including Inter Corporate Deposits)	13,570.31	18,794.36
<b>Interest expense on debt securities</b>		
Debentures	22,510.66	26,481.43
Commercial paper	956.60	1,383.46
<b>Other interest expense</b>		
Bank charges & other related costs	950.85	826.03
	<b>70,861.24</b>	<b>86,339.63</b>

#### Note 25

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Impairment on financial instruments at amortised cost</b>		
<b>Impairment on loans</b>		
Provision for expected credit loss	17,004.99	31,147.37
Financial assets written off (net of recovery)	29,285.35	49,738.98
<b>Impairment on others</b>		
Undrawn loan commitments	(80.42)	189.78
Provision for corporate guarantee	135.18	3,981.56
Provision on co-lending arrangements	(578.62)	938.75
Others	431.54	20.29
	<b>46,198.02</b>	<b>86,016.73</b>



**NOTES****TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**Note 26**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Employee Benefits Expenses</b>		
Salaries, other allowances and bonus	15,634.52	15,919.71
Gratuity expenses	175.52	138.58
Compensated absences	(120.26)	129.84
Contribution to provident and other funds	628.09	759.88
Staff welfare expenses	86.34	147.75
Share based payment expense	963.01	1,768.75
Employee shared service costs recovered	4.03	5.86
	<b>17,371.25</b>	<b>18,870.37</b>

**Note 27**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Depreciation</b>		
Depreciation of property, plant and equipment (PPE)	3,073.70	2,793.95
Amortisation of intangible assets	276.49	216.36
	<b>3,350.19</b>	<b>3,010.31</b>

**Note 28**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Other Expenses</b>		
Rent	662.05	860.71
Rates & taxes	218.76	97.55
Printing and stationery	102.51	72.73
Travelling & conveyance	541.39	1,083.90
Advertisement	49.85	280.61
Business Promotion	12.21	173.24
Commission & brokerage	9.95	63.78
Office expenses	2,767.70	2,847.29
Directors' fees & commission	23.11	75.16
Insurance	360.80	512.99
Communication expenses	402.64	499.68
Payment to auditors (note below)	87.52	88.39
CSR expenses (note below)	203.32	392.41
Legal & professional charges	6,521.67	1,633.05
Loss on sale of property plant and equipment	623.22	18.63
Membership & subscriptions	48.42	93.05
Other shared service costs recovered	33.78	28.02
Other fees and commission	-	69.76
Impairment allowance on assets held for sale	108.76	430.43
Provision on employee advance	34.37	-
Provision for doubtful advances	12.47	-
	<b>12,824.50</b>	<b>9,321.38</b>

**NOTES**

**TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Payment to auditors*:</b>		
a) Statutory Audit	62.05	54.56
b) Tax Audit	4.50	5.13
c) Certifications	12.93	22.40
d) Other Services	8.04	6.30
<b>Total</b>	<b>87.52</b>	<b>88.39</b>
* paid to predecessor auditors ₹ 12.55 lakhs		
<b>Details for expenditure on Corporate Social Responsibility:</b>		
a) Gross amount required to be spent during the year	203.32	715.99
b) Amount spent during the year:	-	-
- Expenses paid	190.28	392.41
- Expenses yet to be paid for	13.04	-
<b>Total</b>	<b>203.32</b>	<b>392.41</b>
c) Nature of expenditure:		
- Capital expenditure (asset acquisition/creation)	-	-
- Revenue expenditure	203.32	392.41
<b>Total</b>	<b>203.32</b>	<b>392.41</b>

**Note 29**

**Income taxes**

**Tax expense**

**(a) Amounts recognised in statement of profit and loss**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Current tax expense</b>		
Current year	380.42	36.12
Tax expense of earlier years	456.50	-
	<b>836.92</b>	<b>36.12</b>
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(1,315.76)	(11,240.88)
	(1,315.76)	(11,240.88)
<b>Tax expense for the year</b>	<b>(478.84)</b>	<b>(11,204.76)</b>

**(b) Amounts recognised in other comprehensive income**

	For the year ended March 31, 2021			For the year ended March 31, 2020		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
<b>Items that will not be reclassified to profit or loss</b>						
Remeasurements of the defined benefit liability (asset)	11.42	(2.29)	9.13	70.50	(17.74)	52.76
<b>Tax expense for the year</b>	<b>11.42</b>	<b>(2.29)</b>	<b>9.13</b>	<b>70.50</b>	<b>(17.74)</b>	<b>52.76</b>

**NOTES****TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**(c) Reconciliation of effective tax rate**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Profit/(loss) before tax</b>	<b>(21,889.33)</b>	<b>(43,667.48)</b>
Statutory income tax rate	25.17%	25.17%
Expected income tax expense	(5,509.11)	(10,990.23)
<b>Difference in tax rate due to:</b>		
- Effect of non-deductible expenses	57.44	51.07
- Effect of change in tax rate/laws (refer footnote below)	4,958.04	491.13
- Tax expense of earlier years	456.33	
- Effect of b/f loss set off in current year	-	(703.53)
- Effect of previously unrecognised deductible temporary differences now recognised as deferred tax assets	(565.28)	-
- Effect of inter-company transactions	14.04	(15.52)
- Others	109.70	(37.68)
<b>Total tax expense</b>	<b>(478.84)</b>	<b>(11,204.76)</b>
Current tax	380.42	36.12
Tax expense of earlier years	456.50	-
Deferred tax	(1,315.76)	(11,240.88)
	<b>(478.84)</b>	<b>(11,204.76)</b>

**Footnote:**

The Finance Act, 2021 has introduced an amendment to section 32 of the Income Tax Act, 1961, whereby Goodwill of a business will not be considered as a depreciable asset and depreciation on goodwill will not be allowed as deductible expenditure effective April 1, 2020.

In accordance with the requirements of Ind AS 12 - Income Taxes, the Group has recognised one time tax expense amounting to ₹ 4,958 lakhs as the outcome of the difference between Goodwill as per the books of account and its updated tax base of Nil, resulting from the aforementioned amendment in the Income Tax Act. This deferred tax liability is not expected to be a cash outflow in the future.

**(d) Movement in deferred tax balances**

Particulars	As at March 31, 2021			
	Net balance April 1, 2020	Recognised in profit or loss	Recognised in OCI	Net deferred tax asset/ liability
<b>Deferred Tax Assets</b>				
Provision for expected credit loss	10,029.45	5,403.47	-	15,432.92
Provision for gratuity	78.70	48.16	(2.29)	124.57
Provision for leave encashment	76.97	(43.83)	-	33.14
Fair valuation of ESOPs	621.82	(621.82)	-	-
Income amortisation	677.63	(269.34)	-	408.29
Depreciation on PPE and intangible assets	540.55	(0.84)	-	539.71
Impairment loss allowance on assets held for sale	32.89	(0.10)	-	32.79
Carry forward tax losses	6,025.46	1,401.77	-	7,427.23
Debt instruments through OCI	-	-	1.69	1.69
Lease liabilities	(211.86)	251.90	-	40.04
<b>Deferred tax liability</b>				
Borrowing cost amortisation	(1,284.07)	449.14	-	(834.93)
Fair valuation of security deposits	(0.21)	0.21	-	-
Goodwill amortisation	(2,597.06)	(4,958.04)	-	(7,555.10)
Assignment income amortisation	(1,011.94)	(344.92)	-	(1,356.86)
<b>Deferred tax assets / (Liabilities)</b>	<b>12,978.33</b>	<b>1,315.76</b>	<b>(0.60)</b>	<b>14,293.49</b>

**NOTES  
TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**(e) Movement in deferred tax balances**

Particulars	As at March 31, 2020			
	Net balance April 1, 2019	Recognised in profit or loss	Recognised in OCI	Net deferred tax asset/ liability
<b>Deferred Tax Assets</b>				
Provision for expected credit loss	2,296.73	7,732.72	-	10,029.45
Provision for gratuity	58.59	37.85	(17.74)	78.70
Provision for leave encashment	55.38	21.59	-	76.97
Fair valuation of ESOPs	863.35	(241.53)	-	621.82
Income amortisation	1,367.93	(690.30)	-	677.63
Depreciation on PPE and intangible assets	130.71	409.84	-	540.55
Impairment loss allowance on assets held for sale	-	32.89	-	32.89
Carry forward tax losses	-	6,025.46	-	6,025.46
<b>Deferred tax liability</b>				
Borrowing cost amortisation	(1,068.63)	(215.44)	-	(1,284.07)
Fair valuation of security deposits	(0.31)	0.10	-	(0.21)
Goodwill amortisation	(1,311.21)	(1,285.85)	-	(2,597.06)
Assignment income amortisation	(637.35)	(374.59)	-	(1,011.94)
Lease liabilities	-	(211.86)	-	(211.86)
<b>Deferred tax assets / (Liabilities)</b>	<b>1,755.19</b>	<b>11,240.88</b>	<b>(17.74)</b>	<b>12,978.33</b>

**Note 30**

**Earnings per share (EPS)**

Basic EPS calculated by dividing the net profit for the year attributable to equity holders by the weighted average number of equity shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to equity holders (after adjusting profit impact of dilutive potential equity shares, if any) by the aggregate of weighted average number of equity shares outstanding during the year and the weighted average number of equity shares that would be issued on conversion of all the dilutive potential equity shares into equity shares.

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>i. Profit attributable to equity holders (A)</b>		
Profit/(loss) for the year	(21,410.49)	(32,462.72)
Less: Dividend on compulsorily convertible preference shares (CCPS)	(3,292.24)	-
Profit attributable to equity holders for basic and diluted EPS	(24,702.73)	(32,462.72)
<b>ii. Weighted average number of equity shares for calculating Basic EPS (B)</b>	11,85,72,703	9,22,81,963
<b>iii. Weighted average number of equity shares for calculating Diluted EPS (C)</b>	11,85,72,703	9,22,81,963
<b>iv. Basic earnings per share (₹)</b>	(20.83)	(35.18)
<b>v. Diluted earnings per share (₹)</b>	(20.83)	(35.18)

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

### Note 31

#### Financial instruments - Fair values

##### A. Accounting classification and fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions, regardless of whether that price is directly observable or estimated using a valuation technique.

The management has assessed that the carrying amounts of cash and cash equivalents, loans carried at amortised cost, other financial assets, trade payables, borrowings, bank/book overdrafts and other current liabilities are a reasonable approximation to their fair value.

##### B. Risk Management Framework:

Company's risk management framework is based on

- (a) Clear understanding and identification of various risks;
- (b) Disciplined risk assessment by evaluating the probability and impact of each risk;
- (c) Measurement and monitoring of risks by establishing key risk indicators with thresholds for all critical risks; and
- (d) Adequate review mechanism to monitor and control risks.

Group's risk management division works as a value centre by constantly engaging with the business providing reports based on key analysis and insights. The key risks faced by the Group are credit risk, liquidity risk, interest rate risk, operational risk, reputational and regulatory risk, which are broadly classified as credit risk, market risk and operational risk. The Group has a well established risk reporting and monitoring framework. The Group identifies and monitors risks periodically. This process enables the Group to reassess the all critical risks in a changing environment that need to be focused on.

##### C. Risk governance structure:

Group's risk governance structure operates with a robust Board and Risk Management Committee ('RMC') with a clearly laid down charter and roles and responsibilities. The Board oversees the risk management process and monitors the risk profile of the Group directly as well as through a Board constituted Risk Management Committee. The Committee reviews the risk management policy, implementation of risk management framework, monitoring of critical risks, review and approval of exposures with conflict of interest and review of various other initiatives. The risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate limits and controls and to monitor risks and adherence to limits. The RMC reviews the risk management policies regularly to reflect the changes in market conditions and Group's activities

The Audit Committee oversees how management monitors compliance with risk management policies and procedures and reviews the adequacy of risk management framework in relation to the risk faced by the Group

The risk management committee has established a comprehensive risk management framework across the business and provides appropriate reports on risk exposures and analysis in its pursuit of creating awareness across the Group about risk management.

## NOTES

### TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### D. Fair value hierarchy

Ind AS 107, 'Financial Instrument - Disclosure' requires classification of the valuation method of financial instruments measured at fair value in the Balance Sheet, using a three level fair-value-hierarchy (which reflects the significance of inputs used in the measurements). The hierarchy gives the highest priority to un-adjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to un-observable inputs (Level 3 measurements). The three levels of the fair-value-hierarchy under Ind AS 107 are described below:

**Level 1:** Level 1 hierarchy includes financial instruments measured using quoted prices.

**Level 2:** The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level. This is the case for unlisted equity securities included in level 3.

The following table shows the carrying amounts and fair values of financial assets including their levels in the fair value hierarchy:

Particulars	As at March 31, 2021							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs*	Total
<b>Investments covered under Ind AS 109</b>								
(a) Investments in Mutual funds	1,27,637.20	-	-	1,27,637.20	1,27,637.20	-	-	1,27,637.20
(b) Investments in Security Receipts	-	-	18,768.91	18,768.91	-	-	18,768.91	18,768.91
(c) Treasury Bills	-	12,729.94	-	12,729.94	12,729.94	-	-	12,729.94
<b>Total</b>	<b>1,27,637.20</b>	<b>12,729.94</b>	<b>18,768.91</b>	<b>1,59,136.05</b>	<b>1,40,367.14</b>	<b>-</b>	<b>18,768.91</b>	<b>1,59,136.05</b>

\*based on NAV statements and other information received from assets reconstruction company and adjusted for Expected credit losses as per Model.

Particulars	As at March 31, 2020							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs*	Total
<b>Investments covered under Ind AS 109</b>								
(a) Investments in Mutual funds	23,055.69	-	-	23,055.69	23,055.69	-	-	23,055.69
<b>Total</b>	<b>23,055.69</b>	<b>-</b>	<b>-</b>	<b>23,055.69</b>	<b>23,055.69</b>	<b>-</b>	<b>-</b>	<b>23,055.69</b>

**NOTES  
TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

An analysis of changes in the gross carrying amount and the corresponding impairment loss allowances in relation to investments measured at amortised cost is as follows:

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Gross carrying amount opening balance</b>	-	-	-	-	-	-	-	-
Reclassified from Loan Assets*	-	14,450.00	10,710.00	25,160.00	-	-	-	-
Assets derecognised or repaid (excluding write offs)	-	-	(2,707.59)	(2,707.59)	-	-	-	-
Transfers to stage 1	-	-	-	-	-	-	-	-
Transfers to stage 2	-	-	-	-	-	-	-	-
Transfers to stage 3	-	(14,450.00)	14,450.00	-	-	-	-	-
Amounts written off (net of recovery)	-	-	-	-	-	-	-	-
<b>Gross carrying amount closing balance</b>	-	-	22,452.41	22,452.41	-	-	-	-

\* net of amount written-off

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Impairment loss allowance - opening balance</b>	-	-	-	-	-	-	-	-
New assets originated or purchased	-	-	3,683.50	3,683.50	-	-	-	-
<b>Impairment loss allowance - closing balance</b>	-	-	3,683.50	3,683.50	-	-	-	-

Particulars	As at March 31, 2021							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs*	Total
<b>Loans covered under Ind AS 109</b>	-	-	7,13,933.61	7,13,933.61	-	-	7,13,933.61	7,13,933.61
	-	-	7,13,933.61	7,13,933.61	-	-	7,13,933.61	7,13,933.61

\*Discounted cash flow approach adopted for fair valuation of level 3 instruments

Particulars	As at March 31, 2020							
	Carrying amount				Fair value			
	Fair value through profit and loss	Fair value through other comprehensive income	Amortised Cost	Total	Level 1 - Quoted price in active markets	Level 2 - Significant observable inputs	Level 3 - Significant unobservable inputs*	Total
<b>Loans covered under Ind AS 109</b>	-	-	8,29,309.31	8,29,309.31	-	-	8,29,309.31	8,29,309.31
	-	-	8,29,309.31	8,29,309.31	-	-	8,29,309.31	8,29,309.31

\*Discounted cash flow approach adopted for fair valuation of level 3 instruments

The management has assessed that the carrying amounts of cash and cash equivalents, other financial assets, trade payables, borrowings, bank overdrafts and other current liabilities are a reasonable approximation to their fair value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

### E. Credit risk

Credit risk arises when a borrower is unable to meet his contractual obligations to the lender. The effective management of credit risk requires the establishment of appropriate credit risk policies and processes. The Company has comprehensive and well defined credit policies across various businesses, products and segments, which encompass credit approval process for all businesses along with guidelines for mitigating the risks associated with them. The appraisal process includes detailed risk assessment of the borrowers, physical verifications and field visits. The company has a robust post sanction monitoring process to identify portfolio-wise credit risk trends and early warning signals. This enables it to implement necessary changes to the credit policy, whenever the need arises to prevent any further slippage in the credit quality.

#### Grouping financial assets measured on a collective basis

The Group splits its exposure into smaller homogeneous portfolios, based on shared credit risk characteristics, as described below in the following order:

- Customer i.e. corporate and retail
- Nature of product i.e. commercial vehicle, SME and housing finance

#### Significant increase in credit risk

The credit risk on a financial asset of the Group are assumed to have increased significantly since initial recognition when contractual payments are more than 30 days past due. The retail loans where the renegotiated terms are not substantially different and involve repayment terms to be extended including interest or the EMI amount readjusted over the tenure are classified as Stage 2. In case of corporate loan the assessment of significant increase in credit risk is performed on a case to case basis. Additionally, accounts identified and reviewed by the credit committee for labelling as breaching pre-defined critical credit risk parameters will also be classified as Stage 2. Accordingly, the financial assets shall be classified as Stage 2, based on the quantitative as well as qualitative factors.

#### Write off

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in Statement of profit and loss.

#### Restructured financial assets

A loan where repayment terms are renegotiated on substantially different terms as compared to the original contracted terms due to significant increase in credit risk of the borrower are classified as stage 2. Such loans continue to be in stage 2 until they exhibit regular payment of renegotiated principal and interest over a minimum observation period typically 12 months-post renegotiation, and there are no other indicators of impairment. Having satisfied the conditions of timely payment over the observation period these loans could be transferred to stage 1 or 2 and a fresh assessment of the risk of default is done.

#### Overview of the Expected Credit Loss principles

'The Group records allowance for expected credit losses for all loans, debt financial assets not held at FVTPL, undrawn loan commitments (referred to as 'financial instruments').

For the computation of ECL on the financial instruments, the Group categories its financial instruments as mentioned 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 Group classifies all advances upto 30 days overdue 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:** Exposures are classified as Stage 2 when the amount is due for more than 30 days but do not exceed 90 days. 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

**Stage3:** All exposures are 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. Exposures where the amount remains due for 91 days or more are considered as to be stage 3 assets.

The Group 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 Group undertakes the classification of exposures within the aforesaid stages at borrower level.

### Definition of default

A default on a financial asset is when the counterparty fails to make the contractual payments within 90 days of when they fall due. Accordingly, the financial assets shall be classified as Stage 3, if on the reporting date, it has been more than 90 days past due. Non-payment on another obligation of the same customer is also considered as a Stage 3.

### The calculation of ECL

ECL is a probability weighted credit losses (i.e. present value of all cash shortfalls) over the expected life of the financial instruments. Cash shortfalls are the difference between the cash flows that the entity is entitled to receive on account of contract and the cash flows that the entity expects to receive.

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

### Portfolio Segmentation:

For ECL purpose, the loan portfolio is broadly segmented as below :

- 1) Corporate lending
- 2) Small and medium enterprises lending ('SME')
- 3) Commercial vehicle lending
- 4) Housing finance

**Exposure-At-Default (EAD) :** The Exposure at Default is the amount the Group is entitled to receive as on reporting date including repayments due for principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities.

**Probability of Default (PD) :** The Probability of Default is an estimate of the likelihood of default of the exposure 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.

**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 lender would expect to receive, including from the realisation of any collateral.

The ECL allowance is applied on the financial instruments depending upon the classification of the financial instruments as per the credit risk involved. ECL allowance is computed on the below mentioned basis:

**12-month ECL:** 12-month ECL is the portion of Lifetime ECL that represents the ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. 12-month ECL is applied on stage 1 assets.

**Lifetime ECL:** Lifetime ECL for credit losses expected to arise over the life of the asset in cases of credit impaired loans and in case of financial instruments where there has been significant increase in credit risk since origination. Lifetime ECL is the expected credit loss resulting from all possible default events over the expected life of a financial instrument. Lifetime ECL is applied on stage 2 and stage 3 assets. the Group computes the ECL allowance either on individual basis or on collective basis, depending on the nature of the underlying portfolio of financial instruments. the Group has grouped its loan portfolio into Corporate loans, SME loans and Commercial vehicle loans.

## NOTES

### TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### Forward looking information

The Group employs statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time. Such statistical models are selected considering the availability of information related to the probability of default for each product. This analysis includes the identification and calibration of relationships between changes in GNPA as proxy for default rates and changes in key macro-economic factors. Key economic indicators considered for forward looking includes:

- GDP growth
- WPI (Wholesale price index)

For the purpose of determination of impact of forward looking information, the company applies macro economic (ME) variables as stated above to each product and assess the trend of the historical probability of defaults as compared to the forecasted probability of default. Based on the directional trend of output, management applies an overlay if required. Overtime, new ME variable may emerge to have a better correlation and may replace ME being used now.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans and advances and investment debt securities is as follows:

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	7,02,302.18	1,45,384.65	39,567.74	8,87,254.57	10,33,569.62	99,434.75	30,829.30	11,63,833.67
New assets originated or purchased	1,96,875.34	5,332.55	789.24	2,02,997.13	1,26,345.86	10,651.73	1,380.17	1,38,377.75
Assets derecognised or repaid (excluding write offs)	(2,15,035.33)	(32,032.75)	(4,917.78)	(2,51,985.86)	(3,46,937.99)	(13,717.64)	(4,562.25)	(3,65,217.88)
Transfers to stage 1	15,156.41	(12,536.38)	(2,620.03)	-	7,856.02	(5,944.93)	(1,911.09)	-
Transfers to stage 2	(1,23,370.94)	1,25,844.39	(2,473.45)	-	(78,012.73)	78,012.73	-	-
Transfers to stage 3	(12,362.33)	(17,216.48)	29,578.81	-	(9,104.19)	(19,948.94)	29,053.14	-
Amounts written off (net of recovery)	(2,612.08)	(11,496.55)	(15,176.72)	(29,285.35)	(31,414.40)	(3,103.04)	(15,221.53)	(49,738.97)
Presented under Investments in Security Receipts*	-	(14,450.00)	(10,710.00)	(25,160.00)	-	-	-	-
Gross carrying amount closing balance	5,60,953.25	1,88,829.43	34,037.81	7,83,820.49	7,02,302.19	1,45,384.66	39,567.74	8,87,254.57

\* Presented under Investments in Security Receipts (Refer to Note 31(D))

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

### Reconciliation of ECL balance is given below:

Particulars	2020-21				2019-20			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance - opening balance	36,292.58	14,068.56	7,584.12	57,945.26	10,050.71	6,326.46	11,307.84	27,685.01
New assets originated or purchased	2,772.84	847.17	587.87	4,207.88	976.65	265.27	372.78	1,614.70
Assets derecognised or repaid (excluding write offs)	(15,053.98)	(1,785.52)	(539.44)	(17,378.94)	(414.29)	(3,129.02)	(4,550.30)	(8,093.61)
Transfers to stage 1	1,197.65	(573.92)	(623.73)	-	1,160.58	(420.69)	(739.89)	-
Transfers to stage 2	(1,676.45)	2,239.16	(562.71)	-	(1,309.79)	1,695.13	(385.33)	-
Transfers to stage 3	(2,992.53)	(1,482.84)	4,475.38	-	(77.89)	(97.44)	175.33	-
Impact on year end ECL of exposures transferred between stages during the year	8,086.00	10,094.42	16,730.34	34,910.76	25,968.01	9,655.15	6,988.13	42,611.29
Amounts written off (net of recovery)	(20.09)	(751.86)	(9,026.13)	(9,798.08)	(61.40)	(226.29)	(5,584.44)	(5,872.13)
ECL allowance - closing balance	28,606.02	22,655.17	18,625.70	69,886.88	36,292.58	14,068.57	7,584.12	57,945.26

### F. Risk Management amidst COVID-19:

Estimation uncertainty relating to COVID-19 global health pandemic:

In assessing the recoverability of loans, receivables, goodwill and investments, the Group has considered internal and external sources of information, economic forecasts and industry reports upto the date of approval of these financial results. The Group has performed stress testing on the assumptions used and based on current indicators of future economic conditions, the Group expects to recover the carrying amount of these assets. The Group has developed estimates and applied management overlays for the purpose of determination of the provision for impairment of financial assets.

The full extent of impact of the pandemic (Wave 2) on the Group's operations and financial performance (including impact on carrying value of Goodwill and impairment allowances for financial asset) will depend on future developments including governmental and regulatory measures and the Group's responses thereto, which are highly uncertain at this time.

Further, in view of the matters mentioned above, the Group is regularly assessing and monitoring the impact of the Novel Coronavirus (COVID-19) pandemic on its liquidity and ability to repay its obligations as and when they are due. Based on the foregoing and necessary stress tests considering various scenarios, management believes that the Group will be able to pay its obligations as and when these become due in the foreseeable future.

### G. Liquidity risk

Liquidity is the Group's capacity to fund increase in assets and meet both the expected and unexpected obligations without incurring unacceptable losses. Liquidity risk is the inability to meet such obligations as they become due without adversely affecting the Group's financial conditions. The Asset Liability Management Policy of the Group stipulates a broad framework for Liquidity risk management to ensure that the Group can meet its liquidity obligations. The Asset Liability Management Committee ('ALCO') monitors composition, characteristics and diversification of funding sources to ensure there is no over reliance on single source of funding. The Group tracks the cash flow mismatches for measuring and managing net funding requirement through Maturity Ladder approach and reviews short-term liquidity profiles based on business projections and other commitments for planning purposes through Dynamic Liquidity analysis. The ALCO also reviews the individual mismatch in each time bucket and cumulative mismatch and ensures the bucket wise limits are not breached.

**NOTES  
TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

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The Group maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption in cash flow. The liquidity position of the Group is assessed under a variety of scenarios giving due consideration to stress factors relating to both the market in general and risk specifics to the Group. Basis the liquidity position assessed under various stress scenarios; the Group reviews the following to effectively handle any liquidity crisis:

- Adequacy of contingency funding plan in terms of depth of various funding sources, time to activate, cost of borrowing, etc
- Availability of unencumbered eligible assets

**Maturity profile of undiscounted cash flows for financial liabilities as on balance sheet date have been provided below:**

**As on March 31, 2021**

Particulars	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>Financial Liabilities</b>					
Trade payables	394.41	-	-	-	394.41
Debt securities	56,079.14	71,909.70	73,287.34	-	2,01,276.18
Borrowings (other than debt securities)#	75,309.39	99,730.11	1,95,885.75	28,558.21	3,99,483.46
Other financial liabilities	32,836.04	-	-	-	32,836.04
<b>Total</b>	<b>1,64,618.98</b>	<b>1,71,639.81</b>	<b>2,69,173.09</b>	<b>28,558.21</b>	<b>6,33,990.09</b>

Footnote:

#The Company has borrowing facilities with various Banks. Few of such facilities have overriding clause to terminate, reduce, suspend or cancel the facility in future, at the absolute discretion of the lender. As at the date of approval of financial statements, none of lenders have terminated, reduced, suspended or cancelled any facility including undrawn limits. Accordingly, ₹ 59,621.95 lakh scheduled for payment after March 31, 2022 for these facilities have been classified as per prevailing contractual maturity.

**As on March 31, 2020**

Particulars	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
<b>Financial Liabilities</b>					
Trade payables	1,109.83	-	-	-	1,109.83
Debt securities	9,271.80	47,633.34	1,52,042.00	-	2,08,947.14
Borrowings (other than debt securities)	55,290.50	1,42,486.91	2,61,308.62	46,159.02	5,05,245.05
Other financial liabilities	25,648.61	-	-	-	25,648.61
<b>Total</b>	<b>91,320.74</b>	<b>1,90,120.25</b>	<b>4,13,350.62</b>	<b>46,159.02</b>	<b>7,40,950.63</b>

**H. Market risk**

Market Risk is the possibility of loss arising from changes in the value of a financial instrument as a result of changes in market variables such as interest rates, exchange rates and other asset prices. The Group's exposure to market risk is a function of asset liability management and interest rate sensitivity assessment. The Group is exposed to interest rate risk and liquidity risk, if the same is not managed properly. The Group continuously monitors these risks and manages them through appropriate risk limits. The Asset Liability Management Committee ('ALCO') reviews market related trends and risks and adopts various strategies related to assets and liabilities, in line with the Group's risk management framework.

**I. Operational risk**

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. The operational risks of the Group are managed through comprehensive internal control systems and procedures. Failure of managing operational risk might lead to legal / regulatory implications due to non-compliance and lead to financial loss due to control failures. While it is not practical to eliminate all the operational risk, the Group has put in place adequate control framework by way of segregation of duties, well defined process, staff training, maker and checker process, authorisation and clear reporting structure. The effectiveness of control framework is assessed by internal audit on a periodic basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

To manage fraud risk effectively, the Group has Independent Risk Containment Unit ('RCU') which is responsible for implementing fraud risk management framework and ensure compliance. The RCU undertakes various activities such as pre-sanction loan applicant verification, pre-sanction and post disbursement documents verification, vendor verification, etc to prevent and manage frauds.

### Note 32

#### Disclosure pursuant to Ind AS 108 "Operating Segment"

##### Business segments

The Group has identified operating segments based on performance assessment and resource allocation by the chief operating decision maker. Revenue and expenses directly attributable to segments are reported under each reportable segment. All other revenue / expenses which are not attributable or allocable to segments have been disclosed as unallocated. Assets and liabilities that are directly attributable or allocable to segments are disclosed under each reportable segment. All other assets and liabilities are disclosed as unallocable, which primarily consists of current tax and deferred tax assets / liabilities and investments. As the operations of the Group are carried out within India, there are no geographical segments.

The Group operates in the following segments:

**Large Corporate** segment provides loans to medium and large-sized corporates, institutional customers and real estate developers.

**SME** segment provides lending to small and medium enterprises for business financing needs including working capital, business expansion or other requirements.

**Commercial vehicle** segment primarily consists of financing for used and new vehicles.

**Housing Finance** segment consists of affordable home financing to self-employed and salaried customers.

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
<b>I Gross segment revenue from continuing operations</b>		
(a) Large corporate	34,014.71	54,669.88
(b) SME	18,225.00	21,293.42
(c) Commercial vehicles	55,564.64	68,153.45
(d) Housing finance	13,406.75	9,713.90
(e) Unallocated	7,504.76	6,059.79
<b>Segment revenue from continuing operations</b>	<b>1,28,715.86</b>	<b>1,59,890.44</b>
<b>II Segment results</b>		
(a) Large corporate	4,072.77	(17,222.87)
(b) SME	2,594.08	2,311.71
(c) Commercial vehicles	(15,736.44)	9,402.21
(d) Housing finance	3,867.23	951.62
(e) Unallocated	(16,687.52)	(39,110.14)
<b>Profit/(loss) before tax</b>	<b>(21,889.88)</b>	<b>(43,667.47)</b>
<b>III Segment assets</b>		
(a) Large corporate	1,92,573.71	2,89,574.01
(b) SME	1,42,953.36	1,36,912.50
(c) Commercial vehicles	3,59,907.43	4,21,258.89
(d) Housing finance	88,811.05	78,664.65
(e) Unallocated	2,23,912.16	86,445.94
<b>Total assets</b>	<b>10,08,157.71</b>	<b>10,12,855.99</b>

**NOTES  
TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

Particulars	Year ended March 31, 2021	Year ended March 31, 2020
<b>IV Segment liabilities</b>		
(a) Large corporate	1,16,806.11	2,10,110.72
(b) SME	91,462.29	1,00,993.37
(c) Commercial vehicles	2,49,359.94	3,55,957.79
(d) Housing finance	67,279.52	60,704.17
(e) Unallocated	1,13,424.56	17,033.57
<b>Total liabilities</b>	<b>6,38,332.42</b>	<b>7,44,799.62</b>

**Note 33**

**Related Party Disclosures, as required by Indian Accounting Standard 24 (Ind AS 24) are given below:**

**a) Relationships**

**Ultimate Controlling Party**

Brookfield Asset Management Inc. (from July 9, 2020)

**Holding Company**

Indostar Capital (Mauritius) (upto May 27, 2020)

BCP V Multiple Holdings Pte. Ltd. (from July 9, 2020)

**Names of other related parties with whom the Group had transactions during the year:**

**Key Managerial Personnel**

R. Sridhar - Executive Vice-Chairman & CEO

Shailesh Shirali - Wholetime Director (upto July 10, 2020)

Bobby Parikh - Non-Executive Independent Chairman

Dinesh Kumar Mehrotra - Non-Executive Independent Director (upto July 10, 2020)

Hemant Kaul - Non-Executive Independent Director

Naina Krishna Murthy - Non-Executive Independent Director

**Other related parties - entities in which Key Managerial Personnel has interest/significant influence.**

Avasara Leadership Institute

Bobby Parikh & Associate

Krishnamurthy & Co.

Jaipur Advisory Group Private Limited

**b) Transactions with Holding Company**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
Subscription to Equity Shares of the Company by Holding Company	87,500.00	-
Subscription to Compulsorily Convertible Preference Shares of the Company by Holding Company	35,000.00	-

**c) Transactions with Key Managerial Personnel :**

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
1) Short-term employee benefits	1,204.12	1,188.16
2) Sitting fees to Non-Executive Independent Directors	23.87	31.56
3) Reimbursement of expenses	6.63	1.44
4) Dividend paid	-	6.74
5) Loan given	2,500.00	-

**NOTES****TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

Compensation of the Group's key managerial personnel includes salaries, non-cash benefits and contributions to post-employment defined benefit plan.

The Parent Company has paid managerial remuneration for the year ended March 31, 2021 to Mr. R. Sridhar, Whole-Time Director designated as Executive Vice-Chairman & CEO, in accordance with the requisite approvals obtained from the Members of Parent Company under the provisions of Section 197 read with Schedule V to the Companies Act, 2013 ("Act"). Further, managerial remuneration for the year ended March 31, 2021 paid to Mr. Shailesh Shirali, Whole-Time Director for a period from April 1, 2020 to July 10, 2020, is in excess by ₹ 44.73 lakhs of the limits provided in section 197 read with Schedule V to the Act. The Parent Company proposes to obtain approval of the Members of the parent company in general meeting by way of special resolution for waiver of recovery of excess remuneration paid to Mr. Shirali.

**d) Transactions other than those with key management personnel :**

Particulars		Other related parties
1) Professional fees	2021	35.65
	2020	-
2) Corporate social responsibility	2021	25.00
	2020	69.02

**e) The related party balances outstanding at year end are as follows:**

Particulars		Key Managerial Personnel
Loans outstanding	2021	2,500.00
	2020	-

**Note 34**

Set out below is the disaggregation of the revenue from contracts with customers

Particulars	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Type of Services or service</b>		
Syndication, advisory & other fees	3,265.98	5,151.90
Management fee	-	2.99
<b>Total revenue from contracts with customers</b>	<b>3,265.98</b>	<b>5,154.89</b>
<b>Geographical markets</b>		
India	3,265.98	5,154.89
Outside India	-	-
<b>Total revenue from contracts with customers</b>	<b>3,265.98</b>	<b>5,154.89</b>
<b>Timing of revenue recognition</b>		
Services transferred at a point in time	3,265.98	5,154.89
Services transferred over time	-	-
<b>Total revenue from contracts with customers</b>	<b>3,265.98</b>	<b>5,154.89</b>

**NOTES**  
**TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**  
 (Currency : Indian Rupees in Lakhs)

**Note 35**  
**Contingent liabilities and Commitments**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Contingent liabilities:</b>		
Corporate guarantee given by Company to banks	5,652.78	4,625.00
<b>Capital commitments:</b>		
Estimated amount of contracts remaining to be executed on capital account	50.42	26.51
<b>Other commitments:</b>		
Loans sanctioned not yet disbursed	41,073.37	87,448.98

**Note 36**  
**Disclosures as required by Ind AS 116 'Leases'**  
**(A) Lease liability movement**

Particulars	As at March 31, 2021	As at March 31, 2020
Opening balance	2,390.90	2,983.15
Add : Adjustments/additions during the year	1,471.71	259.44
Add : Interest on lease liability	257.21	272.22
Less : Lease rental payments	(1,235.62)	(1,123.91)
	<b>2,884.20</b>	<b>2,390.90</b>

**(B) Future lease cashflow for all leased assets**

Particulars	As at March 31, 2021	As at March 31, 2020
Not later than one year	1,258.41	1395.86
Later than one year but not later than five years	1,981.20	3081.49
Later than five years	295.74	-
	<b>3,535.35</b>	<b>4,477.35</b>

**(C) Maturity analysis of lease liability**

Particulars	As at March 31, 2021	As at March 31, 2020
<b>Lease liability</b>		
Less than 12 months	1,021.86	861.64
More than 12 months	1,862.34	1529.26
	<b>2,884.20</b>	<b>2,390.90</b>



**NOTES****TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**Note 37****Dues to Micro, Small and Medium enterprises as per MSMED Act, 2006**

The following disclosure is made as per the requirement under The Micro Small and Medium Enterprise Development Act, 2006 (the 'MSMED Act') on the basis of confirmations sought from suppliers on registration with the specified authorities under MSMED :

Particulars	As at March 31, 2021	As at March 31, 2020
a. Principal and interest amount remaining unpaid	8.12	-
b. Interest due thereon remaining unpaid	-	-
c. Interest paid by the Company in terms of Section 16 of the Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of the payment made to the supplier beyond the appointed day	-	-
d. Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the period) but without adding interest specified under the Micro, Small and Medium Enterprises Act, 2006)	-	-
e. Interest accrued and remaining unpaid	-	-
f. Interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises	-	-

The aforementioned is based on the responses received by the Group to its inquiries with suppliers with regard to applicability under the said Act. This has been relied upon by the auditors.

No interest has been paid/is payable by the Group during the year to the suppliers registered under this Act.

**Note 38****Gratuity and other post-employment benefit plans:**

The Group has an funded defined benefit gratuity plan. Every employee who has completed five years or more of service is eligible for a gratuity on separation at 15 days basic salary (last drawn salary) for each completed year of service.

Based on Ind AS 19 'Employee Benefits' notified under Section 133 of the Companies Act 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 and the Companies (Accounting Standards) Amendment Rules, 2016, the following disclosures have been made as required by the standard:

Particulars	As at March 31, 2021	As at March 31, 2020
<b>A. Amount recognised in the balance sheet</b>		
Present value of the obligation as at the end of the year	498.76	421.63
Fair value of plan assets as at the end of the year	3.83	3.59
<b>Net asset / (liability) to be recognized in the balance sheet</b>	<b>494.93</b>	<b>418.04</b>
<b>B. Change in projected benefit obligation</b>		
Projected benefit of obligation at the beginning of the year	421.63	414.04
Current service cost	143.11	127.44
Past service cost	-	-
Interest cost	28.20	13.89
Benefits paid	(78.85)	(68.85)
Addition on account of business combination	-	-
Actuarial (gain) / loss on obligation	(15.33)	(64.90)
<b>Projected benefit obligation at the end of the year</b>	<b>498.76</b>	<b>421.62</b>

**NOTES**  
**TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**  
 (Currency : Indian Rupees in Lakhs)

Particulars	As at March 31, 2021	As at March 31, 2020
<b>C. Change in plan assets</b>		
Fair value of plan assets at the beginning of the year	3.59	3.34
Return on plan assets	4.15	2.75
Actuarial gain/(loss)	(3.90)	(2.50)
Benefits paid	-	-
<b>Fair value of plan assets at the end of the year</b>	<b>3.84</b>	<b>3.59</b>
<b>D. Amount recognised in the statement of profit and loss</b>		
Current service cost	143.11	127.44
Past service cost and loss/(gain) on curtailments and settlement	-	-
Net interest cost	24.06	11.14
<b>Expenses recognised in the statement of profit and loss</b>	<b>167.17</b>	<b>138.58</b>
<b>E. Amount recognised in other comprehensive income</b>		
Actuarial (gains) / loss		
- change in financial assumption	21.32	25.72
- experience variation	(31.42)	(88.45)
Return on plan assets, excluding amount recognised in net interest expense	(1.33)	(7.77)
	<b>(11.43)</b>	<b>(70.50)</b>
<b>F. Assumptions used</b>		
Discount rate	6.85%	6.85%
Salary growth rate	6.00%	6.00%
Withdrawal rate	10% at younger ages reducing to 6% at older ages	10% at younger ages reducing to 6% at older ages

**G. Sensitivity analysis**

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

Particulars	As at March 31, 2021		As at March 31, 2020	
	Increase	Decrease	Increase	Decrease
Discount rate (0.5% movement)	477.44	521.75	404.03	440.56
Salary growth rate (0.5% movement)	518.61	479.93	436.79	406.89
Withdrawal rate (10% movement)	495.83	501.51	420.41	422.60

**H. Other information :**

- Plans assets comprises 100% of Insurance funds
- The expected contribution for the next year is ₹ 138.95 Lakhs
- The average outstanding term of the obligations as at valuation date is 8.88 years.

**NOTES****TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**Note 39****Additional information as required by Paragraph 2 of the General Instructions for Preparation of Consolidated Financial Statements to Schedule III to the Companies Act, 2013****Net assets i.e. total assets minus total liabilities**

Particulars	As at March 31, 2021		As at March 31, 2020	
	As % of Consolidated Net assets	Amount	As % of Consolidated Net assets	Amount
<b>Parent</b>				
IndoStar Capital Finance Limited	99.48%	3,67,896.44	100.30%	2,68,865.43
<b>Subsidiaries</b>				
IndoStar Home Finance Private Limited	5.82%	21,529.30	6.96%	18,646.33
IndoStar Asset Advisory Private Limited	0.12%	455.32	0.17%	459.62
Minority Interest	0.00%	-	0.00%	-
Less: Inter-Company eliminations	-5.42%	(20,055.97)	-7.43%	(19,915.01)
<b>Total</b>	<b>100.00%</b>	<b>3,69,825.09</b>	<b>100.00%</b>	<b>2,68,056.37</b>

**Share of Profit or Loss**

Particulars	For the year ended March 31, 2021		For the year ended March 31, 2020	
	As % of Consolidated profit or loss	Amount	As % of Consolidated profit or loss	Amount
<b>Parent</b>				
IndoStar Capital Finance Limited	112.8%	(24,146.80)	104.8%	(34,008.68)
<b>Subsidiaries</b>				
IndoStar Home Finance Private Limited	-13.1%	2,795.13	-4.4%	1,419.73
IndoStar Asset Advisory Private Limited	0.0%	(4.30)	-0.2%	63.30
Minority Interest	0.0%	-	0.0%	-
Less: Inter-Company eliminations	0.3%	(54.52)	-0.2%	62.93
<b>Total</b>	<b>100%</b>	<b>(21,410.49)</b>	<b>100%</b>	<b>(32,462.72)</b>

**Note 40****Employee stock option plans**

The Company provides share-based employee benefits to the employees of the Company, Subsidiary Company, the Director, whether a whole time Director or otherwise but excluding Non-Executive Independent Director, including the Director of the Company, or a Subsidiary Company, such other entities or individuals as may be permitted by Applicable Laws and any of the aforesaid employees who are on deputation at the request of the Company and during the year ended March 31, 2021, employee stock option plans (ESOPs) were in existence. The relevant details of the schemes and the grant are as below.

**A. Description of share-based payment arrangements**

As at March 31, 2021, the Company has the following share-based payment arrangements:

**Share option plans (equity settled)**

According to the Schemes, the employee selected by the Nomination and Remuneration Committee ('NRC') from time to time will be entitled to options, subject to satisfaction of the prescribed vesting conditions. The contractual life (comprising the vesting period and the exercise period) of options granted is 5 years.

## NOTES

### TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### I. Details of the ESOP

Particulars	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016 - II	ESOP Plan 2017	ESOP Plan 2018
Date of Shareholder's Approval	30-Jul-12	09-May-16	17-Oct-16	28-Apr-17	15-Dec-17
Total Number of Options approved	15,00,000	27,00,000	30,00,000	20,00,000	60,00,000
Vesting requirements	Vesting criteria will specified for each option holder by the Nomination and Remuneration Committee ('NRC') at the time of grant of options. For valid vesting of options, the concerned option holder is required to be an eligible employee on the respective vesting date and must neither be serving his/her notice period for termination of service nor be subject to any disciplinary proceedings pending against him/her. Unless the NRC provides otherwise, the vesting of options granted hereunder shall be stalled / blocked during any unauthorised and unpaid leave of absence for such period as may prescribed by NRC or for any cause as deemed fit by the NRC.				
The pricing formula	Options can be exercised at any of the following exercise price, as may be determined by the NRC at its sole discretion at the time of grant of options:(i) fair market value rounded to the nearest rupee; or(ii) market price rounded to the nearest rupee; or(iii) such price as may be determined by the NRC. However, the exercise price shall not be less than the fair market value of the shares.				
Maximum term of options granted (years)	Options granted under the ESOP plans would vest not less than 1 (one) year from the date of grant of options. Options shall be capable of being exercised within a period of 4 years from the date of vesting.				
Method of settlement	Equity				
Source of shares	Primary				
Variation in terms of ESOP	ESOP Plan 2012, ESOP Plan 2016, ESOP Plan 2016 - II, ESOP Plan - 2017 and ESOP Plan 2018 were amended pursuant to resolution passed by NRC and the Board of Directors at their respective meeting held on 12 August 2020 and members of Company at the Annual General Meeting held on 24 September 2020 by deleting the maximum period within which options should vest with option grantees.				
Method used for accounting of options	Fair Value Method				

#### II. Option Movement during the year ended Mar 2021

Particulars	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016 - II	ESOP Plan 2017	ESOP Plan 2018
	No. of Options	No. of Options	No. of Options	No. of Options	No. of Options
No. of options outstanding at the beginning of the year	74,700	25,03,277	25,50,500	17,44,500	14,58,000
Options granted during the year	-	-	-	-	15,75,000
Options forfeited / lapsed during the year	-	17,35,777	13,84,500	15,000	10,000
Options exercised during the year	64,000	2,55,000	7,88,000	-	-
Total number of shares arising as a result of exercise of options	64,000	2,55,000	7,88,000	-	-
Number of options outstanding at the end of the year	10,700	5,12,500	3,78,000	17,29,500	30,23,000
Number of options exercisable at the end of the year	5,450	3,31,200	3,00,300	90,300	1,13,500
Weighted average market price of options exercised for the year ended March 31, 2021	284.55	331.06	309.72	-	-

**NOTES****TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**

(Currency : Indian Rupees in Lakhs)

**Option Movement during the year ended Mar 2020**

Particulars	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016 - II	ESOP Plan 2017	ESOP Plan 2018
	No. of Options	No. of Options	No. of Options	No. of Options	No. of Options
No. of options outstanding at the beginning of the year	2,68,200	25,13,277	25,60,500	18,29,000	14,36,000
Options granted during the year	-	-	-	-	1,05,000
Options forfeited / lapsed during the year	-	10,000	10,000	84,500	83,000
Options exercised during the year	1,93,500	-	-	-	-
Total number of shares arising as a result of exercise of options	1,93,500	-	-	-	-
Number of options outstanding at the end of the year	74,700	25,03,277	25,50,500	17,44,500	14,58,000
Number of options exercisable at the end of the year	67,950	22,43,677	13,63,800	31,600	34,500
Weighted average market price of options exercised for the year ended March 31, 2020	286.32	-	-	-	-

**III. Weighted Average remaining contractual life**

Particulars	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016 - II	ESOP Plan 2017	ESOP Plan 2018
	Range of exercise price (₹ per share)	140.00 - 437.00	225.00 - 437.00	255.00 - 437.00	315.00 - 437.00
No. of options outstanding as on March 31, 2021	10,700	5,12,500	3,78,000	17,29,500	30,23,000
Contractual life (in years)	3.97	2.21	3.50	3.67	4.61

**IV. Method and Assumptions used to estimate the fair value of options granted:**

The fair value has been calculated using the Black Scholes Option Pricing model.

The assumptions used in the model are as follows:

Variables	ESOP Plan 2012	ESOP Plan 2016	ESOP Plan 2016 - II	ESOP Plan 2017	ESOP Plan 2018
1. Risk Free Interest Rate	NA	NA	NA	NA	5.19%
2. Expected Life (in years)	NA	NA	NA	NA	4.79
3. Expected Volatility	NA	NA	NA	NA	0.42
4. Dividend Yield	NA	NA	NA	NA	0.34%
5. Exercise Price	NA	NA	NA	NA	293.00
6. Price of the underlying share in market at the time of the option grant (₹)	NA	NA	NA	NA	292.25

**V. Effect of share-based payment transactions on the Company's Profit or Loss for the period:**

Particulars	31-Mar-21	31-Mar-20
Employee share based expense (₹)	878.05	1,714.08
Total ESOP reserve outstanding at the end of the period (₹)	5,375.17	8,472.33

## NOTES

### TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### Note 41

##### Grossing up of acquired securitised loans as part of business combination

During the current year, the loan assets and corresponding borrowing, the interest income and interest expense are recognised on a gross basis with respect to the securitised portfolio acquired from India Infoline Finance Limited in March 2019. Accordingly, the figures of the previous year have been re-grouped/re-stated to make them comparable with current year.

Particulars	March 31, 2020		March 31, 2019	
	Gross Basis	Net Basis	Gross Basis	Net Basis
<b>Balance Sheet</b>				
Loans	8,29,309.31	7,80,194.25	11,36,148.66	10,36,366.88
Borrowings	5,05,245.05	4,59,058.31	6,44,081.29	5,44,302.03
Other financial liabilities	25,648.61	22,720.28	20,038.84	20,036.32
<b>Statement of Profit and Loss</b>				
Interest income	1,46,615.90	1,39,659.93	-	-
Interest expense	86,339.63	79,383.67	-	-

**NOTES**  
**TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021**  
(Currency : Indian Rupees in Lakhs)

**Note 42**  
**Maturity pattern of Assets and Liabilities**

Financial statements of the Group are disclosed in the format of order of liquidity. An analysis of its assets and liabilities according to their timing of recoverability and settlement has been presented below in a tabulated format.

Particulars	Note	As on March 31, 2021		As on March 31, 2020	
		Within 12 months	More than 12 months	Within 12 months	More than 12 months
<b>Assets</b>					
<b>Financial assets</b>					
Cash and cash equivalents	3	27,917.57	-	16,835.17	-
Bank balances other than cash and cash equivalents	4	359.61	23,736.99	11,230.46	26,438.76
Loans	5	1,67,495.73	5,46,437.88	2,31,010.60	5,98,298.71
Investments	6	1,40,367.14	18,768.91	23,055.69	-
Other financial assets	7	3,609.12	10,768.35	32,514.27	1,425.01
<b>Non-financial assets</b>					
Current tax assets (net)	8	-	12,053.80	-	13,386.58
Deferred tax assets (net)	9	-	14,293.49	-	12,978.33
Property, plant and equipment	10	-	6,092.79	-	7,861.61
Assets held for sale	11	2,087.45	-	3,873.85	-
Goodwill	12	-	30,018.69	-	30,018.69
Intangible assets	12	-	452.43	-	383.58
Other non-financial assets	13	3,697.58	-	3,545.30	-
<b>Total Assets</b>		<b>3,45,534.20</b>	<b>6,62,623.33</b>	<b>3,22,065.34</b>	<b>6,90,791.27</b>
					<b>10,12,856.61</b>
<b>Liabilities</b>					
<b>Financial liabilities</b>					
Trade payables	14	394.41	-	1,109.83	-
Debt securities	15	1,27,988.84	73,287.34	56,871.66	1,52,075.48
Borrowings (other than debt securities)*	16	1,76,331.14	2,23,152.32	1,99,258.22	3,05,986.83
Other financial liabilities	17	32,836.04	-	25,648.61	-
<b>Non-financial liabilities</b>					
Provisions	18	181.61	576.34	168.00	738.66
Other non-financial liabilities	19	1,722.06	1,862.34	1,396.49	1,546.46
<b>Total Liabilities</b>		<b>3,39,454.10</b>	<b>2,98,878.34</b>	<b>2,84,452.81</b>	<b>4,60,347.43</b>
					<b>7,44,800.24</b>

\* also refer note 31(G)

## NOTES

### TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2021

(Currency : Indian Rupees in Lakhs)

#### Note 43

The comparative financial information for the previous year prepared in accordance with Ind AS included have been audited by the predecessor auditors. The report of the predecessor auditor expressed an unmodified opinion.

#### Note 44

To provide more reliable and relevant information about certain items of the financial statements, previous year's figures have been regrouped or reclassified, to conform to such current period grouping / classification. There is no impact on equity or net loss due to this regrouping / reclassification.

For and on behalf of the Board of Directors of  
**IndoStar Capital Finance Limited**

**R. Sridhar**

Executive Vice-Chairman & CEO  
DIN: 00136697

**Bobby Parikh**

Non-Executive Independent Chairman  
DIN: 00019437

**Amol Joshi**

Chief Financial Officer

**Jitendra Bhati**

Company Secretary

Place: Mumbai

Date: June 17, 2021



# FORM AOC-I

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

(Currency : Indian Rupees in Lakhs)

## Statement containing salient features of the financial statement of subsidiaries or associate companies or joint ventures

### Part A: Subsidiaries

Sl. No.	1	2
1 Name of the subsidiary	IndoStar Asset Advisory Private Limited	IndoStar Home Finance Private Limited
2 Reporting period for the subsidiary concerned, if different from the holding Company's reporting period	April 1, 2020 to March 31, 2021	April 1, 2020 to March 31, 2021
3 Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	Not applicable	Not applicable
4 Share capital		
Authorised capital	10.00	20,000.00
Paid-up capital	1.00	20,000.00
5 Reserves & surplus	454.32	1,529.30
6 Total Assets	495.96	89,034.54
7 Total Liabilities	495.96	89,034.54
8 Investments	Nil	500.02
9 Turnover	2.35	13,217.82
10 Profit/(loss) before taxation	8.89	3,867.23
11 Provision for taxation	13.19	1,072.10
12 Profit/(loss) after taxation	(4.30)	2,795.13
13 Proposed Dividend	Nil	Nil
14 Extent of shareholding (in percentage)	100%	100%

#### Notes:

Names of subsidiaries which are yet to commence operations: Not Applicable

Names of subsidiaries which have been liquidated or sold during the year: Not Applicable

Part B: Associates and Joint Ventures - Not applicable

For and on behalf of the Board of Directors of  
IndoStar Capital Finance Limited

**R. Sridhar**  
Executive Vice-Chairman & CEO  
DIN: 00136697

**Bobby Parikh**  
Non-Executive Independent Chairman  
DIN: 00019437

**Amol Joshi**  
Chief Financial Officer

**Jitendra Bhati**  
Company Secretary

Place: Mumbai  
Date: June 17, 2021





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