AVANSE FINANCIAL SERVICES

ASPIRE WITHOUT BOUNDARIES

ANNUAL REPORT FY21

ASPIRE WITHOUT BOUNDARIES

CONTENT

ABOUT
Avanse Financial Services

Avanse Financial Services Limited is a new age, education-focused NBFC on a mission to provide seamless and affordable education financing for every deserving Indian student.

Established in 2013, Avanse is on a journey to strengthen its leadership position in Education Lending by creating solutions for individuals (Financing for Students) and Indian institutions (Financing for Education Institution).

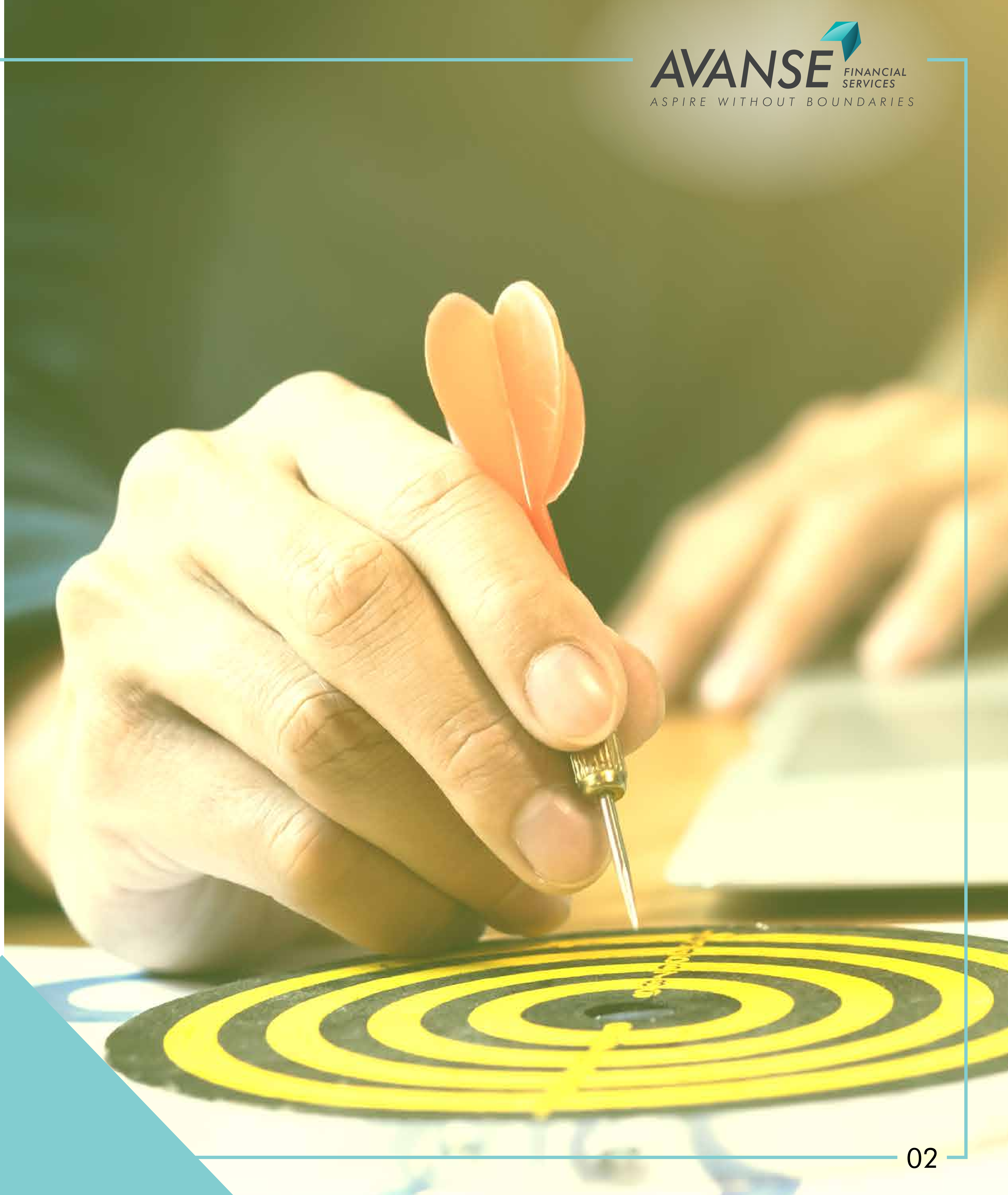
We offer solutions for every segment of the Indian education sector covering school education to post graduation while also contributing to build the education infrastructure in the country.

VISION

Customer Centric, Digitally Agile NBFC focused on Profitable Growth with Leadership Position in Education Financing

MISSION

Making Education Financing Seamless and Affordable for every Deserving Indian Student



AVANSE FINANCIAL SERVICES
ASPIRE WITHOUT BOUNDARIES

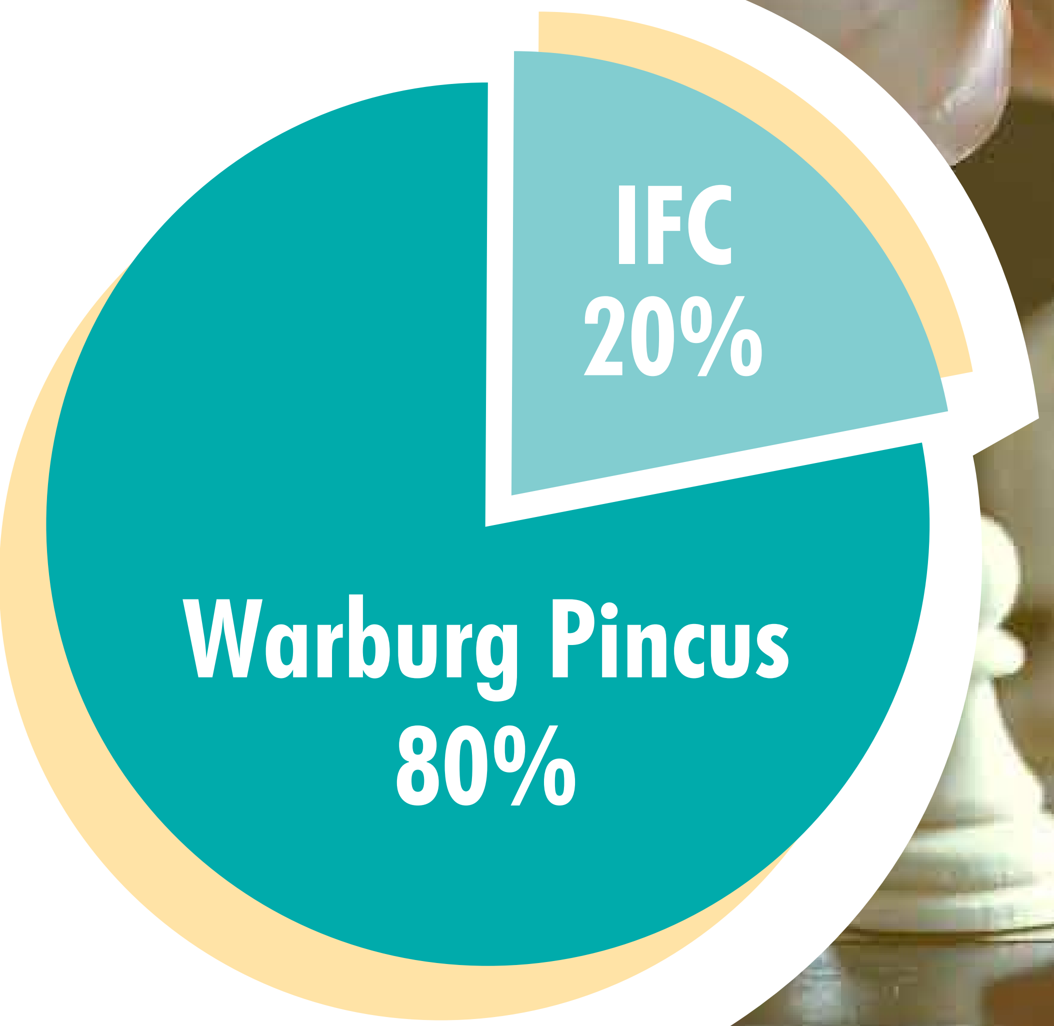
SHAREHOLDING PATTERN

WARBURG PINCUS

- Leading global private equity firm with USD 43 billion AUM
- Focused only on growth investing through Equity route
- Active portfolio of more than 180 companies
- Invested USD 4.8 billion in India

IFC

- IFC, an arm of World Bank, is the largest Global Development Institution
- IFC invested in 2000+ businesses across 140 countries
- Investment of more than USD 66.4 billion with ~USD 6.1 billion in India



Pedigree | Precedence | Patient Capital | Partnership Approach

BOARD OF DIRECTORS

Narendra Ostawal
(Non-Executive Director)

He is the Managing Director of Warburg Pincus India Pvt. Ltd. He is a Nominee Director on the Board of Fusion Micro Finance Private Limited. He was a Nominee Director on the Board of AU Small Finance Bank Limited and Capital First Limited. He did his CA & MBA from IIM Bangalore.

Vijayalakshmi Iyer
(Independent Director)

She is the former member of IRDAI & CMD of Bank of India & Former Executive Director in Central Bank of India. She has also been on the advisory board of several committee's including Committee on Corporate Bond Market (SEBI), National Institute of Bank Management, Wage Negotiation Committee - Indian Banks Association (IBA) and was Head of Risk Management Committee in IBA. She is a Commerce graduate and also a fellow graduate of CAIIB of Indian Institute of Banking and Finance.

Neeraj Swaroop
(Independent Director & Chairman of the Board)

He is a professional with over 36 years of experience. He has built and led businesses across geographies in Asia. He is the professor & Head at the Centre for Financial Studies in S.P. Jain. He did his MBA from IIM, Ahmedabad.

Savita Mahajan
(Independent Director)

She is the Former Deputy Dean at Indian School of Business (ISB), India. Savita has more than 37 years of experience in consulting & training. She had been featured in Business Today's 2013 list of "30 Most Powerful Women in Indian Business". She did her MBA from IIM, Ahmedabad.

OUR ADVISORS

C N Ram
(Warburg Advisor)

He is the Senior Advisor to Warburg Pincus India to provide Technology oversight for their IT investments across portfolios. He has 35 years of experience in leading Banks, manufacturing and BPO industries, strategic planning, technology operations, business transformation, ERP implementations, and process outsourcing initiatives. He was the Former-CIO at HDFC Bank, Independent Director in SBI Funds Management Pvt. Ltd., Aditya Birla Health Insurance Co., NSEIT. He is the Co-Founder of "Rural Shores Business Services Pvt. Ltd." He is a BTech from IIT Madras & MBA from IIM A.

Pankaj Thadani
(Avanse Advisor)

He is the Advisor to Avanse for providing guidance on strengthening the Finance, Accounts & Compliance activities. He has over 30 years of experience in financing, financial accounting, cost accounting, tax and systems & Compliance. He was the Former - CFO and Compliance Officer at Bajaj Finance Limited and has worked across Bajaj Finance Limited, Bajaj Auto Limited, Eischer and Mico Bosch. He has been instrumental in directing one of the largest NBFC, Bajaj Finance Ltd. enabling it to grow from a single business company to a diversified NBFC. He is a Mathematics Graduate and a Chartered Accountant.

SNAPSHOT

FY 2020-21 - FINANCIAL ANALYSIS

THE YEAR GONE BY
FINANCIAL PERFORMANCE

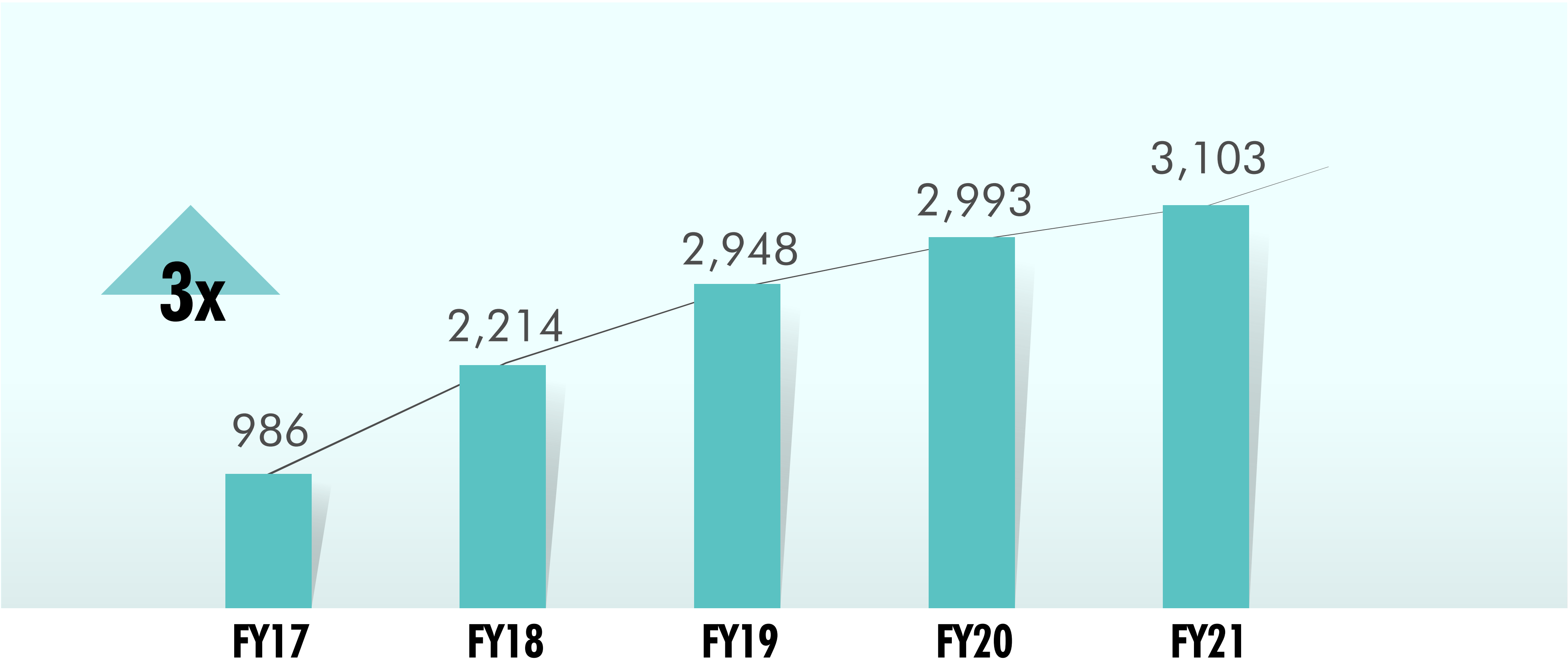
FY 2020-21 **"The Pandemic Year"** was a challenging year. Avanse has been on a growth trajectory with a sharp focus on **"Sustained Profitability & Asset Quality"** with a **"Strong Balance Sheet"** and **"Wide Liability Base"**.

Key Performance Indicators FY 2020-21

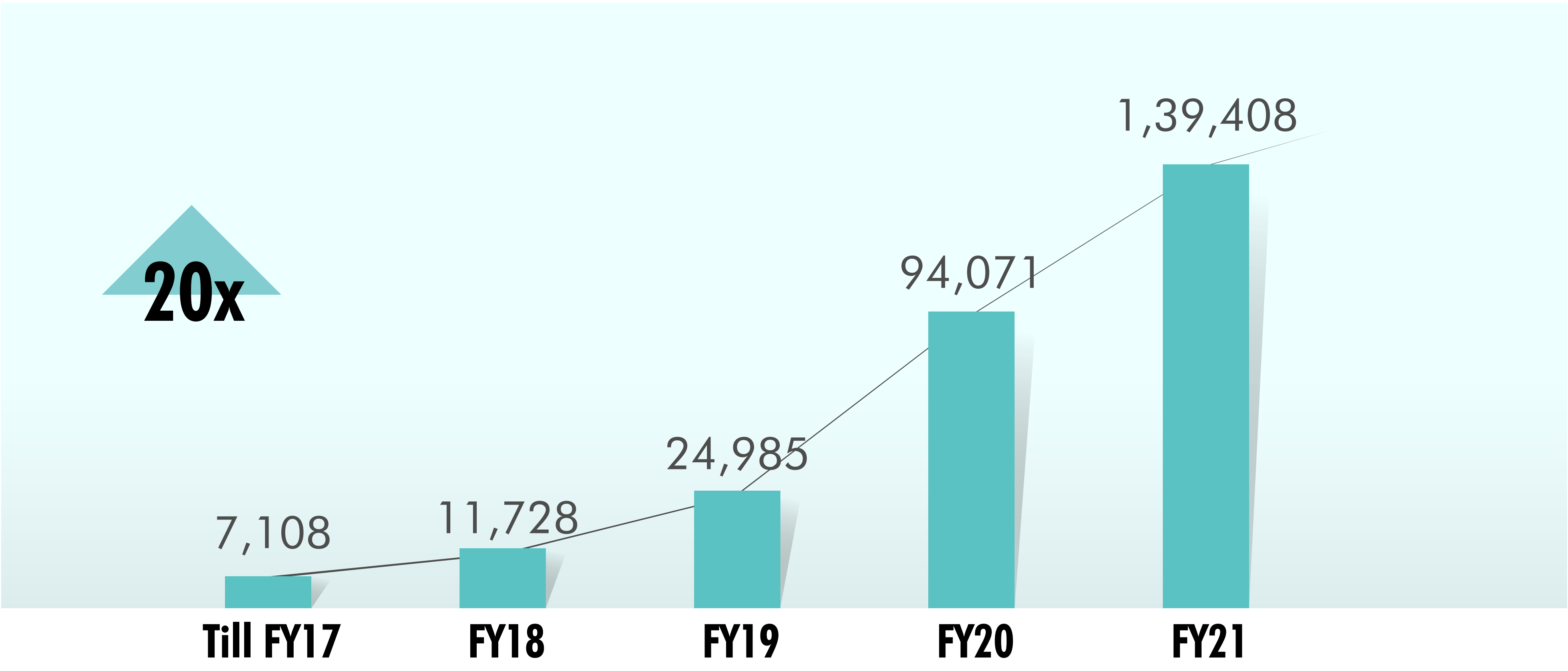
3,103 Cr	976 Cr	52,497	942 Cr
AUM	Disbursement	Live Customers	Net Worth
38 Cr	**0.44%**	**75%**	**1.3%**
PAT	GNPA*	PCR	ROA

*Education Focused Continued Business

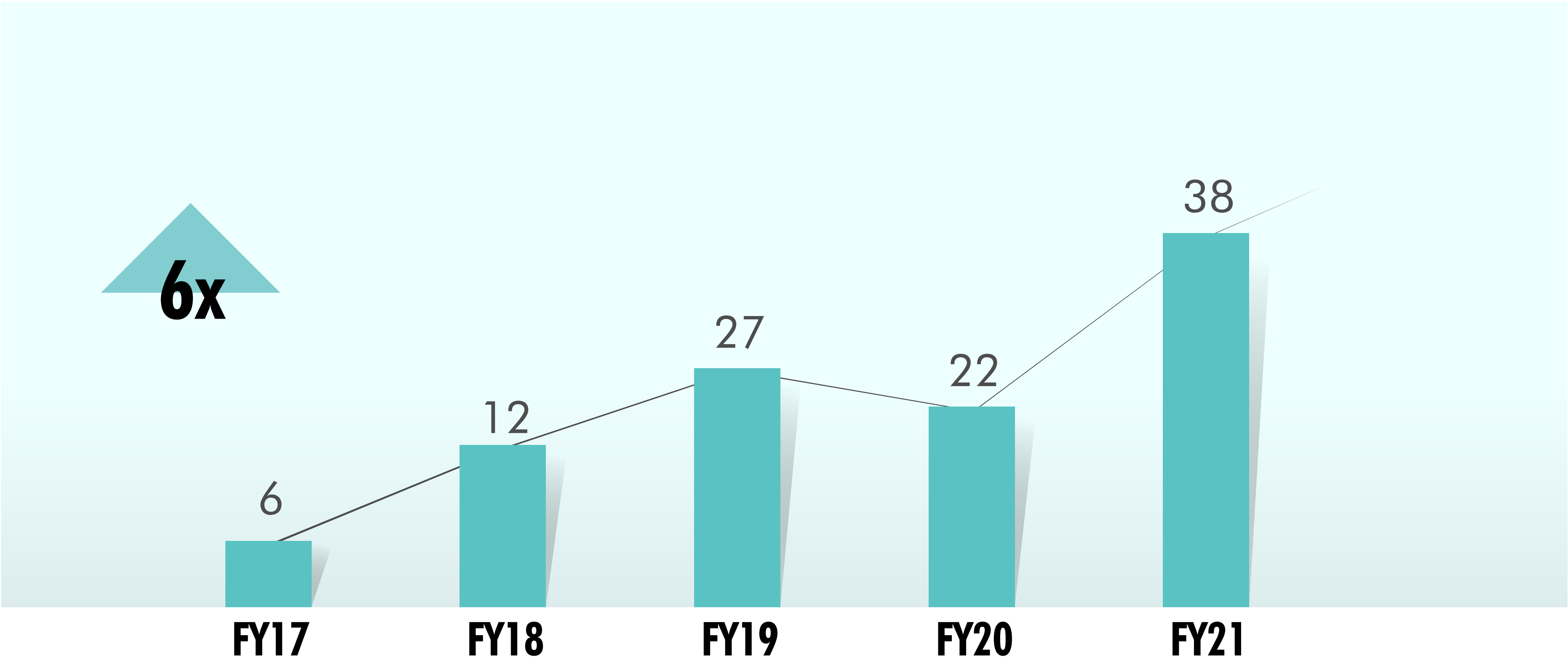
KEY HIGHLIGHTS



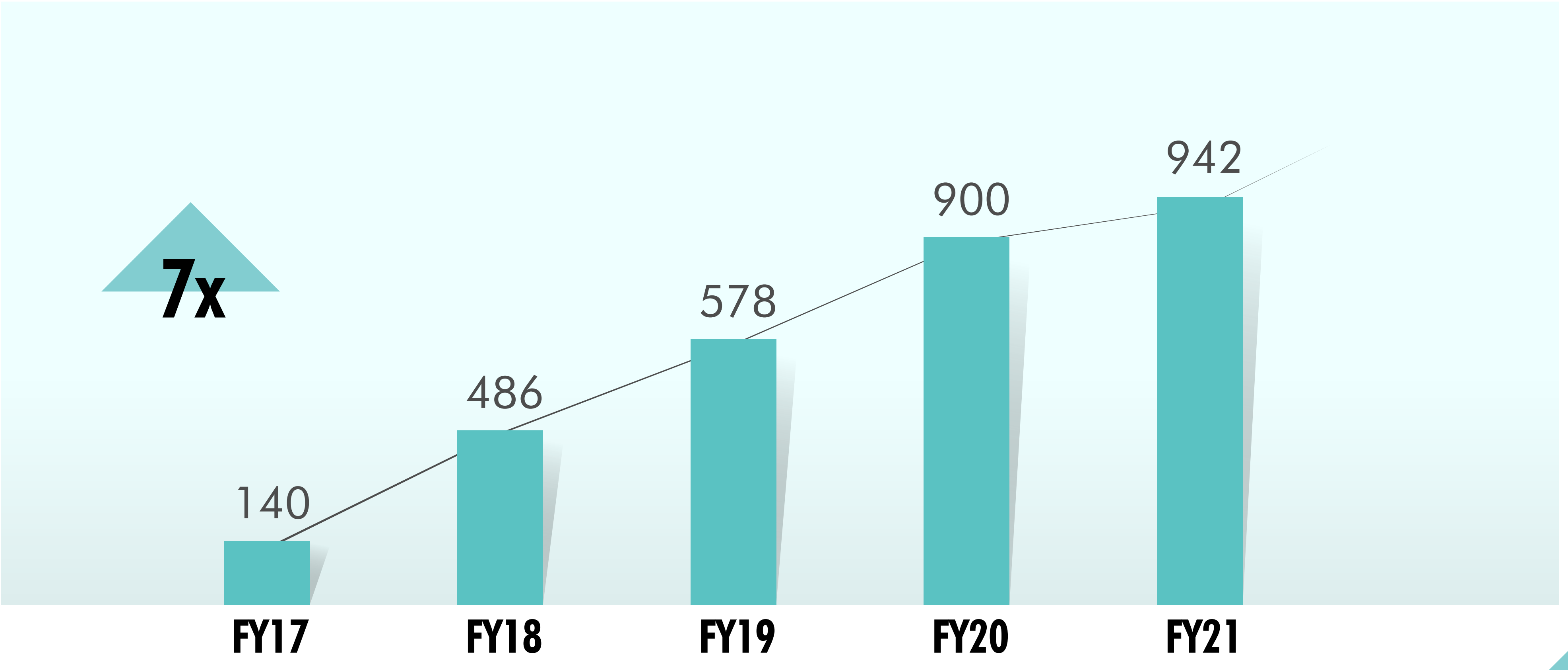
AUM (Cr)



Cumulative New Customers Acquired



Profit After Tax (Cr)



Net worth (Cr)

MANAGEMENT DISCUSSION & ANALYSIS

Macroeconomic Overview

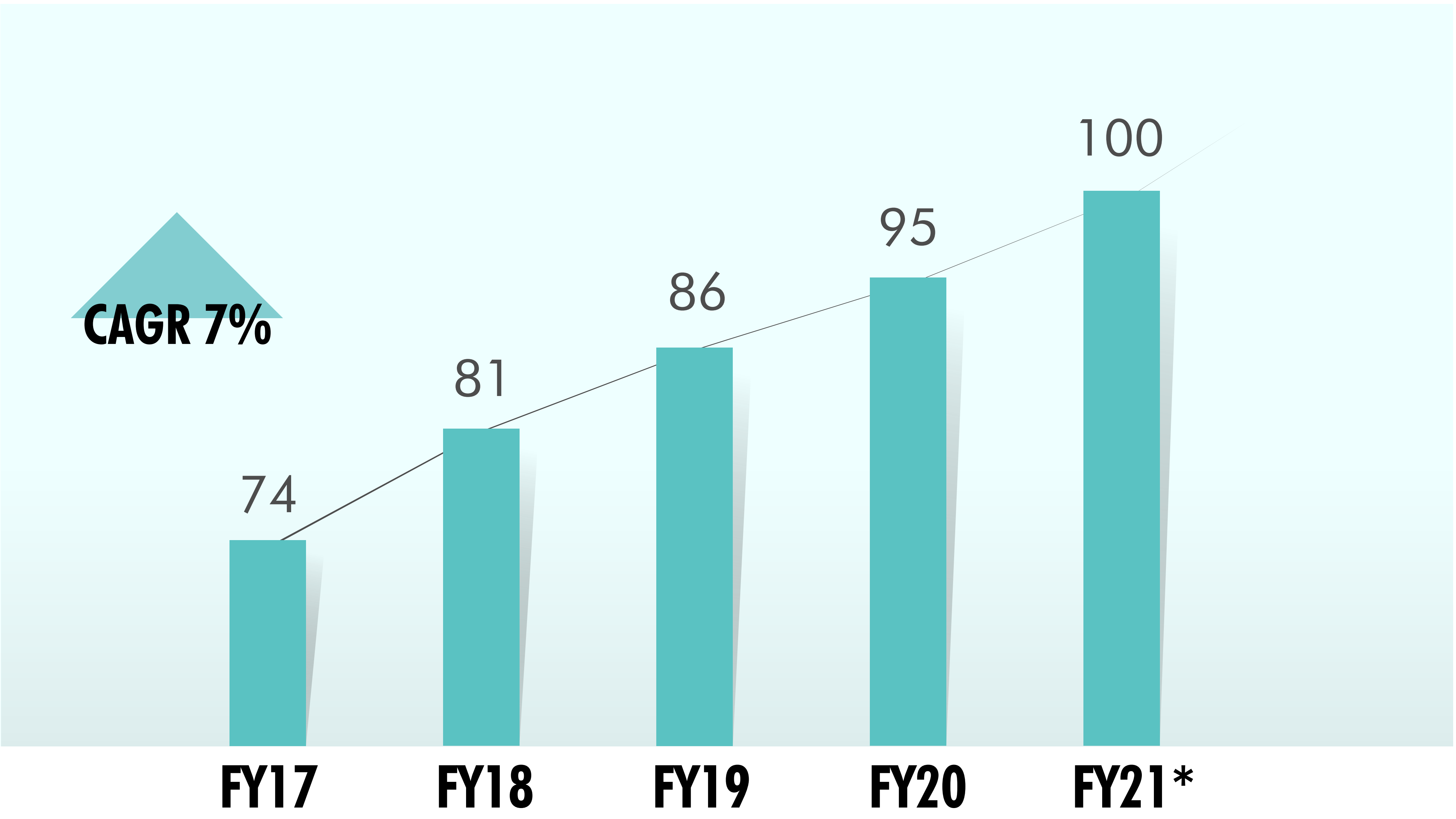
India is the world's third largest economy in terms of its purchasing power parity with a population of over 1.3 billion and has been one of the leading growing economies, posting an average of 6-7% GDP growth since the beginning of this millennium (source: India Ratings & Research). However, India's GDP growth rate has seen a downward trend over the past few quarters, which has been further exacerbated by the outbreak of COVID-19 pandemic. In the year 2020, the global economy, including India, witnessed an unprecedented health and economic crisis due to COVID-19 which has affected the lives and livelihood of people at large. India placed great emphasis on saving lives and preserving livelihoods and hence, supported lockdown that impacted the economy negatively. However, the Indian economy is slowly coming out of this impact, and indicators like mobility, private and government consumption are gradually recovering.

In response to the disruption of COVID-19, relief and economic stimulus measures are being announced on a continuous basis to re-package some of the old measures and to push some new reforms in both private and public sector enterprises. These initiatives had been designed to generate employment and provide liquidity support to stressed sectors, such as tourism, aviation, financial services and infrastructure. Overall cost of the measures announced by the Government of India (GoI) since the COVID-19 pandemic hit India is now nearly ~14-16% of the country's GDP. The measures announced by the RBI under the Regulatory Package for COVID-19, such as enhanced Marginal Standing Facility and reduction in Cash Reserve Ratio helped inject liquidity into the banking system, stabilized the financial markets and reposed public confidence during this difficult phase. The stimulus through Targeted Long-Term Repo Operations (TLTRO), special refinance facilities for identified sectoral credit needs, reduced policy rates and other liquidity enhancing measures, eased cash flow constraints and provided impetus for credit growth. Further, the RBI's dispensation allowing exclusion of assets under moratorium from non-performing assets (NPA) classification norms also prevented a sudden surge in credit costs.

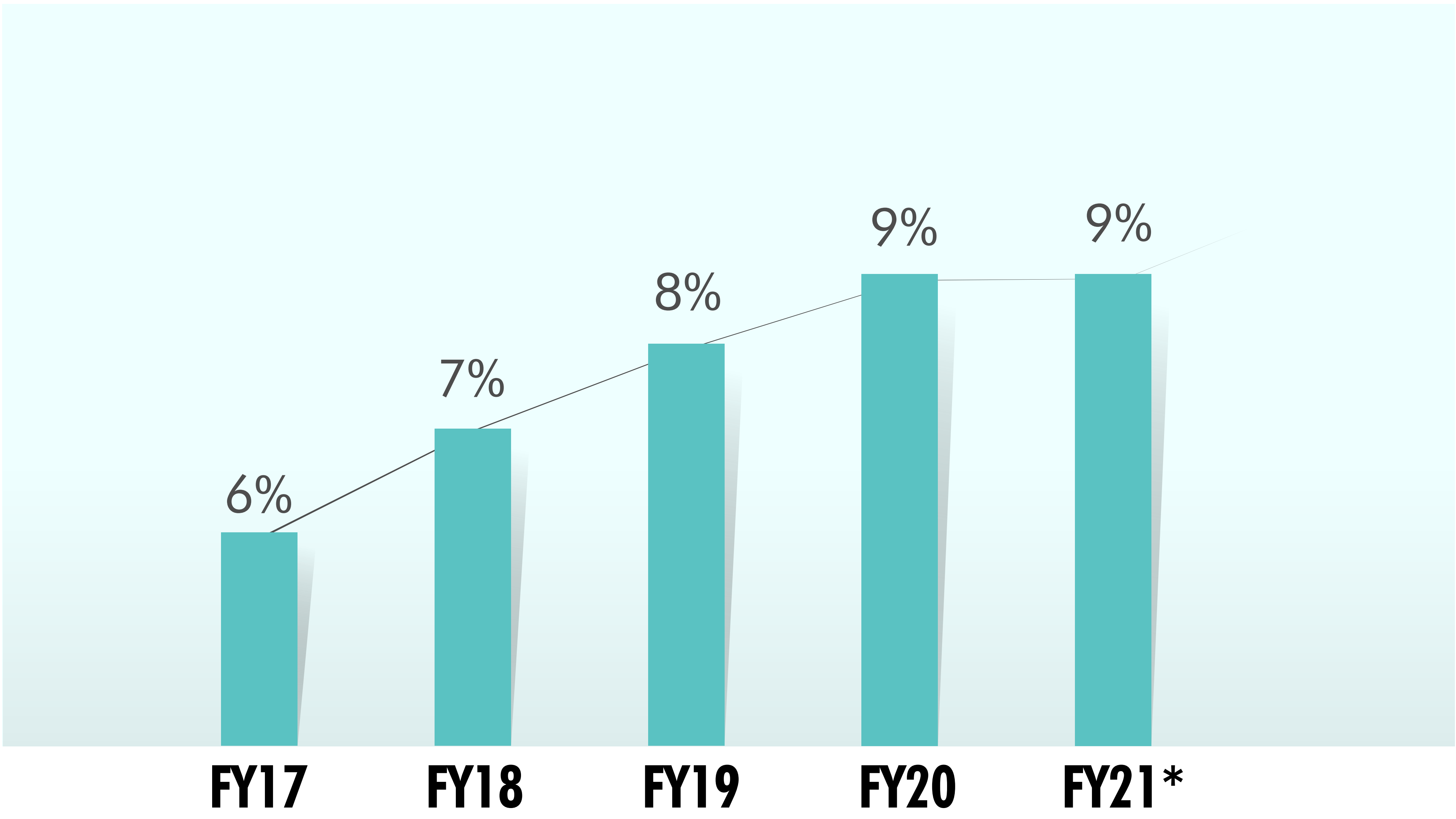
All these measures synergized with Atmanirbhar Bharat Mission, impetus on digitization and changing global supply chain scenarios along with advancement of mass vaccination will play a key role in reviving the domestic economy. India is expected to see recovery and the revival of growth in FY22 should help India regain the position of the fastest growing emerging economy, surpassing China's projected growth rate. The inherent potential of the Indian economy remains strong in terms of domestic demand, demographic advantages and lower exposure to external vulnerabilities. All these timely measures and the various government reforms are directed towards achieving the target of becoming a USD 5 trillion economy in the next 5-6 years.

Education Financing Market Overview

Education financing is a multi-decade secular growth story in India with an ever-increasing education spend and favourable demographics. Overall education loan market is at ₹100K Cr and has been growing at 7% CAGR from FY17. PSU banks hold the largest pie at 80% of the market share. However, specialized NBFCs such as Avanse Financial Services are steadily gaining market share which has increased from 4% in FY 2016-17 to 9% in FY 2020-21.



Education Financing Market ~ 100K Cr



NBFC Contribution

Source: Market Insights, Dec 2020, CRIF
*FY21 data till Dec 2020

The major growth drivers supporting the growth of the education financing market:

Favourable Demographics

India's education sector offers a great opportunity as it has the largest population in the world in the age bracket of 5-24 years. It is the youngest nation in the world with significant number of student population ~30 Cr students with ~27 Cr in K12 level and 3 Cr in higher education segment. A noticeable trend has been observed among Indian higher education aspirants for quite some time now. Indian students are mostly inclined towards pursuing their higher education from destinations abroad. Around 4-5 lakh students aspire to pursue higher education from international universities primarily established in the US followed by other popular destinations: Canada, the UK, Germany, New Zealand, Australia to name a few. This preference is due to the rising awareness, higher aspirations, on-campus grooming experience and availability of specialized courses.

Another emerging trend in the education sector is the increasing acceptance of International Baccalaureate (IB) schools & its curriculum by Indian parents and students. The world today has shrunken into a global village and students need to prepare themselves to achieve success in any part of the world. Most students and their parents are of the opinion that IB programme enables easy adaptation to professional courses in international universities.

Rising Education Fee

Education is an important aspect of the Indian culture and thus, it is a non-discretionary spend sector. Educational institutions, these days, offer a plethora of choices in terms of subjects, courses and degrees. Apart from the regular conventional courses such as STEM & MBA, institutions also provide a wide range of non-conventional courses such as aviation, music, animation and many more. Rising urbanization, awareness on educational degrees and disposable income are leading to a rise in enrolment in schools/colleges. Households in India are culturally extremely child centric and hence, are always ready to invest a lot of time and money on their children. These in turn are amplifying the overall demand and students' aspirations. Hence, to give deserving students a chance, institutes are reinforcing strict measures to select candidates and high demand is contributing towards increased pricing. The increasing cost of education is making it imperative for students to avail education loans.

Digitization and Rise of EdTech

The outbreak of the pandemic has challenged the entire world to devise newer ways in dealing with day-to-day activities. With the continuing lockdowns, businesses are constantly on their feet to facilitate smarter ways of ensuring business continuity. Despite the disruption, the education industry has bounced back with innovations that can foster smarter modes of imparting knowledge. With technology interventions, EdTech has shown unprecedented growth in India. We are second only to the US when it comes to e-learning. The flexibility of learning from remote places has been propelling the market demand for this medium of learning. The pandemic has provided the necessary impetus to this segment and fastened the adoption of newer methods of learning within a short span.

Digital learning platforms & EdTech have seen an era of development. Massive acquisitions and big investments in disruptive education ideas have taken place. Parents and students will explore these new offerings and schools may also begin collaborating with service providers to maximize student learning. A recent study highlighted that 75-80% professionals prefer up-skilling to transition into a position.

This reiterated the drive within the nation's workforce to prosper and the importance of education in professional growth. The working protocol of the new normal has given people a new direction to avail digital training and grow themselves with a wide array of courses. Companies are going the extra mile for employees by giving them the liberty to up-skill and re-skill. We now have various specialized courses for professionals and this augurs well for the country, as the educated workforce will unlock more opportunities for India. Increasing smartphone and internet penetration with lowering data cost is increasing digital adoption across the country.

Impetus on Advancement of Education Ecosystem by Government

The government is bullish on the education sector and has been focused on developing it with the help of formidable policies and reforms. It launched the National Education Policy (NEP) amidst the outbreak of the pandemic to strengthen the education ecosystem. The initiative of bringing foreign university campuses in India is a progressive step towards establishing a robust learning environment. The Union Budget 2021 announcement of strengthening 15K institutes as per the requirement of NEP is the first step towards implementing the policy in its true sense. It is also mandatory for the sector to push its infrastructure development theme to make education accessible for every deserving student. Education financing segment will play a pivotal role in the success of these initiatives.

Our Performance Overview

Avanse Financial Services Limited ("Avanse") is a new age, leading education focused niche NBFC, regulated by Reserve Bank of India. The endeavour of the organization has been to make education financing seamless and affordable for every deserving Indian student.

To create an institution with a long-term view, designed for continued operational efficiencies and sustainable profitable growth, your company is fundamentally focused on the following guiding pillars to build a strong franchise:

Governance, Risk and Controllerships

The organization is focused on building and strengthening strong Corporate Governance Framework and Integrated Enterprise Risk Management. As a practice, the Risk Management Committee (RMC) of your company meets on a quarterly basis to discuss the holistic review of operational risks across all businesses and functions. As a part of the risk identification, measurement and review process, the organization has defined, metricised and measured comprehensive risk variables to be able to monitor, report, control and mitigate in a timely manner.

Liability First Approach

Under this approach, your company has created an organization and quality product portfolio which pro-actively addresses the needs of rating agencies and liability providers. Robust strategies have been framed to ensure width and depth in the organization's borrowing approach. The company has always been focused on successfully managing the use of assets and cash flows to ensure timely pay-outs of all its liabilities and thus, has maintained a strong ALM with positive mismatches across all buckets.

Asset Build with Strong Segment-led Approach

The deep sector specialization in the education financing domain enables the company to have a deeper understanding, wider reach and provide enhanced services to the customers with its customized product offerings.

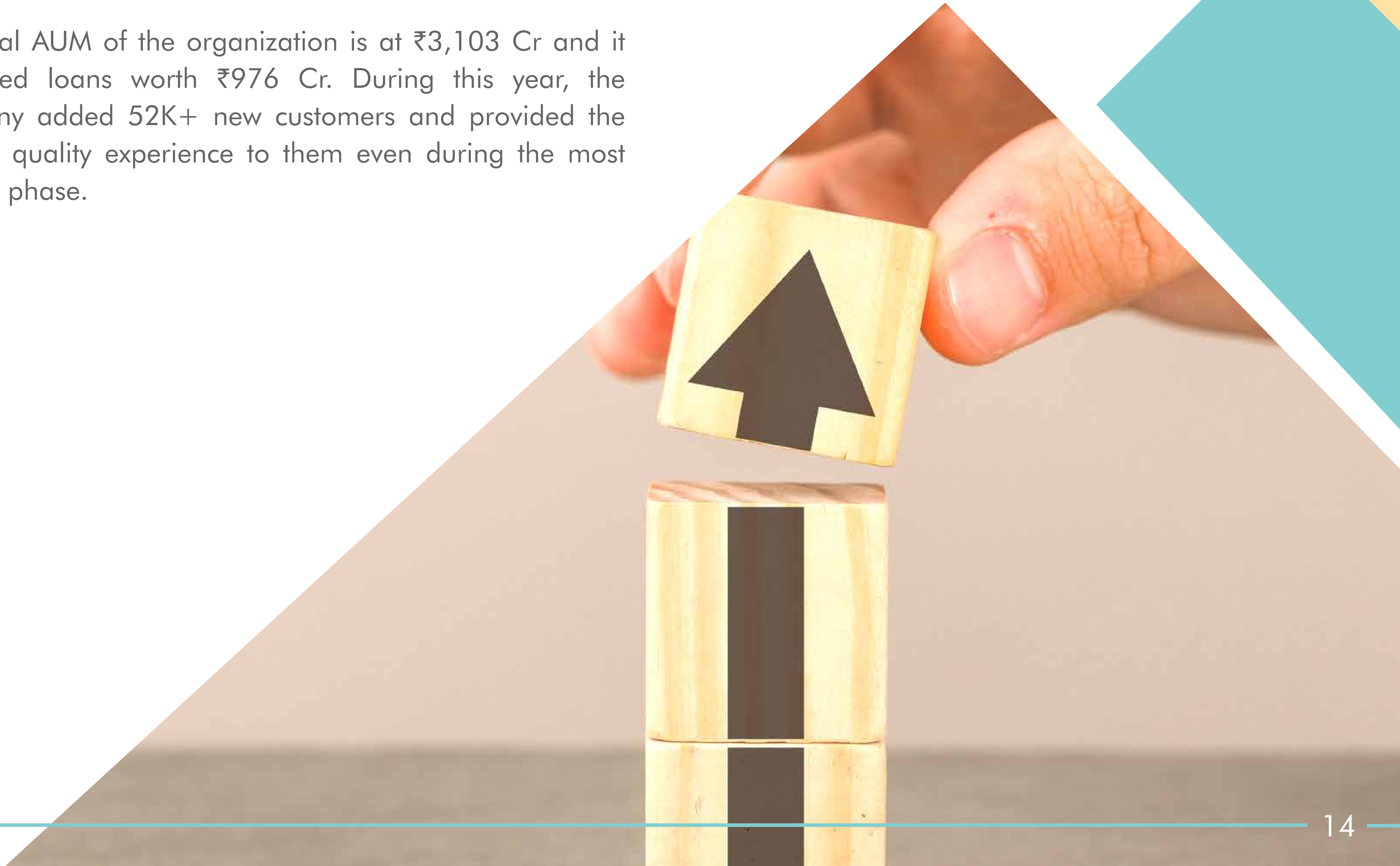
One of the unique aspects of this organization is its student-centric approach in evaluating profiles for education loans. Rather than depending only on the co-borrowers' financial background, the organization evaluates the student thoroughly. As a part of this approach, the company evaluates the student's profile – past academic performance, entrance test scores, pedigree of university/institute and courses. The organization has set benchmarks in terms of fulfilling academic aspirations across 12,000+ courses and institutes in ~50 countries. Its services cater to the entire gamut of the education ecosystem from Kindergarten to Post-Graduation, thereby, cultivating the education ecosystem of the country.

Avanse has been strengthening and growing the existing education focused business with a calibrated addition of new business segments and an optimal mix of risk, profit and robust asset quality. The organization has been tracking and moving into significant white spaces in the education ecosystem within KG to PG levels.

Hybrid operating model "PHYGITAL"

The Touch and Tech model, comprising best practices of traditional lenders and new age Fintech players across the value chain to create a digitally agile and data centric organization to enable superior customer experience, drive operational efficiencies while ensuring risk management and asset quality.

The total AUM of the organization is at ₹3,103 Cr and it disbursed loans worth ₹976 Cr. During this year, the company added 52K+ new customers and provided the highest quality experience to them even during the most difficult phase.



Avanse Financial Services provides loans across two major segments

Financing for Students

Avanse addresses the education needs of Indian youth by making education affordable and seamless across the entire education lifecycle of students spanning from school to post-graduation.

Student Financing for Higher Education

Loans for financing higher education needs of students. Based on its deep domain expertise in providing flexible and customized financial solutions, Avanse has fulfilled dreams of ~11K academic aspirants across 12,000 institutes & courses in over 50+ countries including the US, India, Canada, UK, Australia, and others.

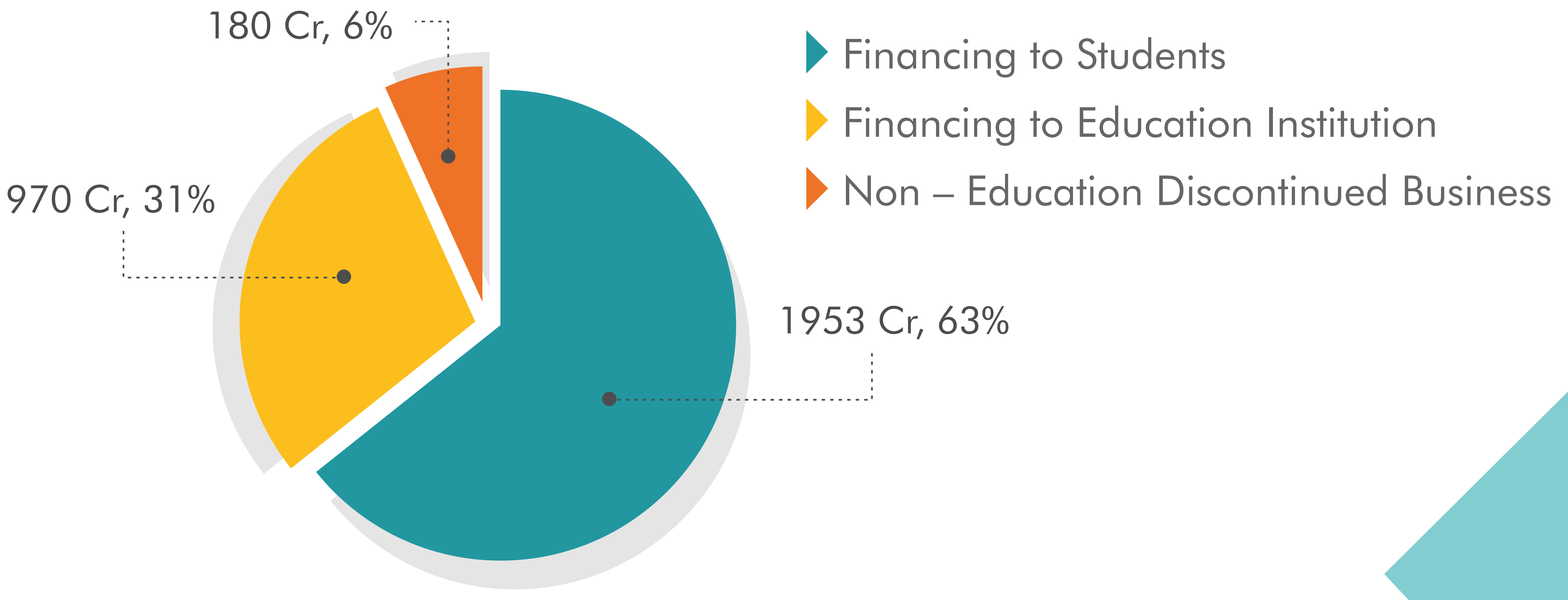
Financing for E-Learning Loans (Digital business)

In partnership with leading EdTech/Fintech, Educational Institutes and E-learning brands, Avanse provides a seamless digital customer journey and plays the role of a financing solutions provider by catering to a variety of segments including the vocational streams (such as Self-learning, Tutoring, Up-skilling, and Employability based programs) through a seamless digital integration and an instant decision process. As part of this business, Avanse has partnered directly/indirectly with more than 80 EdTech companies and have fulfilled the aspirations of ~40K end customers by providing financing solutions in an end to end digitally-enabled framework.

Financing for Education Institutions

Loans for financing the working and growth capital needs of educational institutes (primarily schools) in India. The company has funded ~1000 educational institutions catering to approximately ~5-6 lakh students.

AUM Split by Business



Impact of COVID-19 and Our Response

The outbreak of the pandemic has impacted the overall demand of various businesses. Businesses which are a part of the discretionary spend such as tourism, airlines, entertainment, retail are among the worst affected ones. Avanse Financial Services has also witnessed demand contractions. But the silver lining to this problem is that non-discretionary spend like education will be one of the initial sectors to overcome this impact. Education is an essential expenditure in every household and structurally education financing is a multi-decade secular growth opportunity in India. The health and economic implications of the pandemic will definitely result in marginal contraction of demand and it will defer the higher education desire of Indian students till normalcy is restored. Hence, this is a temporary phenomenon as education continues to be the foundation for the fundamental development of individuals and the nation at large. Even amidst the pandemic, the organization witnessed an uptick in the demand from the third quarter of FY 2020-21 for enquires, logins and disbursements in the Education Loan and Digital Business segments.

This crisis gave rise to an entire new demand of leveraging the online world. Technological enhancement across different sectors became mandatory to support the ecosystem during this scenario. Educational institutions moved quickly and efficiently to fill the gap by introducing the online education module. Online education has significantly propelled the progress of the sector by enhancing traditional teaching practices. In the new normal world, technology is playing a key role in facilitating continuous education delivery with the new formats. Several schools, colleges, and coaching classes are now hosting sessions and conducting tests online. The advanced methods of education are imparting knowledge to all students from kindergarten level to post-graduation phase with greater ease and finesse.

Most of the educational institutions across the world have introduced the Hybrid module of imparting education. It is a mix of online & on-campus sessions. With the help of this learning model, students can start off with the online module and then smoothly transition to in-person sessions as and when the travel restrictions are suspended.

Avanse Financial Services is keenly observing the situation, understanding the need of hour and introducing solutions to enable a smooth and hassle-free experience for the customers even during the most difficult phase of their lives.

At the outbreak of this pandemic, your company took immediate steps to manage this unprecedented situation to ensure business continuity, and some of these measurements are:

- Employee-safety was of topmost priority for the organization. Hence, the company ensured that all employees immediately shifted to a 'Work-from-Home' (WFH) module. Employees were advised to strictly follow lockdown guidelines implemented by the government and regulatory bodies while being available for customers and partners throughout this phase
- It activated the company's business continuity plans. As a result, Avanse HO and all its branches worked as per the WFH protocol
- IT team of the company swiftly adapted to the new normal to ensure availability of sufficient bandwidth, set-up of virtual private networks and enabled the availability of multiple platforms for collaboration via digital mediums
- The organization trigged the business continuity plans for servicing and recovery
- Engaged with all business partners digitally and through WFH protocol for business continuity
- The organization launched Customer Assurance, Partner Assurance and Employee Connect framework whereby, your company enhanced engagement with all the relevant stakeholders to manage expectations, anxiety and business continuity during these difficult times

Asset Quality

The company employed a structured collection process wherein it sends periodic reminders to the customers of their payment schedules and perform predictive analytics to predict the probability of default, which helps in obtaining early signals of potential defaults and initiate action to mitigate risks. In line with this, it invested in collection efficiency with a renewed focus to keep the NPAs on track as usual.

As on March 31, 2021, the company's GNPA on its continued Education Focused Businesses stood at ₹12.78 Cr (0.44%) (GNPA including discontinued non-education businesses stood at ₹51.37 Cr or 1.58%). The company has not availed any moratorium benefit while honouring its liability obligations, but has responsibly passed on the moratorium benefits to its customers effective April 2020 pursuant to the RBI directives. Further, the advantage of ex-gratia scheme of government was passed on to the customers within the stipulated timeline. As per the regulatory guidelines, the Company also restructured certain applicable loans amounting to a lower single digit of its portfolio providing relief on account of the economic impact of the COVID-19 situation.

In the FY 2020-21, the company by way of prudence and abundant caution, recognised an overall Expected Credit Loss of ₹59.38 Cr (1.83%) out of which provision recognized towards COVID-19 impact on the company's financial assets is ₹15.46 Cr leading to a very healthy 'Provision Coverage Ratio' (PCR) stood at ~75%.

Borrowing

The organization utilized successfully the various regulatory windows to raise money so as to ensure adequate capital throughout the difficult phase. The company's total borrowing stood at ₹2313 Cr, which includes a total sum of ₹250 Cr borrowed under RBI & Government initiatives during July 2020 – ₹100 Cr had been raised through the TLTRO 2.0 window and ₹150 Cr under the PCG Scheme from leading public sector banks.

During the year, the Company continued its focus on building diversified funding mix while ensuring a positive mismatch across all buckets. In the month of September 2020, the company raised ~USD15 million from World Business Capital Inc., a US based financial institution which was backed by guarantee from US International Development Finance Corporation (US DFC) via External Commercial Borrowing (ECB) route. The organization had created a new category of long-tenure social impact funding via this borrowing route. These funds are strategically utilized to help more number of deserving Indian students fulfil their academic aspirations and to develop the larger education ecosystem. Further, the Company also adopted a prudent investment strategy for deployment to ensure 'Return of Capital' over 'Return on Capital'.

Credit Ratings

As on March 31, 2021, the following table sets forth the company's credit ratings:

Rating Agency	Instrument	Credit Ratings
CARE Ratings	Long Term Bank Loan Ratings and Non-Convertible Debentures	CARE A+ (Stable)
	Subordinated Unsecured Non-Convertible Debentures	CARE A (Stable)
Brickwork Ratings	Non-Convertible Debentures	BWR A+ (Stable)
	Subordinated Unsecured Non-Convertible Debentures	BWR A+ (Stable)

Risks and Concerns

The organization invests in a robust Governance Risk framework to deliver on its mission of making education financing seamless and affordable for every deserving India student.

- First Line of Defense: Business & Functional Units through monthly reviews and dashboards to have an overview of the operational effectiveness
- Second Line of Defense: Risk Management Committee framework designed to have an overview of the operational and compliance risk
- Third Line of Defense: Periodic internal & third-party audits for an independent view of the overall risk

The framework ensures continuous assessment and timely corrective actions which builds strong operational risk management across business and functional domains.

Risk Management is steered by the Board through the Risk Management Committee (RMC) and Asset Liability Committee (ALCO) for enabling liquidity. A comprehensive risk review is done by these two committees on a quarterly basis by comparing the risk parameters and appetite that the organizations have defined and analysing the reasons for their variances. The Risk Management process enables risk identification, assessment, and monitoring as an ongoing process and it is supported by a robust risk reporting framework. Risk Management at the company covers Credit Risk, Market Risk, Operational Risk, Fraud Risk, and other risks.

Credit Risk

Credit risk is a risk of loss due to the failure of the borrower to meet the contractual obligation of repaying debt as per agreed terms. Credit risk is managed by using a set of credit norms and policies of the company. Your company has a structured and standardized credit approval process including customer selection criteria, comprehensive credit risk assessment, which encompasses analysis of relevant quantitative and qualitative information to ascertain the creditworthiness of the borrower.

Operational Risk

Operational risk can result from a variety of factors, including failure to obtain proper internal authorizations, improperly documented transactions, failure of operational and information security procedures, failure of computer systems, software or equipment, fraud, inadequate training, and employee errors. Operational risk is mitigated by maintaining a comprehensive system of internal controls. Additionally, regular internal audits provide a check on deviation from any contingent operational inefficiency.

Liquidity Risk

Your company may face an asset-liability mismatch caused by the difference in maturity profile of its assets and liabilities. Your company actively monitors its liquidity position to ensure that it can meet all borrowers and lenders-related fund requirements. The Asset Liability Management Committee (ALCO), comprising senior management, lays down policies and quantitative limits and apprises the Audit Committee/Board periodically on the asset-liability mismatch and liquidity issues.

Interest Rate Risk

Your company largely depends on funds raised from the banking system and market instruments to carry on their operations. They are therefore, significantly vulnerable to interest rate movements in the market. The funding strategies adopted by your company ensure diversified resource mobilization options to minimize cost and maximize stability of funds.

Business Risk

Avanse being an NBFC is exposed to various external risks which have a direct bearing on the sustainability and profitability of the company. Foremost amongst them are Industry Risk and Competition Risk. The volatile macro-economic conditions and changes in sector attitude in various economic segments cause ups and downs in the business and result in loan asset impairment.

Internal Control Systems and their Adequacy

Your company has adequate and effective controls to provide reasonable assurance on the achievement of its operational, compliance, and reporting objectives. Your company ensures that a reasonably effective internal control framework operates throughout the organization, which provides assurance with regards to safeguarding the assets, reliability of financial and operational information, compliance with applicable statutes, execution of the transactions as per the authorization, and compliance with the internal policies of your company.

The internal audit adopts a risk-based audit approach and conducts regular audits of all the branches/offices of the company and evaluates on a continuous basis, the adequacy and effectiveness of the internal control mechanism, adherence to the policies and procedures of the company as well as the regulatory and legal requirements. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of internal control systems and wherever necessary, internal control systems are strengthened and corrective actions are initiated according to the changing business needs from time to time.

Human Resources

The organization takes pride in the strength of the agile approach of the leaders which is critical in the Volatile, Uncertain, Complex and Ambiguous (VUCA) business environment. Avanse is poised to achieve the vision of attaining leadership position in education lending space by leveraging technology and building a high-performance culture with human capital at its fulcrum. It believes that this can be done by defining and delivering on employee experiences so that the employees are motivated to serve customers better. The HR team is also working constantly to develop a successful talent management module for employees to bring about a positive change in the overall business scenario. With a focus on providing enhanced employee experience, the company has created the employee value proposition on 5C People Pillar framework.

Connect

Avanse created a structure to ensure remote teams are constantly updated and engaged while maintaining productivity levels across all the virtual collaborations. Some of the initiatives under this pillar are Employee Connect sessions, Coffee with CEO, Sundowners, Vartalap.

Celebrate

Avanse has been continuously building an appreciation culture and designing ways to celebrate, appreciate, recognize and encourage contributions made by the people. Some of the initiatives under this segment are Titans of Avanse, Long Service Award, Virtual R&R Celebrations, Virtual Birthdays.

Care

This had been designed to create a psychologically safe environment that ensured a feeling of well-being and valued as an individual. Initiatives such as Simplifying Work-from-Home (SIMPLI-WFH), Health Booster Plan, 24*7 online Doctor Consultation, Burn & Earn Program, Motivational Sessions were launched under this pillar.

Competition

The company hosted and organized Fun Work activities to uplift spirits of the employees. Some of the fun activities were Online Tambola, Chess, Ludo King, singing/dancing/acting competitions, regular number puzzles, Sudoku, etc.

Capability

The organization invested in human capital by partnering with premier institutes as well as by leveraging digital learning platforms. This initiative assisted employees to take up up-skilling & re-skilling courses to be able to stay relevant and thus, value add to the overall business.

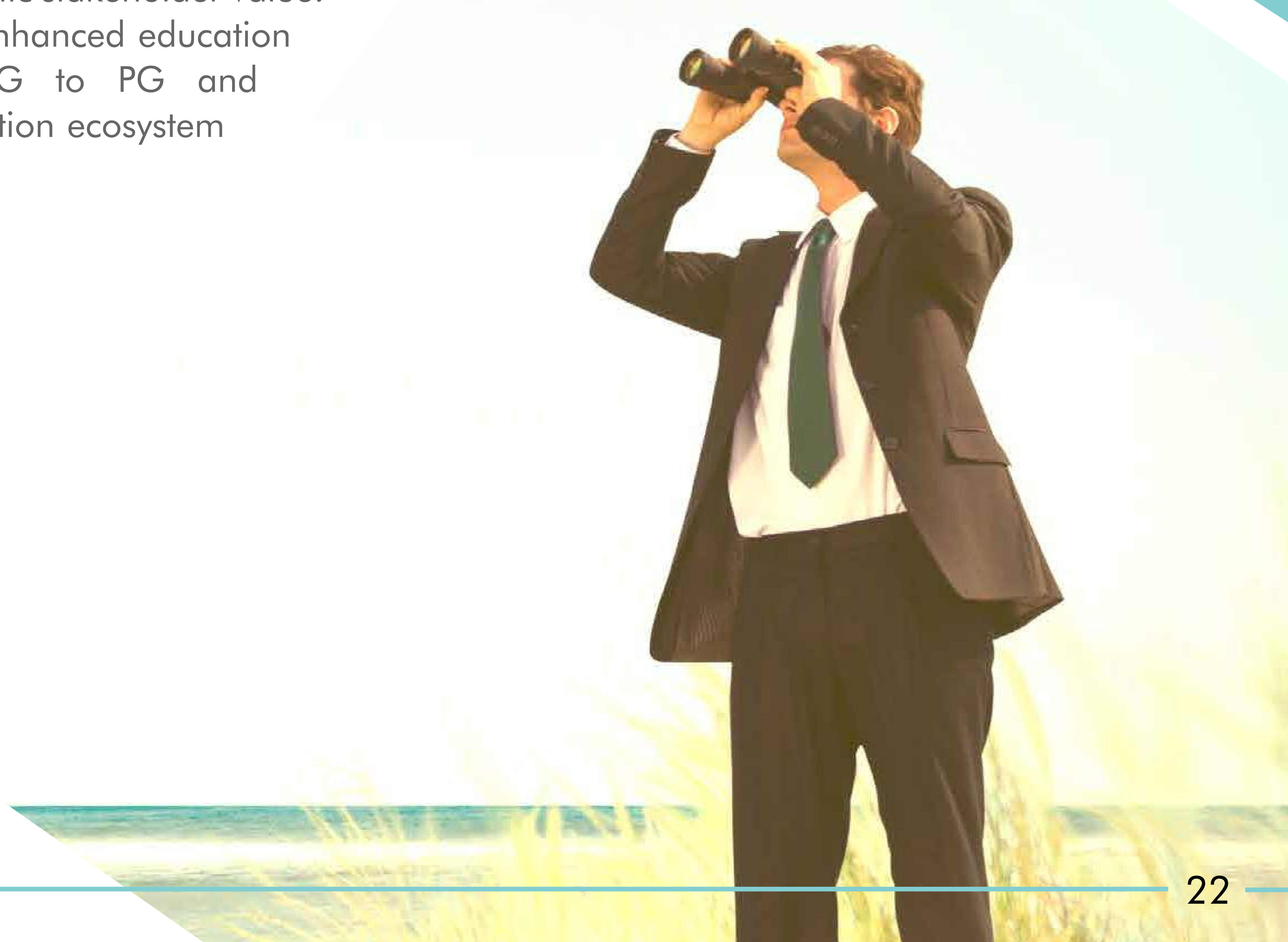
CORPORATE SOCIAL RESPONSIBILITY

Being a responsible organization, Avanse looks beyond just the profitable growth of the company and focuses on achieving a holistic growth for the larger community it operates in. In its endeavor to build a responsible, socially-driven, and accountable organization, it has taken steps towards creating a positive impact designed to benefit the larger society. In line with its philosophy of **making quality education accessible for deserving underserved Indian students**, it partnered with NGOs and curated the bridge to lend its support to students, specially-abled children, and community teachers. These initiatives have been designed to support the underserved community to **"Aspire Without Boundaries"** and thus, achieve the desired goals of their lives. The organization reached out to over 2,350 beneficiaries through 4 programs.

Outlook

In a country, that strongly supports the "Right to Education" through the Constitution of India, education forms a fundamental right of every child. All the stakeholders of the education system including parents and students are cognizant of the growing significance of education, making education a non-discretionary expense in India. This is reflected through the soaring demand for educational loans despite the pandemic. Though there had been a temporary blip during the last year in the overall demand of students aspiring to go abroad to pursue their higher education due to the pandemic, it had witnessed an upward trend during the third quarter of FY 2020-21. As soon the educational world adapted to the new normal way of imparting knowledge, students came forward for subsequent enquires and logins. Education is a non-discretionary spend segment and an important aspect of the Indian culture. Various surveys highlight the fact that an average Indian household spends 13% of its annual income on higher education fees per child. Analysing the rising cost of education, education financing is one of the ideal ways of fulfilling the aspirations of deserving Indian students. Also, during this crisis phase, the work-from-home setting led to a growing trend of up-skilling programs. These factors are responsible for a positive outlook pointing towards a buoyant educational finance market in India.

Avanse Financial Services is well-poised to become the education financier of choice. It is investing in building customer-centric solutions, industry-first technology, robust risk & underwriting framework and its people. These parameters will help the organization be on a progressive trajectory in creating sustainable profitable growth and holistic stakeholder value. The company is committed towards creating enhanced education financing solutions for students across KG to PG and contributing in strengthening the overall education ecosystem of India.



CUSTOMER TESTIMONIALS

Hari Vignesh (Canada I Global Conestoga College I Supply chain management)

It was a wonderful experience with Avanse! When every other financial institution neglected my loan it was Avanse who at last gave hope and sanctioned my loan and it was the first step towards accomplishing my dream. I was extremely happy with the service provided.

Usha Iyer (mother of a student)

First of all, I would like to thank the entire team at Avanse. They are highly professional & one of the fastest processing loan institutions that I have known & today I can proudly say my son is going to complete his MS from United States University. Avanse was recommended to me by a colleague at work. So, I approached them, I was guided very well by them through all the process and documentation requirements and the loan was processed to me within 20 days. I would also thank the entire team for the way they respect their customers & the consistency with which they ensure a hassle-free education loan experience even through the legal and documentation aspects. I would call them the best when it comes to education loans.

Girinath Ambigapathi (New Zealand I Eastern Institute of Technology, Auckland I Graduate Diploma in Information Technology)

During the lockdown phase in India, I wanted to figure out more about the moratorium facility introduced by the government. Avanse's customer service team was extremely helpful in terms of guiding me well through this phase and assisted me in sorting out the issues that I faced.

Vikram Kumar (USA I University of Texas, Dallas I Master of Science in Information Technology and Management)

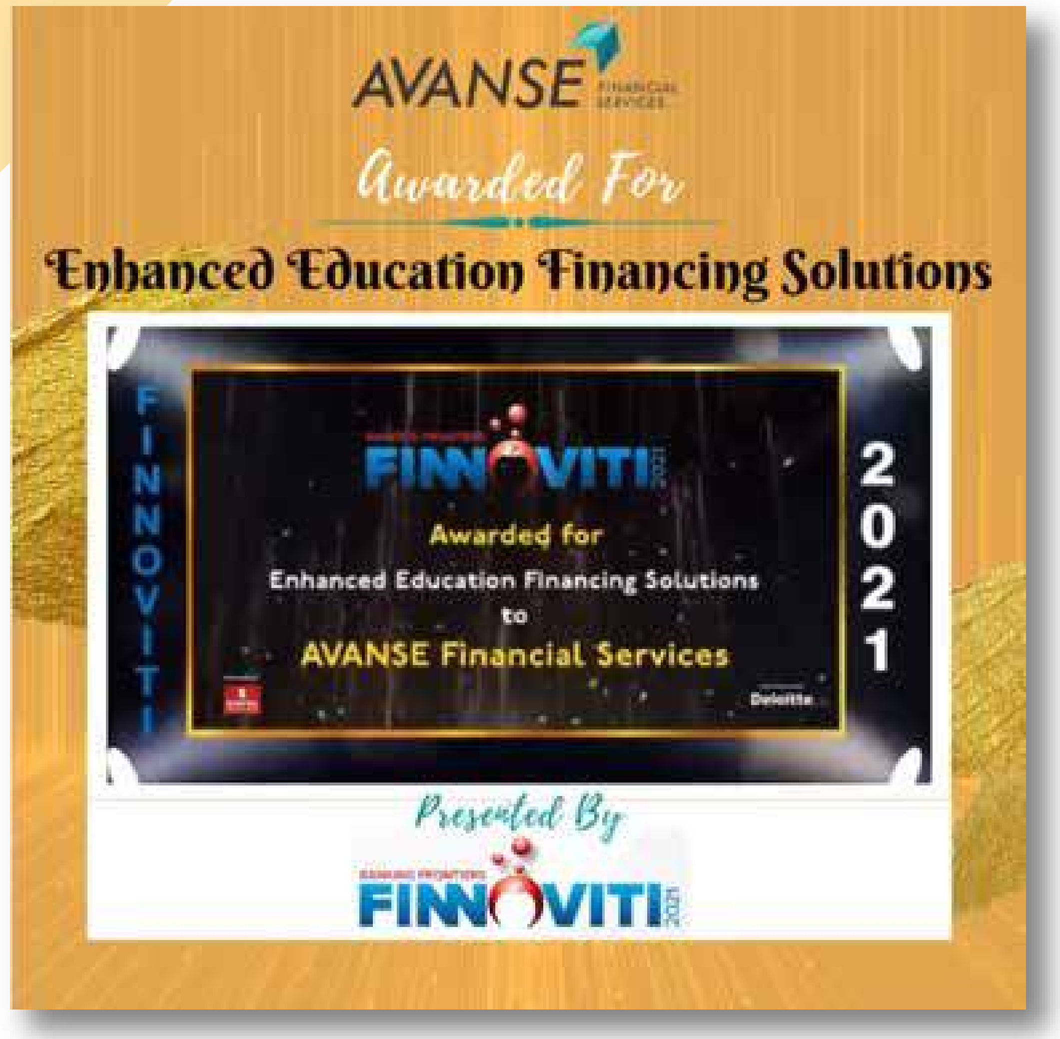
I am thankful to Avanse Financial Services for the education financing solution which helped me achieve my academic and professional aspirations. Both my brother and I had take an education loan from Avanse and completed our Master's degree successfully.

AWARDS

The company invested heavily to ensure safety of its stakeholders, smooth business continuity and its commitment to deliver highest quality experience to customers and partners. The organization's efforts during this phase have been recognized by various well-known and esteemed bodies.

Avanse Financial Services won the **Education Loan Provider of the Year 2020** conferred by World Leadership Congress & Awards

Avanse achieved recognition for its innovation of **Enhanced Education Financing Solution** in Finnoviti Awards 2021 organized by Banking Frontiers



AVANSE FINANCIAL SERVICES
ASPIRE WITHOUT BOUNDARIES

DIRECTORS' REPORT

To,
The Members,

Your Directors have the pleasure in presenting the Annual Report on the business and operations of your Company for the Financial Year ended March 31, 2021.

Financial Performance

(₹ in Cr)

Particulars	2020-21	2019-20
Total Income	439	434
Total Expenditure	390	374
Profit Before Tax	49	32
Profit After Tax	38	22
Other Comprehensive Income	0	0
Transfer to Reserve as per Section 45- IC (1) of RBI Act	8	4

Dividend

In order to conserve resources for the future, the Board has not recommended any dividend for the FY 2020-21.

Review of Business Operations

During FY 2020-21, your company strategized and implemented various processes which helped it strengthen its overall Asset Under Management and it currently stands at ~₹3103 Cr. The organization's student-centric approach aided it in securing 52497 live customers during this phase. The capital adequacy maintained a strong ALM with positive mismatches across all buckets. As on March 31, 2021, the net worth of the company stood at ~₹942 Cr and its Profit After Tax is ~₹38 Cr with robust liquidity position and leverage of 2.5 times.

The Company's capital and liquidity positions remain strong and continue to be key areas of focus in the near future. In accordance with relief packages announced by the Reserve Bank of India ("RBI") on March 27, 2020, and May 23, 2020, the Company extended the option of payment moratorium, based on customer requests, for amounts falling due between March 01, 2020, and August 31, 2020, to its borrowers. In line with RBI guidelines issued on April 17, 2020, with respect to all accounts classified as 'Standard' as on February 29, 2020, even if overdue, the moratorium period, wherever granted, were excluded from the number of days past due for the purpose of asset classification under the RBI's Income Recognition and Asset Classification norms. The Company has assessed the potential impact of COVID-19 on the carrying value of its assets based on relevant internal and external factors. In order to cover the impact of COVID-19 on the future expected credit losses, the Company has made an additional provision, apart from the RBI's prescribed norms.

Regulatory Guidelines

As per the Reserve Bank of India (RBI) Directions, guidelines etc. your company falls under the category of "Systemically Important Non-Deposit taking Non-Banking Financial Company". The Company has complied with all the applicable Directions, guidelines, circulars etc. prescribed by the RBI.

The Company's capital adequacy ratio (CAR) stood at 32.74% as on March 31, 2021. Tier I capital was 30.49% and Tier II capital was 2.25%.

The Company is registered with Insurance Regulatory and Development Authority of India (IRDAI) as Corporate Agent (Composite) and the Registration No. is CA0445. The Company act as a Corporate Agent of Pramerica Life Insurance Ltd, NAVI General Insurance Ltd. and ICICI Lombard General Insurance Company Ltd. The Company has complied with all the applicable Rules and Regulations prescribed by IRDAI.

Transfer to Reserve

The Directors transferred ₹8Cr as per section 45-IC of Reserve Bank of India Act, 1934 to the Special Reserve of the Company for the year ended March 31, 2021.

Credit Rating

During the year under review there was no change in the ratings of the Company. As on March 31, 2021, the secured long-term borrowing programme was assigned a rating of "A+ (Stable)" both by CARE and Brickwork and the unsecured long-term borrowing programme was assigned a rating of "A (Stable)" and A+ (Stable) by CARE and Brickwork respectively.

Sources of Funds

Loan from Bank / Financial Institution

During the year under review, your Company received sanctions for term loan of ₹340 Cr and for Working Capital Demand Loan of ₹16 Cr from Banks/financial institutions, of which the Company availed loans of ₹215 Cr. The outstanding loan as on March 31, 2021 was ₹1272.71 Cr.

Non-Convertible Debentures

During the FY 2020-21, the Company issued Secured Non-Convertible Debentures (NCDs) amounting to ₹250 Cr on private placement basis. The Non-Convertible Debentures are listed on the Wholesale Debt Market of BSE Limited. The Company has been regular in the payment of principal / interest towards all the outstanding Non-Convertible Debentures. As on March 31, 2021 the total outstanding Secured NCDs are ₹855 Cr and the total outstanding Subordinate Debt are ₹75 Cr.

External Commercial Borrowing

In the FY 2020-21, the Company has availed External Commercial Borrowing (ECBs) of USD15 million.

Share Capital

During the FY 2020-21, there was no further issue of equity share capital. The paid-up capital of the Company as on March 31, 2021 stands at ₹82,59,18,610/- comprising of 8,25,91,861 equity shares of face value ₹10/- each.

Stock Options

During the year under review, pursuant to "Avanse Financial Services Limited - Employee Stock Option Plan 2019" (ESOP - 2019), Nomination Remuneration and Compensation Committee has granted 4,64,741 stock options under ESOP 2019 to the eligible employees of the Company. Pursuant to the provisions of the Companies Act, 2013 and rules made thereunder, details of ESOP 2019 is attached as **Annexure VI**.

Change in the Nature of Business, If any

There was no change in the nature of business of your company during the FY 2020-21.

Material Changes & Commitments affecting the Financial Position of the Company

No material changes and commitments which could affect the Company's financial position have occurred between the end of the financial year of the Company and date of this report.

Details of Significant and Material Orders passed by the Regulators or Courts or Tribunals

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

Internal Financial Controls

The Internal Financial Controls with reference to financial statements as designed and implemented by the Company are adequate. During the year under review, no material or serious observation has been received from the Auditors of the Company for inefficiency or inadequacy of such controls.

Details of Subsidiary/Joint Ventures/Associate Companies

Your Company does not have any Subsidiary/Joint Ventures/Associate Company.

Deposits

Your Company has neither accepted nor renewed any deposits from the public during the year and in the past. Hence there are no unclaimed or unpaid amounts lying in the accounts of the Company.

Statutory Auditors

M/s Deloitte Haskins & Sells LLP, Chartered Accountants (Firm Registration No. 117366W/W-100018) Statutory Auditors of the Company office for its first term for five consecutive years from the conclusion of 25th Annual General Meeting until the conclusion of 30th Annual General Meeting.

As per the Companies Amendment Act, 2017, the Company is no more required to ratify the appointment of Statutory Auditors at the Annual General Meeting and they will continue as auditor of the Company for the remaining term.

Extract of the Annual Return

Pursuant to Section 134(3)(a) and Section 92(3) of the Companies Act, 2013 read with Rule 12 of the Companies (Management and Administration) Rules, 2014, as amended from time to time the extract of Annual Return as at March 31, 2021 in the prescribed Form MGT 9 form is available on the Company's website – www.avanse.com.

Conservation of Energy, Technology Absorption & Foreign Exchange Earnings and Outgo

The Company, being a Non-Banking Finance Company, does not have any manufacturing activity. Therefore, the Company has nothing to report on Conservation of Energy.

Technology Absorption

Your Company actively engages itself towards technology advancements to serve its customers better and to create technology friendly environment for its employees who in turn help them to manage the processes efficiently and economically.

Further, for the year ended March 31, 2021, there has been no foreign exchange earnings and outgo.

Directors

In compliance with the provisions of the Companies Act, 2013, Mr. Narendra Ostawal will retire by rotation at the ensuing Annual General Meeting and being eligible offer himself for re-appointment.

Ms. Savita Mahajan (DIN 06492679) was appointed as an Independent Director of the Company at the Annual General Meeting held on September 26, 2019 for the period of 3 (three) consecutive years effective from December 1, 2018. Accordingly, Ms. Savita Mahajan's tenure is to expire on November 30, 2021. Pursuant to the provisions of Section 149 and other applicable provisions of the Companies Act, 2013, for the re-appointment of Ms. Mahajan for the second term approval of the shareholders by way of passing a special resolution is required. Based on the recommendation of the Nomination, Remuneration and Compensation Committee & evaluation carried out, the Board proposes the re-appointment of Ms. Savita Mahajan as an Independent Director of the Company for another term of 5 (five) consecutive years effective from December 1, 2021.

The Board is of the opinion that the Independent Directors of the Company possess requisite qualifications, experience and expertise and that they hold highest standards of integrity. In terms of the provisions of the Companies Act, 2013 and read with the Companies (Appointment & Qualification of Directors) Rules, 2014, as amended from time to time, the Independent Directors of the Company have registered themselves with the data bank of Independent Directors created and maintained by the Indian Institute of Corporate Affairs ("IICA"), Manesar. None of the Independent Directors of the Company are required to give online proficiency test.

Key Managerial Personnel

There was no change in Key Managerial Personnel during the FY 2020-21.

AVANSE FINANCIAL SERVICES
ASPIRE WITHOUT BOUNDARIES

Declaration by Independent Director

The Independent Directors have submitted the declaration of independence, as required under Section 149 of the Companies Act, 2013, stating that they meet the criteria of independence as provided in the said section.

Performance Evaluation

Pursuant to the provisions of the Companies Act, 2013, the Board of Directors has carried out an annual evaluation of its own performance, Board Committees and individual Directors for the FY 2020-21. The evaluation framework was aligned with the Guidance Note on the Board Evaluation issued by the SEBI. The performance of the Board was evaluated by the Board after seeking inputs from all the directors on the basis of the criteria such as the board composition and structure, effectiveness of board processes, information and functioning, etc.
The performance of the Committees was evaluated by the Board after seeking inputs from the Committee Members on the basis of the criteria such as the composition of committees, effectiveness of committee meetings, etc. The Board of Directors reviewed the performance of the individual Directors on the basis of the criteria such as the contribution of the individual Director to the Board and Committee Meetings like preparedness on the issues to be discussed, meaningful and constructive contribution and inputs in meetings, etc.
In a separate meeting of Independent Directors, performance of non-independent directors, performance of the board as a whole, and performance of the Chairperson were evaluated taking into account the views of Non-Executive Directors. Performance evaluation of independent directors was done by the entire board, excluding the independent director being evaluated.

Nomination & Remuneration Policy

Nomination, Renumeration and Evaluation Policy of the Company is attached as **"Annexure II".**

Details of Establishment of Vigil Mechanism / Whistle Blower

Pursuant to the provisions of Section 177 of the Companies Act, 2013 read with Companies (Meetings of Board and its Powers) Rules, 2014 the Company has adopted a Whistle Blower Policy, which provides for a vigil mechanism that encourages and supports its Directors and employees to report instances of unethical behaviour, actual or suspected, fraud or violation of the Company's Policies. It also provides for adequate safeguards against victimisation of persons who use this mechanism and direct access to the Chairperson of the Audit Committee in exceptional case. Whistle Blower Policy is available on Company's website www.avanse.com.

Particulars of Loans, Guarantees or Investments

The Company, being a non-banking financial company registered with the RBI and engaged in the business of giving loan, is exempt from the provisions of section 186 of the Companies Act, 2013 and rules made thereunder. Accordingly, the disclosures of the loans given as required under the aforesaid section have not been made in this report.

Particulars of Contracts or Arrangements with Related Parties

During the year under review, the Company has not entered into any related party transactions. The Company's Policy on Related Party Transactions is available on its website www.avanse.com.

Corporate Governance

Report on Corporate Governance of the Company forms an integral part of this report and annexed as **"Annexure III"**.

Particulars of Employees Remuneration

In accordance with the provisions of Section 197 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 the details of the employees for the FY 2020-21 are set out in **"Annexure IV" & "Annexure V"** and other details required as per the said rules will be made available to any member on request.

Directors' Responsibility Statement

Pursuant to the provisions of Section 134 of the Companies Act, 2013, the Directors of the Company confirm that:

- In the preparation of the annual accounts for the year ended March 31, 2021, the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any
- The directors 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 as on March 31, 2021 and of the profit of the Company for that period
- Proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities
- The Annual financial statements have been prepared on a going concern basis
- Internal financial controls have been laid down to be followed by the Company and that such internal financial controls are adequate and were operating effectively
- Proper systems to ensure compliance with the provisions of the applicable laws are in place and the same are adequate and operating effectively

Comments by the Board on qualification, reservation or adverse remark in the reports

Auditors Report

There were no qualifications, reservation or adverse comments by the Statutory Auditors of the Company in their audit reports.

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

Secretarial Audit Report

There were no qualifications, reservation or adverse comments made by the Secretarial Auditor of the Company in their audit report for the FY 2020-21.

Compliance with Secretarial Standards

Your Company is in compliance with the Secretarial Standards on Meetings of the Board of Directors and the Secretarial Standards on General Meeting issued by the Institute of Company Secretaries of India.

Disclosures Under Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Act, 2013

As a part of HR Policy and for Prevention, Prohibition & Redressal of Sexual Harassment of Women at Workplace, your Company has framed a Policy on Prevention of Sexual Harassment Policy at Workplace in line with the provisions of the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013. The Company has constituted Internal Complaints Committee (ICC) under the provision of the said act. Further, considering the geographic presence in India the Company has also constituted Regional Internal Complaints Committees. During the FY 2020-21, nil complaints were received by the ICC.

Acknowledgements

Your Directors take this opportunity to thank the Company's Customers, Bankers and other Lenders, Members for their continued support and faith reposed in the Company during the tough time due to adverse macro-economic conditions. The Board also places on record its deep appreciation for the dedication and commitment of the employees at all levels. The Directors would also like to thank Reserve Bank of India and other regulators, stock exchange and other statutory bodies for their co-operation, guidance and support during the year under review.

For and on behalf of the Board of Directors

Vijayalakshimi Iyer
Independent Director
(DIN 05242960)

Neeraj Swaroop
Chairman
(DIN 00061170)

Date: May 6, 2021

Place: Mumbai

ANNEXURES

Annexure I

ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES FOR FY 2020-21

Brief outline on CSR Policy of the Company

Our vision is to make quality education accessible for deserving underserved Indian Students through the Company's CSR initiative. For details of the CSR Policy along with projects and programs, kindly refer to the website of the Company - www.avanse.com.

Composition of CSR Committee

Sr. No.	Name of 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. Savita Mahajan	Chairperson (Independent Director)	1	1
2	Ms. Vijayalakshmi Iyer	Member (Independent Director)	1	1
3	Mr. Narendra Ostawal	Member (Non-executive Director)	1	1

- Provide the web-link where the composition of CSR committee, CSR Policy and CSR projects approved by the board are disclosed on the website of the company.
  www.avanse.com

- Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report).
  Not Applicable.

- 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: Not Applicable

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 ₹)
1	–	–	–
	TOTAL	–	–

- Average net profit of the company as per section 135(5): ₹29,55,89,991/-

- (a) Two percent of average net profit of the company as per section 135(5): ₹59,11,800/-

  (b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: No

  (c) Amount required to be set off for the financial year, if any: No

  (d) Total CSR obligation for the financial year (7a+7b-7c): ₹59,11,800/-

(a) CSR amount spent or unspent for the Financial Year

Total Amount Spent for the Financial Year (in ₹)	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
60,00,000	-	-	-	-	-

(b) Details of CSR amount spent against ongoing projects for the Financial Year

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	(11)	
Sr. 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	–	–	–	–	–	–	–	–	–	–	–	–
	TOTAL	–	–	–	–	–	–	–	–	–	–	–

(c) Details of CSR amount spent against other than ongoing projects for the Financial Year

(1)	(2)	(3)	(4)	(5)		(6)	(7)	(8)	
Sr. 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 ₹)	Mode of Implementation Direct (Yes/No)	Mode of Implementation - Through Implementing Agency	
				State	District			Name	CSR Registration number
1	Contribution to PM CARES Fund	Item no. (viii)	–	–	–	19,00,000	Direct	–	–
2	To support students from the underserved communities who have been impacted by COVID-19	Item no. (i) - Distribution of kits to provide essentials for Livelihood – Food/ Shelter /Hygiene	Yes	Maharashtra Delhi Telangana Tamil Nadu Maharashtra Karnataka	Mumbai Delhi Hyderabad Chennai Pune Bangalore	12,00,000	No	Samarthanam Trust for the Disabled	–
3	To promote activity based and digital learning in schools	Item no. (ii) – Promote Education	Yes	Maharashtra	Raigad	29,00,000	No	PRIDE India	–
	TOTAL	–	–	–	–	60,00,000	–	–	–

(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): ₹60,00,000/-
(g) Excess amount for set off, if any

Sr. No.	Particular	Amount (in ₹)
1	Two percent of average net profit of the company as per section 135(5)	59,11,800
2	Total amount spent for the Financial Year	60,00,000
3	Excess amount spent for the financial year [(2)-(1)]	88,200
4	Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any	Nil
5	Amount available for set off in succeeding financial years [(3)-(4)]	88,200

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

Sr. 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	
1	FY2019-20	Nil					
2	FY2018-19						
3	FY 2017-18						

(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)
Sr. 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
1	Not Applicable							

- In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the Financial Year (asset-wise details): Not Applicable
  (a) Date of creation or acquisition of the capital asset(s).
  (b) Amount of CSR spent for creation or acquisition of capital asset.
  (c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc.
  (d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset).

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

Amit Gainda
(Chief Executive Officer)

Savita Mahajan
(Chairperson - CSR Committee)
(DIN: 06492679)

Date: May 6, 2021

Place: Mumbai

Annexure II

Nomination Remuneration and Evaluation Policy

TITLE

This policy shall be called as "Nomination, Remuneration and Evaluation Policy".

OBJECTIVE AND PURPOSE

In line with the statutory requirement under the provisions of the Companies Act, 2013 and the regulatory frame work for Non-Banking Financial Companies (NBFC) issued by Reserve Bank of India (RBI), the Company has constituted a Committee named as Nomination, Remuneration and Compensation Committee ("Committee"). Further, the following policy has been prepared as per the requirement of the said provisions. The objective and purpose of the policy is

(a) To ensure that the quantum and composition of remuneration is reasonable and sufficient to attract, retain and motivate employees.

(b) To ensure that relationship of remuneration to performance is clear and meets the performance benchmarks.

(c) To ensure that remuneration to Directors, Key Managerial Personnel, Senior Management and other employees involves a balance between fixed and incentives pay reflecting short and long term performance objectives appropriate to the working of the Company and its goals.

DEFINITIONS

(i) **Board or Board of Directors** - means the Board of Directors of the Company.

(ii) **Company** shall mean Avanse Financial Services Limited

(iii) **Committee** - means the Nomination, Remuneration and Compensation Committee of the Company.

(iv) **Fit and Proper** - means the fit and proper criteria as prescribed by the Reserve Bank of India from time to time.

(v) **Key Managerial Personnel** as defined in the Companies Act, 2013, as amended from time to time.

(vi) **Senior Management Personnel** shall mean personnel of the Company who are Members of its core management team excluding Board of Directors and Chief Executive Officer (CEO) including all functional heads.

POLICY

(A) Appointment / Nomination Criteria

(i) The Committee shall identify and ascertain the integrity, qualifications, skills, expertise, back ground, experience, independence etc. of the person for appointment as a Director and Key Managerial Personnel (KMP) and recommend to the Board his / her appointment. The appointment of the Directors and KMP shall be as per the provisions of the Companies Act, 2013 and other applicable laws, as amended from time to time.

(ii) For the appointment of Senior Management Personnel the criteria shall be to identify and ascertain integrity, qualification, skills, expertise, industry experience, back ground etc. of the person proposed to be appointed and the appointment of Senior Management Personnel shall be approved by the CEO of the Company.

(iii) In case of appointment of Director, the Committee and the Board shall ensure that they meet the fit and proper criteria prescribed by the Reserve Bank of India as amended from time to time and maintain the position during their tenure in office.

(iv) The Committee shall be duly informed about the appointment of any Senior Management Personnel.

(v) Any other criteria as the Committee may deem fit and / or mentioned in the applicable laws.

(B) Evaluation

(i) The Committee or Board shall carry out a performance evaluation of the Board, its Committees and individual director on annual basis as per the provisions of the Companies Act, 2013, as amended from time to time. The manner of evaluation can be in the questionnaire form, rating form or in any other manner as may be decided by the Committee from time to time. The performance parameters includes, but is not limited to expertise, objectivity & independence, understanding of the company's business, willingness to devote the time, participation in discussion, responsiveness, composition of Board/Committees, frequency of meetings etc.

(ii) The evaluation of the KMP shall be done by the Committee based on their performance, achievements, ratings, Company's business performance etc.

(iii) The performance evaluation of the Senior Management and other employees shall be as per the Company's performance, annual appraisal process, prevailing HR Policies and HR framework implemented by the Company from time to time.

(C) Removal

In case of any disqualification mentioned in the Companies Act, 2013, rules made there under or under any other applicable laws and breach of Company's prevailing HR Policies, the Committee may recommend to the Board with reasons recorded in writing, removal of a Director, KMP or Senior Management Personnel subject to the provisions and compliance of the said Act, rules, regulations and HR Policies.

(D) Remuneration

The compensation structure may also include stock options targeting employee participation in ownership of the Company and to ensure the retention of potential talents for the future growth and diversity of the Company. Any Director holding directly or indirectly more than 10% of the outstanding equity shares of the Company and Independent Director shall not be entitled to any stock options.

(a) Executive Chairman / Managing Director / Whole-time Director

(i) The remuneration / commission / bonus / performance linked incentives etc. to the Executive Chairman / Managing Director / Whole-time Director, will be determined by the Committee and recommended to the Board for approval. The remuneration / compensation / commission etc. shall be subject to the approval of the shareholders of the Company and Central Government, wherever required as per applicable laws.

(ii) The remuneration / commission to be paid to the Executive Chairman/Managing Director / Whole-time Director shall be as per the provisions of the Companies Act, 2013, and the rules made thereunder as amended from time to time and other applicable laws, if any.

(iii) Increments / Revision to the existing remuneration / compensation structure shall be recommended by the Committee to the Board for its consideration and approval.

(b) Non-Executive Director / Independent Director

(i) The Commission may be paid to the Non-Executive Director / Independent Director as per the provisions of Articles of Association, Companies Act, 2013, rules made there under and other applicable laws, if any.

(ii) The Non-Executive Directors / Independent Director may receive sitting fees for attending meetings of Board or Committee(s) thereof approved by the Board from time to time in line with the applicable provisions of the Companies Act, 2013.

(c) KMP and Senior Management Personnel

(i) The remuneration to the KMP and Senior Management Personnel of the Company shall be in line with the Company's philosophy to provide fair compensation to key – executive officers based on their performance and contribution to the Company and to provide incentives that attract and retain key executives, instill a long term commitment to the Company, and develop a pride and sense of Company ownership, all in a manner consistent with shareholder interests. The remuneration of Senior Management Personnel at the time of appointment including performance linked incentives, any revision / increments in the remuneration shall be approved by the CEO as per the HR Policy of the Company.

(ii) The remuneration, annual increments, performance linked incentives, perquisites etc. to the KMP of the Company shall be recommended by the Committee and approved by the Board of Directors.

(d) Remuneration of Other Employees

Apart from Directors, KMP and Senior Management, the remuneration of rest of the employees will be determined on the basis of the role and position of the individual employee, including professional experience, responsibility, job complexity, local market conditions in competitive environment and HR Policy of the Company.

(E) AMENDMENTS

Any subsequent amendment / modification in the applicable laws in this regard shall automatically apply to this policy.

The policy shall be reviewed as and when required and may be amended by the Board on the recommendation of the Committee.

Annexure III

Report on Corporate Governance

Board Meeting

During the financial year 2020-21, the Board met 5 (five) times i.e. on June 25, 2020, August 25, 2020, October 30, 2020, February 4, 2021 and March 24, 2021. The intervening gap between the Meetings was within the period prescribed under the Companies Act, 2013. The attendance of each director at the above said meetings is as follows

Sr. No.	Name of the Director	Designation	Number of meetings attended
1	Mr. Neeraj Swaroop	Independent Director & Chairman	5
2	Ms. Vijayalakshmi Iyer	Independent Director	5
3	Ms. Savita Mahajan	Independent Director	5
4	Mr. Narendra Ostawal	Non-executive Director	5

Audit Committee

The Constitution of the Audit Committee is in compliance with the provisions of the Companies Act, 2013. The terms of reference of the Audit Committee are in accordance with the provisions of Section 177 of the Companies Act, 2013 ("Act") read with Companies (Meeting of Board and its Powers) Rules, 2014 and as required by other applicable laws. The Company Secretary acts as the secretary to the Committee. During the financial year 2020-21, the Committee met four times i.e. on June 25, 2020, August 25, 2020, October 30, 2020 and February 4, 2021. The composition of the Audit Committee as on March 31, 2021 and the details of attendance of each Committee Member at the above said meetings is as follows

Sr. No.	Name of the Member	Number of meetings attended
1	Ms. Vijayalakshmi Iyer (Chairperson of the Committee)	4
2	Mr. Neeraj Swaroop	4
3	Mr. Narendra Ostawal	4

Nomination, Remuneration and Compensation (NRC) Committee

The constitution of the NRC Committee is in compliance with the provisions of the Companies Act, 2013. The terms of reference of the Committee are in accordance with the provisions of Section 178 of the Companies Act, 2013 read with Companies (Meeting of Board and its Powers) Rules 2014 and as required by other applicable laws. The Company Secretary acts as the secretary to the Committee. During the financial year 2020-21, the Committee met two times i.e. on October 30, 2020 and February 4, 2021. The composition of the NRC Committee as on March 31, 2021 and the details of attendance of each Committee Member at the above said meetings is as follows

Sr. No.	Name of the Member	Number of meetings attended
1	Ms. Vijayalakshmi Iyer (Chairperson of the Committee)	2
2	Mr. Neeraj Swaroop	2
3	Mr. Narendra Ostawal	2

Corporate Social Responsibility Committee

The Board has constituted Corporate Social Responsibility (CSR) Committee as per the requirements of Section 135 of the Companies Act, 2013 and rules made there under. The terms of reference of the Committee are in accordance with the provisions of Section 135 of the Companies Act, 2013 and rules made there under. The Company Secretary acts as the secretary to the Committee. During the financial year 2020-21, the Committee met once on February 4, 2021. Pursuant to the provisions of the Companies Act, 2013 an Annual Report on Corporate Social Responsibility for the FY 2020-21 is attached as **"Annexure I"**.

The composition of the CSR Committee as on March 31, 2021 and the details of attendance of each Committee Member at the above said meeting is as follows

Sr. No.	Name of the Member	Number of meetings attended
1	Ms. Savita Mahajan (Chairperson of the Committee)	1
2	Ms. Vijayalakshmi Iyer	1
3	Mr. Narendra Ostawal	1

Risk Management Committee

The Members of the Committee as on March 31, 2021 are Mr. Neeraj Swaroop, (Chairperson of the Committee), Ms. Vijayalakshmi Iyer, Mr. Narendra Ostawal, Amit Gainda - CEO, Mr. Rahul Bhapkar - CFO, Mr. Samir Kumar Mohanty – COO & CTO and Mr. Srinivasan Nagarajan - CRO. The terms of reference of the Committee inter alia include ensuring formulation and implementation of the Risk Management Policy of the Company.

Asset Liability Management Committee (ALCO)

Pursuant to the regulatory framework for NBFC issued by Reserve Bank of India, Asset Liability Management Committee (ALCO) was constituted. ALCO lays down policies and quantitative limits that involve assessment of various types of risks and shifts in assets and liabilities to manage such risks. ALCO of the Company monitors, on an ongoing basis, liquidity, interest rate and funding risks to which the Company is susceptible. As on March 31, 2021, the Members of the Committee are Mr. Amit Gainda - CEO (Chairman of the Committee), Mr. Rahul Bhapkar – CFO, Mr. Samir Kumar Mohanty – COO & CTO and Mr. Nagarajan Srinivasan - CRO.

IT Strategy Committee

The constitution of the IT Strategy Committee of the Company is in line with requirement of RBI Master Direction – Information Technology Framework for the NBFC Sector. The terms of reference of the Committee are as per the said RBI Directions. As on March 31, 2021, the Members of IT Strategy Committee are Mr. Neeraj Swaroop (Chairperson of the Committee), Ms. Savita Mahajan, Mr. Narendra Ostawal, Mr. Amit Gainda – CEO (Member - CIO) and Mr. Samir Mohanty – COO & CTO.

Borrowing Committee

The Members of Borrowing Committee are Mr. Amit Gainda - CEO (Chairman of the Committee), Mr. Rahul Bhapkar – CFO and Mr. Samir Kumar Mohanty – COO & CTO. The terms of reference of the Committee interalia include ascertaining and meeting the fund requirements of the Company through diversified resources as per the applicable provisions of the Companies Act, 2013 and rules made thereunder and any other applicable law for the time being in force.

Investment Committee

The Members of Investment Committee are Mr. Amit Gainda - CEO (Chairman of the Committee), Mr. Rahul Bhapkar – CFO and Mr. Samir Kumar Mohanty – COO & CTO. The terms of reference of the Committee interalia include to invest the idle funds lying with the Company and other related matters.

Details of Shareholding as on March 31, 2021

Sr. No.	Name of Shareholder	No. Of Shares held	% of Total Share Capital
1	Olive Vine Investment Ltd	6,60,73,483	80.00
2	International Finance Corporation	1,65,18,373	20.00
3	Mr. Amit Gainda*	1	0.00
4	Mr. Rahul Bhapkar*	1	0.00
5	Mr. Samir Kumar Mohanty*	1	0.00
6	Mr. Amit Yadav*	1	0.00
7	Mr. Nagarajan Srinivasan*	1	0.00
	Total	8,25,91,861	100.00

*Beneficial Owner is Olive Vine Investment Ltd

For and on behalf of the Board of Directors

Neeraj Swaroop
Chairman
(DIN 00061170)

Vijayalakshmi Iyer
Independent Director
(DIN 05242960)

Date: May 6, 2021

Place: Mumbai

Annexure IV

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2015 AND AMENDMENTS THEREOF

(i) The percentage increase in remuneration of each Director, Chief Executive Officer, Chief Financial Officer and Company Secretary during the FY 2020-21, ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the FY 2020-21 and the comparison of remuneration of each Key Managerial Personnel (KMP) against the performance of the Company are as under

Sr. No.	Name of Director / KMP	% increase in remuneration in the FY 2020-21	Ratio of remuneration of each Director to median remuneration of employees
1	Mr. Neeraj Swaroop Independent Director & Chairman	N.A.	N.A.
2	Ms. Vijayalakshmi Iyer Independent Director	N.A.	N.A.
3	Ms. Savita Mahajan Independent Director	N.A.	N.A.
4	Mr. Narendra Ostawal Non-executive Director	N.A.	N.A.
5	Mr. Amit Gainda Chief Executive Officer	Nil	N.A.
6	Mr. Rahul Bhapkar Chief Financial Officer	1.6%	N.A.
7	Mr. Rakesh Dhanuka Company Secretary	Nil	N.A.

(ii) The median remuneration of the employees of the Company during the FY 2020-21 was ₹7,82,000/-

(iii) In the FY 2020-21, there was no increase in the median remuneration of employees.

(iv) There were 362 permanent employees on the rolls of Company as on 31st March, 2021.

(v) Average percentage increase made in the salaries of employees other than the Managerial Remuneration in the FY 2020-21 was nil whereas the increase in the Managerial Remuneration for the same FY 2020-21 was nil. (However there are salary increase for selective employees to mitigate the attrition risk was 2%)

(vi) It is hereby affirmed that the remuneration paid is as per the remuneration policy for Directors, Key Managerial Personnel and other Employees.

For and on behalf of the Board of Directors

Neeraj Swaroop
Chairman
(DIN 00061170)

Vijayalakshmi Iyer
Independent Director
(DIN 05242960)

Date: May 6, 2021

Place: Mumbai

Annexure V

DETAILS PERTAINING TO REMUNERATION AS REQUIRED UNDER SECTION 197(12) OF THE COMPANIES ACT, 2013 READ WITH RULE 5(2) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2015.

(a) Employed throughout the Financial Year and was in receipt of remuneration for the year in aggregate of not less than ₹1,02,00,000/-

Name	Designation	Remuneration Received (₹)	Qualification	Experience	Date of Commencement of employment	Age	Last Employment	Equity Shares held in the Company (%)	Relative of any Director or KMP
Amit Gainda	Chief Executive Officer	3,49,44,795	B.Com & MBA from IMI and INSEAD	24 Years	01.04.2017	46 Years	Dewan Housing Finance Corporation Ltd	Nil	No
Samir Mohanty	Chief Operating Officer & Chief Technology Officer	1,04,06,497	PGDBA	20 Years	01.09.2017	45 Years	TATA Capital Financial Services Ltd	Nil	No

(b) Employed for a part of the Financial Year and was in receipt of remuneration at a rate in aggregate not less than ₹8,50,000/- per month: NIL

(c) Employed throughout the Financial Year or part thereof, was in receipt of remuneration in the year which, in the aggregate or at a rate which in the aggregate was in excess of that drawn by the Managing Director or Whole-time Director and holds by himself or along with his spouse and dependent children, not less than 2% of the equity shares of the Company: NIL

For and on behalf of the Board of Directors

Neeraj Swaroop
Chairman
(DIN 00061170)

Vijayalakshmi Iyer
Independent Director
(DIN 05242960)

Date: May 6, 2021

Place: Mumbai

Annexure VI

DETAILS OF EMPLOYEES' STOCK OPTION SCHEME PURSUANT TO THE PROVISIONS OF THE COMPANIES (SHARE CAPITAL AND DEBENTURES) RULES, 2014 AS ON MARCH 31, 2021

Details	ESOP 2019
Options Granted	464741
Options Vested	443716
Options Exercised	0
Total number of shares arising as a result of exercise of option	0
Options Lapsed	222085
Exercise price	193 (Dated 05-Feb-21)
Variation of terms of option	–
Money realized by exercise of option	–
Total number of option in force	3670428

Employee wise details of options granted to

(i) Key Managerial Personnel: Nil

(ii) Any other employee who receives a grant of options in any one year of option amounting to five percent or more of options granted during that year: Nil

(iii) Identified employees who were granted option, during any one year, equal to or exceeding one percent of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant: Nil

For and on behalf of the Board of Directors

Neeraj Swaroop
Chairman
(DIN 00061170)

Vijayalakshmi Iyer
Independent Director
(DIN 05242960)

Date: May 6, 2021

Place: Mumbai

SECRETARIAL AUDIT REPORT

AVANSE FINANCIAL SERVICES
ASPIRE WITHOUT BOUNDARIES

Form No. MR-3

SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED 31st March 2021

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

To,

The Members,

Avanse Financial Services Limited
001 & 002 Fulcrum, A Wing, Ground Floor
Sahar Road, Next to Hyatt Regency,
Andheri (East) Mumbai - 400099

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by **Avanse Financial Services Limited** (hereinafter called "the Company"). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

On account of ongoing and evolving pandemic of COVID-19 and consequent lockdown as directed by the Central and State Government(s), the process of audit has been modified. Some of the documents/records/returns/registers/minutes were not verified physically, however, the documents were made available in electronic mode and were verified based on the representations received from the Company for its accuracy and authenticity. Our report also covers the due adherence of the miscellaneous circulars/notifications/guidelines as issued by the regulatory bodies from time to time. Further, we have verified 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 31st March, 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 as given in Annexure I, for the financial year ended on 31st March, 2021, according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the Companies Act, 1956 (to the extent applicable) 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) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and External Commercial Borrowings; to the extent applicable,

(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 (Listing Obligation and Disclosure Requirements) Regulations, 2015;

   (c) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 and (Not Applicable to the Company during the audit period);

   (d) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 (Not Applicable to the Company during the audit period);

We have relied on the representations made by the Company and its Officers and report of the Internal Auditors for systems and mechanism formed by the Company for compliances under other applicable Acts, Laws and Regulations to the Company. The List of other Laws/Rules/Regulations applicable to the Company is given in Annexure II.

We further report that the Board of Directors of the Company is duly constituted with proper Directors as per the Companies Act, 2013.

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

All resolutions including those passed by way of circulation of the Board of Directors are approved by the requisite majority and are duly recorded in the respective minutes.

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

We further report that during the audit period, the following debentures were issued:

(i) Issue and allotment of 500 Secured, Rated, Listed, Redeemable, Non-Convertible Debentures of face value of ₹1,000,000 each on 24th June, 2020.

(ii) Issue and allotment of 500 Secured, Rated, Listed, Redeemable, Non-Convertible Debentures of face value of ₹1,000,000 each on 07th July, 2020.

(iii) Issue and allotment of 1500 Secured, Rated, Listed, Redeemable, Non-Convertible Debentures of face value of ₹1,000,000 each on 10th July, 2020.

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

For DILIP BHARADIYA & ASSOCIATES

DILIP BHARADIYA

Proprietor

FCS No.: 7956, C P No.: 6740

UDIN : F007956C000201534

Date: 3rd May 2021

Place: Mumbai

Annexure I

List of documents verified:

1. Memorandum & Articles of Association of the Company
2. Annual Report for the financial period ended 31st March, 2020
3. Minutes of the meetings of the Board of Directors, Committees, along with Attendance Register held during the financial year under report
4. Minutes of General Body Meetings held during the financial year under report
5. Statutory Registers viz.
    - Register of Directors & KMP
    - Register of Directors' Shareholding
    - Register of Contracts or arrangements in which directors are interested
    - Register of loans, guarantees and security and acquisition made by the Company
6. Agenda papers submitted to all the directors /members for the Board Meetings and Committee Meetings
7. Declarations received from the Directors of the Company pursuant to the provisions of Section 184 of the Companies Act, 2013.Committee Meetings
8. E-Forms filed by the Company, from time-to-time, under applicable provisions of the Companies Act, 2013 and attachments thereof during the financial year under report

Annexure II

List of applicable Laws/ Rules/ Regulations of the company:

(i) The Reserve Bank of India (RBI) Act, 1934
(ii) RBI Directions, Guidelines, Circulars etc. applicable to NBFC-ND-SI
(iii) The IRDA Regulations for Corporate Agents, 2015
(iv) The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
(v) Employees State Insurance Act, 1948
(vi) The Payment of Gratuity Act, 1972
(vii) The Professional Tax Act, 1975
(viii) The Provident Fund Act, 1952
(ix) Payment of Bonus Act, 1965
(x) Maternity Benefit Act, 1961
(xi) The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

Annexure III

To,
The Members,
Avanse Financial Services Limited

001 & 002 Fulcrum, A Wing, Ground Floor
Sahar Road, Next to Hyatt Regency,
Andheri (East) Mumbai - 400099

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

For DILIP BHARADIYA & ASSOCIATES

DILIP BHARADIYA
Proprietor
FCS No.: 7956, C P No.: 6740

Date: 3rd May 2021

Place: Mumbai

INDEPENDENT AUDITORS' REPORT

To The Members of Avanse Financial Services Limited

Report on the Audit of the Financial Statements

OPINION

We have audited the accompanying financial statements of Avanse Financial Services Limited (the "Company"), which comprise the Balance Sheet as at 31st 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 according to the explanations given to us, the aforesaid 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 31st March 2021, and its profit, total comprehensive income, its cash flows and the changes in equity for the year ended on that date.

BASIS FOR OPINION

We conducted our audit of the 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 Financial Statements section of our report.

We are independent of the Company in accordance with the Code of Ethics issued bythe Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules 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 financial statements.

EMPHASIS OF MATTER

We draw attention to Note 43 to the financial results, in which the company describes the continuing uncertainties arising from 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 financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of loans measured at a mortised cost (refer note 39.3 to the financial statements)

KEY AUDIT MATTER DESCRIPTION

As at the year ended March 31, 2021, the Company had financial assets in form of loans granted to customers amounting to ₹292,616.55 Lakh net of provision for expected credit loss of ₹5,937.85 Lakh. Management estimates impairment provision using a collective model-based approach for the loan exposure other than those subject to specific provision. We have reported this as a key audit matter because measurement of loan impairment involves the application of significant judgement by the management. The most significant judgements are:

- Classification of assets to stage 1, 2, or 3 using criteria in accordance with Ind AS 109 which also include considering the impact of Reserves Bank of India's regulations/circulars
- Key assumptions in respect of benchmarking the credit rating of the customers assessed by the Company with the External Credit Rating Agency where applicable, determination of the probability of defaults and loss given defaults including consideration of collateral values
- Inputs and Judgements used in the determination of management overlay at various asset stages considering the current uncertain economic environment with the range of possible effects unknown to the Company arising out of the COVID19 Pandemic
- The disclosures made in financial statements for ECL especially in relation to judgements and estimates by the Management in determination of the ECL. Refer note 39.3 of the financial statements.

HOW THE KEY AUDIT MATTER WAS ADDRESSED IN THE AUDIT

The audit procedures performed by us included the following:

- Test the design and effectiveness of internal controls implemented by the management for the following:
  (1) Identification of credit deterioration and consequently impaired loans
  (2) Validation of the critical components viz. Exposure at Default (EAD), Probability of Default (PD) and Loss given default (LGD) used for the impairment provision
  (3) Management's judgement applied for the key assumptions used for the purpose of determination of impairment provision including the information relating to the benchmarking of internal customer ratings with the external credit rating agency
  (4) Completeness and accuracy of the data inputs used and calculation of impairment
- Test the completeness and accuracy of data from underlying systems used in the model including the bucketing of loans into delinquency bands. We Assessed and tested the key underlying assumptions and significant judgements used by management.
- For loans identified by management as potentially impaired, examined on a sample basis, the calculation of the impairment, critically assessed the underlying assumptions and corroborated these to supporting evidence.
- Examined a sample of loans which had not been identified by management as potentially impaired (Stage 1 and 2 assets) and form our own judgement as to whether that was appropriate through examining information such as the counterparty's payment history.

- We assessed the adequacy and appropriateness of disclosures in compliance with Ind AS 107 in relation to ECL especially in relation to judgements used in the estimation of ECL provision.
- We performed an overall assessment of the ECL provision levels for each stage and reasonableness of the management's overlays on account of COVID-19, considering the Company's portfolio, risk profile, credit risk management practices and the macroeconomic environment.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' 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 including Annexures to Board's Report (the 'reports'), but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

MANAGEMENT'S RESPONSIBILITY FOR THE 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 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 financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

The Board of Directors are also responsible for overseeing the Company's financial reporting process.

AUDITORS' RESPONSIBILITY FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' 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 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 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 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 auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the 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 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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

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 books of account.

(d) In our opinion, the aforesaid 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 31st March, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on 31st 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 Auditors' Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

(h) With respect to the other matters to be included in the Auditors' 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 does not have any pending litigations, as at the year-end which would impact its financial position

(ii) The Company did not have any long-term contracts including derivative contracts, as at the year-end for which there were any material foreseeable losses.

(iii) There were no amounts that 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)

G. K. SUBRAMANIAM

(Partner)
(Membership No. 109839)
UDIN: 21109839AAAAFL5754

Date: May 6, 2021 Place: Mumbai

ANNEXURE "A" TO THE INDEPENDENT AUDITORS' REPORT OF AVANSE FINANCIAL SERVICES LIMITED

(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 Avanse Financial Services Limited ("the Company") as of 31st March, 2021 in conjunction with our audit of the 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 towards 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 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 were 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.

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 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)

G. K. SUBRAMANIAM

(Partner)
(Membership No. 109839)
UDIN: 21109839AAAAFL5754

Date: May 6, 2021

Place: Mumbai

ANNEXURE "B" TO THE INDEPENDENT AUDITORS' REPORT OF AVANSE FINANCIAL SERVICES LIMITED

(Referred to in paragraph 2 under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

(i) In respect of fixed assets

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

(b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification

(c) With respect to immovable property of land which is freehold, according to the information and explanations given to us and the records examined by us and based on the examination of the registered sale deed provided to us, we report that, the title deed of such immovable property is held in the name of the Company as at the balance sheet date

(ii) As explained to us, the company does not have inventory. Accordingly, the provisions of Clause 3(ii) of the Order are not applicable to the company.

(iii) In our opinion and according to the information and explanations given to us, the Company has not granted 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.

(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 Act in respect of grant of loans and making investments, as applicable. The Company has not provided any guarantees and securities.

(v) According to the information and explanations given to us, the Company has not accepted any deposit during the year. According to the information and explanations given to us, no order has been passed by the Company Law Board or National Company Law Tribunal or the Reserve Bank of India or any Court or any other Tribunals in this regard in the case of the Company.

(vi) According to the information and explanations given to us, the Company is not required to maintain cost records under sub-section (1) of Section 148 of the Act. Accordingly, paragraph 3(vi) of the Order is not applicable to the Company.

(vii) According to the information and explanations given to us, in respect of statutory dues:

(a) The Company has been generally regular in depositing undisputed statutory dues, including Provident fund, Employees' State Insurance, Income-tax, Goods and Services Tax, Customs Duty, Works Contract Tax, Cess and other material statutory dues applicable to it to the appropriate authorities

(b) There were no undisputed amounts payable in respect of Provident fund, Employees' State Insurance, Income-tax, Goods and Services Tax, Customs Duty, Works Contract 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

(c) There are no dues of Income-tax, Goods and Services Tax and Customs Duty as on March 31, 2021 on account of disputes

(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 banks, financial institutions or dues to debenture holders. The Company has not taken loans or borrowings from the government.

(ix) In our opinion and according to the information and explanations given to us, money raised by way of term loans have been applied by the Company during the year for the purposes for which they were raised. The Company has not raised moneys by way of initial public offer or further public offer (including debt instruments) during the year.

(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) In our opinion and according to the information and explanations given to us, the Company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act, 2013.

(xii) The Company is not a Nidhi Company and hence reporting under clause (xii) of the 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 188 and 177 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 not made preferential allotment of shares or fully or partly convertible debentures and hence reporting under clause (xiv) of CARO 2016 is not applicable to the Company.

(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 persons connected with the directors and hence provisions of section 192 of the Act are not applicable.

(xvi) The Company is required to be registered under section 45-IA 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)

G. K. SUBRAMANIAM

(Partner)
(Membership No. 109839)
UDIN: 21109839AAAAFL5754

Date: May 6, 2021 Place: Mumbai

BALANCE SHEET AS AT MARCH 31, 2021

Sr. No.	Particulars	Note No.	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
	ASSETS			
I	Financial assets			
(a)	Cash and cash equivalents	4	42,076.28	64,340.04
(b)	Bank balances other than (a) above	5	998.55	998.55
(c)	Loans	7	2,92,616.55	2,80,074.61
(d)	Investments	6	5,502.06	12,500.68
(e)	Other financial assets	8	1,643.98	1,381.60
			3,42,837.42	3,59,295.48
II	Non-Financial assets			
(a)	Current tax assets (net)		174.19	352.21
(b)	Deferred tax assets (net)	9	1,195.28	736.89
(c)	Property, plant and equipment	10	651.63	772.08
(d)	Other intangible assets	10	887.44	930.49
(e)	Intangible assets under development		82.66	161.14
(f)	Right of use assets	10	773.56	991.52
(g)	Other non-financial assets	11	1,107.27	703.36
			4,872.03	4,647.69
	Total Assets		3,47,709.45	3,63,943.17

Sr. No.	Particulars	Note No.	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
	LIABILITIES AND EQUITY			
	LIABILITIES			
I	Financial Liabilities			
(a)	Derivative financial instruments		190.31	-
(b)	Trade payables			
	- total outstanding dues of micro and small enterprises	12	8.41	0.59
	- total outstanding dues to creditors other than micro and small enterprises		1,745.74	1,123.96
(c)	Debt securities	13	97,368.59	74,916.63
(d)	Borrowings (other than debt securities)	14	1,37,088.82	1,71,946.69
(e)	Other financial liabilities	15	16,360.96	24,870.95
			2,52,762.83	2,72,858.82
	Non-Financial Liabilities			
(a)	Current tax liabilities (net)		409.74	458.03
(b)	Provisions	16	43.66	410.56
(c)	Other non-financial liabilities	17	332.89	221.79
			786.29	1,090.38

Sr. No.	Particulars	Note No.	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
III	EQUITY			
(a)	Equity share capital	18	8,259.19	8,259.19
(b)	Other equity	19	85,901.14	81,734.78
	Total equity		94,160.33	89,993.97
	Total liabilities and equity		3,47,709.45	3,63,943.17
The accompanying notes form an integral part of the financial statements		1 to 45		

In terms of our report attached

For Deloitte Haskins & Sells LLP

Chartered Accountants
Registration No. 117366W/W-100018

G. K. Subramaniam
Partner
Membership No. 109839

Date: May 6, 2021
Place: Mumbai

For Avanse Financial Services Limited

Neeraj Swaroop
Director
(DIN 00061170)

Vijayalakshmi Iyer
Director
(DIN 05242960)

Amit Gainda
Chief Executive Officer

Rahul Bhapkar
Chief Financial Officer

Rakesh Dhanuka
Company Secretary

Date: May 6, 2021
Place: Mumbai

STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED MARCH 31, 2021

Sr. No.	Particulars	Note No.	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
I	Income			
	Revenue from operations			
	Interest income	20	38,253.38	38,397.89
	Fees and commission income	21	1,337.43	1,145.13
	Net gain on fair value changes		452.06	947.84
	Net gain on derecognition of financial instrument under amortised cost category		–	842.69
	Other operating income	22	773.91	594.40
	Total revenue from operations		40,816.78	41,927.95
	Other income	23	3,072.35	1,450.33
	Total income		43,889.13	43,378.28
II	Expenses			
	Finance costs	24	25,609.17	24,888.41
	Impairment on financial instruments	25	2,231.78	2,009.38
	Employee benefits expense	26	5,933.73	5,466.88
	Depreciation and amortisation expense	10	1,384.69	949.88
	Other expenses	27	3,874.99	4,040.05
	Total expenses		39,034.36	37,354.60

Sr. No.	Particulars	Note No.	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
III	Profit before exceptional items and tax		4,854.77	6,023.68
IV	Exceptional items	28	–	2,856.99
V	Profit before tax		4,854.77	3,166.69
VI	Tax expense			
	Current tax	29	1,682.95	1,208.73
	Deferred tax	29	-448.46	-194.48
	Tax adjustment in respect of earlier year	29	-169.58	–
	Total tax expense		1,064.91	1,014.25
VII	Net profit for the year		3,789.86	2,152.44
VIII	Other comprehensive income			
	(A) Items that will not be reclassified to profit or loss			
	(i) Actuarial gain on post retirement benefit plans		68.40	18.95
	(ii) Income tax on above		-17.21	-4.77
	Subtotal (A)		51.19	14.18
	(B) Items that will be reclassified to profit or loss			
	(i) Fair value of derivative		-107.81	–
	(ii) Income tax on above		27.13	–
	Subtotal (B)		-80.68	–
	Total other comprehensive income (A+B)		-29.49	14.18

Sr. No.	Particulars	Note No.	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
IX	Total comprehensive income		3,760.37	2,166.62
X	Earnings per equity share	31		
	(Face value of Rs. 10/- each)			
	Basic (Rs.)		4.59	2.83
	Diluted (Rs.)		4.59	2.83
The accompanying notes form an integral part of the financial statements		1 to 45		

In terms of our report attached

For Deloitte Haskins & Sells LLP

Chartered Accountants
Registration No. 117366W/W-100018

G. K. Subramaniam
Partner
Membership No. 109839

Date: May 6, 2021
Place: Mumbai

For Avanse Financial Services Limited

Neeraj Swaroop
Director
(DIN 00061170)

Vijayalakshmi Iyer
Director
(DIN 05242960)

Amit Gainda
Chief Executive Officer

Rahul Bhapkar
Chief Financial Officer

Rakesh Dhanuka
Company Secretary

Date: May 6, 2021
Place: Mumbai

AVANSE FINANCIAL SERVICES
ASPIRE WITHOUT BOUNDARIES

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED MARCH 31, 2021

Sr. No.	Particulars	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
A	Cash flow from operating activities		
	Profit before tax	4,854.77	3,166.69
	Adjustment for:		
	Interest income on loans	-36,424.00	-36,714.86
	Depreciation and amortisation expenses	1,384.69	949.88
	Net gain on fair value changes (realised)	-452.06	-947.84
	Interest expense on borrowings	22,880.22	22,473.46
	Provision for impairment on financial instruments	2,231.78	2,009.38
	Interest on fixed deposits	-2,985.28	-1,152.71
	Bad debts written off	139.64	23.45
	ESOP Expenses	406.00	79.00
	Finance cost on Lease Liability	105.69	94.23
	Actuarial loss on post retirement benefit plans	68.40	18.95
	Loss on sale of fixed asset	0.18	–
	Excess provision written back	–	-258.05
	Operating profit before working capital changes	-7,789.97	-10,258.42

Sr. No.	Particulars	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
	Operational cash flows from interest		
	Interest received on loans	34,790.83	36,301.86
	Interest paid on borrowings	-21,667.88	-22,893.43
	Working capital changes		
	Adjustment for:		
	(Increase) / Decrease in loans	-13,280.20	12,312.57
	(Increase) in Other non-financial assets	-403.91	-541.35
	Decrease / (Increase) in financial assets	27.73	-515.43
	(Decrease) / Increase in financial liabilities	-8,472.97	6,630.76
	Increase in trade payables	629.58	132.15
	Increase / (Decrease) in non financial liabilities	111.10	-59.79
	(Decrease) / Increase in Provisions	-366.90	181.82
	Cash (used in) / generated from operations	-16,422.59	21,290.74
	Direct taxes paid (net)	-1,383.64	-1,177.56
	Net cash (used in) / generated from operating activities	-17,806.23	20,113.18

Sr. No.	Particulars	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
B	Cash flow from investing activities		
	Investments in mutual fund units	-2,21,993.88	-4,50,700.00
	Sale of mutual fund units	2,29,444.55	4,39,147.16
	Interest received on bank deposits	2,695.17	958.69
	Purchase of property, plant & equipment and intangible assets	-795.44	-1,337.60
	Sale of property, plant & equipment	0.18	–
	Bank deposit not considered as cash and cash equivalents (net)	–	2,177.42
	Net cash generated from / (used in) investment activities	9,350.58	-9,754.33
C	Cash flow from financing activities		
	Proceeds from issue of equity share (including share premium)	–	30,000.00
	Stamp duty expenses on issue of equity shares	–	-30.00
	Proceeds from long-term borrowings	57,549.00	83,504.51
	Repayment of long-term borrowings	-70,895.39	-49,584.10
	Repayment of short-term borrowings (net)	-11.19	-23,953.41
	Finance cost on Lease Liability	-450.53	-303.46
	Net cash generated from financing activities	-13,808.11	39,633.54

Sr. No.	Particulars	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
	Net (Decrease) / Increase in Cash and cash equivalents	-22,263.76	49,992.39
	Cash and cash equivalents at the beginning of the year	64,340.04	14,347.65
	Cash and cash equivalents at the end of the year (refer note 4)	42,076.28	64,340.04
	The accompanying notes form an integral part of the financial statements 1 to 45		

In terms of our report attached

For Deloitte Haskins & Sells LLP

Chartered Accountants
Registration No. 117366W/W-100018

G. K. Subramaniam
Partner
Membership No. 109839

Date: May 6, 2021
Place: Mumbai

For Avanse Financial Services Limited

Neeraj Swaroop
Director
(DIN 00061170)

Vijayalakshmi Iyer
Director
(DIN 05242960)

Amit Gainda
Chief Executive Officer

Rahul Bhapkar
Chief Financial Officer

Rakesh Dhanuka
Company Secretary

Date: May 6, 2021
Place: Mumbai

STATEMENT OF CHANGES IN EQUITY AS AT MARCH 31, 2021

A. EQUITY SHARE CAPITAL

Particulars	Balance as at 31-Mar-19 (Rs. in Lakh)	Changes in equity share capital during the year	Balance as at 31-Mar-20 (Rs. in Lakh)	Changes in equity share capital during the year	Balance as at 31-Mar-21 (Rs. in Lakh)
Equity Share Capital	6,285.50	1,973.69	8,259.19	–	8,259.19

B. OTHER EQUITY

	Reserves and Surplus (Rs. in Lakh)						Total (Rs. in Lakh)
	Securities Premium	Retained Earnings	General Reserve	Stock Options Reserve	Cash Flow Hedge Reserve	Statutory Reserve	
Balance as at March 31, 2019	47,896.95	2,679.87	0.14	–		915.88	51,492.84
Profit for the year		2,152.44					2,152.44
Premium received on shares issued during the year	28,026.32						28,026.32
Transferred from statement of profit and loss		-430.49				430.49	0.00
Additions on account of options granted during the year				1,385.02			1,385.02
Deferred employee compensation				-1,306.02			-1,306.02
Other adjustment		-30.00					-30.00
Other comprehensive income for the year		14.18					14.18

	Reserves and Surplus (Rs. in Lakh)						Total (Rs. in Lakh)
	Securities Premium	Retained Earnings	General Reserve	Stock Options Reserve	Cash Flow Hedge Reserve	Statutory Reserve	
Balance as at March 31, 2020	75,923.27	4,386.00	0.14	79.00	–	1,346.37	81,734.78
Profit for the year		3,789.86					3,789.86
Transferred from statement of profit and loss		-757.97				757.97	–
Charge for the year in respect of Stock Options				406.00			406.00
Other comprehensive income for the year		51.19			-80.68		-29.49
Balance as at March 31, 2021	75,923.27	7,469.07	0.14	485.00	-80.68	2,104.34	85,901.14
The accompanying notes form an integral part of the financial statements 1 to 45							

In terms of our report attached

For Deloitte Haskins & Sells LLP

Chartered Accountants
Registration No. 117366W/W-100018

G. K. Subramaniam
Partner
Membership No. 109839

Date: May 6, 2021
Place: Mumbai

For Avanse Financial Services Limited

Neeraj Swaroop
Director
(DIN 00061170)

Vijayalakshmi Iyer
Director
(DIN 05242960)

Amit Gainda
Chief Executive Officer

Rahul Bhapkar
Chief Financial Officer

Rakesh Dhanuka
Company Secretary

Date: May 6, 2021
Place: Mumbai

1. Corporate Information

Avanse Financial Services Limited (the 'Company') is a RBI registered Non-Deposit Accepting Non Banking Financial Company. The main object of the Company is to lend money by way of loans, advance, overdraft or otherwise with or without security and to solicit and procure insurance business as corporate agent. The Debentures of the Company are listed on Bombay Stock Exchange (BSE). The Company is Systematically Important Non-deposit taking Non-Banking Financial Company.

2. Significant Accounting Policies

2.1 Basis of Accounting and Preparation of Financial statements

Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Indian Accounting Standards (Ind AS) and the relevant provisions of the Companies Act, 2013 (the "Act") (to the extent notified). The Ind AS are prescribed under Section 133 of the Act read with Rule 3 of the Companies (Indian Accounting Standards) Rules, 2015 and relevant amendment rules issued thereafter. Effective April 01, 2018, the Company had adopted all the Ind AS and the adoption was carried out in accordance with Ind AS 101, First-time Adoption of Indian Accounting Standards, with April 1, 2017 as the transition date.

Historical cost convention

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

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability that market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share based payment transactions that are within the scope of Ind AS 102, leasing transactions that are within the scope of Ind AS 116, and measurements that have some similarities to fair value but are not fair value in use in Ind AS 36.

Fair value measurements under Ind AS are categorised into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at measurement date
Level 2 inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
Level 3 inputs are unobservable inputs for the valuation of assets or liabilities

Presentation of financial statements

The Balance Sheet and the Statement of Profit and Loss are prepared and presented in the format prescribed in the Schedule III to the Act. The Statement of Cash Flows has been prepared and presented as per the requirements of Ind AS 7 "Statement of Cash Flows".

2.2 Property, plant and equipment and Intangible Assets

(i) Property, plant and equipment (PPE) is recognised when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. PPE is stated at original cost net of tax/duty credits availed, if any, less accumulated depreciation and cumulative impairment, if any. Cost includes professional fees related to the acquisition of PPE.

Depreciation / amortisation is recognised on a straight-line basis over the estimated useful lives of respective assets as under:

Category of Assets	Useful Life
Furniture & Fixtures	6 years
Computer Hardware	3 years
Vehicle	5 years
Office Equipment	5 years

Assets costing less than Rs 5,000 are fully depreciated in the year of capitalization.

Leasehold improvement is amortised on SLM over the lease term subject to a maximum of 36 months.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

(ii) Intangible:

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

Intangible assets are amortised on straight line basis over the estimated useful life of 3 years. The method of amortisation and useful life are reviewed at the end of each accounting year with the effect of any changes in the estimate being accounted for on a prospective basis

Amortisation on impaired assets is provided by adjusting the amortisation charge in the remaining periods so as to allocate the asset's revised carrying amount over its remaining useful life.

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

Impairment on non-financial assets

As at the end of each year, the Company reviews the carrying amount of its non-financial assets that is PPE and intangible to determine whether there is any indication that these assets have suffered an impairment loss.

An asset is considered as impaired when on the balance sheet date there are indications of impairment in the carrying amount of the assets, or where applicable the cash generating unit to which the asset belongs, exceeds its recoverable amount (i.e. the higher of the assets' net selling price and value in use). The carrying amount is reduced to the level of recoverable amount and the reduction is recognised as an impairment loss in the Statement of Profit and Loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.3 Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(a) Interest Income
Interest income on financial instruments at amortised cost is recognised on a time proportion basis taking into account the amount outstanding and the effective interest rate (EIR) applicable. Interest on financial instruments measured as at fair value is included within the fair value movement during the period

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial instrument. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL, transaction costs are recognised in profit or loss at initial recognition.

The interest income is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance). For credit-impaired financial assets the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses (ECLs)). For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset.

(b) Fees and Commission Income
Fee and commission income include fees other than those that are an integral part of EIR. The fee & commission included in this part of the statement of profit and loss also include fees for other things like charging fees charged for servicing a loan, commission on forex and insurance commission.
Fee and Commission Income are recognised after the performance obligation in the contract is fulfilled and commission income such as insurance commission and fee income, etc. are recognised on point in time or over the period basis, as applicable.

(c) Investment Income
The gains/ losses on sale of investments are recognised in the Statement of Profit and Loss on the trade date. Gain or loss on sale of investments is determined after consideration of cost on a weighted average basis.

2.4 Leases

The Company evaluates each contract or arrangement, whether it qualifies as lease as defined under Ind AS 116.

The Company as a lessee

The Company assesses, whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract involves–

(a) the use of an identified asset,
(b) the right to obtain substantially all the economic benefits from use of the identified asset, and
(c) the right to direct the use of the identified asset.

The Company at the inception of the lease contract recognises a Right-of-Use (RoU) asset at cost and a corresponding lease liability, for all lease arrangements in which it is a lessee, except for leases with term of less than twelve months (short term) and low-value assets.

Certain lease arrangements includes the options to extend or terminate the lease before the end of the lease term. ROU assets and lease liabilities includes these options when it is reasonably certain that they will be exercised

The cost of the right-of-use assets comprises the amount of the initial measurement of the lease liability, any lease payments made at or before the inception date of the lease plus any initial direct costs, less any lease incentives received. Subsequently, the right-of-use assets is measured at cost less any accumulated depreciation and accumulated impairment losses, if any. The right-of-use assets is depreciated using the straight-line method from the commencement date over the shorter of lease term or useful life of right-of-use assets.

Right of use assets are evaluated for recoverability whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

For lease liabilities at inception, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate is readily determined, if that rate is not readily determined, the lease payments are discounted using the incremental borrowing rate.

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

For short-term and low value leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the lease term.

Lease liability has been presented in Note 15 “Other Financial Liabilities” and ROU asset has been presented in Note 10 “Property, Plant and Equipment” and lease payments have been classified as financing cash flows.

2.5 Borrowing Costs

Borrowing costs that are attributable to the acquisition, construction or production of qualifying assets as defined in Ind AS 23 are capitalized as a part of costs of such assets. A qualifying asset is one that necessarily takes a substantial period of time to get ready for its intended use

Interest expenses are calculated using the EIR and all other Borrowing costs are recognised in the Statement of profit and loss in the period in which they are incurred

2.6 Employee Benefits

Retirement benefit costs and termination benefits

Defined Contribution Plan

Payments to defined contribution plans are recognised as expense in the Statement of Profit and Loss of the year when employees have rendered service entitling them to the contributions. The Company pays provident fund contributions to publicly administered provident funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that cash refund or a reduction in the future payment is available

Defined Benefit Obligation

The Company's Gratuity liability under the Payment of Gratuity Act,1972 are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method.

The Company’s net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.
The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan

Re measurement of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income (OCI). Net interest expense (income) on the net defined liability (assets) is computed by applying the discount rate, used to measure the net defined liability (asset), to the net defined liability (asset) at the start of the financial year after taking into account any changes as a result of contribution and benefit payments during the year. Net interest expense and other expenses related to defined benefit plans are recognised in statement of profit and loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in Statement of Profit and Loss. The Company recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided at the undiscounted amount of the benefits expected to be paid in exchange for that service. A liability is recognised for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. These benefits include performance incentive and compensated absences which are expected to occur within twelve months after the end of the period in which the employee renders the related service

Other Long-term employee benefits

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

2.7 Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax. Current and deferred tax are recognised in the Statement of profit and loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Current Tax

The tax currently payable is based on the taxable profit for the year of the Company. Taxable profit differs from 'profit before tax' as reported in the Statement of Profit and Loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The current tax is calculated using applicable tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Company's financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2.8 Goods and Service Tax Input Credit

Goods and Services tax input credit is accounted for in the books in the period in which the supply of goods or service received is accounted and when there is no uncertainty in availing/utilising the credits.

2.9 Provisions, contingent liabilities and contingent assets

Provisions are recognised only when:

(i) An entity has a present obligation (legal or constructive) as a result of a past event; and
(ii) It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
(iii) A reliable estimate can be made of the amount of the obligation
These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

Further, long term provisions are determined by discounting the expected future cash flows specific to the liability. The unwinding of the discount is recognised as finance cost. A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

Contingent liability is disclosed in case of:

(i) A present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation; and
(ii) A present obligation arising from past events, when no reliable estimate is possible.

2.10 Commitments

Commitments are future liabilities for contractual expenditure, classified and disclosed as follows:
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for;
(ii) Uncalled liability on shares and other investments partly paid;
(iii) Other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.
Other commitments related to sales/procurements made in the normal course of business are not disclosed to avoid excessive details.

2.11 Statement of Cash Flows

Statement of Cash Flows is prepared segregating the cash flows into operating, investing and financing activities. Cash flow from operating activities is reported using indirect method adjusting the net profit for the effects of:

(i) Changes during the period in inventories and operating receivables and payables transactions of a non-cash nature
(ii) Non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, and undistributed profits of associates and joint ventures;and
(iii) All other items for which the cash effects are investing or financing cash flows.

Cash and cash equivalents (including bank balances) shown in the Statement of Cash Flows exclude items which are not available for general use as on the date of Balance Sheet.

2.12 Segments

Based on “Management Approach" as defined by Ind AS 108, The Chief Operating Decision Maker (CODM) evaluates the “Operating Segments". Operating segments are reported in a manner consistent with the internal reporting provided to the CODM. The accounting policies adopted for segment reporting are in conformity with the accounting policies adopted for the Company. Revenue and expenses have been identified to segments on the basis of their relationship to the operating activities of the segment. Income / costs which relate to the Company as a whole and are not allocable to segments on a reasonable basis have been included under Unallocated Income / Costs.

2.13 Financial Instruments

Recognition of Financial Instruments

Financial instruments comprise of financial assets and financial liabilities. Financial assets and liabilities are recognised when the company becomes becomes party to the contractual provisions of the instruments. Financial assets primarily comprise of loans and advances, premises and other deposits, trade receivables and cash and cash equivalents. Financial liabilities primarily comprise of borrowings and trade payables.

Initial Measurement of Financial Instruments

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

If the transaction price differs from fair value at initial recognition, the Company will account for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to the Statement of profit and loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

Cash Flow Hedge

The Company designates certain foreign exchange currency swap contracts as cash flow hedges to mitigate the risk of foreign exchange exposure on external commercial borrowings. When a derivative is designated as a cash flow hedge instrument, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income and accumulated in the cash flow hedge reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the net profit in the Statement of Profit and Loss. If the hedging instrument no longer meets the criteria for hedge accounting is discontinued prospectively. If the hedging instrument expires or is sold terminated or exercised, the cumulative gain or loss on the hedging instrument recognised in cash flow hedge reserve till the period of the hedge was effective, remains in cash flow hedge reserve until the ECB is derecognised. The cumulative gain or loss previously recognised in the cash flow hedge reserve is transferred to the net profit in the Statement of Profit and Loss upon the derecognition of the hedged item

2.14 Subsequent Measurement of Financial Assets:

All recognised financial assets that are within the scope of Ind AS 109 are required to be subsequently measured at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets

Classification of Financial Assets:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost;
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Company may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- The Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which Ind AS 103 applies, in OCI; and
- The Company may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument or a financial guarantee

Debt instruments at amortised cost or at FVTOCI

The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the individual asset basis and the Company's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are meeting SPPI test.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is fundamental to the classification of a financial asset. The Company determines the business models at a level that reflects how financial assets are managed at individual basis and collectively to achieve a particular business objective.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

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

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

A financial asset that meets the amortised cost criteria or debt instruments that meet the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Dividend on financial assets at FVTPL is recognised when the Company's right to receive the dividends is established, it is probable that the economic benefits associated with the dividend will flow to the entity, the dividend does not represent a recovery of part of cost of the investment and the amount of dividend can be measured reliably.

Reclassifications

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Company's financial assets.

During the current financial year and previous accounting period there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

De-recognition of financial assets

A financial asset (or, where applicable, a part of a financial asset) is de-recognised 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: - It 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 in full without material delay to a third party under a 'pass-through' arrangement. Pass-through arrangements are transactions whereby the Company retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assumes a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met: - The Company has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount lent plus accrued interest at market rates. - The Company cannot sell or pledge the original asset other than as security to the eventual recipients. - The Company has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Company is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including interest earned, during the period between the collection date and the date of required remittance to the eventual recipients. 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. On derecognition of a financial asset in its entirety, the difference between: (a) the carrying amount (measured at the date of derecognition) and (b) the consideration received (including any new asset obtained less any new liability assumed) is recognised in the statement of profit or loss account.

Impairment of financial assets

Overview of the Expected Credit Loss principles

The company records allowance for expected credit losses for all loans, other debt financial assets not held at FVTPL, together with loan commitments and financial guarantee contracts, in this section all referred to as 'financial instruments'. Equity instruments are not subject to impairment under Ind AS 109.

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

The Company measures the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. 12-month expected credit losses are portion of the life-time expected credit losses and represent the lifetime cash shortfalls that will result if default occurs within the 12 months after the reporting date and thus, are not cash shortfalls that are predicted over the next 12 months.

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

The Company measures ECL for stage 3 assets (as defined below) on an individual basis. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

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.

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

- Stage 1 - Performing assets (high quality assets) with zero to thirty days past due (DPD). Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2 - Under-performing assets (assets for which there is significant increase in credit risk) having 31 to 90 DPD. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3 - Non-performing assets (credit impaired assets) with overdue more than 90 DPD

For trade receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of Ind AS 18 and loans under short term financing, the Company always measures the loss allowance at an amount equal to lifetime expected credit losses. Further, for the purpose of measuring lifetime expected credit loss allowance for trade receivables, the Company has used a practical expedient as permitted under Ind AS 109.

This expected credit loss allowance is computed based on a provision matrix which takes into account historical credit loss experience and adjusts for forward-looking information.

The impairment requirements for the recognition and measurement of a loss allowance are equally applied to debt instruments at FVTOCI except that the loss allowance is recognised in other comprehensive income and is not reduced from the carrying amount in the balance sheet.

The Financial assets for which the Company has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

Derecognition of financial assets

A financial asset is derecognised only when :

- The Company has transferred the rights to receive cash flows from the financial assets or
- Retains the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay the cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial assets. In such cases, the financial assets is derecognised. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset, the financial asset is not derecognised.

Write-off

Loans and debt securities are written off when the Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company's enforcement activities will result in impairment gains.

2.15 Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Company entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company or a contract that will or may be settled in the Company's own equity instruments and is a non-derivative contract for which the Company is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Company's own equity instruments

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Company, and commitments issued by the Company to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either contingent consideration recognised by the Company as an acquirer in a business combination to which Ind AS 103 applies or is held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not held-for-trading and are not designated as at FVTPL are measured at amortised cost at the end of subsequent accounting periods. The carrying amounts of financial liabilities that are subsequently measured at amortised cost are determined based on the effective interest method. Interest expense that is not capitalized as part of costs of an asset is included in the 'Finance costs' line item.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. An exchange between with a lender of debt instruments with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability (whether or not attributable to the financial difficulty of the debtor) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

2.16 Cash and Cash Equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term investments with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

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

2.17 Earnings Per Share

Basic earnings per share is calculated by dividing the net profit or loss (before Other Comprehensive Income) for the year attributable to equity shareholders (after deducting attributable taxes) 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 (before Other Comprehensive Income) 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.

3. Critical accounting judgements and key sources of estimation uncertainties

The preparation of the financial statements in conformity with Ind AS requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable.

Future results could differ due to these estimates and the differences between the actual results and the estimates are recognised in the periods in which the results are known / materialise.

Leases:

Ind AS 116 defines a lease term as the non-cancellable period for which the lessee has the right to use an underlying asset including optional periods, when an entity is reasonably certain to exercise an option to extend (or not to terminate) a lease. The Company considers all relevant facts and circumstances that create an economic incentive for the lessee to exercise the option when determining the lease term. The option to extend the lease term are included in the lease term, if it is reasonably certain that the lessee will exercise the option. The Company reassess the option when significant events or changes in circumstances occur that are within the control of the lessee.

Expected Credit Loss

When determining whether the risk of default on a financial instrument has increased significantly since initial recognition, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company’s historical experience and credit assessment and including forward-looking information. In certain cases, the assessment based on past experience is required for future estimation of cash flows which requires significant judgment.

The inputs used and process followed by the Company in determining the increase in credit risk have been detailed in Note 39.3

Notes to financial statement for the year ended March 31, 2021

4. Cash And Cash Equivalents

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
Cash in hand	13.99	3.65
Balances with banks:		
- In Current Accounts	6,833.53	7,511.64
- In Deposit accounts (refer note 4.1 below)	35,200.00	56,805.00
Cheques on hand	28.76	19.75
Total	42,076.28	64,340.04

4.1 Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Company, and earn interest at the respective short-term fixed rates.

5. Other bank balances

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
Deposit accounts under lien against which facilities are availed (refer note 5.1 & 5.2 below)	998.55	998.55
Total	998.55	998.55

5.1 Balance in deposit account includes Rs. 993.55 lacs (P.Y. 2019-20 - Rs 993.55 lacs) being earmarked towards credit enhancement towards securitisation transaction and Rs 5.00 lacs (P.Y. 2019-20 - Rs 5.00 lacs) towards bank guarantee

5.2 Deposits are made for varying period from 1 to 2 years and earn interest at the respective fixed rates.

Notes to financial statement for the year ended March 31, 2021

6. Investments

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
At fair value through statement of profit and loss		
Mutual Fund (refer note 6.1 below)	5,502.06	12,500.68
Total	5,502.06	12,500.68

6.1 Note

Name of mutual fund	As at March 31, 2021 (Rs. in Lakh)		As at March 31, 2020 (Rs. in Lakh)	
	No of units	Amount	No of units	Amount
DSP overnight fund direct growth	2,26,820.10	2,500.10	2,33,949.65	2,500.20
ICICI prudential overnight fund direct plan growth	9,01,647.85	1,000.66	23,20,301.90	2,500.10
Invesco India overnight fund - direct plan growth	96,174.94	1,000.65	-	-
Nippon India overnight fund - direct growth plan	9,05,776.43	1,000.65	-	-
L&T overnight fund direct plan - growth	-	-	1,60,450.23	2,500.15
HDFC overnight fund - direct plan - growth	-	-	84,203.78	2,500.11
SBI overnight fund direct growth	-	-	76,838.91	2,500.12
Total		5,502.06		12,500.68

Notes to financial statement for the year ended March 31, 2021

7. Loans

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
At amortised cost		
Loans given in India to other than public sector		
Term loans	2,96,373.52	2,83,232.95
Interest accrued on loans	2,180.88	547.72
Total – Gross (A)	2,98,554.40	2,83,780.67
Less: Impairment loss allowance	5,937.85	3,706.06
Total – Net (A)	2,92,616.55	2,80,074.61
(a) Secured by tangible assets	1,31,536.19	1,26,714.83
(b) Secured by accounts receivables, fixed deposits, LIC etc.	14,619.92	8,765.79
(c) Unsecured	1,52,398.29	1,48,300.05
Total – Gross (B)	2,98,554.40	2,83,780.67
Less: Impairment loss allowance	5,937.85	3,706.06
Total – Net (B)	2,92,616.55	2,80,074.61

7.1 The business model of the company is to hold the assets for generating contractual cash flows on account of principal and interest and hence these are held at amortised cost. Sales, if any are insignificant and do not impact the business model.

Notes to financial statement for the year ended March 31, 2021

8. Others Financial Assets

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
Security Deposits	339.05	333.26
Excess interest spread receivable	468.08	621.40
Interest accrued but not due on bank deposits	577.40	287.29
Other receivables	259.45	139.65
Total	1,643.98	1,381.60

9. Deferred tax Assets (net)

(refer note 29.2 & 29.3)

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
Impairment of Financial instruments	1,299.12	802.71
Measurement of Financial instruments at amortised cost	-201.81	-202.79
Disallowances under section 43B of the Income Tax Act, 1961	21.40	130.65
Difference between books and tax written down value of fixed assets	76.57	6.32
Total	1,195.28	736.89

Notes to financial statement for the year ended March 31, 2021

10. Property, Plant and Equipment & Other Intangible Assets

Particulars	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK As at 31.03.2021 (Rs. in Lakh)
	As at 01.04.2020	Additions for the year	Deletions for the year	As at 31.03.2021	Up to 01.04.2020	Charge for the year	Deletions for the year	Up to 31.03.2021	
PROPERTY, PLANT AND EQUIPMENT									
Owned Assets:									
Freehold land	12.45	–	–	12.45	–	–	–	–	12.45
Leasehold improvements	295.35	0.53	–	295.87	114.49	96.01	–	210.51	85.36
Computers	347.10	143.64	–	490.74	188.18	111.53	–	299.71	191.03
Office Equipment	343.40	49.77	2.19	390.98	75.61	73.58	1.83	147.37	243.62
Furniture and fixtures	102.30	0.27	–	102.57	19.15	16.96	–	36.11	66.45
Vehicle	81.04	–	–	81.04	12.12	16.19	–	28.32	52.73
Total	1,181.63	194.20	2.19	1,373.64	409.56	314.28	1.83	722.02	651.63
INTANGIBLE ASSETS									
Computer Software	1,689.83	679.73	–	2,369.56	759.34	722.78	–	1,482.12	887.44
Right of use assets - Premises	1,258.21	129.67	–	1,387.89	266.69	347.63	–	614.33	773.56

Particulars	GROSS BLOCK				DEPRECIATION/AMORTISATION				NET BLOCK
	As at 01.04.2019	Additions for the year	Deletions for the year	As at 31.03.2020	Up to 31.03.2019	Charge for the year	Deletions for the year	Up to 31.03.2020	As at 31.03.2020 (Rs. in Lakh)
PROPERTY, PLANT AND EQUIPMENT									
Owned Assets:									
Freehold land	7.50	4.95	–	12.45	–	–	–	–	12.45
Leasehold improvements	105.53	189.81	–	295.35	28.08	86.41	–	114.49	180.85
Computers	242.21	104.89	–	347.10	112.40	75.78	–	188.18	158.92
Office Equipment	96.87	246.53	–	343.40	19.96	55.65	–	75.61	267.79
Furniture and fixtures	15.03	87.27	–	102.30	4.48	14.67	–	19.15	83.15
Vehicle	10.79	70.25	–	81.04	3.35	8.77	–	12.12	68.92
Total	477.93	703.70		1,181.63	168.27	241.28	–	409.55	772.08
INTANGIBLE ASSETS			–						
Computer Software	1,217.08	472.75	–	1,689.83	317.44	441.90	–	759.34	930.49
Right of use assets - Premises	–	1,258.21	–	1,258.21	–	266.69	–	266.69	991.52

Notes to financial statement for the year ended March 31, 2021

11. Other Non-Financial Assets

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
Prepaid Expenses	320.50	360.47
Balances with Government Authorities	379.25	123.53
Compensated absences Fund	66.46	-
Other Advances	341.06	219.36
Total	1,107.27	703.36

Note : Other advances mainly include receivable from DHFL against fixed deposit collaterals maintained by Company's borrowers with DHFL

12. TRADE PAYABLES

The amounts due to Micro and Small Enterprises as defined in the Micro, Small and Medium Enterprises Development Act, 2006, has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the auditors.

Disclosure pertaining to Micro and Small Enterprises as at March 31,2021 are as under

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
(i) Principal amount remaining unpaid to any supplier as at the end of the accounting year	8.41	0.59
(ii) Interest due thereon remaining unpaid to any supplier as at the end of the accounting year	-	-
(iii) The amount of interest paid along with the amounts of the payment made to the supplier beyond the appointed day	-	-
(iv) The amount of interest due and payable for the year	-	-
(v) The amount of interest accrued and remaining unpaid at the end of the accounting year	-	-
(vi) The amount of further interest due and payable even in the succeeding year, until such date when the interest dues as above are actually paid	-	-
Total	8.41	0.59

Notes to financial statement for the year ended March 31, 2021

13. Debt Securities

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
At Amortised Cost (Within India)		
Secured		
Non Convertible Debentures (refer note 13.1 & 13.2)	84,986.89	63,810.67
Interest accrued but not due on borrowings	4,629.47	3,353.01
Unsecured		
Non Convertible Debentures - (refer note 13.2)	7,500.00	7,500.00
Interest accrued but not due on borrowings	252.23	252.95
Total	97,368.59	74,916.63

13.1 Non-convertible debentures aggregating Rs.85,500 lacs (P.Y. 2019-20 Rs.64,500 lacs) are secured by way of first charge on freehold land (proportionately) and hypothecation on pool of certain loan fund balances of the Company.

13.2 Maturity profile and rate of interest/ discounted rate of interest of Non-Convertible Debentures (NCD)

Name of Security	Maturity date	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
Private Placement - Face value of Rs.10,00,000 each			
9.55% Non-Convertible Debentures	2020-21	-	1,000.00
8.65% Non-Convertible Debentures	2021-22	-	2,500.00
8.70% Non-Convertible Debentures (1 Year MCLR of State Bank of India + 1.70%)	2021-22	25,000.00	25,000.00
8.75% Non-Convertible Debentures	2021-22	15,000.00	
9.65% Non-Convertible Debentures	2022-23	1,000.00	1,000.00
11.40% Non-Convertible Debentures	2022-23	19,500.00	19,500.00
11.40% Non-Convertible Debentures	2022-23	10,500.00	10,500.00
9.50% Non-Convertible Debentures	2023-24	5,000.00	
9.50% Non-Convertible Debentures	2023-24	5,000.00	
10.50% Non-Convertible Debentures (Unsecured)	2023-24	2,500.00	2,500.00
10.10% Non-Convertible Debentures	2025-26	2,500.00	2,500.00
10.05% Non-Convertible Debentures	2025-26	500.00	1,000.00
10.10% Non-Convertible Debentures	2025-26	1,500.00	1,500.00
9.50% Non-Convertible Debentures (Unsecured)	2027-28	2,500.00	2,500.00
9.35% Non-Convertible Debentures (Unsecured)	2027-28	2,500.00	2,500.00
Total		93,000.00	72,000.00

Notes to financial statement for the year ended March 31, 2021

14. Borrowings (other than debt securities)

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
At amortised cost (within India)		
Secured		
Term Loans from Banks (refer note 14.1 & 14.2)	1,18,248.71	1,50,168.52
Term Loans from other parties (refer note 14.1 & 14.2)	6,235.76	19,592.10
Cash Credit from Banks (refer note 14.3)	1,988.08	1,999.28
Overdraft from Banks (refer note 14.3)	-	-
Interest accrued but not due on borrowings	94.02	186.79
Total (A)	1,26,566.57	1,71,946.69
At amortised cost (outside India)		
Secured		
External commercial borrowing	10,492.89	-
Interest accrued but not due on borrowings	29.36	-
Total (B)	10,522.25	-
Total (C) = (A) + (B)	1,37,088.82	1,71,946.69

14.1 Term loans from banks and other parties are secured against receivables

Terms of repayment, nature of security & rate of interest in case of Borrowings (Other than Debt Securities)

Range of Rate of Interest	As at March 31, 2021 (Rs. in Lakh)		
	Up to one year (April 2021 to March 2022)	1-3 years (April 2022 to March 2024)	3 years & above (April 2024 onwards)
8.00 % to 9.00%	18,108.01	37,465.91	30,811.87
9.01 % to 10.00%	13,964.66	18,788.46	11,740.65
10.01% to 11.00%	4,485.48	2,893.55	-
11.01% & above	-	-	-
Total	36,558.15	59,147.92	42,552.52

Range of Rate of Interest	As at March 31, 2020 (Rs. in Lakh)		
	Up to one year (April 2020 to March 2021)	1-3 years (April 2021 to March 2023)	3 years & above (April 2023 onwards)
8.00 % to 9.00%	833.33	208.33	-
9.01 % to 10.00%	7,958.86	11,621.41	7,058.22
10.01% to 11.00%	32,318.75	60,287.44	41,954.83
11.01% & above	6,500.00	2,375.00	1,500.00
Total	47,610.94	74,492.18	50,513.06

14.2 The rate of interest for the above term loans is linked to the MCLR/base rates of the banks and is subject to change from time to time. The above categorisation of loans has been based on the interest rates, prevalent as on the respective reporting dates.

14.3 Cash credit facility from bank is secured against receivables and bank overdraft is secured against fixed deposit with bank.

Notes to financial statement for the year ended March 31, 2021

15. Other Non-Financial Liabilities

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
Employee Benefits Payable	792.48	780.18
Advance received from customers	4,849.87	3,536.10
Lease liability	833.82	1,048.99
Amounts payable under securitisation arrangement	9,884.79	19,505.68
Total	16,360.96	24,870.95

16. Provisions

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
Provision for Employee Benefits		
- gratuity (refer note 35)	43.66	31.77
- compensated absences	–	378.79
Total	43.66	410.56

17. Other Non-Financial Liabilities

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
Statutory dues	332.89	221.79
Total	332.89	221.79

Notes to financial statement for the year ended March 31, 2021

18. Equity Share Capital

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
AUTHORISED		
100,000,000 Equity Shares of ₹10 each	10,000.00	10,000.00
(FY 2019-20 10,00,00,000 Equity Shares of ₹10 each)		
	10,000.00	10,000.00
ISSUED, SUBSCRIBED AND FULLY PAID UP		
82,591,861 Equity Shares of ₹10 each	8,259.19	8,259.19
(FY 2019-20 82,591,861 Equity Shares of ₹10 each)		
	8,259.19	8,259.19

18.1 (a) Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number	Rs. in Lakh	Number	Rs. in Lakh
Shares outstanding at the beginning of the year	8,25,91,869	8,259.19	6,28,55,019	6,285.50
Shares issued during the year pursuant to preferential allotment	–	–	1,97,36,850	1,973.69
Shares outstanding at the end of the year	8,25,91,869	8,259.19	8,25,91,869	8,259.19

18.1 (b) Rights, Preferences and Restrictions

The Company has only one class of equity shares having a par value of Rs.10 per share. Each holder of equity shares is entitled to one vote per share. In the event of liquidation of the company, the holders of equity shares will be entitled to receive the remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

18.1 (c) List of shareholders holding more than 5% shares

Particulars	As at March 31, 2021		As at March 31, 2020	
	Number	%	Number	%
Olive Vine Investment Ltd	6,60,73,483	80.00%	6,60,73,483	80.00%
International Finance Corporation Ltd	1,65,18,373	20.00%	1,65,18,373	20.00%

18.2 During the previous year the Company has issued Equity shares at a premium of Rs.142 each (face value Rs.10) aggregating to Rs 30,000.00 lacs through preferential allotment

19. Other Equity

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
Securities Premium	75,923.27	75,923.27
General Reserve	0.14	0.14
Statutory Reserve (under Section 45-IC (1) of the Reserve Bank of India Act, 1934)	2,104.34	1,346.37
Stock Options Reserve	485.00	79.00
Cash Flow Hedge Reserve	-80.68	-
Retained Earnings	7,469.07	4,386.00
Total	85,901.14	81,734.78

Note : For additions and deductions under each of the above heads, refer Statement of Changes in Equity

Securities premium

Securities premium account is used to record the premium on issue of shares.

General reserve

The general reserve created from time to time by transferring profits from retained earnings for appropriation purpose.

Statutory Reserve

Statutory Reserve is the reserve created by transferring a sum not less than twenty percent of the Company's net profit after tax every year in terms of Section 45-IC of the RBI Act, 1934.

Stock Options Reserve

Stock options reserve account relates to the stock options granted by the Company to employees under an Employees Stock Option Scheme

Cash Flow Hedge Reserve

It represents the cumulative gain / (loss) arising on revaluation of the derivative instruments designated as cash flow hedges through other comprehensive income.

Retained earnings

Retained earnings are the profits that the Company has earned till date, less any transfers to general reserve, statutory reserve, debenture redemption reserve, dividends or other distributions paid to shareholders.

Notes to financial statement for the year ended March 31, 2021

20. Interest Income

Particulars	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
On financial assets measured at amortised cost		
- Interest on Loans	38,253.38	38,384.02
- Interest on intercorporate deposits	-	13.87
Total	38,253.38	38,397.89

21. Fees and Commission income

Particulars	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
Forex commission	234.65	250.48
Insurance commission	189.66	99.94
Processing fees	913.12	794.71
Total	1,337.43	1,145.13

22. Other Operating income

Particulars	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
Prepayment & other charges	773.91	594.40
Total	773.91	594.40

23. Other income

Particulars	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
Interest Income on fixed deposit	2,985.28	1,152.71
Miscellaneous income	46.37	39.57
Write back of excess provisions	–	258.05
Lease liability written back	40.70	–
Total	3,072.35	1,450.33

Notes to financial statement for the year ended March 31, 2021

24. Finance costs

Particulars	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
On financial liabilities measured at amortised cost		
Interest on borrowings (other than debt securities)	14,443.39	17,123.82
Interest on debt securities	9,146.56	5,742.19
Finance cost on lease liability	105.69	94.23
Financial liability towards securitisation	1,767.69	1,787.68
Other interest expense	145.84	140.48
Total	25,609.17	24,888.41

25. Impairment of financial instruments

Particulars	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
On financial assets measured at amortised cost		
Provision for expected credit loss	2,231.78	2,009.38
Total	2,231.78	2,009.38

26. Employee benefits expense

Particulars	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
Salaries, Bonus and other allowances	5,516.73	5,015.27
Contribution to Provident Fund and Other Funds (refer note 35)	242.96	244.30
Gratuity (refer note 35)	88.14	82.69
Staff Welfare Expenses	85.90	124.62
Total	5,933.73	5,466.88

27. Other Expense

Particulars	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
Electricity Charges	35.56	63.51
Security Charges	8.40	16.14
Manpower Outsourcing	555.56	569.29
Rent	18.28	244.77
Office Maintenance	28.31	68.34
Insurance Charges	95.78	86.83
Rates and Taxes	27.02	44.95

Particulars	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
Housekeeping Expenses	75.22	84.42
Business Sourcing Expenses	263.37	279.29
Travelling and Conveyance	258.17	441.41
Rating Fees	127.28	125.34
Printing and Stationery	62.72	73.07
Postage, Telephone and Fax	144.74	124.44
Advertising	151.75	188.12
Bank Charges	16.52	12.28
Director's Remuneration & Sitting Fees	62.68	49.77
Legal & Professional Expenses	1,439.42	1,298.08
Auditors' Remuneration (refer note below)	32.98	31.46
Write Offs	139.64	23.45
Corporate Social Responsibility expenses (refer note 34)	60.00	45.00
Miscellaneous Expenses	271.61	170.09
Total	3,874.99	4,040.05

Payments to auditors (including Goods and Services Tax to the extent of credit not availed)

Particulars	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
a) For audit	12.98	12.98
b) For taxation matters	-	-
c) For other services (limited review & certification)	19.78	18.06
d) For reimbursement of expenses	0.22	0.42
Total	32.98	31.46

28. Pursuant to the Share Purchase Agreement dated March 16, 2019, the outgoing shareholder has sold its stake during the year ended March 31, 2020 and consequently the Company is now a subsidiary of Olive Vine Investment Ltd. The Company had incurred a one time expense towards professional & other services in connection with above transaction and also incurred a fee for significant modification of terms of insurance distribution agreement aggregating to Rs.2,856.99 lakhs. The same was considered as an exceptional item.

Notes to financial statement for the year ended March 31, 2021

29. Reconciliation of total tax charge

29.1

Particulars	For the year ended March 31, 2021 (Rs. in Lakh)	For the year ended March 31, 2020 (Rs. in Lakh)
Current tax	1,682.95	1,208.73
Deferred tax	(448.46)	(194.48)
Total income tax expenses recognised in the current year	1,234.49	1,014.25
Income tax expense recognised in other comprehensive income	(9.92)	4.77
Income tax expense for the year reconciled to the accounting profit:		
Profit before tax	4,854.77	3,166.69
Income tax rate	25.17%	25.17%
Income tax expense	1,221.85	796.99
Tax Effect of:		
Impact on account of change in tax rate	–	148.01
Others	12.64	69.25
Income tax expense recognised in Profit and Loss	1,234.49	1,014.25

The Taxation Laws (Amendment) Ordinance 2019 has inserted section 115BAA in the Income Tax Act, 1961 providing existing domestic companies with an option to pay tax at a concessional rate of 22% plus applicable surcharge and cess. Consequently, the deferred tax asset (net) as at April 01, 2019 has been measured at the lower rate with a one-time corresponding charge of ₹148.01 lakhs to the Statement of Profit and Loss during the period ended March 31, 2020

The following table shows deferred tax recorded in the balance sheet and changes recorded in the Income tax expense

29.2

For the year ended March 31, 2021

Deferred tax asset / (liability)	Opening balances as on 01.04.2020	Recognised in profit or loss (Expense) / Income	Recognised in other comprehensive income	Closing balances as on 31.03.2021
Impairment of Financial instruments	802.71	496.41	-	1,299.12
Measurement of Financial instruments at amortised cost	(202.79)	(26.15)	27.13	(201.81)
Disallowances under section 43B of the Income Tax Act, 1961	130.65	(92.04)	(17.21)	21.40
Difference between books and tax written down value of fixed assets	6.32	70.25	-	76.57
Total	736.89	448.47	9.92	1,195.28

29.3

For the year ended March 31, 2020

Deferred tax asset / (liability)	Opening balances as on 01.04.2019	Recognised in profit or loss (Expense) / Income	Recognised in other comprehensive income	Closing balances as on 31.03.2020
Impairment of Financial instruments	564.91	237.80	-	802.71
Measurement of Financial instruments at amortised cost	(74.57)	(128.22)	-	(202.79)
Disallowances under section 43B of the Income Tax Act, 1961	107.25	28.17	(4.77)	130.65
Difference between books and tax written down value of fixed assets	(50.39)	56.71		6.32
Total	547.20	194.46	(4.77)	736.89

Notes to financial statement for the year ended March 31, 2021

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Sr. No.	Particulars	As at March 31, 2021	As at March 31, 2020
	Contingent Liabilities And Commitments		
	Contingent Liabilities	-	-
	Capital Commitments:		
	Undisbursed commitments	29,447.73	17,625.84
	Estimated amount of contracts remaining to be executed on capital account and not provided for	-	-

31

Sr. No.	Particulars	For the Year Ended March 31, 2021	For the Year Ended March 31, 2020
	Earning Per Equity Share		
	Profit attributable to equity share holders (Rs. in Lacs)	3,789.86	2,152.44
	Weighted average number of equity shares outstanding during the year for calculating basic and diluted earnings per share (Nos.)	8,25,91,861	7,60,88,410
	Basic and diluted earnings per share (Rs.)	4.59	2.83
	Nominal value per share (Rs.)	10.00	10.00

Note : There is no dilution in the EPS on account of employee stock options issued during the year since the exercise price is equal to the fair value per share.

32. Leasing

During the previous year, effective from April 1, 2019, the Company adopted Ind AS 116 "Leases" and applied the standard to all lease contracts existing on April 1, 2019 using modified retrospective method. The Company recorded the lease liability at the present value of the lease payments discounted at the incremental borrowing rate and the right of use assets at an amount equal to the lease liability discounted at the incremental borrowing rate at the date of initial application.

On the date of initial application i.e. April 1, 2019, the adoption of the new standard resulted in recognition of "Right to Use' asset (ROU) of Rs.1,214.21 lakh and a lease liability of Rs.1,214.21 lakh.

The following is the summary of practical expedients elected on initial application

(a) Applied a single discount rate to a portfolio of leases of similar assets in similar economic environment with a similar end date.
(b) Applied the exemption not to recognise right to use assets and liabilities for leases with less than 12 months of lease term on the date of initial application.
(c) Excluded the initial direct costs from the measurement of the right to use asset at the date of initial application.

Following are the changes in the carry value of the right of use assets for the year ended March 31, 2021

Category of ROU Asset	GROSS BLOCK				Accumulated Depreciation				Net Block As at March 31, 2021
	As at April 01, 2020	Additions	Deletions	As at March 31, 2021	As at April 01, 2020	Additions	Deletions	As at March 31, 2021	
Office Premises	1,258.21	129.67	-	1,387.89	266.69	347.63	-	614.33	773.56
Total	1,258.21	129.67	-	1,387.89	266.69	347.63	-	614.33	773.56

Following are the changes in the carry value of the right of use assets for the year ended March 31, 2020

Category of ROU Asset	GROSS BLOCK				Accumulated Depreciation				Net Block As at March 31, 2020
	As at April 01, 2019	Additions	Deletions	As at March 31, 2020	As at April 01, 2019	Additions	Deletions	As at March 31, 2020	
Office Premises	-	1,258.21	-	1,258.21	-	266.69	-	266.69	991.52
Total	-	1,258.21	-	1,258.21	-	266.69	-	266.69	991.52

The aggregate depreciation expenses on ROU assets is included under depreciation and amortization expenses in the Statement of Profit and Loss.

Table showing contractual maturities of lease liabilities as at March 31, 2021 on an undiscounted basis

Particulars	(Rs. in Lakh)
Less than one year	328.41
One to five years	612.66
More than five years	-
Total	941.07

The Company does not face significant liquidity risk with regards to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

33. Segment Reporting

The Company operates in a single reportable operating segment of providing loans. Accordingly there are no separate reportable segments, as per the Accounting Standard on 'Operating Segments' (Ind AS 108) prescribed under section 133 of the Companies Act, 2013.
The Company has its operation within India and all revenues are generated within India.

34. Expenditure towards Corporate Social Responsibility as per Section 135 of the Companies Act, 2013 (read with schedule VII thereof)

(a) Gross amount required to be spent by the Company during the year – Rs. 59.12 lacs (Previous Year, Rs. 41.82 lacs)
(b) Amount spent and paid during the year on

Sr. No.	Category of ROU Asset	FY 2020-21 (Rs in Lakh)			FY 2019-20 (Rs in Lakh)		
		In cash	Yet to be paid in cash	Total	In cash	Yet to be paid in cash	Total
(i)	Construction/acquisition of any asset	–	–	–	–	–	–
(ii)	On purpose other than (i) above	60.00	–	60.00	45.00	–	45.00

35. Employee Benefit

Defined contribution plan

The Company operates defined contribution plan (Provident fund) for all qualifying employees of the Company. The employees of the Company are members of a retirement contribution plan operated by the government. The Company is required to contribute a specified percentage of payroll cost to the retirement contribution scheme to fund the benefits. The only obligation of the Company with respect to the plan is to make the specified contributions.

The Company's contribution to Provident Fund aggregating ₹232.61 lacs (Previous Year: ₹234.51 lacs) has been recognised in the Statement of Profit and Loss under the head Employees benefit expenses.

Defined benefit obligation plan

The liability under the Payment of Gratuity Act,1972 are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method.

The plan is of a final salary defined benefit in nature which is sponsored by the Company and hence it underwrites all the risks pertaining to the plan. The actuarial risks associated are:

Investment / Interest Rate Risk

The Company is exposed to Investment / Interest risk if the return on the invested fund falls below the discount rate used to arrive at present value of the benefit.

Longevity Risks

The Company is not exposed to risk of the employees living longer as the benefit under the scheme ceases on the employee separating from the employer for any reason.

Salary Risks

The gratuity benefits under the plan are related to the employee's last drawn salary. Consequently, any unusual rise in future salary of the employee raises the quantum of benefit payable by the company, which results in a higher liability for the company and is therefore a plan risk for the company.

(a) The assumptions used for the purposes of the actuarial valuations were as follows

Particulars	As at March 31, 2021	As at March 31, 2020
Significant assumptions		
Discount rate	4.93%	5.59%
Expected rate of salary increase	5.00%	8.00%
Other assumption		
Mortality rate	Indian Assured Lives (2012-14) Ultimate	Indian Assured Lives (2012-14) Ultimate

(b) Amount recognised in Balance sheet in respect of these defined benefit obligation

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
Present value of defined benefit obligation	178.84	161.32
Fair value of plan assets	135.18	129.55
Net liability	43.66	31.77

(c) Amount recognised in statement of profit and loss in respect of these defined benefit obligation

Particulars	For The Year Ended March 31, 2021 (Rs. in Lakh)	For The Year Ended March 31, 2020 (Rs. in Lakh)
Current service cost	88.70	81.94
Net interest cost	(0.56)	0.75
Past service cost	-	-
Total amount recognised in statement of profit and loss	88.14	82.69
Remeasurements on the net defined benefit liability :		
- Actuarial (gain) / loss	(75.10)	(18.95)
Total amount recognised in other comprehensive income	(75.10)	(18.95)
Total	13.04	63.74

The current service cost and the net interest expense for the year are included in the 'Employee benefit expense' line item in the statement of profit and loss.

(d) Movement in the present value of the defined benefit obligation are as follows

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
Opening defined benefit obligation	161.32	98.16
Current service cost	88.70	81.94
Past service cost	–	–
Interest cost	8.71	6.73
Remeasurements (gains)/losses:		
- Actuarial gain from change in demographic assumptions	(13.04)	(19.87)
- Actuarial loss from change in financial assumptions	(13.53)	4.54
- Actuarial gain from change in experience adjustments	(48.30)	(8.43)
Benefits paid	(5.02)	(1.75)
Closing defined benefit obligation	178.84	161.32

(e) **Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate and expected salary increase. The sensitivity analysis below have been determined based on reasonable possible changes of the assumptions occurring at the end of the reporting period, while holding all other assumptions constant. The results of sensitivity analysis are as follows**

Particulars	31st March 2021 (Rs in Lakh)		31st March 2020 (Rs in Lakh)	
	Discount rate	Salary Escalation Rate	Discount rate	Salary Escalation Rate
Defined benefit obligation on increase in 100 bps	172.03	184.82	152.49	169.44
Impact of increase in 100 bps on DBO	-3.81%	3.34%	-5.47%	5.03%
Defined benefit obligation on decrease in 100 bps	186.17	173.17	171.05	153.77
Impact of decrease in 100 bps on DBO	4.10%	-3.17%	6.03%	-4.68%

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

There is no change in the method of valuation for the prior periods in preparing the sensitivity analysis. For change in assumptions refer to note (a) above.

Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation asset recognised in the balance sheet.

(f) Projected benefits payable

Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
Expected benefits for year 1	23.42	11.01
Expected benefits for year 2	31.01	14.42
Expected benefits for year 3	34.02	22.29
Expected benefits for year 4	28.62	25.58
Expected benefits for year 5	23.80	23.19
Expected benefits for year 6 to 10	59.00	75.75

The weighted average duration to the payment of these cash flows is 2.80 years (FY2019-20 : 3.88 years)

The Code on Social Security, 2020 ('Code') relating to employee benefits during employment and post-employment benefits received Presidential assent in September 2020. The Code has been published in the Gazette of India. However, the date on which the Code will come into effect has not been notified. The Company will assess the impact of the Code when it comes into effect and will record any related impact in the period the Code becomes effective.

Notes to financial statement for the year ended March 31, 2021

36. Related Party Disclosure

Names of related parties and description of Relationship

(i) Holding Company

Olive Vine Investment Ltd (From July 30, 2019)
(An affiliate of Warburg Pincus LLC)
Dewan Housing Finance Corporation Limited (Upto July 29, 2019)
Wadhawan Global Capital Limited (Upto July 29, 2019)

(ii) Individual exercising control or significant influence

Mr. Kapil Wadhawan (Upto July 29, 2019)

(iii) Enterprises over which person described in (ii) above has significant influence where transactions have taken place

Dewan Housing Finance Corporation Limited (Upto July 29, 2019)
DHFL Pramerica Life Insurance Company Limited (Upto July 29, 2019)
DHFL Pramerica Asset Managers Private Limited (Upto July 29, 2019)
DHFL General Insurance Limited (Upto July 29, 2019)
Andromeda Sales And Distribution Private Limited (Upto July 29, 2019)

(iv) Directors

Mr. Kapil Wadhawan - Non executive chairman (resigned w.e.f. July 31, 2019)
Mr. Suresh Mahalingam - Non executive director (resigned w.e.f. July 31, 2019)
Mr. Mahendra Kumar Chouhan - Independent director (resigned w.e.f. July 31, 2019)
Mr. Suresh Kumar Jain - Independent director (resigned w.e.f. July 31, 2019)
Mr. Neeraj Swaroop - Independent director (appointed w.e.f. July 30, 2019)
Mrs. Vijayalakshmi Iyer - Independent director (appointed w.e.f. July 30, 2019)
Mr. Narendra Ostawal - Non executive director (appointed w.e.f. July 30, 2019)
Mrs. Savita Mahajan - Independent director (appointed w.e.f. December 01, 2018)

Key Management Personnel

Mr. Amit Gainda - Chief Executive Officer

(v) Details of transactions with related parties

Name of the related party	March 31, 2021 (Rs. in Lakh)	March 31, 2020 (Rs. in Lakh)
Olive Vine Investment Ltd		
Investment in equity shares (including share premium)	-	24,000.00
International Finance Corporation Ltd		
Investment in equity shares (including share premium)	-	6,000.00
Dewan Housing Finance Corporation Limited		
Rent & office maintenance	-	80.33

Name of the related party	March 31, 2021 (Rs. in Lakh)	March 31, 2020 (Rs. in Lakh)
IT Support charges	-	0.25
DHFL Pramerica Life Insurance Company Limited		
Commission/fee income	-	9.46
Andromeda Sales And Distribution Private Limited		
DSA commission	-	9.71
Key Management Personnel (KMP) *		
Remuneration		
Amit Gainda	349.45	309.45
Director's Commission		
Neeraj Swaroop	21.80	13.33
Vijayalakshmi Iyer	10.90	6.67
Savita Mahajan	10.90	6.67
Sitting Fees		
Mahendra Kumar Chouhan	-	2.10
Suresh Kumar Jain	-	2.10
Neeraj Swaroop	7.96	6.70
Vijayalakshmi Iyer	7.09	5.90
Savita Mahajan	4.03	4.40

Balances as at	March 31, 2021 (Rs. in Lakh)	March 31, 2020 (Rs. in Lakh)
Director's Commission		
Neeraj Swaroop	21.80	13.33
Vijayalakshmi Iyer	10.90	6.67
Savita Mahajan	10.90	6.67

36.1 There are no provision for doubtful debts/advances or amounts written off or written back for debts due from/due to related parties.

36.2 The transactions disclosed above are exclusive of GST.

AVANSE FINANCIAL SERVICES
ASPIRE WITHOUT BOUNDARIES

Notes to financial statement for the year ended March 31, 2021

37. Maturity Analysis of Assets and Liabilities

Sr. No.	Assets	March 31, 2021 (Rs in Lakh)			March 31, 2020 (Rs in Lakh)		
		Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
(1)	Financial Assets						
(a)	Cash and cash equivalents	42,076.29	–	42,076.29	64,340.04	–	64,340.04
(b)	Bank balances other than (a) above	327.58	670.97	998.55	675.97	322.58	998.55
(c)	Loans	75,888.08	2,16,728.47	2,92,616.55	43,104.06	2,36,970.55	2,80,074.61
(d)	Investments	5,502.06	–	5,502.06	12,500.68	–	12,500.68
(e)	Other financial assets	844.99	798.99	1,643.98	427.66	953.93	1,381.60
		1,24,639.00	2,18,198.43	3,42,837.43	1,21,048.42	2,38,247.06	3,59,295.48
(2)	Non-financial Assets						
(a)	Current tax assets (net)	–	174.19	174.19	–	352.21	352.21
(b)	Deferred tax assets (net)	–	1,195.28	1,195.28	–	736.89	736.89
(c)	Property, plant and equipment	–	1,425.19	1,425.19	–	1,763.60	1,763.60
(d)	Intangible assets under development	–	82.66	82.66	–	161.14	161.14
(e)	Other intangible assets	–	887.44	887.44	–	930.49	930.49

Sr. No.	Assets	March 31, 2021 (Rs in Lakh)			March 31, 2020 (Rs in Lakh)		
		Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
(f)	Other non-financial assets	379.25	728.01	1,107.27	404.84	298.52	703.36
		379.25	4,492.76	4,872.01	404.84	4,242.85	4,647.69
	Total	1,25,018.26	2,22,691.19	3,47,709.44	1,21,453.26	2,42,489.91	3,63,943.17
	LIABILITIES						
(1)	Financial Liabilities						
(a)	Derivative financial instruments	-	190.31	190.31	-	-	-
(b)	Trade payables	1,754.13	-	1,754.13	1,124.55	-	1,124.55
(c)	Debt securities	74,881.70	22,486.89	97,368.59	7,105.97	67,810.67	74,916.63
(d)	Borrowings (other than debt securities)	36,632.35	1,00,456.47	1,37,088.81	47,782.26	1,24,164.43	1,71,946.69
(e)	Other financial liabilities	2,377.19	13,983.78	16,360.96	6,765.16	18,105.78	24,870.94
	Total Financial Liabilities	1,15,645.36	1,37,117.45	2,52,762.80	62,777.94	2,10,080.87	2,72,858.81
(2)	Non-Financial Liabilities						
(a)	Current tax liabilities (net)	409.74	-	409.74	458.03	-	458.03
(b)	Provisions	-	43.66	43.66	73.63	336.93	410.56
(c)	Other non-financial liabilities	332.89	-	332.89	221.79	-	221.79
	Total Non-Financial Liabilities	742.64	43.66	786.29	753.45	336.93	1,090.38
	Total	1,16,388.00	1,37,161.10	2,53,549.10	63,531.39	2,10,417.80	2,73,949.19

Notes to financial statement for the year ended March 31, 2021

38. During the period ended 31 March 2020, the Company had following payment arrangements, which are described below

The Employee Stock Option Scheme ('the Scheme') provides for grant of stock options to the eligible employees and/or directors ("the Employees") of the Company. The Stock Options are granted at an exercise price, which is either equal to the fair market price or at a premium, or at a discount to market price as may be determined by the Nomination and Remuneration Committee of the Board of the Company.

The Nomination and Remuneration Committee has granted 4,64,741 options during year ended March 31, 2021 and 34,27,772 options during year ended March 31, 2020 at an exercise price of ₹193/- and ₹152 per option respectively to the Employees, that will vest in a graded manner and which can be exercised within a specified period.

The current status of the stock options granted to the Employees is as under

Particulars	As on 31.03.2021	As on 31.03.2020
Outstanding at start of year	34,27,772	-
Granted during the year	4,64,741	34,27,772
Forfeited Exercised	2,45,857	
Outstanding at end of year	36,46,656	34,27,772
Exercisable at end of year	-	-

The company follows fair value based method of accounting for determining compensation cost for its stock-based compensation scheme. The fair value of each stock option granted during the current year is mentioned in the table below. The fair value has been calculated by applying Black Scholes Value model as valued by an independent valuer.

Details of options granted during the current financial year based on the graded vesting and fair value of the options are as under

Time Based Options March 2021				
Tranches	% of Options to be vested	No. of options granted	Vesting date	Fair value per option
Tranche-1	25.00%	97,969	5/Feb/22	54.79
Tranche-2	25.00%	97,969	5/Feb/23	54.79
Tranche-3	25.00%	97,969	5/Feb/24	54.79
Tranche-4	25.00%	97,969	5/Feb/25	54.79

Time Based Options March 2020				
Tranches	% of Options to be vested	No. of options granted	Vesting date	Fair value per option
Tranche-1	25.00%	4,43,716	5/Feb/21	36.86
Tranche-2	25.00%	4,43,725	5/Feb/22	36.86
Tranche-3	25.00%	4,43,737	5/Feb/23	36.86
Tranche-4	25.00%	4,43,745	5/Feb/24	36.86

Performance Based				
Tranches	% of Options to be vested	No. of options granted	Vesting Date*	Fair value per option
Mar-21	70.00%	72,867	30/Jul/24	60.16
Mar-20	70.00%	16,52,849	30/Jul/24	43.43

* Based on Achievement of Internal rate of return (it is estimated to vest after 4 years)

The following table summarizes the assumptions used in calculating the grant date fair value

Tranches	Life of the Option (in years)	Risk-free interest rate	Volatility	Dividend Yield
Time Based	3.75	5.21%	26.24%	0.00%
Performance Based	4.50	5.48%	24.53%	0.00%
Time Based	3.75	6.04%	17.34%	0.00%
Performance Based	4.50	6.25%	17.34%	0.00%

The following table summarizes the assumptions used in calculating the grant date fair value

Type of arrangement	Time Based Option	Performance Based	Time Based Option	Performance Based
Date of grant	5/Feb/21	5/Feb/21	5/Feb/20	5/Feb/20
Number of Options Granted	3,91,874	72,867	17,74,923	16,52,849
Exercise period	5 Years	5 Years	6 Years	6 Years
Performance Based	1/4th Options each on completion of first, second, third and forth year from the date of grant of options	Based on Achievement of Internal rate of return (it is estimated to vest after 4 years)	1/4th Options each on completion of first, second, third and forth year from the date of grant of options	Based on Achievement of Internal rate of return (it is estimated to vest after 4 years))
Exercise Price per option	193	193	152	152
Pricing formula	As was determined by the Nomination and Remuneration committee at its meeting held on 04-Feb-2021	As was determined by the Nomination and Remuneration committee at its meeting held on 04-Feb-2021	As was determined by the Nomination and Remuneration committee at its meeting held on 28-Jan-2020	As was determined by the Nomination and Remuneration committee at its meeting held on 28-Jan-2020

The Charge on account of above scheme is included in employee benefit expense aggregating ₹406.00 Lakh (previous year ₹79.00 Lakh)

Notes to financial statement for the year ended March 31, 2021

39. Financial Instruments

39.1 Capital Management

The company manages its capital to ensure that the company will be able to continue as going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

For the purpose of the company's capital management, capital includes issued capital and other equity reserves. The primary objective of the company's Capital Management is to maximize shareholders value and minimise cost of capital. The company manages its capital structure and makes adjustments in light of changes in the economic environment and the requirements of the financial covenants.

The company monitors capital using adjusted net debt (total borrowings net of cash and cash equivalents) to equity ratio.

	As at 31-Mar-21 (Rs. in Lakh)	As at 31-Mar-20 (Rs. in Lakh)
Gross debt	2,34,457.40	2,46,863.32
Less:		
Cash and cash equivalents	42,076.28	64,340.04
Other bank deposits (other than on lien against securitised loan)	5.00	5.00
Adjusted net debt	1,92,376.12	1,82,518.28
Total equity	94,160.33	89,993.97
Adjusted net debt to equity ratio	2.04	2.03

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest bearing loans and borrowings that define capital structure requirements. Breaches in financial covenants would permit the lender to immediately call loans and borrowings.

The Company is subject to capital adequacy ratio ("CAR") requirements which are prescribed by the RBI. The Company is currently required to maintain a minimum 15% as prescribed under the prudential norms of the RBI under the Master Direction – Non-Banking Financial Company – Systemically Important Non Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 based on the total capital to risk weighted assets as part of the governance policy. We generally maintain capital adequacy higher than the statutorily prescribed CAR. The capital adequacy ratio, which was computed on the basis of the applicable RBI requirements, is as per note 41.1. We believe that our high capital adequacy gives us significant headroom to grow our business.

39.2 Fair Value

The following table combines comparable information about

- classes of financial instruments based on their nature and characteristics
- the carrying amounts of financial instruments
- fair values of financial instruments (except financial instruments when carrying amount approximates their fair value); and
- fair value hierarchy levels of financial assets and financial liabilities for which fair value was disclosed

Accounting classifications and fair values

As at March 31, 2021	Carrying Value			Fair Value				Total (Rs. in Lakh)
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3	
Financial assets								
Cash and cash equivalents	–	–	42,076.28	42,076.28	–	–	–	–
Other bank balances	–	–	998.55	998.55	–	–	–	–
Loans	–	–	2,92,616.55	2,92,616.55	–	–	–	–
Investments	5,502.06	–	–	5,502.06	–	5,502.06	–	5,502.06
Other financial assets	–	–	1,643.98	1,643.98	–	–	–	–
Total	5,502.06	–	3,37,335.36	3,42,837.41	–	5,502.06	–	5,502.06
Financial liabilities								
Derivative financial instruments	–	190.31	–	190.31	–	190.31	–	190.31
Trade payables	–	–	1,754.16	1,754.16	–	–	–	–
Debt securities	–	–	97,368.59	97,368.59	–	Note (b)	–	–
Borrowings (other than debt securities)	–	–	1,37,088.82	1,37,088.82	–	–	–	–
Other financial liabilities	–	–	16,360.96	16,360.96	–	–	–	–
Total	–	190.31	2,52,572.53	2,52,762.84	–	190.31	–	190.31

As at March 31, 2020	Carrying Value			Fair Value				Total (Rs. in Lakh)
	FVTPL	FVTOCI	Amortised Cost	Total	Level 1	Level 2	Level 3	
Financial assets								
Cash and cash equivalents	-	-	64,340.04	64,340.04	-	-	-	-
Other bank balances	-	-	998.55	998.55	-	-	-	-
Loans	-	-	2,80,074.61	2,80,074.61	-	-	-	-
Investments	12,500.68	-	-	12,500.68	-	12,500.68	-	12,500.68
Other financial assets	-	-	1,381.60	1,381.60	-	-	-	-
Total	12,500.68	-	3,46,794.79	3,59,295.46	-	12,500.68	-	12,500.68
Financial liabilities								
Trade payables	-	-	1,124.55	1,124.55	-	-	-	-
Debt securities	-	-	74,916.63	74,916.63	-	Note (b)	-	-
Borrowings (other than debt securities)	-	-	1,71,946.69	1,71,946.69	-	-	-	-
Other financial liabilities	-	-	24,870.95	24,870.95	-	-	-	-
Total	-	-	2,72,858.82	2,72,858.82	-	-	-	-

Notes :

(a) All loans given are at floating interest rate thus, amortised costs equals their fair value

(b) Derivative financial instruments are through FVTOCI on account of hedge accounting as derivatives are FVTPL

(c) For financial assets and liabilities measured at amortised cost, the Company considers that the carrying amounts recognised in the financial statements approximate their fair values, except as under

Fixed rate debt securities	Carrying value		Fair value	
Debt securities other than short term debt	68,000.00	43,500.00	70,805.21	45,113.45

Note : Fair value is determined by discounting the contractual cashflows using current market interest rate.

(d) Investments in mutual funds are valued at fair value using the NAVs quoted by the respective Fund houses on the reporting date.

(e) Derivatives are fair valued using observable foreign exchange rates and interest rates

39.3 Financial risk management

The Company has exposure to the following risks arising from financial instruments:

- Credit risk
- Operational risk
- Liquidity risk and
- Market risk (including interest rate risk)
- Forex risk

Risk management framework

Risk management forms an integral part of the Company's business. As a lending institution, the Company is exposed to several risks related to the lending business and operating environment. The Company has established risk management and audit frameworks to identify, assess, monitor and manage various types of internal and external risks. This framework is driven by the Board through the Audit Committee, Risk Management Committee and the Asset Liability Management Committee. Risk Management Committee inter alia is responsible for review, identification, monitoring and providing oversight on management of risk of the Company.

(i) Credit risk

Credit risk is the risk of loss that may occur from the failure of any party to abide by the terms and conditions of any contract, principally the failure to make required payments of amounts due to the Company. In its lending operations, the Company is principally exposed to credit risk.

The credit risk management structure includes separate credit policies and procedures for various businesses. The credit policies outline the type of products that can be offered, customer categories, the targeted customer profile, prudential limits, exceptional approval metrics etc. and the credit approval process and limits. Credit approvers and relationship managers are responsible for ensuring adherence to these policies.

The Company has structured and standardized credit approval processes which include comprehensive credit risk assessment encompassing analysis of relevant quantitative and qualitative information to ascertain the credit worthiness of the borrower. The credit appraisal process includes identification of underlying risks, mitigating factors and residual risks associated with the customer.

Sanctioning authority for credit exposures are based on defined Delegation of Credit Authority. The delegated powers are based on a Committee approach. For cases sanctioned as per delegation of authority, after completion of all formalities by the borrower, a loan agreement is entered into with the borrower.

The Company measures, monitors and manages credit risk at an individual borrower level and at the portfolio level for non-retail borrowers. The credit risk for retail borrowers is managed at the portfolio level. Periodic analysis of the credit portfolio is conducted and necessary corrective measures are implemented.

The Company's current credit risk grading framework comprises the following categories

Category	Description	Basis of recognising expected credit losses
		Education Loans: Average ECL based on vintage data analysis
Stage 1	High quality assets	Education Institution Loans: Internal rating mapped with CRISIL ratings; corresponding probability of defaults is used using CRISIL default study SME – Annual Loss Rate
Stage 2	Assets for which there is significant increase in credit risk	Lifetime ECL
Stage 3	Credit impaired assets	Lifetime ECL - Credit impaired

The key elements in calculation of ECL are as follows

PD - The Probability of Default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio. The PD has been determined based on historical behaviour of the book & roll rates for retail and comparative external ratings for commercial finance.

EAD – The estimated credit exposure at point of 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. It is usually expressed as a percentage of the EAD. The LGD is determined based on valuation of collaterals and other relevant factors.

The table below shows the credit quality and the exposure to credit risk based on the year-end stage classification. The amounts presented are gross of impairment allowances.

		As at March 31, 2021 (Rs. in Lakh)			
Particulars	**Assets category**	**Gross Carrying Amount**	**Expected Credit Loss**	**Net Carrying Amount**	**PD**
Stage 1 – High quality assets	Loan	2,80,582.55	1,155.56	2,79,426.99	0.03% to 9.5%
Stage 2 – Assets including restructured assets for which there is significant increase in credit risk	Loan	12,835.10	920.86	11,914.24	0.03% to 45.95%
Stage 3 - Credit impaired assets	Loan	5,136.75	3,861.42	1,275.32	Refer note below
Total		2,98,554.40	5,937.85	2,92,616.55	

		As at March 31, 2020 (Rs. in Lakh)			
Particulars	**Assets category**	**Gross Carrying Amount**	**Expected Credit Loss**	**Net Carrying Amount**	**PD**
Stage 1 – High quality assets	Loan	2,75,823.53	1,095.02	2,74,728.51	0.03% to 8.26%
Stage 2 – Assets including restructured assets for which there is significant increase in credit risk	Loan	2,666.31	165.41	2,500.90	4.80% to 31.87%
Stage 3 - Credit impaired assets	Loan	5,290.82	2,445.63	2,845.19	Refer note below
Total		2,83,780.67	3,706.06	2,80,074.60	

Note : For cases in Stage-3 PD is 100%. The Company has used discounted cashflow methodology to determine provision for significantly impaired assets.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans

FY 2020-21	Stage 1	Stage 2	Stage 3	Total (Rs. in Lakh)
Gross carrying amount opening balance	2,75,823.53	2,666.31	5,290.82	2,83,780.67
New assets originated or purchased	98,845.46	–	–	98,845.46
Assets derecognised or repaid (excluding write offs)	(80,035.54)	(807.25)	(3,228.93)	(84,071.73)
Transfers to Stage 1	89.37	(59.83)	(29.54)	–
Transfers to Stage 2	(12,626.20)	12,626.20	–	–
Transfers to Stage 3	(1,514.07)	(1,590.32)	3,104.40	–
Changes to contractual cash flows due to modifications not resulting in derecognition				–
Amounts written off				–
Gross carrying amount closing balance	2,80,582.55	12,835.10	5,136.75	2,98,554.40

FY 2019-20	Stage 1	Stage 2	Stage 3	Total (Rs. in Lakh)
Gross carrying amount opening balance	2,93,773.85	1,451.13	478.71	2,95,703.69
New assets originated or purchased	1,06,342.85	–	–	1,06,342.85
Assets derecognised or repaid (excluding write offs)	(1,17,004.57)	(1,195.26)	(66.04)	(1,18,265.88)
Transfers to Stage 1	1,157.54	(1,147.48)	(10.06)	–
Transfers to Stage 2	(3,714.53)	3,714.53	–	–
Transfers to Stage 3	(4,731.60)	(156.61)	4,888.21	–
Changes to contractual cash flows due to modifications not resulting in derecognition	–	–	–	–
Amounts written off	–	–	–	–
Gross carrying amount closing balance	2,75,823.53	2,666.31	5,290.82	2,83,780.67

FY 2020-21	Stage 1	Stage 2	Stage 3	Total (Rs. in Lakh)
ECL allowance - opening balances	1,095.02	165.41	2,445.63	3,706.06
New assets originated or purchased	458.71	–	–	458.71
Assets derecognised or repaid (excluding write offs)	(332.36)	(57.92)	(2,427.27)	(2,817.55)
Transfers to Stage 1	0.34	(4.29)	(22.21)	(26.16)
Transfers to Stage 2	(47.47)	905.88	–	858.41
Transfers to Stage 3	(5.69)	(114.10)	2,333.66	2,213.86
Impact on year end ECL of exposures transferred between stages during the year	1,168.54	894.98	2,329.81	4,393.32
Unwind of discount	–	–	–	–
Changes to contractual cash flows due to modifications not resulting in derecognition	–	–	–	–
Changes to models and inputs used for ECL calculations	(12.98)	25.88	1,531.62	1,544.52
Recoveries	–	–	–	–
Amounts written off	–	–	–	–
ECL allowance - closing balance	1,155.56	920.86	3,861.42	5,937.85

FY 2019-20	Stage 1	Stage 2	Stage 3	Total (Rs. in Lakh)
ECL allowance - opening balances	1,281.28	82.58	332.82	1,696.69
New assets originated or purchased	409.06	–	–	409.06
Assets derecognised or repaid (excluding write offs)	(683.75)	(59.25)	(253.59)	(996.59)
Transfers to Stage 1	4.40	(71.19)	(4.65)	(71.43)
Transfers to Stage 2	(14.13)	230.44	–	216.31
Transfers to Stage 3	(18.00)	(9.72)	2,259.53	2,231.81
Impact on year end ECL of exposures transferred between stages during the year	978.87	172.87	2,334.11	3,485.84
Unwind of discount	–	–	–	–
Changes to contractual cash flows due to modifications not resulting in derecognition	–	–	–	–
Changes to models and inputs used for ECL calculations	116.15	(7.46)	111.52	220.22
Recoveries	–	–	–	–
Amounts written off	–	–	–	–
ECL allowance - closing balance	1,095.02	165.41	2,445.63	3,706.06

(ii) Operational risk

Operational risk is the risk of loss resulting from inadequate internal processes, people or systems, fraud, or from external events. The Company's focuses on management and control of operational risks through a comprehensive system of internal controls and monitoring performance of each function against defined thresholds.

Operational risk management comprises identification and assessment of risks and controls, new products and process approval framework, measurement through operational risk incidents, monitoring through key risk indicators and mitigation through process and control enhancement.

(iii) Liquidity risk

Liquidity risk is the current and prospective risk arising out of an inability to meet financial commitments as they fall due, through available cash flows or through the sale of assets at fair market value. It includes both, the risk of unexpected increases in the cost of funding an asset portfolio at appropriate maturities and the risk of being unable to liquidate a position in a timely manner at a reasonable price.

The Company manages liquidity risk by maintaining sufficient cash and marketable securities and by having access to funding through an adequate amount of committed credit lines. Given the need to fund diverse products, the Company maintains flexibility in funding by maintaining availability under committed credit lines to meet obligations when due. Management regularly monitors the position of cash and cash equivalents vis-à-vis projections. Assessment of maturity profiles of financial assets and financial liabilities including debt financing plans and maintenance of Balance Sheet liquidity ratios are considered while reviewing the liquidity position.

We manage liquidity risk in accordance with our Asset Liability Management Policy. This policy is framed as per the current regulatory guidelines and is approved by the Board of Directors. The Asset Liability Management Policy is reviewed periodically to incorporate changes as required by regulatory stipulation or to realign the policy with changes in the economic landscape. The Asset Liability Committee (ALCO) of the Company formulates and reviews strategies and provides guidance for management of liquidity risk within the framework laid out in the Asset Liability Management Policy.

The Company has Rs 14,100 lacs undrawn lines of credit as of March 31, 2021 as against nil as of March 31, 2020, from its bankers for working capital requirements.

The Company has the right to draw upon these lines of credit based on its requirement and terms of draw down.

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Exposure to liquidity risk

The following are the details of Company's remaining contractual maturities of financial liabilities and assets at the reporting date. The amounts are gross and undiscounted.

	Contractual cash flows (Rs. in Lakh)				
March 31, 2021	**Carrying amount**	**0 - 1 year**	**1 - 3 years**	**3 - 5 years**	**More than 5 years**
Financial liabilities					
Derivative financial instruments	190.31	–	–	–	190.31
Trade payables	1,754.13	1,754.13	–	–	–
Debt securities	97,368.59	74,881.70	14,000.00	4,000.00	4,486.89
Borrowings (other than debt securities)	1,37,088.81	36,632.35	59,147.91	30,459.22	10,849.34
Other financial liabilities	16,360.96	2,377.19	3,388.52	3,364.77	7,230.49
Total	2,52,762.80	1,15,645.36	76,536.43	37,823.98	22,757.03
Financial Assets					
Cash and cash equivalents	42,076.29	42,076.29	–	–	–
Other bank balances	998.55	327.58	670.97	–	–
Loans	2,92,616.55	75,888.08	1,42,146.57	63,257.98	11,323.93
Investments	5,502.06	5,502.06	–	–	–
Other financial assets	1,643.98	844.99	99.49	205.89	493.61
Total	3,42,837.42	1,24,638.99	1,42,917.03	63,463.87	11,817.54

	Contractual cash flows (Rs. in Lakh)				
March 31, 2020	Carrying amount	0 - 1 year	1 - 3 years	3 - 5 years	More than 5 years
Financial liabilities					
Trade payables	1,124.55	1,124.55	–	–	–
Debt securities	74,916.63	7,105.97	57,000.00	2,500.00	8,310.67
Borrowings (other than debt securities)	1,71,946.69	47,782.26	74,492.18	43,392.16	6,280.08
Other financial liabilities	24,870.94	6,765.16	5,369.38	4,517.28	8,219.12
Total	2,72,858.81	62,777.95	1,36,861.56	50,409.45	22,809.87
Financial Assets					
Cash and cash equivalents	64,340.04	64,340.04	–	–	–
Other bank balances	998.55	675.97	322.58	–	–
Loans	2,80,074.61	43,090.05	48,301.33	55,069.44	1,33,613.79
Investments	12,500.68	12,500.68	–	–	–
Other financial assets	1,381.60	427.66	117.71	203.13	633.10
Total	3,59,295.47	1,21,034.40	48,741.62	55,272.57	1,34,246.89

The gross inflows disclosed in the above table represent the contractual undiscounted cash flows relating to financial liabilities held for risk management purposes and which are not usually closed out before contractual maturity.

(iv) Market risk (interest risk)

The Company is exposed to interest rate risk as it has assets and liabilities based on floating interest rates as well. The Company has an approved Asset and Liability Management Policy which empowers the Asset and Liability Management Committee (ALCO) to assess the interest rate risk run by it and provide appropriate guidelines to the Treasury to manage the risk. The ALCO reviews the interest rate risk on periodic basis and decides on the asset profile and the appropriate funding mix. The ALCO reviews the interest rate gap statement and the interest rate sensitivity analysis.

Exposure to liquidity risk

The Company's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

	March 31, 2021 (Rs. in Lakh)	March 31, 2020 (Rs. in Lakh)
Financial assets		
Fixed-rate instruments	-	-
Floating-rate instruments	2,92,616.55	2,80,074.61
Total	2,92,616.55	2,80,074.61
Financial liabilities		
Fixed-rate instruments	70,805.21	48,145.74
Floating-rate instruments	1,63,652.20	1,98,717.59
Total	2,34,457.40	2,46,863.32

Fair value sensitivity analysis for Floating-rate instruments

The sensitivity analysis below have been determined based on exposure to the interest rates for financial instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in case of instruments that have floating rates.

If interest rates had been 100 basis points higher or lower and all other variables were constant, the Company's profit before tax would have changed by the following

Fixed rate debt securities	March 31, 2021		March 31, 2020	
	100 bps higher	100 bps lower	100 bps higher	100 bps lower
Floating rate loans	2,926.17	(2,926.17)	2,800.75	(2,800.75)
Floating rate borrowings	(1,636.52)	1,636.52	(1,987.18)	1,987.18
	1,289.64	(1,289.64)	813.57	(813.57)

(v) Forex risk

The Company's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind AS. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Company enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item, and so a qualitative and quantitative assessment of effectiveness is performed.

Cash Flow Hedge

The impact of the hedging instrument and hedged item on the balance sheet

Hedging Instrument

Particulars	National amount	Carrying amount of hedging instruments Assets	Carrying amount of hedging instruments liabilities	Line in the balance sheet	Weighted average contract / strike price of the hedging instrument	Change in the fair value in the hedging instrument used as the basis for recognising hedge ineffectiveness - (profit) / loss
March 31, 2021						
INR USD - Cross currency swap	10,966.48	-	190.31	Derivative Financial Instruments	73.66	-

Hedged Item

Particulars	Change in the value of hedged item used as the basis for recognising hedge ineffectiveness	Cash flow hedge reserve as at - Debit / Credit -	Cost of hedging as at	Foreign CurrencyMonetary Items Translation Reserve
March 31, 2021				
External Commercial Borrowings	82.50	(80.68)	–	NA

The impact of the cashflow hedges in other comprehensive income

Particulars	Hedging gains or losses recognised in other comprehensive income	
	March 31, 2021	March 31, 2020
Cross currency swap	(107.81)	–

Notes to financial statement for the year ended March 31, 2021

The below disclosures required pursuant to the RBI master directions and circulars are prepared after giving effect required to comply with the extant provisions of Reserve Bank of India directions including framework on Prudential Norms and other related circulars

40.1 Disclosure requirements as per RBI circular dated March 13, 2020 having reference number RBI/2019-20/170,DOR (NBFC).CC.PD.No.109/22.10.106/2019-20 as per para 2 of Prudential Floor of ECL

Asset Classification as per RBI Norms	Asset Classification as per RBI Norms	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
Performing assets						
Standard	Stage 1	2,80,582.55	1,155.56	2,79,426.99	1,122.33	33.23
	Stage 2	12,835.10	920.86	11,914.24	641.76	279.11
Subtotal		2,93,417.65	2,076.42	2,91,341.23	1,764.09	312.34
Non-Performing Assets						
Substandard	Stage 3	1,804.46	1,337.02	467.44	180.45	1,156.57
Doubtful						
Upto 1 year	Stage 3	3,009.55	2,262.42	747.13	1,788.66	473.76
1 to 3 years	Stage 3	294.70	243.03	51.67	233.92	9.11
More than 3 years	Stage 3	28.04	18.96	9.08	10.45	8.51
Subtotal for doubtful		3,332.29	2,524.41	807.88	2,033.03	491.38

Asset Classification as per RBI Norms	Asset Classification as per RBI Norms	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
Loss assets	Stage 3	-	-	-	-	-
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	-	-	-	-	-
	Stage 2	-	-	-	-	-
	Stage 3	-	-	-	-	-
Total	Stage 1	2,80,582.55	1,155.56	2,79,426.99	1,122.33	33.23
	Stage 2	12,835.10	920.86	11,914.24	641.76	279.11
	Stage 3	5,136.75	3,861.43	1,275.32	2,213.48	1,647.95
		2,98,554.40	5,937.85	2,92,616.55	3,977.56	1,960.29

Notes :

(a) The Company has made provision for expected credit loss as per the requirements of the Accounting Standards which is higher than that required by the aforesaid RBI circular.

Disclosures on COVID19 Regulatory Package - Asset Classification and Provisioning, in terms of RBI circular RBI/2019-20/220/DOR.No.BP.BC.63/21.04.048/2020-21 dated April 17, 2020 ("RBI Circular")

Period	Respective amounts in SMA/ overdue categories, where the moratorium/ deferment was extended, in terms of paragraph 2 and 3 of RBI Circular	Respective amount where asset classification benefits is extended	Provisions made in terms of paragraph 5 of RBI Circular	Provisions adjusted during the respective accounting periods against slippages and the r esidual provisions in terms of paragraph 6 of RBI Circular
Overdue as on February 29, 2020	3516.57	3516.5	175.83	92.76

40.2 Interest on interest

(i) In light of the Ministry of Finance's circular dated 23 October, 2020, the Company has determined interest on interest for the moratorium period from 1 March, 2020 to 31 August, 2020 aggregating ₹320.77 Lakh payable to all customers having an outstanding balance as on 29 February 2020 of upto ₹2 crore and irrespective of whether these customers have availed moratorium or not.
The Company has given credit / refunded the above amounts to the respective customer account and has filed a claim as per aforesaid circular and have recorded a receivable from government.

(ii) Further, in light of the recent Supreme Court Judgement dated 23 March 2021 and RBI Circular dated 7 April 2021, the Company has accounted a liability for ₹78.28 Lakh towards customers other than those covered above in respect of interest on interest / penal interest charged by the Company. Out of this, ₹19.63 Lakh is in respect of assigned portfolio and hence accounted as recoverable from the assignees. Balance amount has been charged to the Statement of Profit and Loss.

41. Corporate Governance and Disclosure Norms for NBFCs

(As stipulated in Annexure 4 of Circular No. DNBR (PD) CC No. 002/03.10.001/2014-15, dated November 10, 2014)

41.1 Capital Risk Adequacy Ratio (CRAR)

Particulars	As at 31-Mar-21 (Rs. in Lakh)	As at 31-Mar-20 (Rs. in Lakh)
CRAR (%)	32.74%	32.12%
CRAR - Tier I capital (%)	30.49%	29.55%
CRAR - Tier II capital (%)	2.25%	2.57%
Amount of subordinated debt raised as Tier-II capital	7,500.00	7,500.00
Amount raised by issue of Perpetual Debt instruments	-	-

41.2 Exposures

(As stipulated in Annexure 4 of Circular No. DNBR (PD) CC No. 002/03.10.001/2014-15, dated November 10, 2014)

(I)	Exposure to Real Estate Sector		
(a)	Direct Exposure		
(i)	Residential Mortgages-		
	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 lacs may be shown separately)	35,146.05	40,612.73
(ii)	Commercial Real Estate-		
	Lending secured by mortgages on commercial real estates (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;	-	-
(iii)	Investments in Mortgage Backed Securities (MBS) and other securitised exposures- a) Residential, b) Commercial Real Estate.	-	-
(b)	Indirect Exposure		
	Fund based and non fund based exposures on National Housing Bank (NHB) and Housing Finance Companies (HFCs).	-	-
	Total Exposure to Real Estate	35,146.05	40,612.73

Note :

In line with RBI Circular dated September 9, 2009 on Classification of Exposure as Commercial Real Estate (CRE) by Banks, an exposure would be classified as 'CRE' only if the repayment of loan is dependent on the cash flows generated from real estate asset (e.g. rentals/sales proceeds). However, the primary source of repayments in case of Education Institution Loans are the cash flows generated from business operations of such institutions (e.g. Tuition Fees / School Fees etc.) and not from rentals/sale proceeds. Hence, such exposures shall not be categorised as 'CRE' and accordingly relevant disclosure for FY 2020-21 & FY 2019-20 is being reflected and reported as 'NIL'.

(II)	Exposure to Capital Market		
(i)	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;	-	-
(ii)	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;	-	-
(iii)	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;	-	-
(iv)	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;	-	-
(v)	secured and unsecured advances to stockbrokers and guarantees issued on behalf of stockbrokers and market makers;	-	-
(vi)	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;	-	-
(vii)	bridge loans to companies against expected equity flows/issues;	-	-
(viii)	all exposures to Venture Capital Funds (both registered and unregistered)	-	-
	Total Exposure to Capital Market	-	-
(III)	Details of financing of parent company products	Nil	Nil
(IV)	Details of Single Borrower Limit (SGL)/Group Borrower Limit (GBL) exceeded by the NBFC	Nil	Nil
(V)	Unsecured Advances		
	Amount of advances given against intangible securities	Nil	Nil

Notes to financial statement for the year ended March 31, 2021

41.3 Asset Liability Management Maturity pattern of certain items of Assets and Liabilities

Particulars	upto 30/31 days	Over 1 month upto 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 years upto 5 years	Over 5 years	Total (Rs. in Lakh)
Liabilities									
Borrowing from Banks	2,600.84	1,596.09	4,893.71	9,729.70	14,790.77	53,461.27	27,696.97	5,561.45	1,20,330.80
	(3,041.30)	(1,147.92)	(4,945.22)	(10,618.67)	(19,195.75)	(65,541.74)	(41,581.05)	(6,346.52)	(1,52,418.17)
Market Borrowings	245.50	246.17	30,246.85	29,528.58	17,606.47	17,269.68	4,000.00	4,461.10	1,03,604.35
	(79.34)	(77.10)	(158.37)	(2,963.07)	(12,661.47)	(65,950.44)	(4,311.11)	(8,244.23)	(94,445.13)
Foreign currency liabilities	–	–	29.36	–	–	2,416.96	2,762.25	5,313.68	10,522.25
	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)
Assets									
Advances	8,727.51	6,715.43	6,543.95	18,926.17	34,975.02	1,42,146.57	63,257.98	11,323.93	2,92,616.55
	(3,475.23)	(4,052.07)	(6,170.33)	(11,318.97)	(18,073.43)	(48,301.33)	(55,069.44)	(1,33,613.79)	(2,80,074.60)
Deposits	–	–	–	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)

Particulars	upto 30/31 days	Over 1 month upto 2 months	Over 2 months upto 3 months	Over 3 months upto 6 months	Over 6 months upto 1 year	Over 1 year upto 3 years	Over 3 years upto 5 years	Over 5 years	Total (Rs. in Lakh)
Investments	5,502.06	–	–	–	–	–	–	–	5,502.06
	(12,500.68)	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(12,500.68)
Foreign currency assets	–	–	–	–	–	–	–	–	–
	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)	(–)

(Previous years figures are denoted in brackets)

Notes :

(a) Information on maturity pattern of advances for which there are no specified repayment terms are based on the reasonable assumptions.

(b) The above statement includes only certain items of assets and liabilities (as stipulated in Annexure 4 of Circular No. DNBR (PD) CC No. 002/03.10.001/2014-15, dated November 10, 2014) and therefore does not reflect the complete asset liability maturity pattern of the Company.

(c) Above maturity pattern is after considering the impact of Moratorium benefit extended by the Company to the customers, if any.

Notes to financial statement for the year ended March 31, 2021

41.4

	Liabilities side	Amount outstanding	Amount overdue
(I)	Loans and advances availed by the non-banking financial company inclusive of interest accrued thereon but not paid:		
(a)	Debentures		
	(i) Secured	89,616.36	–
		(67,163.67)	(–)
	(ii) Unsecured (other than falling within the meaning of public deposits)	7,752.23	–
		(7,752.95)	(–)
(b)	Deferred Credits	–	–
		(–)	(–)
(c)	Term Loans	1,24,578.49	–
		–	(–)
(d)	Inter-corporate loans and borrowing	–	–
		–	(–)

	Liabilities side	Amount outstanding	Amount overdue
(e)	Commercial Paper (net of unamortised discount)	–	–
		–	(–)
(f)	Other Loans (Please Specify)		
	External commercial borrowing	10,522.25	–
		–	(–)
	Cash Credits	1,988.08	–
		(1,999.28)	(–)

	Assets side	Amount outstanding
(II)	Break up of Loans and Advances including bills receivables (other than those included in (IV) below):	
(a)	Secured	1,46,156.11
		(1,35,480.62)
(b)	Unsecured	1,52,398.29
		(1,48,300.05)
(III)	Break up of Leased Assets and stock on hire and other assets counting towards AFC activities:	
(a)	Lease assets including lease rentals under sundry debtors:	
	(i) Financial Lease	–
		(–)
	(ii) Operating Lease	–
		(–)
(b)	Stock on hire including hire charges under sundry debtors:	
	(i) Assets on hire	–
		(–)
	(ii) Repossessed Assets	–
		(–)

	Assets side	Amount outstanding
(c)	Other loans counting towards AFC activities:	
	(i) Loans where assets have been repossessed	–
		(–)
	(ii) Loans other than (a) above	–
		(–)
(IV)	Break – up of Investments:	
(a)	Current Investments:	
	1. Quoted:	
	(i) Shares:	
	(a) Equity	–
		(–)
	(b) Preference	–
		(–)
	(ii) Debentures and Bonds	
	(iii) Units of Mutual Funds	5,502.06
		(12,500.68)

	Assets side	Amount outstanding
	(iv) Government Securities	–
		(–)
	(v) Others (Please Specify)	–
		(–)
	2. Unquoted:	
	(i) Shares:	
	(a) Equity	–
		(–)
	(b) Preference	–
		(–)
	(ii) Debentures and Bonds	–
		(–)
	(iii) Units of Mutual Funds	–
		(–)
	(iv) Government Securities	–
		(–)
	(v) Others (Please Specify)	–
		(–)

	Assets side	Amount outstanding
(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 (Please Specify)	–
		(–)

	Assets side	Amount outstanding
	2. Unquoted:	
	(i) Shares:	
	(a) Equity	–
		(–)
	(b) Preference	–
		(–)
	(ii) Debentures and Bonds	–
		(–)
	(iii) Units of Mutual Funds	–
		(–)
	(iv) Government Securities	–
		(–)
	(v) Others (Please Specify)	–
		(–)

(V) Borrower group – wise classification of assets financed as in (II) and (III) above

	Category	Amount net of provisions (Rs in lakh)		
		Secured	Unsecured	Total
(a)	Related Parties			
	(i) Subsidiaries	–	–	–
		(–)	(–)	(–)
	(ii) Companies in the same group	–	–	–
		(–)	(–)	(–)
	(iii) Other related parties	–	–	–
		(–)	(–)	(–)
(b)	Other than related parties	1,46,156.11	1,52,398.29	2,98,554.40
		(1,35,480.62)	(1,48,300.05)	(2,83,780.67)
		1,46,156.11	1,52,398.29	2,98,554.40
		(1,35,480.62)	(1,48,300.05)	(2,83,780.67)
	Less: Provision for non-performing assets	2,906.58	3,031.27	5,937.85
		(1,855.46)	(1,850.60)	(3,706.06)
	Total	1,43,249.53	1,49,367.02	2,92,616.55
		(1,33,625.16)	(1,46,449.44)	(2,80,074.61)

(VI) 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)
(a)	Related Parties		
	(i) Subsidiaries	–	–
		(–)	(–)
	(ii) Companies in the same group		
	(iii) Other related parties	–	–
		(–)	(–)
(b)	Other than related parties	5,502.06	5,500.00
		(12,500.68)	(12,500.00)
	Total	5,502.06	5,500.00
		–	–

(VII) Other Information

	Particulars	Rs in lakh
(a)	Gross Non – Performing Assets	
	(i) Related Parties	–
		(–)
	(ii) Other than related parties	5,136.75
		(5,290.82)
	(iii) Other related parties	–
		(–)
(b)	Net Non – Performing Assets	
	(i) Related Parties	–
		(–)
	(ii) Other than related parties	1,275.32
		(2,845.19)
(c)	Assets acquired in satisfaction of debt	–
		(–)

(Previous years figures are denoted in brackets).

41.5 Disclosure on restructuring pursuant to Reserve Bank of India notification DNBS.CO. PD. No. 367/03.10.01/2013-14 dated 23rd January 2014 as on March 31, 2021

Type of restructuring				
Asset classification details		Low credit risk & significant increase in credit risk	Credit Impaired	Total (Rs in lakh)
Restructured accounts as on April 01, 2020	No of borrowers	-	-	-
	Amount outstanding	-	-	-
	Provision thereon	-	-	-
Fresh restructuring during the year	No of borrowers	208	-	-
	Amount outstanding	10,670.17	-	-
	Provision thereon	840.03	-	-
Upgradations to restructured standard category during the year	No of borrowers	-	-	-
	Amount outstanding	-	-	-
	Provision thereon	-	-	-

Type of restructuring				
Restructured accounts as on April 01, 2020		Low credit risk & significant increase in credit risk	Credit Impaired	Total (Rs in lakh)
Restructured standard advances which cease to attract higher provisioning and / or additional risk weight at the end of the FY and hence need not be shown as restructured standard advances at the beginning of the next FY	No of borrowers	-	-	-
	Amount outstanding	-	-	-
	Provision thereon	-	-	-
Downgradation of restructured accounts during the year	No of borrowers	-	-	-
	Amount outstanding	-	-	-
	Provision thereon	-	-	-
Write offs of restructured accounts during the year	No of borrowers	-	-	-
	Amount outstanding	-	-	-
	Provision thereon	-	-	-
Restructured accounts as on March 31, 2021	No of borrowers	208	-	-
	Amount outstanding	10,670.17	-	-
	Provision thereon	840.03	-	-

41.6 (i) Disclosure on restructuring of advances pursuant to Reserve Bank of India notification RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated 6th August, 2020

Type of Borrower	(A) Number of accounts were resolution plan has been implemented under this window	(B) Exposure to accounts mentioned at (A) before implementation of the plan	(C) Of (B), aggregate amount of debt that was converted into other securities	(D) Additional funding sanctioned, if any, including between invocation of the plan and implementation	(E) Increase in provisions on account of the implementation of the resolution plan
Personal Loans	133	3,383.09	-	-	322.9
Corporate Persons of which MSMEs	-	-	-	-	-
**MSME<25crs	75	7287.08	-	-	121.04
Others	-	-	-	-	-
Total	208	10,670.17	-	-	443.94

* MSME loans comprise of loans given to certain borrower class based on the assessment performed by the Management which includes financial information, business purpose etc. of the borrower

**As per RBI notification no DOR.No.BP.BC/4/21.04.048/2020-21 dated Aug 6, 2020 on Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances

41.6 (ii) Details of outstanding amount of securitised assets as per books of the SPVs sponsored by the Company and the total amount of exposures retained by the Company as on March 31, 2021 towards the Minimum Retention Requirements (MRR)

Sr. No.	Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
(1)	No of SPVs sponsored by the NBFC for securitisation transactions	3	3
(2)	Total amount of securitised assets as per books of the SPVs sponsored by the NBFC	9,804.08	14,817.16
(3)	Total amount of exposures retained by the NBFC to comply with MRR as on the date of balance sheet	2,588.16	2,588.16
(a)	Off balance sheet exposures		
	* First Loss		
	* Others		
(b)	On Balance sheet exposures	2,588.16	2,588.16
	* First Loss	993.55	993.55
	* Others	1,594.61	1,594.61
(4)	Amount of exposures to securitisation transactions other than MRR		
(a)	Off-balance sheet exposures		
	i) Exposure to own securitisations		
	* First Loss		
	* Others		

Sr. No.	Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
	ii) Exposure to third party securitisations		
	* First loss		
	* Others		
(b)	On Balance sheet exposures	276.10	276.10
	i) Exposure to own securitisations	276.10	276.10
	* First loss	276.10	276.10
	* Others		
	ii) Exposure to third party securitisations		
	* First loss		
	* Others		

41.7 Details of assignment transactions undertaken by NBFC

Sr. No.	Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
(1)	No. of accounts	–	897
(2)	Aggregate value (net of provisions) of accounts sold	–	35,706.71
(3)	Aggregate consideration	–	31,042.55
(4)	Additional consideration realised in respect of accounts transferred in earlier years	–	–
(5)	Aggregate gain / loss over net book value	–	–

No assignment transactions were undertaken during the financial year 2020-21

Notes to financial statement for the year ended March 31, 2021

41.8 Investments

	Particulars	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
(a)	Value of Investments		
(i)	Gross Value of Investments		
	(a) in India	5,502.06	12,500.68
	(b) outside India	-	-
(ii)	Provision for depreciation		
	(a) in India	-	-
	(b) outside India	-	-
(iii)	Net Value of Investments		
	(a) in India	5,502.06	12,500.68
	(b) outside India	-	-
(b)	Movement of provisions held towards depreciation on investments		
(i)	Opening balances	-	-
(ii)	Add : Provisions made during the year	-	-
(iii)	Less : Write-off / write-back of excess provisions during the year	-	-
(iv)	Closing balance	-	-

41.9 Additional & Miscellaneous Disclosures

(I) Registration obtained from other financial sector regulators

Company has not registered with other financial sector regulators except with Insurance Regulatory and Development Authority of India (IRDAI)

(II) Disclosure of Penalties imposed by RBI and other regulators

NIL NIL

(III) Ratings assigned by credit rating agencies and migration of ratings during the year

Rating particulars	Rating Agency FY 2020-21	Rating assigned FY 2020-21
Short Term Debt Programme		
Commercial Paper		NA
Long Term Debt Programme		
Non-Convertible Debentures	Brickwork Ratings India Pvt. Ltd.	BWR A+
	CARE Limited	CARE A+
Loan Facility	CARE Limited	CARE A+

Rating particulars	Rating Agency FY 2019-20	Rating assigned FY 2019-20
Short Term Debt Programme		
Commercial Paper	NA	NA
Long Term Debt Programme		
Non-Convertible Debentures	Brickwork Ratings India Pvt. Ltd.	BWR A+
	CARE Limited	CARE A+
Loan Facility	CARE Limited	CARE A+

(IV) Net Profit or Loss for the period, prior period items and changes in accounting policies

There are no prior period items and changes in accounting policies impacting net profit for the year.

(V) Revenue Recognition

Revenue Recognition has not been postponed on account of pending resolution of significant uncertainties in respect of any revenue streams of the Company.

(VI) Provisions and Contingencies

Break up of 'Provisions and Contingencies' shown under the head expenses in the Statement of Profit and Loss	For the Year Ended March 31, 2021 (Rs in lakh)	For the Year Ended March 31, 2020 (Rs in lakh)
Provisions for depreciation on Investment	–	–
Provision towards NPA / ECL stage 3	1,415.79	2,112.81
Provision made towards Income tax	1,682.95	1,208.73
Other Provision and Contingencies (with details)	–	–
Provision for standard assets / ECL stage 1 & stage 2	815.99	-103.43

(VII) Draw Down from Reserves

(VIII) Concentration of Deposits, Advances, Exposures and NPAs

(a) Concentration of Deposits (for deposit taking NBFCs)

Total Deposits of twenty largest depositors (Rupees in Lacs)	NA	NA
Percentage of Deposits of twenty largest depositors to Total Deposits of the NBFC	NA	NA

(b) Concentration of Advances

Total advances to twenty largest borrowers (Rupees in Lacs)	16,637.89	17,068.69
Percentage of advances to twenty largest borrowers to total advances of the NBFC	5.69%	6.01%

(c) Concentration of Exposures

Total exposure to twenty largest borrowers / customers (Rupees in Lacs)	18,959.80	20,956.34
Percentage of Exposures to twenty largest borrowers / customers to total exposure of the NBFC on borrowers / customers	4.91%	5.43%

(d) Concentration of NPAs

Total exposure to top four NPA accounts (Rupees in Lacs)	1,278.60	3,158.60

(e) Sector-wise NPAs

Sector	Percentage of NPAs to Total Advances in that sector	Percentage of NPAs to Total Advances in that sector
Agriculture & allied activities	–	–
MSME	–	–
Corporate borrowers	–	–
Services	–	–
Unsecured personal loans	–	–
Lending to financial institutions	1.78%	–
Education infrastructure loans	1.13%	3.83%
Education loans	0.60%	0.31%
Lending to small medium enterprises	34.51%	16.46%

(IX)

	Movement of NPAs	As at March 31, 2021 (Rs. in Lakh)	As at March 31, 2020 (Rs. in Lakh)
(i)	Net NPAs to Net Advances (%)	0.44%	1.02%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	5290.82	478.71
	(b) Additions during the year	3104.40	4888.21
	(c) Reductions during the year	(3258.48)	(76.10)
	(d) Closing balance	5136.75	5290.82
(iii)	Movement of Net NPAs		
	(a) Opening balance	2845.19	145.89
	(b) Additions during the year	(760.87)	2517.16
	(c) Reductions during the year	(809.00)	182.14
	(d) Closing balance	1275.32	2845.19
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	(2445.63)	(332.82)
	(b) Provisions made during the year	(3865.27)	(2371.05)
	(c) Write-off / write-back of excess provisions	2,449.48	258.24
	(d) Closing balance	(3861.42)	(2445.63)

(X) Disclosure of Customers Complaints

Particulars	As at March 31, 2021	As at March 31, 2020
No. of complaints pending at the beginning of the year	-	-
No. of complaints received during the year	208	205
No. of complaints redressed during the year	207	205
No. of complaints pending at the end of the year	1	-

(XI) Disclosure in respect of derivatives, securitisation transactions, consolidated financial statements, overseas assets (for those with joint ventures and subsidiaries abroad), off balance sheet SPV's sponsored are not applicable for the year to the Company.

(2) (Disclosure requirements as per RBI circular dated November 04, 2019 having reference number RBI/2019-20/88, DOR.NBFC(PD) CC. No.102/03.10.001/2019-20 regarding Guidelines on Liquidity Risk Management Framework)

(a) Funding concentration based on significant counterparty (both deposits and borrowings)

Sr. No.	Number of significant counterparties	Rupees in Lakh	% of Total Deposits	% of Total Liabilities
(i)	25	2,17,060.26	Not Applicable	85.61%

(b) Top 20 large Deposits (Rupees in Lakh and % of total deposits)

Not applicable. The Company being a Systemically Important Non-Deposit taking Non-Banking Financial Company registered with Reserve Bank of India, does not accept public deposits.

(c) Top 10 borrowings (Rupees in Lakh and % of total borrowings)

Rupees in Lakh	1,51,676.60
% of total borrowings	65.59%

(d) Funding concentration bases on significant instrument / product

Sr. No.	Name of the Instrument / Product	Rupees in lakh	% of Total liabilities
(1)	Term loans from banks	1,20,948.06	47.70%
(2)	Term loans from FIs	6,261.55	2.47%
(3)	Non- Convertible Debentures	85,500.00	33.72%
(4)	Subordinated Debt	7,500.00	2.96%
(5)	External Commercial Borrowings	11,048.98	4.36%

(e) Stock Ratios

Sr. No.	Name of the Instrument / Product	% of Total Public Funds	% of Total Liabilities	% of Total Asset
(a)	Commercial Papers	Nil	Nil	Nil
(b)	Non Convertible Debentures	Nil	Nil	Nil
(c)	Other Short Term Liabilities	Nil	45.90%	33.47%
(d)	Long Term Assets	Nil	87.83%	64.05%

(f) Institutional set-up for liquidity risk management

The Board of Directors is responsible for establishing and reviewing the ALM & Risk management Policies. Towards this end, the Board has established an ALM Committee (ALCO), which has been delegated the authority to manage funds and to match the Assets and the Liabilities in terms of their maturities and interest rate sensitivities, so that the risk arising from such mismatches can be contained within the desired limit. Similarly, the Board has also constituted Risk Management Committee (RMC) for the effective supervision, evaluation, monitoring and review of various risks, including liquidity risk, faced by the Company. ALCO and RMC meetings are conducted at a frequency which is warranted from time to time with minimum frequency of once in a quarter. The board reviews the minutes of the ALCO & RMC meetings and additional summarized information on a quarterly basis. If necessary the Board also recommends the actions that are in the best interest of the company.

43. COVID

The outbreak of COVID-19 pandemic across the globe and in India has contributed to a significant decline and volatility in the global and Indian financial markets and slowdown in the economic activities. Consequent to the outbreak of the COVID-19 pandemic, the Indian government announced a lockdown in March 2020. Subsequently, the national lockdown was lifted by the government, but regional lockdowns continue to be implemented in areas with a significant number of COVID-19 cases.

Given the uncertainty over the potential macro-economic impact and external regulatory developments, the Management has considered internal and external information up to the date of approval of these financial statements, and has estimated overlays and made certain judgements in accordance with the policy of the Company for the purpose of determination of the provision for impairment of financial assets carried at amortised cost.

The impairment provision as on March 31, 2021 aggregates ₹5938 lakh (as on March 31, 2020 - ₹3706 lakh) which includes potential impact on account of the pandemic of ₹1546 lakh (as on March 31, 2020 - ₹700 lakh). Based on the current indicators of future economic conditions, the Company considers these provisions to be adequate.

The extent to which the pandemic, including the current "second wave" that has significantly increased the number of cases in India, will continue to impact the results of the Company will depend on future developments, which are highly uncertain, including, among other things, any new information concerning the severity of the COVID-19 pandemic and any action to contain its spread or mitigate its impact whether government-mandated or elected by the Company. Given the uncertainty over the potential macro-economic condition, the impact of the COVID-19 pandemic may be different from that estimated as at the date of approval of these financial statements and the Company will continue to closely monitor any material changes to future economic conditions, which will be given effect to in the respective future period.

44. Previous year's figures have been rearranged / regrouped / reclassified wherever necessary to correspond with the current year's classification / disclosures.

45. The financial statements were approved for issue by the Board of Directors on May 06, 2021

The accompanying notes form an integral part of the financial statements 1 to 45

For Avanse Financial Services Limited

Neeraj Swaroop
Director
(DIN 00061170)

Vijayalakshmi Iyer
Director
(DIN 05242960)

Amit Gainda
Chief Executive Officer

Rahul Bhapkar
Chief Financial Officer

Rakesh Dhanuka
Company Secretary

Date: May 6, 2021
Place: Mumbai

CORPORATE INFORMATION

Board of Directors

Mr. Neeraj Swaroop	Chairperson & Independent Director
Ms. Vijayalakshmi Iyer	Independent Director
Mr. Narendra Ostawal	Non-executive Director
Ms. Savita Mahajan	Independent Director

Key Managerial Personnel

Amit Gainda	Chief Executive Officer
Rahul Bhapkar	Chief Financial Officer
Rakesh Dhanuka	Company Secretary

Statutory Auditors

M/s Deloitte Haskins & Sells LLP
Chartered Accountants
Mumbai

Bankers / Financial Institutions

Axis Bank	HDFC Bank	Bank of Baroda	Hinduja Leyland Finance Ltd	Yes Bank	The South Indian Bank Ltd
Federal Bank	A K Capital Finance Limited	Syndicate Bank	State Bank of India	Shinhan Bank	Equitas Small Finance Bank Ltd
Bank of Maharashtra	Indian Bank	Union Bank of India	UCO Bank	IndusInd Bank	Karur Vysya Bank

Registrar and Transfer Agent

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Vikhroli West, Mumbai – 400 083
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Email: rnt.helpdesk@linkintime.co.in

Debenture Trustee

Catalyst Trusteeship Limited
GDA House, Plot No. 85
Paud Road, Pune – 411 038
Tel: +91 20 2528 0081 / +91 77200 15707
Email: dt@ctltrustee.com

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