

# HDFC CREDILA FINANCIAL SERVICES PRIVATE LIMITED

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A Subsidiary of Housing Development Finance  
Corporation Limited

Fourteenth Annual Report 2018-2019

## Board of Directors

Mr. V. Srinivasa Rangan (DIN:00030248)  
*Chairman*  
 Mr. Subodh Salunke (DIN:03053815)  
*Executive Vice Chairman*  
 Mr. Ajay Bohora (DIN:00694444)  
*Managing Director & Chief Executive Officer*  
 Mr. Anil Bohora (DIN:00694396)  
*Managing Director*  
 Mr. Biswamohan Mahapatra (DIN:06990345)  
 Mr. Sudhin Choksey (DIN:00036085)  
 Mr. Amitabh Chaudhry (DIN:00531120)  
*Resigned w.e.f October 14, 2019*  
 Mr. Suresh Badami (DIN:08224871)  
*Appointed w.e.f January 11, 2019*  
*Resigned w.e.f April 19, 2019*  
 Ms. Madhumita Ganguli (DIN:00676830)

### Senior Executives

Mr. Sebastian Fernandez (FCA:112793)  
*Chief Financial Officer*  
 Ms. Akanksha Kandoi (FCS:6883)  
*Company Secretary*

### Statutory Auditors

BSR & Co. LLP  
*Chartered Accountants*

### Secretarial Auditors

Vinod Kothari & Company  
*Company Secretaries*

### Bankers

HDFC Bank Ltd • Corporation Bank • Indian Bank • ICICI Bank Ltd • Allahabad Bank • Andhra Bank • Punjab National Bank • Jammu & Kashmir Bank Ltd • Sumitomo Mitsui Banking Corporation Ltd • Canara Bank • Shinhan Bank • Abu Dhabi Commercial Bank PJSC • DBS Bank • Axis Bank Ltd • Federal Bank • Citibank • Kotak Mahindra Bank • IndusInd Bank Ltd • State Bank of India • Syndicate Bank • Bank of India • Standard Chartered Bank

### Debenture Trustee

IDBI Trusteeship Services Limited  
 Asian Building, Ground Floor,  
 17, R. Kamani Marg, Ballard Estate,  
 Mumbai - 400 001.  
 Tel No.: 022 - 4080 7001

### Registered Office:

B-301, Citi Point, Andheri Kurla Road,  
 Andheri(E), Mumbai - 400 059.  
 Tel. No. : 022-2825 6636  
 Fax No. : 022-2471 2447  
 CIN: U67190MH2006PTC159411  
 Website: www.hdfccredila.com

### Registrar & Transfer Agents

Adroit Corporate Services Pvt. Ltd.  
 17-20, Jafferbhoy Ind. Estate,  
 1st Floor, Makwana Road,  
 Marol Naka, Andheri (E),  
 Mumbai - 400059  
 Tel. No. : 022- 4227 0400  
 Fax No. : 022- 2850 3748

## Directors' Report

### TO THE MEMBERS

Your Directors are pleased to present the Fourteenth Annual Report of the Company with the audited accounts for the year ended March 31, 2019

Financial Results	For the year ended March 31, 2019 (₹ in crore)	For the year ended March 31, 2018 (₹ in crore)
Total Income	603.53	484.82
Total Operating Expenses	71.90	64.73
Gross Profit Before Interest and Depreciation	531.63	420.09
Less : Interest and Finance Charges	373.83	283.84
Less : Depreciation	0.89	0.64
Profit before Tax	156.91	135.61
Less : Provision for Taxation	56.94	50.85
Add : MAT Credit Entitlement	—	—
Add : Provision for Deferred Tax	1.73	1.81
Profit after Tax	101.70	86.57
Other Comprehensive Income	(0.10)	0.001
Total Comprehensive Income	101.60	86.58
Less: Transfer to Reserve as per Section 45- IC (1) of RBI Act	20.34	17.42
Less: Dividend on Compulsorily Convertible Preference Shares*	0.01	0.01
Less : Dividend Distribution Tax	0.001	0.001
Balance carried to Balance Sheet	81.25	69.15

Note: The financial statements for the year ended March 31, 2019 have been prepared under Indian Accounting Standards (Ind AS). The financial statements for the year ended March 31, 2018 have been restated in accordance with Ind AS for comparative purposes.

\*Dividend of ₹ 67,000 shall be accounted for on the basis of actual payment.

### Dividend

Your Directors recommend payment of dividend of ₹ 67,000 for the year ended March 31, 2019 on the 0.01% Compulsorily Convertible Preference Shares having paid up value of ₹ 66,99,99,560.

In order to conserve the resources for future, your Directors do not recommend any dividend on equity shares for the year ended March 31, 2019.

### Review of Operations

During the financial year ended March 31, 2019, the Company earned a profit before tax of ₹ 156.91 crore as compared to the profit before tax of ₹ 135.61 crore in the previous year (previous year's figure restated as per Ind AS). The Company's loan book has grown by 26% in this financial year and its total income has increased by 24%. While achieving a robust growth, the Company also maintained its quality of portfolio.

There was no change in the nature of business of your Company nor was there any material change or commitment that would affect its financial position during the year as also till the date of this Report.

#### **Profit to be carried forward to Reserves**

Your Directors propose to transfer ₹ 20.34 crore as per section 45-IC of the Reserve Bank of India Act, 1934 to the Special Reserve of the Company for the year ended on March 31, 2019.

#### **Repayments**

During the year under review, ₹ 1,134 crore was received by way of scheduled repayment of principal through monthly installments as well as redemptions ahead of schedule, as compared to ₹ 826 crore received during the previous year.

#### **Resource Mobilization Perpetual Debt**

During the year under review, the Company issued Unsecured, Rated, Listed and Redeemable Perpetual Debt Instruments in the nature of Debentures amounting to ₹ 75 crore. As at March 31, 2019, the Company's outstanding Perpetual Debt stood at ₹ 275 crore and was considered as Tier I & Tier II capital under the guidelines issued by the Reserve Bank of India (RBI) for the purpose of computation of capital adequacy of the Company. The Perpetual Debt has been assigned the rating of 'ICRA AA+' and 'CARE AA+' by ICRA and CARE respectively. It is subordinated to the present and future senior indebtedness of the Company and is perpetual in nature with a call option after 10 years from the date of the issue. The Company's Perpetual Debt is listed on the BSE Limited. The Company has been regular in its payment obligation towards the Perpetual Debt.

#### **Subordinated Debt**

As at March 31, 2019, the Company's outstanding Subordinated Debt stood at ₹ 200 crore. This debt is subordinated to the present and future senior indebtedness of the Company. It has been assigned a rating of 'CRISIL AAA', 'CARE AAA' and "ICRA AAA" by CRISIL, CARE and ICRA respectively. Based on the balance term to maturity, as at March 31, 2019, ₹ 200 crore of the book value of this debt was considered as Tier II capital under the guidelines issued by the RBI for the purpose of computation of capital adequacy of the Company. The Company has been regular in its payment obligations towards the Subordinated Debt.

#### **Non-Convertible Debentures (NCD)**

During the year under review, Company issued Secured, Rated, Listed, Redeemable NCDs amounting to ₹ 600 crore on a private placement basis. The Company's NCDs have been listed on the Wholesale Debt Market segment of the BSE Limited. Various NCD issues have been assigned the rating of 'CRISIL AAA' and 'CARE AAA' by CRISIL and CARE respectively. As at March 31, 2019, the Company's outstanding NCDs stood at ₹ 1,500 crore.

The Company has been regular in its payment obligations towards the NCDs. The Company is in compliance with the provisions of the Master Direction-Non-Banking Financial Company- Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

#### **Loans**

##### **Term Loans from Banks**

As at March 31, 2019, the total term loans outstanding from banks amounted to ₹ 1,991 crore as

compared to ₹ 1,528 crore as at March 31, 2018 (previous year's figure restated as per Ind AS).

#### **Commercial Paper**

The Company's Commercial Papers have been assigned the highest rating of 'CRISIL A1+' and 'ICRA A1+' by CRISIL and ICRA respectively, signifying highest safety for timely servicing of debt obligations. The face value of the Commercial Papers outstanding as at March 31, 2019 was ₹ 580 crore as compared to ₹ 525 crore as at March 31, 2018.

#### **Deposits**

The Company has not accepted any deposit during the financial year 2018-19 and as such, no amount of principal or interest was outstanding as at March 31, 2019.

#### **Authorized Share Capital**

The Authorized Share Capital of the Company was reclassified by means of passing Shareholders' Resolution on August 6, 2018.

The Authorized Equity Share Capital of ₹ 70,00,00,000 divided into 7,00,00,000 Equity Shares of ₹ 10 each was increased to ₹ 88,00,00,000 divided into 8,80,00,000 Equity Shares of ₹ 10 each and The Authorized Preference Share Capital of ₹ 85,00,00,000 divided into 8,50,00,000 Compulsorily Convertible Preference Shares of ₹ 10 each was reduced to ₹ 67,00,00,000 divided into 6,70,00,000 Compulsorily Convertible Preference Shares of ₹ 10 each, thus the total Authorized Share Capital remaining the same.

#### **Conversion of Compulsorily Convertible Preference Shares**

49,99,995 Compulsorily Convertible Preference Shares - Round V of ₹ 10 each were converted into Equity Shares of face value of ₹ 10 each at a

premium of ₹ 3 each and 49,99,992 Compulsorily Convertible Preference Shares – Round IV of ₹ 10 each were converted into Equity Shares of face value of ₹ 10 each at a premium of ₹ 2 each .

#### **Regulatory Guidelines / Amendments**

The Company has complied with the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 prescribed by RBI regarding accounting standards, prudential norms for asset classification, income recognition, provisioning, capital adequacy, etc.

#### **Capital Adequacy Ratio**

The Company's Capital Adequacy Ratio (CAR) stood at 18.45% as on March 31, 2019, of which Tier I capital was 11.55% and Tier II capital was 6.90% (as per Ind AS). As per the regulatory norms, the minimum requirement for the CAR and Tier I capital as at March 31, 2019 are 15% and 10% respectively.

#### **Subsidiary / Associate Companies**

The Company does not have any subsidiary or associate company.

#### **Particulars of Employees' Remuneration**

The Company had 248 employees as of March 31, 2019. During the year, 3 employees employed throughout the year were in receipt of remuneration of ₹ 1.02 crore or more per annum and there was no employee employed for part of the year who was in receipt of remuneration of ₹ 8.5 lakh or more per month.

In accordance with the provisions of Rule 5.2 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules,

2014, the names and particulars of the top ten employees in terms of remuneration drawn of the aforesaid employees are set out in the annexure to the Directors' Report. In terms of the provisions of Section 136(1) of the Companies Act, 2013 read with the rule, the Directors' Report is being sent to all shareholders of the Company excluding the annexure. Any shareholder interested in obtaining a copy of the annexure may write to the Company.

Further disclosures on managerial remuneration are provided in Annexure 1 appended to the Directors' Report.

#### **Prevention, Prohibition and Redressal of Sexual Harassment of Women at Workplace**

The Company has adopted a policy on prevention, prohibition and redressal of sexual harassment of women in the workplace in line with the provisions of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition and Redressal) Act, 2013 and the Rules thereunder. During the year under review, no complaints were received by the Company.

The Company has set up an Internal Complaints Committee as required under the said Act to redress complaints pertaining to sexual harassment. All employees (permanent, contractual, temporary, trainees) are covered under this policy. Any complaint which is received by the Committee is to be dealt with appropriately, sensitively and confidentially in the most judicious and unbiased manner within the time frame as provided in the Act.

There were no complaints received during the year under review.

#### **Vigil Mechanism/Whistle Blower Policy**

The Company has in place a Vigil Mechanism & Whistle Blower Policy

to ensure that all the employees and directors of the Company work in a conducive environment and are given a platform to freely express their concerns or grievances on various matters pertaining to any malpractice, actual/suspected fraud, leakage of Unpublished Price Sensitive Information or violation of the Company's Code of Conduct.

In order to ensure highest standards of governance within the Company, under the Whistleblower Policy, other stakeholders including borrowers, key partners, direct selling agents and vendors can report any misconduct, leakage of Unpublished Price Sensitive Information or act that is not in the interest of the Company. The policy provides that the whistleblower shall be protected against any detrimental action as a result of any allegations made by him in good faith.

The Policy is placed on the website of the Company at [www.hdfccredila.com](http://www.hdfccredila.com).

#### **Loans, Guarantees or Investments**

Education loans are given by the Company in the ordinary course of business, details of which are provided in the Financial Statements. As at March 31, 2019, the Company does not have any investments.

#### **Particulars of Contracts or Arrangements with Related Parties**

The Company has not entered into any contract or arrangement with related parties referred to in Section 188(1) of the Companies Act, 2013 requiring disclosure in Form No. AOC-2, as prescribed under Rule 8(2) of the Companies (Accounts) Rules, 2014.

Details of other related party transactions are provided in the notes to the financial statements.

The Company's Policy on dealing with Related Party Transactions is

available on its website at [www.hdfccredila.com](http://www.hdfccredila.com).

#### **Particulars Regarding Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo**

During the financial year 2018 -19, the Company expended ₹ 1.37 crore (previous year ₹ 1.28 crore) in foreign currency.

The Company being a Non-Banking Finance Company, its activities are not energy intensive. However, the Company has taken adequate measures for conservation of energy and usage of alternative source of energy, wherever possible.

#### **Directors**

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Subodh Salunke and Ms. Madhumita Ganguli retire by rotation at the ensuing Annual General Meeting (AGM). They are eligible for re-appointment.

The necessary resolutions for the re-appointment of the aforesaid directors and the brief profiles have been included in the notice convening the ensuing AGM.

All the directors of the Company have confirmed that they continue to satisfy the fit and proper criteria as prescribed under applicable regulations and they are not disqualified from being appointed as directors in terms of Section 164(2) of the Companies Act, 2013.

The Independent Directors have also confirmed that they satisfy the criteria of Independence as provided under Section 149(6) of the Companies Act, 2013. The Independent Directors have complied with the Code of Conduct as prescribed under Schedule IV of the Companies Act, 2013.

#### **Statutory Auditors**

Messrs. B S R & Co. LLP, Chartered Accountants (Firm Registration Number 101248W/W-100022) were appointed as the statutory auditors of the Company at the AGM held on May 30, 2017, for a term of 5 consecutive years to hold office as such until the conclusion of the 17<sup>th</sup> AGM.

The Statutory Auditors have not made any qualifications, reservations or adverse remarks or disclaimers in their report. The report of the Statutory Auditors is annexed to this Report. Further, during the year under review, the Statutory Auditors have not come across or reported any incident of fraud to the Audit Committee of Directors.

#### **Internal Auditors**

Messrs. Chandabhoy & Jassoobhoy, Chartered Accountants, are the internal auditors of the Company and review the internal controls and compliances under various regulations that are applicable to the Company.

#### **Secretarial Audit**

Pursuant to the provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Company had appointed Messrs. Vinod Kothari & Company, practicing company secretaries to undertake the Secretarial Audit of the Company. The Secretarial Audit Report is annexed to this Report and does not contain any qualifications.

#### **Significant and Material Orders passed by the Regulators or Courts or Tribunals**

During the year, no significant or material orders were passed by any regulator or court or tribunal against the Company impacting the going

concern status and the Company's operations in future.

#### **Subsequent Events**

There are no other material changes and commitments affecting the financial position of the Company which have occurred between March 31, 2019 and the date of this report.

#### **Directors' Responsibility Statement**

In accordance with the provisions of Section 134(3)(c) of the Companies Act, 2013 and based on the information provided by the management, your directors state that:

- (a) In the preparation of annual accounts, the applicable accounting standards have been followed;
- (b) Accounting policies selected have been applied consistently. Reasonable and prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company as at the end of financial year 2018-19 and of the profit of the Company for that period;
- (c) 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 frauds and other irregularities;
- (d) The annual accounts of the Company have been prepared on a going concern basis;
- (e) the directors had laid down internal financial controls to be followed by the company and such internal controls were adequate and operating effectively and;
- (f) Systems to ensure compliance with the provisions of all applicable laws were in place, adequate and operating effectively.

### **Management Discussion and Analysis Report and Report of the Directors on Corporate Governance**

The Management Discussion and Analysis Report and the Report of the Directors on Corporate Governance form part of this report.

#### **Internal Financial Control**

The Company has put in place adequate policies and procedures to ensure that the system of internal financial control is commensurate with the size and nature of the Company's business. These systems provide a reasonable assurance in respect of providing financial and operational information, complying with applicable statutes, safeguarding of assets of the Company, prevention and detection of frauds, accuracy and completeness of accounting

records and ensuring compliance with corporate policies.

#### **Secretarial Standards**

The Company has complied with the applicable provisions of Secretarial Standards 1 and 2 issued by The Institute of Company Secretaries of India.

#### **Annual Return and Extract thereof**

The extract of Annual Return in Form No. MGT-9 as required under the provisions of the Companies Act, 2013 is annexed to this report. The Annual Return for the financial year 2018-19 is uploaded at [www.hdfccredila.com](http://www.hdfccredila.com).

#### **Acknowledgements**

The Company acknowledges the role of all its key stakeholders - shareholders, debenture holders,

borrowers, channel partners and lenders for their continued support to the Company.

Your directors place on record their gratitude for the support of various regulatory authorities including RBI, Securities and Exchange Board of India, Ministry of Corporate Affairs, Registrar of Companies, Financial Intelligence Unit (India), BSE Limited and the depositories.

While recognizing the challenging work environment, your Directors place on record their appreciation for the hard work, loyalty and efforts of the employees whose professionalism has ensured excellent all-round performance of the Company.

On behalf of the Board of Directors

Mumbai  
May 10, 2019

V. Srinivasa Rangan  
Chairman

## Annex to Directors' Report - I

### DISCLOSURES ON MANAGERIAL REMUNERATION

Details of remuneration as required under Rule 5.1 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, is provided below:

Ratio of remuneration of each director to the median employee's remuneration for the financial year 2018-19

Name	Designation	Ratio of remuneration to the median employees' remuneration
Mr. V. Srinivasa Rangan	Chairman	0.87
Mr. B. Mahapatra	Independent Director	0.59
Mr. Amitabh Chaudhry*	Independent Director	0.23
Mr. Sudhin Choksey	Independent Director	0.43
Mr. Suresh Badami**	Independent Director	0.15
Ms. Madhumita Ganguli	Non- Executive Director	0.50
Mr. Subodh Salunke***	Executive – Vice Chairman	10.09
Mr. Anil Bohora	Managing Director	28.96
Mr. Ajay Bohora	Managing Director & CEO	28.96

\* Resigned with effect from October 14, 2018.

\*\* Appointed with effect from January 11, 2019 and Resigned with effect from April 19, 2019.

\*\*\* Appointed as an Executive Vice-Chairman with effect from April 25, 2018 on deputation from HDFC.

### Percentage increase in the remuneration of each director and key managerial personnel in the financial year 2018-19

Name	Designation	Increase in Remuneration (%)
Mr. Subodh Salunke*	Executive – Vice Chairman	-
Mr. Anil Bohora	Managing Director	13
Mr. Ajay Bohora	Managing Director & Chief Executive Officer	13
Mr. Sebastian Fernandez	Chief Financial Officer	15
Ms. Akanksha Kandoi	Company Secretary	22

\*Appointed with effect from April 25, 2018

The Sitting fees of the directors was revised and approved at the meetings of the Nomination & Remuneration Committee and the Board of Directors of the Company, held on November 2, 2018.

Sitting fees for Board Meetings was revised from ₹ 30,000 to ₹ 40,000 per meeting and for Committee Meetings from ₹ 20,000 to ₹ 25,000 per meeting during the year under review.

### Number of permanent employees

The number of employees in the Company as at March 31, 2019 was 248.

### Average percentile increase already made in salaries of employees other than managerial personnel in the previous financial year and its comparison with the percentile increase in managerial remuneration.

The average increase in the remuneration of all employees was 11% during the financial year 2018-19. The average increase in remuneration of the executive directors was at 13% majorly on account of commission for the financial year 2018-19 of ₹ 1.40 crore (Previous Year ₹ 1.12 crore).

During the year, 3 employees who were employed throughout the year were in receipt of remuneration of ₹ 1.02 crore or more per annum and there was no employee employed for part of the year who was in receipt of remuneration of ₹ 8.5 lakh or more per month.

The average increase in the remuneration of both, the managerial and non-managerial personnel was determined based on the overall performance of the Company. Further, the criteria for remuneration of non-managerial personnel is based on an internal evaluation, while the remuneration of the managerial personnel is based on the Remuneration Policy of the Company as recommended by the Nomination & Remuneration Committee and approved by the Board of Directors.

The Company reiterates that there were no exceptional circumstances which warranted an increase in managerial remuneration which was not justified by the overall performance of the Company.

The increase in remuneration of Key Managerial Personnel is based on the overall performance of the Company. As elucidated above, the Company performed well on various financial parameters. In addition, a peer comparison of other education finance companies reaffirmed the Company's strong performance in the financial year 2017-18\*.

\*Performance appraisal of the employees of the Company other than Managing Directors is done for the period from 1st October to 30th September every year.



## Annexure to Directors' Report - 2

### Management Discussion and Analysis

The Company is registered as a Non-Deposit taking Non-Banking Financial Institution with the Reserve Bank of India (RBI) and is classified as a Systemically Important Non-Deposit taking Non-Banking Financial Institution (NBFC-ND-SI) as per RBI regulations. The Company is India's first dedicated education loans company. The Company provides education loans to students for pursuing their higher education in India and abroad. Customers of the Company are entitled to income tax deduction under section 80E of the Income Tax Act, 1961.

### Industry Structure and Developments

With the rising cost of higher education, it is becoming increasingly difficult for students and parents to finance their higher education completely with family funds/savings. It is therefore becoming imperative for students to avail education loans. India has around 3.6<sup>1</sup> crore students who are pursuing higher education in over 900<sup>1</sup> universities and 49,000<sup>1</sup> institutes. There are 19<sup>2</sup> IIMs and 23<sup>2</sup> IITs in India. Unlike the past, where there was a mismatch between demand and supply of management institutes, today there is an ample supply of such institutes. Currently, as per AICTE data, over 3,000<sup>3</sup> management institutes are operational in India with total intake capacity of over 3.5<sup>3</sup> lakh students. Most of these institutes are private. Most public sector banks in India offer education loans. As per RBI, education loans outstanding under priority sector in India stands at ₹ 53,950<sup>4</sup> crore in March 2019 as compared to ₹ 60,713<sup>4</sup> crore in March 2018.

### Opportunities and Threats

Education loans as an asset class is in a nascent phase in India with huge growth potential.

Gross Enrollment Ratio (GER)\* in India for higher education is 25.8%<sup>1</sup> which is far lower than that of developed countries.

*\*GER is the number of students enrolled in a given level of education, expressed as a percentage of the population number of that age group.*

There is a huge unfulfilled demand for education loans in India. Parents and students continue to utilize their own sources to pay for cost of education. Out of 3.6 crore students pursuing higher-education, only 20-30 lakh students have access to education loans. This indicates relatively low market penetration.

In developed countries like USA where the population is around 25% of India's, education loans outstanding is high. As per a report published by Federal Reserve Bank of New York in February 2019, education loans outstanding stands at around ₹ 102 lakh<sup>5</sup> crore on December 2018. This indicates a much higher penetration as compared to that in India.

On one hand, the cost of education has been constantly rising, while on the other hand, the salary levels of fresh graduates are not rising in tandem with the rising cost. This is resulting in high level of delinquency in education loans. Employment opportunities have been uncertain in India as well as the rest of the world, which has resulted in relatively slow growth in salary levels of fresh graduates. As a lender in the education loans sector, the biggest threat the Company faces is the macroeconomic environment in India and abroad. Vast geographical reach and corresponding distribution capabilities of banks is another threat.

### Segment-wise or Product-wise Performance

The Company focuses only on education loans.

The Company has two main product categories-secured education loans and unsecured education loans. Currently, 45% of the Company's education loans portfolio is secured and 55% is unsecured. Both these product categories continue to perform well.

### Outlook

As per the Ministry of Human Resource Development report<sup>6</sup> dated March 5, 2018, over 26 crore students are in K-12 (Kindergarten to Std. XII) in India. This constitutes a huge pool of talented youth who will enter the Indian higher education system.

The trend among Indian students to pursue their dreams of higher education abroad still continues as the annual number of students going abroad is rising.

With more than a decade's experience in the education loans segment, the Company has developed strong domain expertise. The Company has efficient domain specific technology platform for loan sourcing, lead management, loan processing, credit, underwriting, recovery, operations and servicing. The Company uses its home-grown technology platform which enables it to grow and still remain cost effective. The Company's focus will continue to be on prudent credit norms, constantly monitoring portfolio performance and fine tuning the policies accordingly.

### Risks and Concerns

Based on the Risk Management Framework and Policy formulated and adopted by the Risk Management Committee of the Company, the following risks have been identified by the Company:

- **Credit, collection and risk management:** Education loans as an asset class across the world and in India has relatively high NPAs. Currently, 55% of the education loan portfolio of the Company is unsecured. Collection and recovery related inefficiencies can be a potential risk;
- **Finance and compliance:** Fluctuations in interest rate affect spread, liquidity risk can affect fund raising, non-compliance with laws and regulations are potential risks;
- **Sales and Marketing:** Banks offering education loans at lower rates is a business risk. The inability of the Company to generate adequate quality leads, misrepresentation or wrong commitments on the part of the sales team can also pose risks to the Company;
- **Human Resources:** Non-adherence to Company's policies as well as high attrition can pose potential risks;
- **Operational risk:** Operational risks are very broad and intrinsic to any business. These may vary from a change in key management personnel, information technology risks relating to the loan processing system, fraud risks, etc.

For students to be able to continue to repay their education loans, it's critical to have strong employment and business opportunities in India and abroad. Uncertainties regarding the above can be a concern.

### Internal Control System

The Internal Audit function is carried out by an independent Chartered Accountants firm. All significant Internal Audit observations are reported to the Audit Committee of the Board of Directors of the Company. The Audit Committee has been constituted under section 177 of the Companies Act, 2013 with specified terms of reference.

The Company has Standard Operating Procedures (SOPs), Internal Financial Controls (IFCs) and Risk Registers as per the Risk Management Policy. Also, the Company has put together internal control systems which commensurate with the nature and size of the business.

Secretarial Audit was conducted by a firm of practicing company secretaries. During the year, the Internal Auditor has carried out compliance audit of filing of returns with the RBI.

### Discussion on Financial Performance with respect to Operational Performance

During the financial year 2018 - 19, education loans disbursed by the Company grew by 27% from ₹ 1,642 crore in the previous year to ₹ 2,082 crore. The Company disbursed education loans to 9,726 students (previous year 8,558 students). The financial and operational performance of the Company for the year ended on March 31, 2019 has been good with an increase in the loan book by 26%. The Company has also seen an increase in net profit after tax of over 17% to ₹ 102 crore (compared to previous year profit

after tax as adjusted under Ind AS).

### Material developments in Human Resources / Industrial Relations front, including number of people employed

The number of employees in the Company as on March 31, 2019 was 248. During the year, various training programs were held at different locations on numerous topics.

During the year, the Supreme Court has provided judgment relating to components of salary structure that need to be considered while computing the contribution to provident fund under the EPF Act on February 28, 2019. There are interpretative aspects related to the judgment including the effective date of application. The Company will continue to assess any further developments in this matter.

There has been no industrial dispute during the year.

### Sources:

<sup>1</sup>[https://www.mhrd.gov.in/sites/upload\\_files/mhrd/files/statistics-new/AISHE2017-18.pdf](https://www.mhrd.gov.in/sites/upload_files/mhrd/files/statistics-new/AISHE2017-18.pdf)

<sup>2</sup><https://mhrd.gov.in/>

<sup>3</sup><http://www.facilities.aicte-india.org/dashboard/pages/dashboardaicte.php>

<sup>4</sup><http://rbidocs.rbi.org.in/rdocs/content/docs/PR2569SD30042019.xlsx>

<sup>5</sup>[https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/hhdc\\_2018q4.pdf](https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/hhdc_2018q4.pdf)

<sup>6</sup>[https://mhrd.gov.in/sites/upload\\_files/mhrd/files/statistics-new/ESAG-2018.pdf](https://mhrd.gov.in/sites/upload_files/mhrd/files/statistics-new/ESAG-2018.pdf)

## Annex to Directors' Report - 3

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

[Pursuant to Section 135 of the Companies Act, 2013 and Companies (Corporate Social Responsibility Policy) Rules, 2014]

- 1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken**  
The Company believes in conducting its business responsibly, fairly and in a most transparent manner. It continually seeks ways to bring about an overall positive impact on the society and environment where it operates as a part of its social objectives.

The main objective of the CSR Policy of the Company is to lay down guidelines to make CSR a key business process for sustainable development of the society and the environment in which it operates. The CSR Policy of the Company is available on the Company's website [www.hdfccredila.com](http://www.hdfccredila.com).

The CSR objective of the Company is "empowerment of underprivileged children, empowerment of girl child and education". The implementation and monitoring of the CSR Policy is in compliance with the CSR objective and policy of the company.

**2. The Composition of the CSR Committee**

Mr. B. Mahapatra (Chairman), Mr. V. Srinivasa Rangan, Ms. Madhumita Ganguli and Mr. Ajay Bohora

- 3.** Average net profit of the company for last three financial years : ₹ 1,01,43,61,723  
**4.** Prescribed CSR Expenditure (2% of the amount as in item 3 above) : ₹ 2,02,87,234  
**5.** Details of CSR spent during the financial year:  
 (a) Total amount to be spent for the financial year (2018-19) : ₹ 2,02,87,234  
 (b) Amount unspent, if any : NIL

Manner in which the amount spent during the financial year is detailed below:

Sl. No.	CSR Project or Activity Identified	Sector in which the project is covered	Projects or Programmes (1) Local area or other (2) Specify the state and district where projects or programmes were undertaken	Amount outlay (Budget) Project or Programme wise (₹)	Amount spent on the projects or programmes (₹)	Cumulative expenditure up to the reporting period (₹)	Amount Spent: Directly or through Implementing Agency
1	Education of underprivileged children and girl children	Empowerment of underprivileged children, empowerment of girl child and education	Mumbai (Maharashtra)	1,01,43,617	1,01,43,617	1,01,43,617	Implementing Agency H.T.Parekh Foundation (corpus)
2	Treating the less fortunate children born with facial deformities of cleft, lip and palate	Treatment of underprivileged children	Mumbai (Maharashtra) & Bangalore (Karnataka)	60,15,112	60,15,112	60,15,112	Implementing Agency INGA Health Foundation
3	Promoting education	Promoting education	Mumbai, Igatpuri (Dist.: Nashik (Maharashtra)	41,28,505	41,28,505	41,28,505	Implementing Agency Aseema Charitable Trust
	<b>Total</b>			<b>2,02,87,234</b>	<b>2,02,87,234</b>	<b>2,02,87,234</b>	

- 6.** In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the Company shall provide the reasons for not spending the amount in its Board report. - Not Applicable.  
**7.** Total amount of CSR is spent through Implementing Agencies.  
**8.** The CSR Committee of the Company hereby confirms that the implementation and monitoring of CSR policy, is in compliance with the CSR objectives and policy of the Company

**For HDFC Credila Financial Services Private Limited**

Mumbai  
May 10, 2019

Mr. Ajay Bohora  
Managing Director & CEO

Mr. B. Mahapatra  
Chairman – CSR Committee

## Annex to Directors' Report - 4

### Form No. MGT-9

#### EXTRACT OF ANNUAL RETURN

As on the financial year ended on March 31, 2019

[Pursuant to section 92(3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management and Administration) Rules, 2014]

#### I. REGISTRATION AND OTHER DETAILS

CIN	U67190MH2006PTC159411
Registration Date	February 1, 2006
Name of the Company	<b>HDFC CREDILA FINANCIAL SERVICES PRIVATE LIMITED</b>
Category/Sub-Category of the Company	Company limited by shares/Non-Government Company
Address of the Registered office and contact details	B - 301, Citi Point, Next to Kohinoor Continental, Andheri - Kurla Road, Andheri (East), Mumbai, 400 059.Tel No.: 022-2826 6636
Whether listed Company Yes / No	Yes (The Debt securities of the Company are listed on the BSE Ltd.)
Name, Address and Contact details of Registrar and Transfer Agent, if any	Adroit Corporate Services Private Limited 19 / 20 Jaferbhoy Ind. Estate, 1st Floor, Makwana Road, Marol, Andheri (E), Mumbai - 400 059. Tel. No. : 022- 4227 0400 / 2859 6060 Email id: info@adroitcorporate.com

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company: -

Sr. No.	Name and Description of main products / services	NIC Code of the Product / Service	% of total turnover of the Company
1	Providing Education Loans for higher education	64920	100

#### III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES

Sr. No.	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable Section
1	<b>HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED</b> Ramon House, H T Parekh Marg, 169 Backbay Reclamation, Churchgate, Mumbai, 400020.	L70100MH1977PLC019916	Holding Company	83.38%	2(46) of the Companies Act, 2013

**Annex to Directors' Report - 4** (Continued)**IV. SHARE HOLDING PATTERN (Equity Share Capital breakup as percentage of total equity)****(i) Category-wise Shareholding:**

	No. of Shares held at the beginning of the year (April 1, 2018)				No. of Shares held at the end of the year (March 31, 2019)				% Change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
<b>A. Promoters</b>									
(1) Indian									
(a) Individual/ HUF	57,35,000	—	57,35,000	8.89	57,35,000	—	57,35,000	8.31	-0.58
(b) Central Govt.	—	—	—	—	—	—	—	—	—
(c) State Govt.(s)	—	—	—	—	—	—	—	—	—
(d) Bodies Corp.	—	—	—	—	—	—	—	—	—
(e) Banks / FI	5,30,56,403	—	5,30,56,403	82.22	5,75,50,786	0	5,75,50,786	83.38	1.16
(f) Any other	—	—	—	—	—	—	—	—	—
<b>Sub-total (A) (1)</b>	<b>5,87,91,403</b>	<b>—</b>	<b>5,87,91,403</b>	<b>91.11</b>	<b>6,32,85,786</b>	<b>—</b>	<b>6,32,85,786</b>	<b>91.69</b>	<b>0.58</b>
(2) Foreign	—	—	—	—	—	—	—	—	—
(a) NRIs- Individuals	57,35,000	—	57,35,000	8.89	57,35,000	—	57,35,000	8.31	-0.58
(b) Other- Individuals	—	—	—	—	—	—	—	—	—
(c) Bodies Corp.	—	—	—	—	—	—	—	—	—
(d) Banks / FI	—	—	—	—	—	—	—	—	—
(e) Any Other	—	—	—	—	—	—	—	—	—
<b>Sub-total (A) (2)</b>	<b>57,35,000</b>	<b>—</b>	<b>57,35,000</b>	<b>8.89</b>	<b>57,35,000</b>	<b>—</b>	<b>57,35,000</b>	<b>8.31</b>	<b>-0.58</b>
<b>Total Shareholding of Promoter (A) = (A)(1)+(A)(2)</b>	<b>6,45,26,403</b>	<b>—</b>	<b>6,45,26,403</b>	<b>100</b>	<b>6,90,20,786</b>	<b>—</b>	<b>6,90,20,786</b>	<b>100</b>	<b>—</b>
<b>B. Public Shareholding</b>									
1. Institutions	—	—	—	—	—	—	—	—	—
<b>Sub-total (B)(1)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
2. Non-Institutions	—	—	—	—	—	—	—	—	—
<b>Sub-total (B)(2)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Grand Total (A+B+C)</b>	<b>6,45,26,403</b>	<b>—</b>	<b>6,45,26,403</b>	<b>100</b>	<b>6,90,20,786</b>	<b>—</b>	<b>6,90,20,786</b>	<b>100</b>	<b>—</b>

**Annex to Directors' Report - 4** (Continued)**(ii) Shareholding of Promoters**

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year (April 1, 2018)			Shareholding at the end of the year (March 31, 2019)			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares pledged/ encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares pledged / encumbered to total shares	
1	Housing Development Finance Corporation Limited	5,30,56,403	82.22	—	5,75,50,786	83.38	—	1.16
2	Anil Bohora	57,35,000	8.89	—	57,35,000	8.31	—	-0.58
3	Ajay Bohora	57,35,000	8.89	—	57,35,000	8.31	—	-0.58
	<b>Total</b>	<b>6,45,26,403</b>	<b>100.00</b>	<b>—</b>	<b>6,90,20,786</b>	<b>100.00</b>	<b>—</b>	<b>—</b>

**(iii) Change in Promoters' Shareholding:**

Date	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of shares	% of total shares of the Company	No. of shares	% of total shares of the Company
	Housing Development Finance Corporation Limited				
	<b>At the beginning of the year</b>	5,30,56,403	82.22		
28.07.2018	Allotment of equity shares on Right Basis	44,94,383	1.16	5,75,50,786	83.38
	<b>At the end of the year</b>			<b>5,75,50,786</b>	<b>83.38</b>

There is no change in the number of shares held by the other promoters. However, there is a dilution in the percentage of their shareholding in the Company on account of the above issue of shares.

- (iv) **Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):** NIL.
- (v) **Shareholding of Directors and Key Managerial Personnel:** The shareholding of Mr. Anil Bohora, Managing Director and Mr. Ajay Bohora, Managing Director & CEO are mentioned in point (ii) above. There are no shares held by Mr. Sebastian Fernandez, Chief Financial Officer and Ms. Akanksha Kandoi, Company Secretary.

**Annex to Directors' Report - 4** (Continued)**V. INDEBTEDNESS\***

(₹ in crore)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	2,826.90	917.49	—	3,744.39
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	35.43	19.42	—	54.85
<b>Total (i+ii+iii)</b>	<b>2,862.33</b>	<b>936.91</b>	<b>—</b>	<b>3,799.24</b>
<b>Change in Indebtedness during the financial year</b>				
• Addition	921.52	126.78	—	1048.30
• Reduction	—	—	—	—
<b>Net Change</b>	<b>921.52</b>	<b>126.78</b>	<b>—</b>	<b>1,048.30</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	3,725.16	1,038.53	—	4,763.69
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	58.69	25.16	—	83.85
<b>Total (i+ii+iii)</b>	<b>3,783.85</b>	<b>1,063.69</b>	<b>—</b>	<b>4,847.54</b>

\* The figures have been stated as per Ind AS

**VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL****A. Remuneration to Managing Director, Whole-time Directors and/or Manager:**

Sl. No.	Particulars of Remuneration	Mr. Subodh Salunke (Executive Vice Chairman) (₹)	Mr. Anil Bohora (Managing Director) (₹)	Mr. Ajay Bohora (Managing Director & CEO) (₹)	Total Amount (₹)
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	—	104,80,000	104,80,000	2,09,60,000
	(b) Value of perquisites under Section 17(2) Income-tax Act, 1961	—	—	—	—
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	—	—	—	—
2	Stock Option	—	—	—	—
3	Sweat Equity	—	—	—	—
4	Commission				
	- as % of profit	—	—	—	—
	- others	—	70,00,000	70,00,000	1,40,00,000
5	Others - Deputation cost	60,18,669	—	—	60,18,669
	<b>Total (A)</b>	<b>60,18,669</b>	<b>174,80,000</b>	<b>174,80,000</b>	<b>409,78,669</b>
	Overall Ceiling as per the Companies Act, 2013	₹ 8.05 crore each (5% each of the net profits of the Company)			₹ 16.10 crore (10% of the net profits of the Company)

**Annex to Directors' Report - 4** (Continued)**B. Remuneration to other Directors:**

Name of Directors	Particulars of Remuneration			
	Fees for attending Board/Committee meetings (₹)	Commission paid for financial year (₹)	Others, please specify (₹)	Total Amount (₹)
Mr. V. Srinivasa Rangan	5,25,000	—	—	5,25,000
Mr. Biswamohan Mahapatra	3,55,000	—	—	3,55,000
Mr. Amitabh Chaudhry*	1,40,000	—	—	1,40,000
Mr. Sudhin Choksey	2,60,000	—	—	2,60,000
Ms. Madhumita Ganguli	3,00,000	—	—	3,00,000
Mr. Suresh Badami**	90,000	—	—	90,000
Mr. Subodh Salunke***	70,000	—	—	70,000
<b>Total</b>	<b>17,40,000</b>	<b>—</b>	<b>—</b>	<b>17,40,000</b>
Overall Ceiling as per the Companies Act, 2013	100,000 <sup>1</sup>	₹1.61 crore (1% of the Net Profits) <sup>2</sup>		

\*Resigned with effect from October 14, 2018

\*\*Appointed with effect from January 11, 2019 and Resigned with effect from April 19, 2019

\*\*\*Appointed as Executive Vice Chairman with effect from April 25, 2018 on deputation from HDFC

<sup>1</sup> Per meeting sitting fees.

The Company pays sitting fees per meeting to directors (other than Managing Directors) for attending the meeting of Board or Committee thereof as follows:

For Board Meeting - ₹ 40,000 per meeting

For Committee Meeting - ₹ 25,000 per meeting

<sup>2</sup> Excludes sitting fees

**Remuneration to Key Managerial Personnel other than MD / MANAGER / WTD:**

Sl. No.	Particulars of Remuneration	Key Managerial Personnel		Total Amount (₹)
		Mr. Sebastian Fernandez (Chief Financial Officer) (₹)	Ms. Akanksha Kandoi (Company Secretary) (₹)	
1	Gross salary			
	(a) Salary as per provisions contained in section 17(1) of the IncomeAct, 1961	47,55,142	30,01,186	77,56,328
	(b) Value of perquisites under Section 17(2) of the Income-tax Act, 1961	—	—	—
	(c) Profits in lieu of salary under Section 17(3) of the Income-taxAct, 1961	—	—	—
2	Stock Option	—	—	—
3	Sweat Equity	—	—	—
4	Commission	—	—	—
	- as % of profit	—	—	—
	- others, specify	—	—	—
5	Others, please specify	—	—	—
	<b>Total</b>	<b>47,55,142</b>	<b>30,01,186</b>	<b>77,56,328</b>

**VII. PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES**

During the year, no penalties were levied against the Company, its directors or any of its officers under the Companies Act, 2013 nor was there any punishment or compounding of offences against the Company, its directors or any of its officers.



## **Annex to Directors' Report – 5**

### **Report of the Directors on Corporate Governance**

The need for good Corporate Governance has intensified due to growing competition and complex business environment. It is the application of best management practices and compliances in true letter and spirit and adherence to ethical standards for effective management and discharge of social responsibility for sustainable development of all stakeholders. Corporate Governance includes adherence to all laws, rules, regulations and guidelines, as applicable. The principles of corporate governance have become conventional wisdom with the realization that it is a necessary tool for the economic health of a company and for the society at large. The Indian regulatory framework has ensured that the interests of stakeholders are well protected. The prime responsibility of good governance lies within an organization.

The Board of Directors of the Company is responsible for ensuring fairness, transparency and accountability of the Company's business operations and they provide appropriate directions, with regard to leadership, vision, strategies, policies, monitoring, supervision, accountability to shareholders and to achieve greater levels of performance on a sustained basis as well as adherence to the best practices of Corporate Governance. The Board plays a pivotal role in creation of stakeholder value and ensures that the Company adopts sound and ethical business practices and that the resources of the Company are optimally used.

#### **Company's philosophy on Corporate Governance**

The Company has recognised its role as a corporate citizen and aims to adopt the best practices and the highest standards of Corporate Governance through transparency in business ethics, accountability to its customers, stakeholders, government and others. The Company's activities are carried out in accordance with good corporate practices and the Company is constantly striving to better them and adopt the best practices.

The Corporate Governance philosophy has been strengthened with the implementation of the Code of Conduct applicable to the Company and its employees. The Company endeavors to abide by its value system guided by the principles of accountability, transparency and timely disclosure of matters of interest to the stakeholders and ensuring thorough compliance with the applicable laws and conducting business in best ethical manner.

The Company is not only committed to follow the Corporate Governance practices embodied in various regulatory provisions, but is constantly striving to adopt and adhere to the emerging best practices and benchmarking itself against such practices.

The Company has adopted the Code of Practices and Procedures for Fair Disclosure of Unpublished Price Sensitive Information and the Code of Conduct to regulate, monitor and report trading by Designated Persons revised in terms of Regulation 8 & 9 respectively of SEBI (Prohibition of Insider Trading) Regulations, 2015, SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2018 and SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2019. Both the aforementioned codes are effective from April 1, 2019.

The Board of Directors has taken cognizance of various regulatory changes in the overall governance framework and remains committed to imbibe the spirit of governance in all spheres of the Company's business.

#### **Board of Directors**

##### **Composition**

The Board of Directors (Board) has a mix of executive, non-executive and independent directors. The Board comprises of directors having expertise in banking, finance, accountancy, economics, law, etc.

As on March 31, 2019, the Board comprised of eight members, comprising of three independent directors, two non-executive directors, one whole-time director, one managing director and one managing director & CEO. Two non-executive directors include one Woman Director.

The Board of Directors of the Company is thus duly constituted with proper balance of executive directors, non-executive directors and independent directors.

All the Independent Directors have confirmed that they satisfy the criteria laid down for an independent director under Section 149(6) of the Act. All the Directors of the Company fulfill the 'fit and proper criteria' as prescribed under applicable regulations.

## Annex to Directors' Report - 5 (Continued)

Mr. Amitabh Chaudhry, resigned from the Board with effect from October 14, 2018. The Board places on record its sincere appreciation for the invaluable contribution made by Mr. Amitabh Chaudhry to the Company over the years.

The Board passed a Resolution by Circulation on January 11, 2019 to appoint Mr. Suresh Badami as an Independent Director (Additional) of the Company, subject to the approval of the members of the Company at the ensuing Annual General Meeting (AGM). He resigned from the Board with effect from April 19, 2019.

The directors of the Company bring to the Board a wide range of experience and skills. The brief profiles of the directors are set out elsewhere in the Annual Report.

### Responsibilities

The Board represents the interest of the Company's shareholders in optimizing long-term value by providing the Management with guidance and strategic direction on shareholders' behalf. The Board's mandate is to oversee the Company's strategic direction, review financial, operational and investment performance, approve annual business plan, ensure regulatory compliance and safeguard interest of all stakeholders. The Board plays a pivotal role in ensuring good governance and creating value for all stakeholders. The directors acknowledge their duties as prescribed under the Act, the Rules framed thereunder and the Guidelines.

### Role of Independent Directors

The Independent Directors of the Company bring an independent judgment to the Board's deliberation and objectivity in the Board's decision-making process. The Independent Directors participate constructively and actively in the meetings of the Committees of the Board in which they are members. They represent and safeguard the interest of all stakeholders.

### Board Meetings and Procedures

All Directors participate in discussing the strategies, performance, financials and risk management of the Company. The Board follows a set of appropriate standard procedures in the conduct of Board meetings which is summarized below: The notice of each Board and Committee meeting is given in writing through email to each Director, members of Senior Management and Statutory and Internal Auditors, as and when required. The Company also makes arrangements for participation of Directors in the meeting through video-conferencing (VC), if for any reason they are unable to participate in the meeting in person. The Board meets at least once a quarter to review the financial and operational performance of the Company.

The Company Secretary in consultation with the Management prepares a detailed agenda for the meetings. All departments communicate with the Company Secretary in advance with regard to matters requiring approval of the Board to enable inclusion of the same in the agenda for the meetings. With the objective of transparent flow of information from the Management, detailed agenda notes are sent to all the Directors in advance. The Members of the Board are also free to recommend inclusion of any matter in the agenda for discussion. In case of matters requiring urgent consideration by the Board and arising post the dispatch of agenda, the same is taken up for discussion by the Board as part of Any Other Business with the permission of the Chairman and consent of majority of the Board members present at the meeting.

The members of the Board have access to all the information of the Company. Members of Senior Management team are invited to attend the Board and Committee meetings so as to provide additional inputs on the items being discussed. Urgent matters are also considered and approved by passing Resolution by Circulation, which are noted at the next meeting. The Company Secretary records the minutes of the proceedings of each Board and Committee meetings. The draft minutes of each Board and Committee meetings are circulated to the members of the Board / Committee within fifteen days from the date of meeting and the comments, if any on the draft minutes are received within seven days of its circulation. The minutes are finalized within thirty days and thereafter recorded in the Minutes Book.

During the year under review, the Board of Directors met five times. The meetings were held on April 25, 2018, July 09, 2018, August 04, 2018, November 02, 2018 and February 01, 2019.

## Annex to Directors' Report - 5 (Continued)

The attendance of each Director at the above-mentioned Board Meetings along with the sitting fees paid to them are listed below:

Directors	Number of Meetings Attended	Sitting fees paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	5	1,70,000
Mr. B. Mahapatra	4	1,30,000
Mr. Amitabh Chaudhry*	2	60,000
Mr. Sudhin Choksey	3	1,00,000
Mr. Suresh Badami**	1	40,000
Ms. Madhumita Ganguli	4	1,40,000
Mr. Subodh Salunke***	5	30,000
Mr. Anil Bohora	4	-
Mr. Ajay Bohora	5	-

\*Resigned with effect from October 14, 2018

\*\*Appointed with effect from January 11, 2019 and Resigned with effect from April 19, 2019

\*\*\*Appointed as Executive Vice Chairman with effect from April 25, 2018 on deputation from HDFC

Leave of absence was granted to the directors who could not attend the respective meetings.

The Board also met on May 10, 2019 and inter-alia considered and approved the audited financial statements for the year ended March 31, 2019.

### Committees

To enable better and more focused attention on the affairs of the Company and as required under regulatory provisions, the Company has constituted various Committees. These Committees lay down the groundwork for decision-making and report at the subsequent Board meeting. The terms of reference of the Committees are approved by the Board. Meetings of the Committees are held on a regular basis depending upon the business to be transacted by the Committees. Minutes of the Committee meetings/report on the activities of the Committees are submitted to the Board on a periodical basis. Matters requiring the Board's attention/approval are generally placed in the form of notes to the Board from the respective Committees. The Board has constituted the following Committees with specific terms of reference:

- i) Audit Committee
- ii) Risk Management Committee
- iii) Nomination and Remuneration Committee
- iv) Corporate Social Responsibility Committee
- v) Allotment Committee
- vi) Asset Liability Management Committee
- vii) IT Strategy Committee
- viii) IT Steering Committee
- ix) Outsourcing Committee

The role and composition of various Committees, including the number of meetings held during the year and the related attendance of the Committee Members at the said meetings, are given below.

### Audit Committee

The Audit Committee consists of a majority of independent directors. The Audit Committee was reconstituted by the Board by passing a resolution by circulation on January 11, 2019 post the resignation of Mr. Amitabh Chaudhry on

## Annex to Directors' Report - 5 (Continued)

October 14, 2018. The members of the Committee are Mr. Sudhin Choksey (Chairman), Mr. Biswamohan Mahapatra, Ms. Madhumita Ganguli and Mr. Subodh Salunke. The Chairman of the Committee is an Independent Director and a qualified Chartered Accountant. The composition of the Committee is in conformity with the provisions of Section 177 of the Companies Act, 2013 (the Act) and the Guidelines.

All the members of the Audit Committee have accounting and financial management expertise as stipulated under the Act.

The members of the Senior Management and Auditors are invited to participate in the meetings of the Committee. The Committee invites Senior Executives as it considers their presence to be appropriate at its meetings. The Chairman of the Committee briefs the Board of Directors about significant discussions and decisions taken at its meeting.

The terms of reference of the Audit Committee inter alia include approving and implementing the audit procedures and techniques, reviewing the financial reporting systems, financial statements, internal control systems and procedures, records relating to related party transactions, analysis of risks and compliance of regulatory guidelines and quarterly review of changes in macro-economic factors and deciding on the requirement of updating the ECL Model. The Committee also ensures that an Information Systems audit of the internal systems and processes is conducted to assess operational risks faced by the Company. The financial results are made available to the Committee in advance. This enables the Committee to review and discuss them with the auditors before recommending them to the Board of Directors for approval.

During the year, the Committee met four times. The meetings were held on April 25, 2018, August 04, 2018, November 02, 2018 and February 01, 2019.

The details of the attendance of the members of the Committee at the meetings along with sitting fees paid are listed below:

Members	Number of Meetings Attended	Sitting fees paid (₹)
Mr. Sudhin Choksey (Chairman)	4	90,000
Mr. B. Mahapatra	3	65,000
Mr. Amitabh Chaudhry*	2	40,000
Mr. Suresh Badami**	1	25,000
Ms. Madhumita Ganguli	4	90,000
Mr. Subodh Salunke***	4	20,000

\*Resigned as director and member of the Committee with effect from October 14, 2018.

\*\*Appointed as director and a member of the Audit Committee with effect from January 11, 2019 and resigned as director with effect from April 19, 2019.

\*\*\*Paid sitting fees for meeting attended on April 25, 2018.

Leave of absence was granted to the members who could not attend the meeting.

The Committee also met on May 10, 2019 for review of the audited financial statements for the year ended March 31, 2019 and recommended the same for the approval of the Board.

### Risk Management Committee

With the objective of ensuring that the risks impacting the business of the Company are identified and appropriate measures are taken to mitigate the same, the Company has formulated and adopted a risk management framework. The framework lays down the procedures for identification of risks, assessment of its impact on the business of the Company and the efficacy of the measures taken to mitigate the same. The risks are evaluated at an inherent and residual level, based on the impact of such risks and the likelihood of its occurrence.

The regional managers and the functional heads of the Company are responsible for identifying, monitoring and reviewing the risk profile of their respective region/function on a six monthly basis, which is reviewed by the Internal Risk Management Committee. During the year, the Internal Risk Management Committee met twice. The Committee

## Annex to Directors' Report - 5 (Continued)

is responsible to ensure that an appropriate methodology, processes and systems are in place to monitor, identify and review risks associated with the business of the Company.

The terms of reference of the Committee *inter alia* is to ensure formulation & implementation of Risk Management Framework and Policy, review the Risk profile of the Company, seek information from employees, obtain outside legal counsel or professional advice if necessary, investigate any activity within terms of reference, investigate any matter in relation to the items stated above or referred to it by the Board.

The Committee met twice during the year under review, on August 04, 2018 and February 01, 2019.

The details of the attendance of the members of the Committee at the meetings along with sitting fees paid are listed below

Members	Number of Meetings Attended	Sitting fees paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	2	45,000
Mr. Subodh Salunke	2	—
Mr. Ajay Bohora	2	—

### Nomination and Remuneration Committee (NRC)

The Nomination & Remuneration Committee consists of two independent directors. The Committee was reconstituted on October 25, 2018 by a Resolution by Circulation passed by the Board after the cessation of Mr. Amitabh Chaudhry as Director of the Company. The members of the Committee are Mr. B. Mahapatra (Chairman), Mr.V.Srinivasa Rangan and Mr. Sudhin Choksey.

The terms of reference of the Committee *inter alia* include identifying persons who are qualified to become directors of the Company, ensuring that such persons meet the relevant criteria prescribed under applicable laws and reviewing and approving the remuneration payable to the directors within the overall limits at the time of appointment, ensuring the fit and proper criteria at the time of appointment of directors of the Company and on a continuing basis, to scrutinize the declarations received from the proposed directors / existing directors and carry out evaluation of every director's performance and formulate the criteria for determining qualifications, positive attributes and independence of a director. The Company has in place policies for appointment of directors and remuneration to directors and members of senior management. The primary objective is to ensure that the level and composition of remuneration is in line with other companies in the industry, sufficient to attract and retain right talent at all levels and keep them motivated enough to meet the organizational objectives, to ensure that a reasonable balance is maintained in terms of composition of remuneration (fixed and variable component), to have performance measurement parameters in place to assess the overall performance of directors, KMPs, members of senior management and all other employees.

The remuneration paid to the directors and members of senior management is in conformity with the said policy. The Company Secretary is the Secretary to the Committee.

The Committee met three times during the year. The meetings were held on April 25, 2018, July 03, 2018 and November 02, 2018.

The details of the attendance of the members of the Committee at the meetings along with sitting fees paid are listed below:

Members	Number of Meetings Attended	Sitting fees paid (₹)
Mr. B. Mahapatra (Chairman)*	1	25,000
Mr. V. Srinivasa Rangan	3	65,000
Mr. Sudhin Choksey	2	45,000
Mr. Subodh Salunke**	1	20,000
Mr. Amitabh Chaudhry***	2	40,000

\* Appointed as a Chairman and member of the Committee with effect from. October 25, 2018.

\*\* Stepped down as a member of the Committee with effect from April 25, 2018.

\*\*\* Resigned as director and member (chairman) of the Committee with effect from October 14, 2018.

## Annex to Directors' Report - 5 (Continued)

Leave of absence was granted to the members who could not attend the respective meetings.

### Corporate Social Responsibility Committee

In accordance with the provisions of Section 135 of the Companies Act, 2013 and rules framed there under, the Company has a Corporate Social Responsibility (CSR) Committee of Directors comprising of Mr. B. Mahapatra (Chairman), Mr. V. Srinivasa Rangan, Ms. Madhumita Ganguli and Mr. Ajay Bohora. The Company Secretary is the Secretary to the Committee. The terms of reference of the Committee inter alia is to review the CSR policy, decide CSR objectives and indicate activities to be undertaken by the Company towards CSR and formulate a transparent monitoring mechanism to ensure implementation of projects and activities undertaken by the Company towards CSR objective of the Company. Further details on the prescribed CSR spent under Section 135 of the Companies Act, 2013 and the amount committed and disbursed during the year under review are provided in the Annual Report on CSR activities annexed to this report.

During the year, the Committee met three times during the year. The meetings were held on April 25, 2018, November 02, 2018 and February 01, 2019.

The details of the attendance of the members of the Committee at the meetings along with sitting fees paid are listed below

Members	Number of Meetings attended	Sitting fees paid (₹)
Mr. B. Mahapatra(Chairman)	2	45,000
Mr. V. Srinivasa Rangan	3	70,000
Ms. Madhumita Ganguli	3	70,000
Mr. Ajay Bohora	3	—

Leave of absence was granted to the Committee member who could not attend the meeting

### Allotment Committee

The Allotment Committee of the Company comprises of Mr. V. Srinivasa Rangan (Chairman), Mr. Subodh Salunke and Mr. Anil Bohora. The Company Secretary is the Secretary to the committee.

The terms of reference of the Allotment Committee inter alia include ensuring compliance with the Companies Act, 2013 and rules made thereunder relating to the issue and allotment of securities as may be issued by the Company from time to time and to oversee the process of application for issue of securities and decide on the allotment of securities. During the year, the Committee met four times. The meetings were held on June 06, 2018, July 28, 2018, September 24, 2018 and November 20, 2018.

The details of the attendance of the members of the committee at the meetings along with sitting fees paid are listed below:

Members	Number of Meetings attended	Sitting fees paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	4	85,000
Mr. Subodh Salunke	4	—
Mr. Anil Bohora	4	—

### Asset Liability Management Committee

The Asset Liability Management Committee of the Company was reconstituted on April 25, 2018. The Committee comprises of Mr. V. Srinivasa Rangan (Chairman), Mr. Subodh Salunke, Mr. Ajay Bohora, Mr. Shridhar Hebbar, Mr. Sebastian Fernandez and Mr. Laxmikant Tople. The Company Secretary is the Secretary to the Committee.

The terms of reference of the Committee inter alia include asset liability management of the Company. During the year, the Committee met four times. The meetings were held on June 29, 2018, August 30, 2018, November 23, 2018 and March 27, 2019

## Annex to Directors' Report - 5 (Continued)

The details of the attendance of the members of the Committee at the meetings along with sitting fees paid are listed below:

Members	Number of Meetings attended	Sitting fees paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	4	90,000
Mr. Subodh Salunke*	3	—
Mr. Ajay Bohora	4	—
Mr. Shridhar Hebbar	4	—
Mr. Sebastian Fernandez	4	—
Mr. Laxmikant Tople	4	—

\* Appointed as a member of the Committee with effect from August 4, 2018.

### IT Strategy Committee

The IT Strategy Committee was constituted at the Board Meeting held on July 12, 2017 consisting of Independent Director (Chairman of the Committee), Managing Director & CEO, Chief Information Officer, Chief Technology Officer, Information Security Officer & Head - Innovation & Development, National Sales Manager, VP-Legal, Manager - Finance & Compliance. The Committee was subsequently reconstituted on August 04, 2018 to include Mr. Subodh Salunke, Executive Vice Chairman & Whole time Director.

The terms of reference of the IT Strategy Committee *inter alia* are:

- Approving IT strategy and policy documents and ensuring that the management has put an effective strategic planning process in place;
- Ascertaining that management has implemented processes and practices that ensure that the IT delivers value to the business;
- Ensuring IT investments represent a balance of risks and benefits and that budgets are acceptable;
- Monitoring the method that management uses to determine the IT resources needed to achieve strategic goals and provide high-level direction for sourcing and use of IT resources;
- Ensuring proper balance of IT investments for sustaining NBFC's growth and becoming aware about exposure towards IT risks and controls.

During the year, the Committee met three times. The meetings were held on April 25, 2018, June 29, 2018 and December 10, 2018.

Members	Number of Meetings attended	Sitting fees paid (₹)
Mr. Mr. B. Mahapatra (Chairman)	3	65,000
Mr. Subodh Salunke*	1	—
Mr. Ajay Bohora	3	—
Mr. Sebastian Fernandez	3	—
Mr. Shridhar Hebbar	3	—
Mr. Prashant Koli	3	—
Mr. Hitesh Parashar	0	—
Ms. Poonam Chavan	2	—
Mr. Rakesh Ahuja	3	—

\* Appointed as a member of the Committee with effect from August 4, 2018.

Leave of absence was granted to the members who could not attend the respective meetings

## Annex to Directors' Report - 5 (Continued)

### IT Steering Committee

The IT Steering Committee was constituted at the Board Meeting held on July 12, 2017 consisting of the Chief Technology Officer, Chief Information Officer, AVP- Accounts & Finance, Manager – Operations, Sr. Manager - Operations, AVP – HR, Project Manager, Manager - Technical Lead and ABM - Emerging Market to provide oversight and monitoring of the progress of the IT project, including deliverables to be realized at each phase of the project and milestones to be reached according to the project timetable, setting priority for projects, deciding the resource allocation for projects, any other matter as may be prescribed by the IT Strategy Committee, RBI or Board from time to time.

### Outsourcing Management Committee

RBI had issued Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs on November 9, 2017.

Outsourcing Management Committee was constituted at the Board Meeting held on December 21, 2017 consisting of the AVP - Accounts & Finance, Regional Manager- Operations, National Sales Manager, VP – Legal and the Sr. Regional Credit Manager.

The terms of reference of the Committee include:

- Evaluating the risks and materiality of all existing and prospective outsourcing arrangements and the policies that apply to such arrangements.
- Laying down appropriate approval authorities for outsourcing depending on risks and materiality.
- Setting up suitable administrative framework for the purpose of these directions.
- Undertaking regular review of outsourcing strategies and arrangements for their continued relevance, safety and soundness
- Deciding on business activities of a material nature to be outsourced, and approving such arrangements and
- Overall compliance with RBI directions.

### Meeting of Independent Directors

The Independent Directors met once during the year to evaluate the Directors of the Company, the Chairman, the Board as a whole and the Committees thereof. The Independent Directors also assessed the quality, quantity and timeliness of the flow of information between the Company's management and the Board which enables the Board to effectively and reasonably perform its duties. The meeting was held on March 19, 2019. The details of the attendance of the independent directors along with sitting fees paid are listed below:

Independent Directors	Number of Meetings attended	Sitting fees paid ₹
Mr. B. Mahapatra	1	25,000
Mr. Sudhin Choksey	1	25,000
Mr. Suresh Badami	1	25,000

### Board Evaluation

With the objective of enhancing the effectiveness of the Board, the Nomination & Remuneration Committee has formulated the methodology and criteria to evaluate the performance of the board, committees thereof and each director. The Nomination & Remuneration Committee and the Board of Directors of the Company had adopted the revised criteria on performance evaluation of the Independent Directors, Non - Executive Directors, Managing Directors, Chairman, the Board as a whole and its Committees, based on the SEBI Guidance Note released by SEBI on January 5, 2017 on the evaluation of the Board of Directors of the listed companies.

The Nomination & Remuneration Committee had sought feedback from the directors through structured questionnaires. Mr.B.Mahapatra,Independent director and the Chairman of the Nomination & Remuneration Committee had evaluated the feedback and communicated the outcome of the evaluation to the Nomination & Remuneration Committee and the Chairman of the Board. The Independent Directors also reviewed the performance of the non-executive directors, the Chairman and the Board as a whole.



## Secretarial Audit Report

Form No. MR-3

### SECRETARIAL AUDIT REPORT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2019

[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,  
HDFC Credila Financial Services  
Private Limited

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company as specified in **Annexure I** 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 period covered by our audit, that is to say, from April 01, 2018 to March 31, 2019 (hereinafter referred to as "Audit Period"), complied with the statutory provisions listed hereunder and also that the Company has proper board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the period ended on March 31, 2019, according to the provisions of:

- i. The Companies Act, 2013 (the 'Act') and the rules made thereunder;
- ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- iii. The Depositories Act, 1996 and the regulations and bye-laws framed thereunder;
- iv. The 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 (Prohibition of Insider Trading) Regulations, 2015;
  - c. The Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;
  - d. Securities and Exchange Board of India (Debenture Trustee) Regulations, 1993 (in relation to obligations of Issuer Company);
- v. Laws specifically applicable to an NBFC-ND-SI, as identified by the management, that is to say:
  - a. The Reserve Bank of India Act, 1934;
  - b. Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 ('Directions, 2016');
  - c. Miscellaneous Instructions to all Non-Banking Financial Companies;
  - d. Non-Banking Financial Companies Acceptance of Public

Deposits (Reserve Bank) Directions, 2016;

e. Master Direction - Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016;

f. Master Direction - Monitoring of Frauds in NBFCs (Reserve Bank) Directions, 2016;

g. Master Direction - Know Your Customer (KYC) Directions, 2016;

h. Master Direction - Non-Banking Financial Company Returns (Reserve Bank) Directions, 2016;

i. Directions on Managing Risks and Code of Conduct in Outsourcing of Financial Services by NBFCs;

j. Master Direction - Information Technology Framework for the NBFC Sector;

k. Reserve Bank Commercial Paper Directions, 2017;

vi. Laws specifically applicable to a Corporate Agent, as identified by the management, that is to say:

a. The Insurance Regulatory and Development Authority of India (Registration of Corporate Agents) Regulations, 2015.

We have also examined compliance with the applicable clauses of Secretarial Standards 1, 2 and 3 issued by the Institute of Company Secretaries of India;

We report that during the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, etc. mentioned above.

#### Management Responsibility:

i. Maintenance of secretarial records is the responsibility of the

management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit;

ii. We have followed the audit practices and the processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion;

iii. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company;

iv. Wherever required, we have obtained the Management Representation about the compliance of laws, rules and regulation and happening of events etc.;

v. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis;

vi. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

**We further report that:**

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

provisions of the Act.

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

Resolutions have been approved by majority, dissenting members' views were not required to be captured and recorded as part of the minutes as there were no such instance.

**We further report that** there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with

**2. Private Placement of Non-Convertible Debentures:**

Date of Allotment	Subscriber to the issue	Amount (INR in crores)	Nature & Terms of security
June 06, 2018 (Perpetual Debt)	1. Darashaw & Company Private Limited	75	Unsecured
September 24, 2018 (Redeemable NCDs)	2. HDFC Bank Limited	300	Secured
November 20, 2018 (Redeemable NCDs)	3. HDFC Bank Limited	300	Secured
	Total	675	

**3. Increase in borrowing limit to INR 10,000 Crores:**

Special resolution, in terms of section 180 (1) (c) was passed in the extraordinary general meeting held on August 06, 2018 to affirm the borrowing powers of the Company to the extent of INR 10,000 Crores as per details provided in the resolution passed.

applicable laws, rules, regulations and guidelines.

**We further report that** during the Audit Period, the Company has undertaken following specific events/ actions that can have a major bearing on the Company's compliance responsibility in pursuance of the above referred laws, rules, regulations, guidelines, standards, etc.:

**1. Rights Issue of Equity Shares:**

During the Audit Period, the Company allotted equity shares by way of rights issue:

a. 4,494,383 equity shares of face value INR 10 at a premium of INR 168 per share on July 28, 2018;

In the event of no-response by Mr. Ajay Bohora and Mr. Anil Bohora, the Company allotted the rights entitlement only to HDFC Limited, the holding company.

**4. Re-classification of Authorised share capital:**

Ordinary resolution, in terms of sections 13 read with 61 was passed in the extraordinary general meeting held on August 06, 2018 to amend Memorandum of Association of the Company pursuant to re-classification of Authorised share capital in the manner provided hereunder:

Authorised Share capital	Equity Share Capital	Preference Share Capital	Total (Rs.)
<b>Present Authorised Share Capital</b>	Rs.70,00,00,000 divided into 7,00,00,000 Equity Shares of Rs.10/- each.	Rs.85,00,00,000 divided into 8,50,00,000 Compulsorily Convertible Preference Shares of Rs.10/- each.	155,00,00,000
<b>Revised Authorised Share Capital</b>	Rs.88,00,00,000 divided into 8,80,00,000 Equity Shares of Rs.10/- each.	Rs.67,00,00,000 divided into 6,70,00,000 Compulsorily Convertible Preference Shares of Rs.10/- each.	155,00,00,000

**For M/s Vinod Kothari & Company**  
Practising Company Secretaries

**Vinita Nair**  
Partner

Membership No.: A31669  
C P No.:11902

Place: Mumbai  
Date: April 18, 2019

#### ANNEXURE I LIST OF DOCUMENTS

1. Corporate Matters
  - 1.1 Minutes books of the following Committees were provided:
    - 1.1.1 Board Meeting;
    - 1.1.2 Audit Committee;
    - 1.1.3 Nomination and Remuneration Committee;
    - 1.1.4 Corporate Social Responsibility Committee;
    - 1.1.5 Risk Management Committee;
    - 1.1.6 Asset Liability Management Committee;
    - 1.1.7 IT Strategy Committee
    - 1.1.8 IT Steering Committee
    - 1.1.9 General Meetings;
  - 1.2 Agenda papers for Board Meeting and Committee (s) along with Notice;
  - 1.3 Annual Report 2018;
  - 1.4 Disclosures under Act, 2013 and Rules made thereunder;
  - 1.5 Policies framed under Act, 2013 and RBI regulations for NBFCs;
  - 1.6 RBI returns and entity master registration details
  - 1.7 Documents pertaining to SEBI Regulations;
  - 1.8 Forms and returns filed with the ROC & RBI;
  - 1.9 Documents relating to issue of Non-Convertible Debentures and Rights Issue;
  - 1.10 Returns filed with IRDAI.

## Independent Auditor's Report

### To the Members of HDFC Credila Financial Services Private Limited

#### Opinion

We have audited the financial statements of HDFC Credila Financial Services Private Limited ("the Company"), which comprise the Balance sheet as at 31 March 2019, and the Statement of Profit and Loss (including Other Comprehensive Income), the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements, including a summary of the significant accounting policies and other explanatory information.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 specified under Section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 as amended ('Ind AS'), and other accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2019, and its profit and other comprehensive income, the changes in equity and its cash flows for the year ended on that date.

#### Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Code

of Ethics issued by the Institute of Chartered Accountants of India ('ICAI') together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Other Matter

The transition date opening balance sheet as at 1 April 2017 included in these financial statements, is based on the previously issued statutory financial statements prepared in accordance with the Companies (Accounting Standards) Rules, 2006 audited by predecessor auditor whose report for the year ended 31 March 2017 dated 18 April 2017 expressed an unmodified opinion on those financial statements, as adjusted for the differences in the accounting principles adopted by the Company on transition to Ind AS, which have been audited by us.

Our opinion is not modified in respect of this matter.

#### 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.

## Independent Auditors' Report (Continued)

Key audit matter	How the matter was addressed in our audit
<b>Expected Credit Loss</b>	
<i>Refer to the accounting policies in "Note 28 to the Financial Statements: Impairment on financial instruments", "Note 2.4 to the Financial Statements: Use of estimates and judgements" and "Note 7 to the Ind AS Financial Statements: Loans"</i>	
<p><b>Subjective estimate</b></p> <p>Recognition and measurement of impairment on loans and advances involves significant management judgement.</p> <p>With the applicability of Ind AS 109 credit loss assessment is now based on Expected Credit Loss (ECL) model. The Company's impairment allowance is derived from estimates including historical default and loss ratios. Management exercises judgement in determining the quantum of loss based on a range of factors.</p> <p>The most significant areas are:</p> <ul style="list-style-type: none"> <li>- Segmentation of loan book</li> <li>- Loan staging criteria</li> <li>- Calculation of probability of default / Loss given default</li> <li>- Consideration of probability weighted scenarios and forward looking macro- economic factors</li> </ul> <p>There is a large increase in the data inputs required for the computation of ECL. This increases the risk of completeness and accuracy of the data that has been used as a basis of assumptions in the model.</p>	<p>Our audit procedures included:</p> <p><b>Design / controls</b></p> <ul style="list-style-type: none"> <li>• Evaluated of the appropriateness of the impairment principles based on the requirements of Ind AS 109, our business understanding and industry practice.</li> <li>• Understood Company's new / revised processes, systems and controls implemented in relation to impairment allowance process including governance controls over the development implementation of the ECL model.</li> <li>• Test checked the design and implementation of key internal financial controls over loan impairment process used to calculate the impairment charge;</li> <li>• Test checked management review controls over measurement of impairment allowances and disclosures in financial statements.</li> </ul> <p><b>Substantives tests</b></p> <ul style="list-style-type: none"> <li>• Performed substantive procedures over validating completeness and accuracy of the data and reasonableness of assumptions used in the model;</li> <li>• Re-performed calculation of ECL provision on test check basis.</li> <li>• Critically evaluated management's judgement in the determination of ECL;</li> <li>• We engaged our specialists to test the working of the ECL model and reasonableness of assumptions used.</li> </ul>

## Independent Auditors' Report (Continued)

### Key audit matter (Continued)

Key audit matter	How the matter was addressed in our audit
<b>Information technology (IT)</b>	
<p><b>IT systems and controls relating to Loan Management System</b></p> <p>The Company's processes on sanctions, disbursements, and recovery of loans and advances are highly dependent on the automated controls in information systems, such that there exists a risk that gaps in the IT control environment could result in the financial accounting and reporting records being misstated. The Company uses Loan Management System to manage its loan portfolio.</p> <p>We have identified 'IT systems and controls relating to Loan Management System, as key audit matter due to the large transaction volumes and the increasing challenge to protect the Company's systems and controls over data integrity.</p>	<p>Our audit procedures to assess the IT system controls relating to Loan Management System included the following:</p> <ul style="list-style-type: none"> <li>• Understood General IT Control i.e. access controls, program/ system change, program development, computer operations (i.e. job processing, data system backup incident management) over Loan Management System;</li> <li>• Understood IT infrastructure i.e. operating systems and databases supporting the in-scope system;</li> <li>• Test checked the General IT Controls for design and operating effectiveness for the audit period over the Loan Management System;</li> <li>• Understood IT application controls covering               <ul style="list-style-type: none"> <li>- user access and roles, segregation of duties, and</li> <li>- reports and system processing</li> </ul> </li> <li>• Test checked the IT application controls for design and operating effectiveness for the audit period;</li> <li>• Performed testing to determine that these controls remained unchanged during the audit period or were changed following the standard change management process;</li> <li>• Test checked controls over the IT infrastructure covering user access (including privilege users) and system change (e.g. patches)</li> </ul>

## Independent Auditors' Report (Continued)

### Key audit matter (Continued)

Key audit matter	How the matter was addressed in our audit
<p><b>Transition date accounting</b>  <i>Refer to the accounting policies in the Financial Statements: Significant accounting policies -Basis of preparation and Note 39 to the financial statements: "First time adoption of Ind AS"</i></p>	
<p><b>Adoption of new accounting framework (Ind AS)</b>            Effective 1 April 2018, the Company adopted the Ind AS notified by the Ministry of Corporate Affairs with the transition date of 1 April 2017.            The following are the major impact areas for the Company upon transition:</p> <ul style="list-style-type: none"> <li>• Classification and measurement of financial instruments – Effective interest rate adjustment</li> <li>• Determination of Expected Credit Loss(ECL)</li> <li>• Additional disclosures as per the requirements of the new financial reporting framework</li> </ul> <p>Transition to the new financial reporting framework is an intricate process involving multiple decision points for management i.e: Ind AS 101, First Time Adoption prescribes choices and exemptions for first time application of Ind AS principles at the transition date.</p> <p>We identified the transition date accounting as a key audit matter because of the significant degree of management judgment in the first time application of Ind AS principles as at the transition date particularly in the areas noted above and the additional disclosures associated with transition to Ind AS.</p>	<p>Our key audit procedures included:</p> <p><b>Design / controls</b></p> <ul style="list-style-type: none"> <li>• Assessed the design, implementation and operating effectiveness of key internal controls over management's evaluation of transition date choices and exemptions availed in line with Ind AS 101.</li> </ul> <p><b>Substantive tests</b></p> <ul style="list-style-type: none"> <li>• Evaluated management's transition date choices and exemptions for compliance / acceptability under Ind AS 101;</li> <li>• Understood the approach and methodology adopted by management to implement the transition to Ind AS;</li> <li>• Test checked the computations associated with the transition adjustments;</li> <li>• Assessed areas of significant estimates and management judgement on transition in line with Ind AS principles;</li> <li>• Compared the reasonableness of management assumptions in respect of recognition and measurement of financial instruments, determination of ECL, as at the date of transition etc.</li> </ul>

## Independent Auditors' Report (Continued)

### Information other than the financial statements and auditor's report thereon

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon. The Director's Report and Management Discussion and Analysis Report is expected to be made available to us after the date of this auditor's report.

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 in the 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 management and Board of Directors are 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 state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting



## Independent Auditors' Report (Continued)

estimates and related disclosures made by management.

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

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central

Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

- (A) As required by Section 143(3) of the Act, 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 Changes in Equity and the Statement of Cash Flows 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 and taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March 2019 from being appointed as a Director in terms of Section 164(2) of the Act; and
  - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B"
- (B) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The Company has disclosed the impact of pending litigations as at 31 March 2019 on its financial position in its financial statements - Refer Note 40 to the financial statements;
  - ii. The Company has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative

contracts- Refer Note 38.8 to the financial statements;

- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company;
- iv. The disclosures in the financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2019.

- (C) With respect to the matter to be included in the Auditor's Report under section 197(16) of the Act:  
In our opinion and according to the information and explanations given to us, the remuneration

paid by the Company to its Directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any Director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Co. LLP**

*Chartered Accountants*

Firm's Registration No: 101248W/W-100022

**Akeel Master**

*Partner*

Membership No: 046768

Mumbai  
10 May 2019

## Annexure A to the Independent Auditor's Report – 31 March 2019

(Referred to in our report of even date)

- |  |   |
|--|---|
| <p>(i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment ('PPE').</p> <p>b. The Company has a regular programme of physical verification of its PPE by which all PPE are verified in a phased manner over a period of two years. In our opinion, this periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.</p> <p>c. According the information and explanations given to us and on the basis of our examination of the records of the Company, the Company does not hold any immovable property during the year. Accordingly, paragraph 3(i)(c) of the Order is not applicable.</p> <p>(ii) The Company is a Non-Banking Finance Company (NBFC), engaged in the business of lending. Accordingly, it does not hold any physical inventories. Thus, paragraph 3(ii) of the Order is not applicable to the Company.</p> <p>(iii) According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Act. Accordingly, paragraph 3(iii) of the Order is not applicable to the Company.</p> <p>(iv) According to the information and explanations given to us, the Company has not granted any loans, made investments or provided guarantees under section 185 and 186 of the Act. Accordingly, paragraph 3(iv) of the Order is not applicable.</p> <p>(v) According to the information and explanations given to us, the Company has not accepted any deposits from the public to which the directives issued by the Reserve Bank of India and the provisions of Section 73 to Section 76 or any other relevant provisions of the Act and the rules framed there under apply.</p> <p>(vi) The Central Government has not prescribed the maintenance of cost records under sub section (1) of section 148 of the Act for any of the services rendered by the Company. Accordingly paragraph 3(vi) of the Order is not applicable.</p> | <p>(vii) a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, service tax, goods and services tax, cess and other material statutory dues have generally been regularly deposited by the Company with the appropriate authorities. As explained to us, the company did not have any dues on account of customs duty and excise duty.</p> <p>According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, service tax, goods and services tax, cess and other material statutory dues were in arrears as at 31 March 2019 for a period of more than six months from the date they became payable.</p> <p>b) According to the information and explanations given to us, there are no dues of provident fund, employees' state insurance, income tax, service tax, goods and services tax, cess and other material statutory dues which have not been deposited with the appropriate authorities on account of any dispute.</p> <p>(viii) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of loans or borrowings to financial institutions, banks, Government or debenture holders.</p> <p>(ix) In our opinion and according to the information and explanations given to us, the money raised by way of the term loans have been applied by the Company during the year for the purpose for which it was raised. The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year.</p> <p>(x) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the explanation and information given to us, no material fraud by the Company and no material fraud on the Company</p> |
|--|---|

## Annexure A to the Independent Auditor's Report – 31 March 2019 (Continued)

by its officers or employees has been noticed or reported during the course of our audit.

- (xi) According to the information and explanations give to us and based on our examination of the records of the Company, the Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Act.
- (xii) In our opinion and according to the information and explanations given to us, the Company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable.
- (xiii) According to the information and explanations given to us and based on our examination of the records of the Company, all transactions entered into by the Company with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in the financial statements as required by the applicable accounting standards.
- (xiv) According to the information and explanations given to us and based on our examination of the records

of the Company, the Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year. Accordingly, paragraph 3(xiv) of the Order is not applicable.

- (xv) According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transactions with Directors or persons connected with him. Accordingly, paragraph 3(xiv) of the Order is 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 certificate of registration dated 9 March 2017.

For **B S R & Co. LLP**  
Chartered Accountants  
Firm's Registration No: 101248W/W-100022

Mumbai  
10 May 2019

**Akeel Master**  
Partner  
Membership No: 046768

## **Annexure B to the Independent Auditor's Report – 31 March 2019**

(Referred to in our report of even date)

**Report on the internal financial controls with reference to the aforesaid financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 (Referred to in paragraph (A.f.) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)**

### **Opinion**

We have audited the internal financial controls with reference to financial statements of HDFC Credila Financial Services Private Limited ("the Company") as of 31 March 2019 in conjunction with our audit of the financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2019, based on the internal financial controls with reference to financial statements 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 (the "Guidance Note").

### **Management's Responsibility for Internal Financial Controls**

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls with reference to

financial statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. 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 with reference to financial statements were established and maintained and whether 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 with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

### **Meaning of Internal Financial controls with Reference to Financial Statements**

A company's internal financial controls with reference to financial statements 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 controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in

**Annexure B to the Independent Auditor's Report – 31 March 2019** (Continued)

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 with Reference to Financial Statements**

Because of the inherent limitations of internal financial controls with reference to financial statements, 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 with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **B S R & Co. LLP**

*Chartered Accountants*

Firm's Registration No: 101248W/W-100022

**Akeel Master**

*Partner*

Membership No: 046768

Mumbai  
10 May 2019

## Balance sheet as at 31 March 2019

Particulars	Note No.	(Currency: INR in Lakhs)		
		As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
<b>ASSETS</b>				
<b>1. Financial assets</b>				
(a) Cash and cash equivalents	4	14,295.74	1,288.48	1,018.35
(b) Bank balances other than (a) above	5	141.61	141.61	136.99
(c) Trade receivables	6	27.13	35.84	19.68
(d) Loans	7	533,397.10	423,419.13	330,035.54
(e) Other financial assets	8	235.53	171.40	138.98
<b>Total financial assets</b>		<b>548,097.11</b>	<b>425,056.46</b>	<b>331,349.54</b>
<b>2. Non-financial assets</b>				
(a) Current tax assets (net)	9	60.44	68.16	6.76
(b) Deferred tax assets (net)	10	1,193.00	1,015.00	834.00
(c) Property, plant and equipment	11	191.29	226.49	185.19
(d) Other intangible assets	11	56.95	57.80	11.53
(e) Capital work in progress	11	—	—	3.82
(f) Intangible assets under development	11	—	2.00	—
(g) Other non-financial assets	12	117.52	133.74	39.26
<b>Total non-financial assets</b>		<b>1,619.20</b>	<b>1,503.19</b>	<b>1,080.56</b>
<b>Total assets</b>		<b>549,716.31</b>	<b>426,559.65</b>	<b>332,430.10</b>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
<b>1. Financial liabilities</b>				
(a) Payables				
i) Trade payables				
- Total outstanding dues of micro enterprises and small enterprises		—	—	—
- Total outstanding dues of creditors other than micro enterprises and small enterprises	13	1,018.39	873.65	682.39
(b) Debt securities	14	206,348.37	181,703.29	137,060.86
(c) Borrowings (other than debt securities)	15	222,644.38	152,847.15	132,766.79
(d) Subordinated liabilities	16	47,376.77	39,888.77	24,932.89
(e) Other financial liabilities	17	8,381.70	5,484.78	5,126.18
<b>Total financial liabilities</b>		<b>485,769.61</b>	<b>380,797.64</b>	<b>300,569.11</b>
<b>2. Non-financial liabilities</b>				
(a) Current tax liabilities (net)	18	264.39	196.27	2.36
(b) Provisions	19	288.68	213.29	152.18
(c) Other non-financial liabilities	20	347.36	457.17	463.01
<b>Total non-financial liabilities</b>		<b>900.43</b>	<b>866.73</b>	<b>617.55</b>
<b>Total liabilities</b>		<b>486,670.04</b>	<b>381,664.37</b>	<b>301,186.66</b>
<b>EQUITY</b>				
(a) Equity share capital	21	6,902.08	6,452.64	6,074.20
(b) Other equity	22	56,144.19	38,442.64	25,169.24
<b>Total equity</b>		<b>63,046.27</b>	<b>44,895.28</b>	<b>31,243.44</b>
<b>Total liabilities and equity</b>		<b>549,716.31</b>	<b>426,559.65</b>	<b>332,430.10</b>

See accompanying Notes to the financial statements

As per our report of even date attached.

For **B S R & Co. LLP**  
Chartered Accountants  
Firm's Registration No: 101248W/W-100022

**Akeel Master**  
Partner  
Membership No: 046768

Place : Mumbai  
Date : 10 May 2019

For and on behalf of Board of Directors of  
**HDFC Credila Financial Services Private Limited**  
CIN No: U67190MH2006PTC159411

**V.S.Rangan**  
Chairman  
(DIN - 00030248)

**Madhumita Ganguli**  
Director  
(DIN - 00676830)

**Sudhin Choksey**  
Director  
(DIN - 00036085)

Place : Mumbai  
Date : 10 May 2019

**Anil Bohora**  
Managing Director  
(DIN - 00694396)

**Subodh Salunke**  
Executive Vice Chairman  
(DIN - 03053815)

**Sebastian Fernandez**  
Chief Financial Officer  
(FCA: 112793)

**Ajay Bohora**  
Managing Director & CEO  
(DIN - 00694444)

**Biswamohan Mahapatra**  
Director  
(DIN - 06990345)

**Akanksha Kandoi**  
Company Secretary  
(FCS: 6883)

## Statement of Profit and Loss for the year ended 31 March 2019

(Currency: INR in Lakhs)

Particulars	Note No.	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>I. Revenue from operations</b>			
(a) Interest income	23	59,105.60	47,443.00
(b) Dividend income		65.30	17.85
(c) Fees and commission income	24	1,102.48	1,021.26
(d) Net gain on fair value changes		79.05	—
<b>Total revenue from operations</b>		<b>60,352.43</b>	<b>48,482.11</b>
<b>II. Other income</b>		<b>0.11</b>	<b>0.05</b>
<b>III. Total income (I + II)</b>		<b>60,352.54</b>	<b>48,482.16</b>
<b>IV. Expenses</b>			
(a) Finance costs	25	37,382.77	28,383.99
(b) Impairment on financial instruments (Expected credit loss)	28	270.76	134.74
(c) Employee benefit expense	26	2,942.62	2,619.85
(d) Depreciation and amortisation	11	88.99	63.71
(e) Other expenses	27	3,976.84	3,718.44
<b>Total expenses</b>		<b>44,661.98</b>	<b>34,920.73</b>
<b>V. Profit before Tax (III – IV)</b>		<b>15,690.56</b>	<b>13,561.43</b>
<b>VI. Tax expense</b>			
– Current tax	30	5,694.20	5,084.98
– Deferred tax	31	(172.88)	(181.09)
<b>Total tax expense</b>		<b>5,521.32</b>	<b>4,903.89</b>
<b>VII. Net profit after tax (V – VI)</b>		<b>10,169.24</b>	<b>8,657.54</b>
<b>VIII. Other comprehensive income</b>			
Items that will not be reclassified to profit or loss			
– Remeasurement of the defined benefit plans		(9.54)	0.12
<b>Other comprehensive income</b>		<b>(9.54)</b>	<b>0.12</b>
<b>IX. Total comprehensive income (VII + VIII)</b>		<b>10,159.70</b>	<b>8,657.66</b>
<b>X. Earnings per equity share:</b>			
(a) Basic (in ₹)	32	15.05	14.03
(b) Diluted (in ₹)	32	8.30	7.42
(c) Face value per share (in ₹)		10	10

### See accompanying Notes to the Financial Statements

As per our report of even date attached.

For **B S R & Co. LLP**  
Chartered Accountants  
Firm's Registration No: 101248W/W-100022

For and on behalf of Board of Directors of  
HDFC Credila Financial Services Private Limited  
CIN No: U67190MH2006PTC159411

**V.S.Rangan**  
Chairman  
(DIN – 00030248)

**Anil Bohora**  
Managing Director  
(DIN – 00694396)

**Ajay Bohora**  
Managing Director & CEO  
(DIN – 00694444)

**Akeel Master**  
Partner  
Membership No: 046768

**Madhumita Ganguli**  
Director  
(DIN – 00676830)

**Subodh Salunke**  
Executive Vice Chairman  
(DIN – 03053815)

**Biswamohan Mahapatra**  
Director  
(DIN - 06990345)

**Sudhin Choksey**  
Director  
(DIN – 00036085)

**Sebastian Fernandez**  
Chief Financial Officer  
(FCA: 112793)

**Akanksha Kandoi**  
Company Secretary  
(FCS: 6883)

Place : Mumbai  
Date : 10 May 2019

Place : Mumbai  
Date : 10 May 2019



## Statement of Changes in Equity for the year ended 31 March 2019

### A. Equity share capital

(Currency: INR in Lakhs)

Particulars	Amount
<b>Issued, Subscribed and fully paid up:</b>	
Balance as at 01 April 2017	6,074.20
<b>Issued during the year:</b>	
– Rights issue to Housing Development Finance Corporation Limited (the Holding Company)	378.44
<b>Balance as at 31 March 2018</b>	<b>6,452.64</b>
<b>Balance as at 01 April 2018</b>	<b>6,452.64</b>
<b>Issued during the year:</b>	
– Rights issue to Housing Development Finance Corporation Limited (the Holding Company)	449.44
<b>Balance as at 31 March 2019</b>	<b>6,902.08</b>

### B. Other equity

(Currency: INR in Lakhs)

Particulars	Note No.	Non cumulative compulsorily convertible preference shares (CCPS)	Reserves and surplus				Other comprehensive income	Total
			Capital reserve	Securities premium	Retained earnings	Statutory reserve RBI		
Balance as at 01 April 2017		6,700.00	109.46	5,680.04	9,348.15	3,331.59	–	25,169.24
Profit for the year	22	–	–	–	8,657.54	–	–	8,657.54
Other comprehensive income for the year							0.12	0.12
<b>Total comprehensive income for the year</b>					<b>8,657.54</b>		<b>0.12</b>	<b>8,657.66</b>
Transfer from retained earnings	22	–	–	–	(1,741.50)	1,741.50	–	–
Expenses incurred in respect of issue of equity capital		–	–	(5.00)	–	–	–	(5.00)
<b>Transactions with owners, recorded directly in equity</b>								
Dividend on compulsorily convertible preference shares		–	–	–	(0.67)	–	–	(0.67)
Dividend distribution tax		–	–	–	(0.14)	–	–	(0.14)
Securities premium on fresh equity shares issued	21	–	–	4,621.55	–	–	–	4,621.55
<b>Total transactions with owners, recorded directly in equity</b>				<b>4,621.55</b>	<b>(0.81)</b>			<b>4,620.74</b>
<b>Balance as at 31 March 2018</b>		<b>6,700.00</b>	<b>109.46</b>	<b>10,296.59</b>	<b>16,263.38</b>	<b>5,073.09</b>	<b>0.12</b>	<b>38,442.64</b>
<b>Balance as at April 1, 2018</b>		<b>6,700.00</b>	<b>109.46</b>	<b>10,296.59</b>	<b>16,263.38</b>	<b>5,073.09</b>	<b>0.12</b>	<b>38,442.64</b>
Profit for the year		–	–	–	10,169.24	–	–	10,169.24
Other comprehensive income for the year		–	–	–	–	–	(9.54)	(9.54)
<b>Total comprehensive income for the year</b>					<b>10,169.24</b>		<b>(9.54)</b>	<b>10,159.70</b>
Transfer from retained earnings		–	–	–	(2,033.85)	2,033.85	–	–
Expenses incurred in respect of issue of equity capital		–	–	(8.00)	–	–	–	(8.00)
<b>Transactions with owners, recorded directly in equity</b>								
Dividend on compulsorily convertible preference shares		–	–	–	(0.67)	–	–	(0.67)
Dividend distribution tax		–	–	–	(0.14)	–	–	(0.14)
Securities premium on fresh equity shares issued	21	–	–	7,550.66	–	–	–	7,550.66
<b>Total transactions with owners, recorded directly in equity</b>				<b>7,550.66</b>	<b>(0.81)</b>			<b>7,549.85</b>
<b>Balance as at 31 March 2019</b>		<b>6,700.00</b>	<b>109.46</b>	<b>17,839.25</b>	<b>24,397.96</b>	<b>7,106.94</b>	<b>(9.42)</b>	<b>56,144.19</b>

See accompanying Notes to the Financial Statements

As per our report of even date attached.

For **B S R & Co. LLP**  
Chartered Accountants  
Firm's Registration No: 101248W/W-100022

**Akeel Master**  
Partner  
Membership No: 046768

Place : Mumbai  
Date : 10 May 2019

For and on behalf of Board of Directors of  
**HDFC Credila Financial Services Private Limited**  
CIN No: U67190MH2006PTC159411

**V.S.Rangan**  
Chairman  
(DIN – 00030248)  
**Madhumita Ganguli**  
Director  
(DIN – 00676830)  
**Sudhin Choksey**  
Director  
(DIN – 00036085)

Place : Mumbai  
Date : 10 May 2019

**Anil Bohora**  
Managing Director  
(DIN – 00694396)  
**Subodh Salunke**  
Executive Vice Chairman  
(DIN – 03053815)  
**Sebastian Fernandez**  
Chief Financial Officer  
(FCA: 112793)

**Ajay Bohora**  
Managing Director & CEO  
(DIN – 00694444)  
**Biswamohan Mahapatra**  
Director  
(DIN - 06990345)  
**Akanksha Kandoi**  
Company Secretary  
(FCS: 6883)

## Statement of Cash Flow for the year ended 31 March 2019

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>A. Cash flow from operating activities</b>		
Profit before tax	15,690.56	13,561.43
<i>Adjustments to reconcile profit before tax to net cash flows :</i>		
Depreciation & amortisation	88.99	63.71
Impairment on financial instruments	270.76	134.74
(Profit)/loss on property, plant and equipment discarded	1.26	0.24
Interest expense	37,223.79	28,252.92
Interest income	(59,105.60)	(47,443.00)
Interest on income tax payable	—	58.00
Provision for employee benefits	53.60	72.91
<b>Working capital changes</b>		
Loans	(92,930.60)	(92,124.20)
Trade receivables	8.71	(16.16)
Trade payable	144.73	191.27
Other financial assets	(64.13)	(32.42)
Other non financial assets	16.22	(94.49)
Other non financial liabilities and provisions	(118.68)	(19.87)
Purchase of investments	(1,67,500.00)	(45,700.00)
Sale of investments	1,67,500.00	45,700.00
Bank balances other than cash and cash equivalents		
- Placed	(1,10,001.00)	(135.00)
- Matured	1,10,001.00	130.00
Income tax paid	(5,618.35)	(5,010.47)
Interest received	41,808.58	46,051.31
<b>Net cash flows used in operating activities</b>	<u>(62,530.16)</u>	<u>(56,359.08)</u>
<b>B. Cash flow from investing activities</b>		
Purchase of fixed and intangible assets	(52.33)	(150.00)
Proceeds from sale of property and equipment	0.15	0.29
<b>Net cash flows used in investing activities</b>	<u>(52.18)</u>	<u>(149.71)</u>
<b>C. Cash flow from financing activities</b>		
Debt securities issued	3,02,719.20	2,68,428.09
Debt securities repaid	(2,82,500.00)	(2,27,500.00)
Borrowings other than debt securities issued	3,38,052.12	1,92,153.57
Borrowings other than debt securities repaid	(2,68,177.14)	(1,72,068.66)
Subordinated liabilities issued	7,476.87	14,948.27
Proceeds from issue of equity shares (net of issue expenses)	7,992.00	4,994.99
Dividends paid including DDT	(0.81)	(0.81)
Interest paid	(29,972.65)	(24,176.52)
<b>Net cash flows from financing activities</b>	<u>75,589.60</u>	<u>56,778.92</u>
<b>Net increase/(decrease) in cash and cash equivalents (A+B+C)</b>	<u>13,007.26</u>	<u>270.13</u>
Cash and cash equivalents at the beginning of the year	1,288.48	1,018.35
<b>Cash and cash equivalents at the end of the year [Refer note no 4]</b>	<u>14,295.74</u>	<u>1,288.48</u>

Note: The above statement of cash flow has been prepared under the 'indirect method' as set out in Ind AS 7 on 'Statement of Cash Flows'.

See accompanying notes forming part of the financial statements

As per our report of even date attached.

For **B S R & Co. LLP**  
Chartered Accountants  
Firm's Registration No: 101248W/W-100022

**Akeel Master**  
Partner  
Membership No: 046768

Place : Mumbai  
Date : 10 May 2019

For and on behalf of Board of Directors of  
**HDFC Credila Financial Services Private Limited**  
CIN No: U67190MH2006PTC159411

**V.S.Rangan**  
Chairman  
(DIN - 00030248)

**Madhumita Ganguli**  
Director  
(DIN - 00676830)

**Sudhin Choksey**  
Director  
(DIN - 00036085)

Place : Mumbai  
Date : 10 May 2019

**Anil Bohora**  
Managing Director  
(DIN - 00694396)

**Subodh Salunke**  
Executive Vice Chairman  
(DIN - 03053815)

**Sebastian Fernandez**  
Chief Financial Officer  
(FCA: 112793)

**Ajay Bohora**  
Managing Director & CEO  
(DIN - 00694444)

**Biswamohan Mahapatra**  
Director  
(DIN - 06990345)

**Akanksha Kandoi**  
Company Secretary  
(FCS: 6883)

## Notes to the Financial Statements (Continued)

### 1. Company Overview

HDFC Credila Financial Services Private Limited (the “Company”) is engaged in the business of originating, funding and servicing loans for the education of Indian students and in providing ancillary services related to the said business activities. With effect from July 09, 2010, the Company became subsidiary of Housing Development Finance Corporation Limited (“HDFC”/ the “Holding Company”). The Company is Systemically Important Non-deposit taking Non-Banking Financial Company (“NBFC”).

The Company is domiciled in India as a Private Limited Company having its Registered Office at B 301, Citi Point, Next to Kohinoor Continental, Andheri-Kurla Road, Andheri (East), Mumbai - 400 059. The Company’s Debt Securities are listed on the Bombay Stock Exchange.

Pursuant to Section 13 and other applicable provisions of the Companies Act, 2013 (the Act), and the Rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), the name of the Company has been changed from “Credila Financial Services Private Limited” to “HDFC Credila Financial Services Private Limited” w.e.f. February 19, 2017.

### 2. Basis of Preparation

#### 2.1 Statement of compliance and basis of preparation and presentation of financial statements

The financial statements have been prepared in accordance with the Indian Accounting Standards as per the Companies (Indian Accounting Standards) Rules, 2015 as amended and notified under section 133 of the Companies Act, 2013 on 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 and the relevant provisions of the Act.

Effective April 1, 2018, the Company has 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. An explanation of how transition to Ind AS has affected previously reported financial position, financial performance and cash flow of the Company is provided in Note 39.

The Company’s financial statements upto and for the year ended March 31, 2018 were prepared in accordance with the Generally Accepted Accounting Principles in India (IGAAP) under the historical cost convention as a going concern and on accrual basis, unless otherwise stated, and in accordance with the provisions of the Companies Act, 2013 (“the Act”), the Accounting Standards specified under section 133 of the Act read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended), prudential norms for Income Recognition, assets classification and provisioning for Non-performing assets as well as contingency provision for Standard assets as prescribed by the Reserve Bank of India (RBI) for NBFCs and the guidelines issued by Securities and Exchange Board of India (SEBI) to the extent applicable, collectively referred as “Previous GAAP”.

Accounting policies have been consistently applied except where a newly-issued accounting standard is initially adopted or a revision to an existing accounting standard requires a change in the accounting policy hitherto in use.

These financial statements were approved by the Company’s Board of Directors and authorised for issue on May 10, 2019.

The Balance Sheet, the Statement of Profit and Loss and the Statement of Changes in Equity 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”.

Amounts in the financial statements are presented in Indian Rupees in Lakhs rounded off to two decimal places as permitted by Schedule III to the Act. Per share data is presented in Indian Rupee to two decimal places. The Company presents its Balance Sheet in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date is presented in Note 32.

## Notes to the Financial Statements (Continued)

### 2.2 Functional and presentation currency

The financial statements are presented in Indian Rupees (₹) which is the functional and the presentation currency and all values are rounded to the nearest lakh, except when otherwise indicated.

### 2.3 Basis of measurement

The financial statements have been prepared on historical cost basis, except for financial instruments which are measured at fair value.

Historical cost is generally the amount of cash or cash equivalents paid or 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 if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value measurements under Ind AS are categorised into fair value hierarchy 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 quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at measurement date
- Level 2 inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 where unobservable inputs are used for the valuation of assets or liabilities

### 2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS requires the Management to make estimates, judgements and assumptions. These estimates, judgements and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as the Management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the financial statements.

Following areas entail a high degree of estimate and judgement or complexity in determining the carrying amount of some assets and liabilities.

#### 1. Impairment of financial assets – Note 28 & 37.1.2

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

The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Company's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a Lifetime ECL basis and the qualitative assessment.

## Notes to the Financial Statements (Continued)

- The segmentation of financial assets
- Determination of associations between macroeconomic scenarios and economic inputs such as unemployment levels and collateral values and the effect on PDs.
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The Company's policy is to regularly review its models in the context of actual loss experience and adjust when necessary. Refer note 37.1.2.

### 2. Effective Interest Rate (EIR) Method – Note 23 and Note 25

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

This estimation, by nature, requires an element of judgement regarding the expected behaviour and life-cycle of the instruments, and fee income/expense that are integral parts of the instrument.

3. Recognition of deferred tax assets; availability of future taxable profits against which tax losses carried forward can be used – Note 10
4. Measurement of defined benefit obligations; key actuarial assumptions – Note 29 and
5. Provisions and other contingent liabilities – Note 19 & 40

The Company operates in a regulatory and legal environment that, by nature, has a heightened element of litigation risk inherent to its operations and in the ordinary course of the Company's business.

When the Company can reliably measure the outflow of economic benefits in relation to a specific case and considers such outflows to be probable, the Company recognises a provision against the case. Where the probability of outflow is considered to be remote, or probable, but a reliable estimate cannot be made, a contingent liability is disclosed.

Given the subjectivity and uncertainty of determining the probability and amount of losses, the Company takes into account a number of factors including legal advice, the stage of the matter and historical evidence from similar incidents. Significant judgement is required to conclude on these estimates.

## 3. Significant Accounting Policies

### 3.1 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured and there exists reasonable certainty of its recovery.

#### 3.1.1 Interest income - effective interest rate method

Interest income on financial instruments measured 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 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 and commission paid to 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 statement of profit and 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

## Notes to the Financial Statements (Continued)

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)).

### 3.1.2 Dividend income

Dividend income is accounted as and when right to receive dividend is established.

The gain / loss on account of redemption of units of mutual funds is recognised in the period in which redemption occurs.

### 3.1.3 Commission income

Income from commission includes [i] fees received from the authorised dealers on referral of foreign exchange, travel insurance business and sim cards & mobile plans, [ii] income on sourcing of insurance business to fellow subsidiary company, [iii] income on sourcing of home loan and fixed deposits to Holding Company. The Company recognises commission income in accordance with the terms of the relevant agreement and when it is probable to expect the ultimate collection.

### 3.1.4 Other fees

Other fees represents documentation charges, cheque bouncing charges, penal interest charges and other fees is recognised as income when the amount become due and there is no uncertainty in realisation.

## 3.2 Financial instruments

### 3.2.1 Recognition and initial measurement

Financial assets and liabilities, with the exception of loans, debt securities and borrowings are initially recognised at fair value on the trade date, i.e. the date that the Company becomes a party to the contractual provisions of the instrument. Loans are recognised when funds are transferred to the customers' account. The Company recognises debt securities and borrowings when funds are received by the Company.

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 designated at FVTPL are recognised immediately in statement of profit and loss.

### 3.2.2 Classification and subsequent measurement

#### Financial Assets

The Company classifies and measures all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either

- Amortised cost
- FVTPL
- **Amortised cost**

The Company measures cash and bank balances, loans and advances, trade receivables and other financial assets at amortised cost. The Company assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Company's business model for managing the asset.

#### Business Model assessment

The Company determines the business model at a level that reflects how financial assets are managed together to achieve a particular business objective. The Company's business model does not depend on management's intentions for an individual instrument, therefore the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Company considers all relevant information available when making the business model assessment.

## Notes to the Financial Statements (Continued)

The Company takes into account all relevant evidence available such as:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the Company's key management personnel;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and in particular, the way in which those risks are managed; and
- how managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Company determines whether newly recognised financial assets are part of an existing business model or whether they reflect a new business model. The Company reassess its business models each reporting period to determine whether the business models have changed since the preceding period.

### Solely payments of principal and interest (SPPI) test

For an asset to be classified and measured at amortised cost, its contractual terms should give rise to cash flows that meets the SPPI test on the principal outstanding.

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.

- **FVTPL**

Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in statement of profit and loss.

### Subsequent measurement and gains and losses

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

Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment loss are recognised in statement of profit and loss. Any gain or loss on derecognition is recognised in statement of profit and loss.
Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit and loss.

## Notes to the Financial Statements (Continued)

### Financial liabilities and equity instruments

- **Classification as debt or equity**

Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

- **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

- **Financial Liabilities**

Financial liabilities are classified as measured at amortised cost.

### Subsequent measurement and gains and losses

Financial liabilities, which are classified as measured at amortised cost are subsequently measured at amortised cost using the effective interest method. Interest expense is recognised in statement of profit and loss. Any gain or loss on derecognition is also recognised in profit or loss.

### Compound instruments

The component parts of compound instruments (e.g. compulsorily convertible preference shares) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. Subsequent to initial recognition, the liability component of the compulsorily convertible preference shares is measured at amortised cost.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital and share premium. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain/loss is recognised in statement of profit and loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the compulsorily convertible preference shares are allocated to the liability and equity components in proportion to the allocation of the initial carrying amounts. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the life of the convertible notes using the effective interest method.

### Undrawn commitments

Undrawn loan commitments are commitments under which, over the duration of the commitment, the Company is required to provide a loan with pre-specified terms to the customer. Commitment starts from the date of the loan draw down till the study period is over or the amount is fully drawn down, whichever is earlier. Undrawn loan commitments are in the scope of the ECL requirements.

The nominal contractual value of undrawn loan commitments, where the loan agreed to be provided is on market terms, are not recorded in the balance sheet. The nominal values of these instruments together with the corresponding ECLs are disclosed in Note 37.1.2.



## Notes to the Financial Statements (Continued)

### 3.2.3 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 results in reclassifying the Company's financial assets. Changes in contractual cash flows are considered under the accounting policy on Modification and derecognition of financial assets described below.

### 3.2.4 Modification and derecognition

#### Financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Company provides education loans and some of the terms and conditions of these loans are based on future conditions that are envisaged at the time of the sanctioning / disbursement of the loan, e.g. Study period is based on selection of course / terms and actual completion of study. Due to these conditions, the amount, tenure, etc. of the cash flows from the loans may undergo changes till the starting of EMI on the loan. The change in terms till such time are not considered as modification of financial assets since these are as per the original terms of the loan.

The Company, as a practise, does not renegotiate loans to customers in financial difficulty. The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial assets are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial assets.

#### Financial Liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in statement of profit and loss.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in statement of profit and loss.

### 3.2.5 Impairment

The Company recognises allowances for ECLs for loans and advances to customers, other debt financial assets not measured at FVTPL, along with loan commitments issued, together referred to as 'financial instruments'. Equity instruments are not subject to impairment.

ECL is required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. loss allowance on default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

## Notes to the Financial Statements (Continued)

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired or whether the credit risk on that financial asset has increased significantly since the initial recognition. A loss allowance for 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, ECL is measured at an amount equal to the 12-month ECL.

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: When loans are first recognised, the Company recognises an allowance based on 12-month ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from Stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, the Company records an allowance for the lifetime expected credit loss. Stage 2 loans also include facilities, where the credit risk has improved and the loan has been reclassified from Stage 3.
- Stage 3: Loans considered credit-impaired. The Company records an allowance for the lifetime expected credit loss.

For 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) de-recognition of the financial asset.

### Measurement of expected credit losses

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

The Company measures ECL on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's EIR, regardless of whether it is measured on an individual basis or a collective basis.

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

The Probability of Default (PD) is defined as the probability of whether the borrowers will default on their obligations in the future.

The Exposure at Default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected draw downs on committed facilities, and accrued interest from missed payments.

The Loss Given Default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time.

When estimating the PD with forward looking assumptions, the Company considers three scenarios (a base case, an upside and a downside).

### Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

## Notes to the Financial Statements (Continued)

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- restructuring of loan due to financial difficulty of the borrower;
- bankruptcy of the borrower;

It may not be possible to identify a single discrete event instead, the combined effect of several events may have caused financial assets to become credit-impaired.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment.

### Definition of default

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Company considers the following as constituting an event of default:

- the borrower is past due more than 90 days on any material credit obligation to the Company; or
- the borrower is unlikely to pay its credit obligations to the Company in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Company takes into account both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation to the Company of the same counterparty are key inputs in this analysis.

### Significant increase in credit risk

The Company monitors all financial instruments that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL. The Company's accounting policy on loans and advances is not to use the practical expedient for financial assets that financial assets with 'low' credit risk at the reporting date are deemed not to have had a significant increase in credit risk. As a result, the Company monitors all financial assets, in the nature of loans and advances and issued loan commitments that are subject to impairment for significant increase in credit risk.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognised. In making this assessment, the Company considers qualitative information that is reasonable and supportable, including the Company's historical experience and forward-looking information that is available without undue cost or effort, including future prospects of general economic conditions based on forecasts of economic information.

As a back-stop when an asset becomes 30 days past due, the Company considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

### Trade receivables and contract assets

The Company follows 'simplified approach' for recognition of impairment loss allowance on trade receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather,

## Notes to the Financial Statements (Continued)

it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition. The Company uses a provision matrix to determine impairment loss allowance on portfolio of its trade receivables. The provision matrix is based on its historically observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated for changes in the forward-looking estimates.

### 3.2.6 Collateral valuation and repossession

To mitigate the credit risk on financial assets, the Company seeks to use collateral, where possible as per the Board approved Credit Policy. The Company provides fully secured, partially secured and unsecured education loans to individuals. The parameters relating to acceptability and valuation of each type of collateral is a part of the Credit Policy of the Company.

In its normal course of business, the Company does not physically repossess properties in its retail portfolio. For other collaterals the Company liquidates the assets and recovers the amount due against the loan. Any surplus funds are returned to the customers/obligors.

### 3.2.7 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 could result in impairment gains.

### 3.2.8 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- for financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets; and
- for loan commitments: as a provision.

## 3.3 Leases

The determination of whether an arrangement is a lease, or contains a lease, is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets or whether the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

### Operating leases

#### As a lessee

Lease arrangements where the risks and rewards incidental to ownership of an asset substantially vest with the lessor are recognised as operating leases.

Lease rentals on assets under operating lease are charged to the statement of profit and loss on a straight line basis over the term of the relevant lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

## 3.4 Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

## 3.5 Property, plant and equipment (PPE)

### Recognition and measurement

## Notes to the Financial Statements (Continued)

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. Advances paid in respect of PPE are presented under other non financial assets.

PPE not ready for the intended use on the date of the Balance Sheet is disclosed as “capital work-in-progress”.

### Subsequent Expenditure

The Company does not recognise in the carrying amount of an item of property, plant and equipment the costs of the day-to-day servicing of the item. Rather, these costs are recognised in statement of profit and loss as incurred.

### Depreciation

Depreciation is recognised using straight line method over the estimated useful lives of PPE, as specified in Schedule II to the Act, except in respect of Computers and data processing equipment. Depreciation method is reviewed at each financial year end to reflect expected pattern of consumption of the future economic benefits embodied in the asset. The estimated useful life and residual values are also reviewed at each financial year end with the effect of any change in the estimates of useful life/residual value is accounted on prospective basis.

Depreciation for additions to/deductions from, owned assets is calculated pro rata to the period of use. Depreciation charge for impaired assets is adjusted in future periods in such a manner that the revised carrying amount of the asset is allocated over its remaining useful life.

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 statement of profit and loss.

Following is the summary of useful lives of the assets as per management’s estimate and as required by the Companies Act, 2013 except assets individually costing less than Rupees five thousand which are fully depreciated in the year of purchase / acquisition:

Class of assets	Useful life
Computers*	4 years
Furniture & Fittings	10 years
Office Equipment	5 years

\*In case of Computers, life has been assessed as based on technical advice, taking into account the nature of the asset, the estimated usage of the asset, the operating conditions of the asset, past history of replacement, anticipated technological changes, manufacturers warranties and maintenance support etc. Hence, their useful life adopted by the Company is different from the useful life as prescribed under Part C of Schedule II of the Companies Act, 2013.

### 3.6 Intangible assets

Intangible assets are recognised when it is probable that the future economic benefits that are attributable to the asset will flow to the Company 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 not ready for use on the date of Balance Sheet is disclosed as ‘Intangible assets under development’.

## Notes to the Financial Statements (Continued)

Intangible assets are amortised on straight line basis over the estimated useful life of 5 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.

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 statement of profit and loss when the asset is derecognised.

### 3.7 Impairment of non financial assets

As at the end of each accounting year, the Company reviews the carrying amounts of its PPE and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the PPE and intangible assets are tested for impairment so as to determine the impairment loss, if any.

Impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If recoverable amount of an asset is estimated to be less than its carrying amount, such deficit is recognised immediately in the Statement of Profit and Loss as impairment loss and the carrying amount of the asset is reduced to its recoverable amount.

In respect of assets for which impairment loss has been recognised in prior periods, the Company reviews at each reporting date whether there is any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Such a reversal is made only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 3.8 Employee benefits

#### i) Short term employee benefits

The undiscounted amount of employee benefits expected to be paid in exchange for the services rendered by employees are recognised during the year when the employees render the service. These benefits include performance incentive and compensated absences.

#### ii) Defined contribution plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts.

##### Provident fund

The Company's contribution paid/ payable during the year towards provident fund is charged to Statement of Profit and Loss every year. In accordance with the applicable law, all employees of the Company are entitled to receive benefits under the Provident Fund Act, 1952. The Company contributes an amount on a monthly basis at a determined rate to the pension scheme administered by the Regional Provident Fund Commission (RPFC) and the Company has no liability for future Provident Fund benefits other than its annual contribution, since it is a defined contribution plan.

#### iii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

##### Gratuity and other post retirement benefits

The Company's net obligation in respect of defined benefit plans is calculated by estimating the

## Notes to the Financial Statements (Continued)

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.

Gratuity is a defined benefit plan. The cost of providing benefits is determined 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 ('the asset ceiling'). In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements.

Remeasurements 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 in OCI. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. 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 a plan is curtailed, the resulting change in benefit that relates to past service ('past service cost' or 'past service gain') or the gain or loss in 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.

### iv) **Other long term employee benefits**

Compensated absences which are not expected to occur within twelve months after the end of the period in which the employee renders the related service are recognised as a liability at the present value of the defined benefit obligation as at the balance sheet date as determined basis Actuarial valuation.

### 3.9 Provisions, contingent liabilities and contingent assets

Provisions are recognised only when:

- the Company has a present obligation (legal or constructive) as a result of a past event; and
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation

Provision is measured using the cash flows estimated to settle the present obligation and when the effect of time value of money is material, the carrying amount of the provision is the present value of those cash flows. Reimbursement expected in respect of expenditure required to settle a provision is recognised only when it is virtually certain that the reimbursement will be received.

Contingent liability is disclosed in case of:

- 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
- a present obligation arising from past events, when no reliable estimate is possible.

Contingent assets are disclosed where an inflow of economic benefits is probable. Provisions, contingent liabilities and contingent assets are reviewed at each Balance Sheet date.

Where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under such contract, the present obligation under the contract is recognised and measured as a provision.

## Notes to the Financial Statements (Continued)

### 3.10 Taxes

Income tax expense comprises current and deferred taxes. Income tax expense is recognised in the Statement of Profit and Loss except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case tax is also recognised outside profit or loss.

#### Current tax

Current income taxes are determined based on taxable income of the Company. Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

#### Deferred tax

Deferred tax assets and liabilities are recognised for the future tax consequences of temporary differences between the carrying values of assets and liabilities and their respective tax bases, and unutilized business loss and depreciation carry-forwards and tax credits. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses, depreciation carry-forwards and unused tax credits could be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured based on the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

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.

### 3.11 Goods and services tax input credit

Goods and services tax input credit is recognised in the books of accounts in the period in which the supply of goods or service received is recognised and when there is no uncertainty in availing/utilising the credits. Expenses and assets are recognised net of the goods and services tax/value added taxes paid, except:

- When the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the tax paid is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of tax included

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

### 3.12 Securities premium Account

The issue expenses of securities which qualify as equity instruments are written off against securities premium account.

### 3.13 Borrowing costs

Borrowing costs include interest expense calculated using the EIR method. EIR includes interest, amortization of ancillary cost, incurred in connection with the borrowing of funds.

Other borrowing costs are recognised as an expense in the period in which they are incurred.



## Notes to the Financial Statements (Continued)

### 3.14 Foreign currencies

Transactions in currencies other than the Company's functional currency are recorded on initial recognition using the exchange rate at the transaction date. At each Balance Sheet date, foreign currency monetary assets and liabilities are reported at the prevailing closing spot rate. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated. Exchange differences that arise on settlement of monetary items or on reporting of monetary items at each Balance Sheet date at the closing spot rate are recognised in the statement of profit and loss in the period in which they arise.

### 3.15 Segments

The Company's operations predominately relate to providing education loans in India. Based on the 'management approach' as defined in Ind AS 108, the Chief Operating Decision Maker (CODM) evaluates the Company's performance and allocates resources and based on the analysis, the CODM has concluded that there are no separate reportable segments.

### 3.16 Earnings per share (EPS)

Basic EPS is calculated by dividing the profit or loss that is attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss that is attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

### 3.17 Commitments

Commitments are future liabilities for contractual expenditure, classified and disclosed as follows:

- estimated amount of contracts remaining to be executed on capital account and not provided for;
- uncalled liability on shares and other investments partly paid;
- funding related commitment to associate and joint venture companies; and
- other non-cancellable commitments, if any, to the extent they are considered material and relevant in the opinion of management.

### 3.18 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:

- changes during the period in operating receivables and payables transactions of a non-cash nature;
- non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses; and
- 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.

### 3.19 Standards issued but not effective

Following are the new standards and amendments to existing standards (as notified by Ministry of Corporate Affairs (MCA) on March 30, 2019 as part of the Companies (Ind AS) Amendment Rules, 2019) which are effective for the annual period beginning from April 01, 2019. The Company intends to adopt these standards and amendments from the effective date.

#### Ind AS 116 – Leases:

Ind AS 116 is applicable for financial reporting periods beginning on or after April 01, 2019 and replaces existing lease accounting guidance, namely Ind AS 17 Leases. Ind AS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The nature of expenses related to those leases will change as Ind AS 116 replaces the operating lease expense (i.e. rent) with depreciation charge for ROU assets and interest expense on lease

## Notes to the Financial Statements (Continued)

liabilities. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Company plans to apply Ind AS 116 on April 01, 2019, using the modified retrospective approach. Therefore, the impact (if any) on adoption of the new standard will be recognised as an adjustment to the opening balance of retained earnings as at April 01, 2019, with no restatement of comparative information. The Company is in the process of analysing the impact of new lease standard on its financial statements.

### **Amendments to existing Ind AS:**

The following amended standards are not expected to have a significant impact on the Company's financial statements. This assessment is based on currently available information and is subject to changes arising from further reasonable and supportable information being made available to the Company when it adopts the respective amended standards.

#### **(i) Amendment to Ind AS 12 Income Taxes:**

Income tax consequences of distribution of profits (i.e. dividends), including payments on financial instruments classified as equity, should be recognised when a liability to pay dividend is recognised. The income tax consequences should be recognised in the Statement of Profit and Loss, Other Comprehensive Income or equity according to where the past transactions or events that generated distributable profits were originally recognised.

Appendix C has been added to Ind AS 12 which seeks to bring clarity to the accounting for uncertainties on income tax treatments that are yet to be accepted by tax authorities and to reflect it in the measurement of current and deferred taxes.

#### **(ii) Amendments to Ind AS 109 Financial Instruments:**

A financial asset would be classified and measured at amortised cost or at Fair Value Through Other Comprehensive Income (FVOCI) if its contractual cash flows are solely in the nature of principal and interest on the principal amount outstanding (SPPI criterion).

An exception has been prescribed to the classification and measurement requirements with respect to the SPPI criterion for financial assets that:

- Have a prepayment feature which results in a negative compensation.
- Apart from the prepayment feature, other features of the financial asset would have contractual cash flows which would meet the SPPI criterion, and
- The fair value of the prepayment feature is insignificant when the entity initially recognises the financial asset. If this is impracticable to assess based on facts and circumstances that existed on initial recognition of the asset, then the exception would not be available.

Such financial assets could be measured at amortised cost or at FVOCI based on the business model within which they are held.

#### **(iii) Amendments to Ind AS 19 Employee Benefits**

When a defined benefit plan is amended, curtailed or settled, entities would be required to use updated actuarial assumptions to determine its current service cost and net interest for the remainder of the annual reporting period (post the plan amendment, curtailment or settlement).

The effect of the asset ceiling would not be considered while calculating the gain or loss on any settlement of the plan. Subsequently, it would be recognised in Other Comprehensive Income.

The amendments that are not yet effective, made to the following existing standards, does not have any impact on the Company's financial statements:

- Ind AS 23 Borrowing Costs
- Ind AS 28 Investments in Associate and Joint Ventures
- Ind AS 103 Business Combinations
- Ind AS 111 Joint Arrangements

## Notes to the Financial Statements (Continued)

### 4 CASH AND CASH EQUIVALENTS

(Currency: INR in Lakhs)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Balances with bank			
— In current accounts	14,295.74	1,287.48	982.85
— In deposits accounts having original maturity less than 3 months	—	1.00	35.50
	<u>14,295.74</u>	<u>1,288.48</u>	<u>1,018.35</u>

Balances with banks in current account does not earn any interest. Balance in deposit account earns interest at fixed rates for varying periods of between one day and three months, depending on the immediate cash requirements of the Company.

### 5. BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

(Currency: INR in Lakhs)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
In deposits accounts having original maturity more than 3 months	16.61	16.61	16.99
Deposits with banks to the extent held as security against the borrowings and guarantees*	125.00	125.00	120.00
	<u>141.61</u>	<u>141.61</u>	<u>136.99</u>

\*Deposits of ₹ 100 lakhs (as on 31 March 2018 ₹ 100 lakhs; as on 01 April 2017 ₹ 120 lakhs) are marked as lien for overdraft facility from Punjab National Bank & Deposits of ₹ 25 lakhs (as on 31 March 2018 ₹ 25 lakhs; as on 01 April 2017 ₹ Nil) are marked as lien for bank guarantee given to UIDAI.

### 6. TRADE RECEIVABLES

(Currency: INR in Lakhs)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Unsecured; considered good	27.13	35.84	19.68
Unsecured; which have significant increase in credit risk	—	—	—
	<u>27.13</u>	<u>35.84</u>	<u>19.68</u>
Provision for impairment	—	—	—
	<u>27.13</u>	<u>35.84</u>	<u>19.68</u>

Trade Receivables includes amounts due from the related parties ₹ 1.28 lakhs (as on March 31, 2018: ₹ 12.52 lakhs; as on April 01, 2017: ₹ 0.99 lakhs) [Refer Note 34].

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

## Notes to the Financial Statements as at 31 March 2019 (Continued)

(Currency: INR in Lakhs)

Trade receivable days past due		Current	1-30 days past due	31-60 days past due	61-90 days past due	91-360 days past due	More than 360 days past due	Total
March 31, 2019	Estimated total gross carrying amount at default	27.13	–	–	–	–	–	27.13
	ECL- simplified approach	–	–	–	–	–	–	–
	Net carrying amount	27.13	–	–	–	–	–	27.13
March 31, 2018	Estimated total gross carrying amount at default	35.84	–	–	–	–	–	35.84
	ECL- simplified approach	–	–	–	–	–	–	–
	Net carrying amount	35.84	–	–	–	–	–	35.84
April 1, 2017	Estimated total gross carrying amount at default	19.68	–	–	–	–	–	19.68
	ECL- simplified approach	–	–	–	–	–	–	–
	Net carrying amount	19.68	–	–	–	–	–	19.68

There are no receivables for which there has been a significant increase in credit risk or which have become credit impaired.

No trade or other receivable is due from Directors or other officer of the company either severally or jointly with any other person. Nor any trade or other receivable is due from firm or private companies respectively in which any Director is a partner or Director or a member.

## 7. LOANS

(Currency: INR in Lakhs)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
<b>LOANS AND ADVANCES (at Amortised Cost)</b>			
<b>Term loans:</b>			
Individual loans	<u>533,899.10</u>	<u>423,677.65</u>	<u>330,171.09</u>
<b>Total – Gross (A)</b>	<u>533,899.10</u>	<u>423,677.65</u>	<u>330,171.09</u>
Less: Impairment loss allowance* [Refer Notes 37.1.2]	<u>502.00</u>	<u>258.52</u>	<u>135.55</u>
<b>Total – Net (A)</b>	<u>533,397.10</u>	<u>423,419.13</u>	<u>330,035.54</u>
(a) Secured by tangible assets	<u>236,363.43</u>	<u>200,092.09</u>	<u>168,570.52</u>
(b) Unsecured	<u>297,535.67</u>	<u>223,585.56</u>	<u>161,600.57</u>
<b>Total – Gross (B)</b>	<u>533,899.10</u>	<u>423,677.65</u>	<u>330,171.09</u>
Less: Impairment loss allowance*	<u>502.00</u>	<u>258.52</u>	<u>135.55</u>
<b>Total – Net (B)</b>	<u>533,397.10</u>	<u>423,419.13</u>	<u>330,035.54</u>
<b>I. Loans in India</b>			
i) Public sector	–	–	–
ii) Others			
Education loans to individuals	<u>533,899.10</u>	<u>423,677.65</u>	<u>330,171.09</u>
<b>Total (C) – Gross</b>	<u>533,899.10</u>	<u>423,677.65</u>	<u>330,171.09</u>
Less: Impairment loss allowance*	<u>502.00</u>	<u>258.52</u>	<u>135.55</u>
<b>Total (C) (I) – Net</b>	<u>533,397.10</u>	<u>423,419.13</u>	<u>330,035.54</u>
<b>II. Loans outside India</b>	–	–	–
<b>Total (C) (I + II)</b>	<u>533,397.10</u>	<u>423,419.13</u>	<u>330,035.54</u>

\* Impairment loss allowance does not include ₹ 29.89 lakhs (as on March 31, 2018: ₹ 8.79 lakhs, as on 01 April, 2017: ₹ 6.43 lakhs) towards loan commitments.

During the current and prior reporting periods, there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made.

Loans granted by the Company aggregating to ₹ 2,36,363.43 lakhs (as on March 31, 2018: ₹ 2,00,092.09 lakhs, as on 01 April, 2017: ₹ 1,68,570.52 lakhs) are secured or partly secured by one or a combination of the following securities:

(a) Immovable property                      (b) Fixed deposit                      (c) Insurance policy

₹ 4,10,774.09 lakhs (as on March 31, 2018: ₹ 3,10,934.78 lakhs; as on 01 April, 2017: ₹ 2,69,035.07 lakhs) amount of loans are given as collateral against secured borrowing from Banks and non-convertible debentures.

## Notes to the Financial Statements (Continued)

### 8. OTHER FINANCIAL ASSETS

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Security Deposits - unsecured; considered good			
— Related party	2.00	2.00	2.00
— Others	212.53	144.33	121.69
Other loan & advances - advances to employees	21.00	25.07	15.29
<b>Total</b>	<b>235.53</b>	<b>171.40</b>	<b>138.98</b>

(Currency: INR in Lakhs)

### 9. CURRENT TAX ASSETS (NET)

See Accounting Policy in Note No. 3.10

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Advance tax (net of provision)	60.44	68.16	6.76
<b>Total</b>	<b>60.44</b>	<b>68.16</b>	<b>6.76</b>

(Currency: INR in Lakhs)

### 10. DEFERRED TAX ASSETS (NET)

See Accounting Policy in Note No. 3.10

The major components of deferred tax assets and liabilities are:

(Currency: INR in Lakhs)

Particulars	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Depreciation		(4.00)		6.00		8.00
Application of effective interest rate on financial assets	1,036.00		962.00		826.00	
Application of effective interest rate on financial liabilities		100.00		97.00		76.00
Impairment allowance for financial assets	163.00		83.00		41.00	
Provisions for employee benefits	90.00		73.00		51.00	
<b>Total</b>	<b>1,289.00</b>	<b>96.00</b>	<b>1,118.00</b>	<b>103.00</b>	<b>918.00</b>	<b>84.00</b>
<b>Net deferred tax asset</b>		<b>1,193.00</b>		<b>1,015.00</b>		<b>834.00</b>

In compliance with the Indian Accounting Standard (Ind AS) 12 relating to 'Accounting for Taxes on Income', the Company has recognised ₹ 172.88 lakh (2017 - 18 : ₹ 181.09 lakh) in the Statement of Profit and Loss and ₹ -5.12 lakh (2017 - 18 : ₹ 0.09 lakh) in other comprehensive income for the year ended March 31, 2019 towards deferred tax asset (net) for the year, arising on account of deductible temporary differences.

#### 10.1 Movements in deferred tax assets

Particulars	Depreciation	Application of effective interest rate on financial assets	Application of effective interest rate on financial liabilities	Impairment allowance for financial assets	Provision for employee benefits	Total
As at 01 April 2017	(8.00)	826.00	(76.00)	41.00	51.00	834.00
Credited/(charged)						
— to profit or loss	2.00	136.00	(21.00)	42.00	22.00	181.00
As at 31 March 2018	(6.00)	962.00	(97.00)	83.00	73.00	1,015.00
Credited/(charged)						
— to profit or loss	10.00	74.00	(3.00)	80.00	17.00	178.00
As at 31 March 2019	4.00	1,036.00	(100.00)	163.00	90.00	1,193.00

## Notes to the Financial Statements (Continued)

### 11. PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS

See Accounting Policy in Note No. 3.5 & 3.6

The changes in the carrying value of property, plant and equipment & intangible assets for the year ended 31 March 2019 are as follows:

(Currency: INR in Lakhs)

Particulars	Gross Block				Accumulated depreciation/amortisation				Net Block	
	As at 1 April, 2018	Additions during the year	Deletions/Write-off during the year	As at 31 March, 2019	As at 1 April, 2018	For the year	Deletions/Write-off during the year	As at 31 March, 2019	As at 31 March, 2019	As at 31 March, 2018
<b>A. Tangible assets:</b>										
Office equipment	76.00	12.34	6.17	82.17	11.81	18.51	5.45	24.87	57.30	64.19
Computers	117.27	10.66	10.67	117.26	28.51	38.54	10.52	56.53	60.72	88.76
Furniture & fixtures	81.28	11.08	2.56	89.80	7.74	10.84	2.04	16.54	73.26	73.54
<b>Sub-total (A)</b>	<b>274.55</b>	<b>34.08</b>	<b>19.40</b>	<b>289.23</b>	<b>48.06</b>	<b>67.89</b>	<b>18.01</b>	<b>97.94</b>	<b>191.29</b>	<b>226.49</b>
<b>B. Intangible assets:</b>										
Other software	61.74	20.25	–	81.99	3.94	21.10	–	25.04	56.95	57.80
<b>Sub-total (B)</b>	<b>61.74</b>	<b>20.25</b>	<b>–</b>	<b>81.99</b>	<b>3.94</b>	<b>21.10</b>	<b>–</b>	<b>25.04</b>	<b>56.95</b>	<b>57.80</b>
<b>C. Capital work in progress (C)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>D. Intangible assets under development (D)</b>	<b>2.00</b>	<b>–</b>	<b>2.00</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2.00</b>
<b>Total (A + B + C + D)</b>	<b>338.29</b>	<b>54.33</b>	<b>21.40</b>	<b>371.22</b>	<b>52.00</b>	<b>88.99</b>	<b>18.01</b>	<b>122.98</b>	<b>248.24</b>	<b>286.29</b>

The changes in the carrying value of property, plant and equipment & intangible assets for the year ended 31 March 2018 are as follows:

(Currency: INR in Lakhs)

Particulars	Gross Block				Accumulated depreciation/amortisation				Net Block	
	As at 1 April, 2017	Additions during the year	Deletions/Write-off during the year	As at 31 March, 2018	As at 1 April, 2017	For the year	Deletions/Write-off during the year	As at 31 March, 2018	As at 31 March, 2018	As at 1 April, 2017
<b>A. Tangible assets:</b>										
Office equipment	41.82	36.14	1.96	76.00	–	13.75	1.94	11.81	64.19	41.82
Computers	76.93	47.44	7.10	117.27	–	35.55	7.04	28.51	88.76	76.93
Furniture & fixtures	66.45	18.01	3.18	81.28	–	10.47	2.73	7.74	73.54	66.45
<b>Sub-total (A)</b>	<b>185.20</b>	<b>101.59</b>	<b>12.24</b>	<b>274.55</b>	<b>–</b>	<b>59.77</b>	<b>11.71</b>	<b>48.06</b>	<b>226.49</b>	<b>185.20</b>
<b>B. Intangible assets:</b>										
Other software	11.53	50.21	–	61.74	–	3.94	–	3.94	57.80	11.53
<b>Sub-total (B)</b>	<b>11.53</b>	<b>50.21</b>	<b>–</b>	<b>61.74</b>	<b>–</b>	<b>3.94</b>	<b>–</b>	<b>3.94</b>	<b>57.80</b>	<b>11.53</b>
<b>C. Capital work in progress (C)</b>	<b>3.82</b>	<b>–</b>	<b>3.82</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3.82</b>
<b>D. Intangible assets under development (D)</b>	<b>–</b>	<b>2.00</b>	<b>–</b>	<b>2.00</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2.00</b>	<b>–</b>
<b>Total (A + B + C + D)</b>	<b>200.55</b>	<b>153.80</b>	<b>16.06</b>	<b>338.29</b>	<b>–</b>	<b>63.71</b>	<b>11.71</b>	<b>52.00</b>	<b>286.29</b>	<b>200.55</b>

## Notes to the Financial Statements (Continued)

### 12. OTHER NON FINANCIAL ASSETS

(Currency: INR in Lakhs)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Prepaid expenses	39.08	49.62	23.81
Statutory dues	68.40	76.65	8.42
Others*	10.04	7.48	7.02
	<u>117.52</u>	<u>133.74</u>	<u>39.26</u>

\* Others includes ₹ 0.51 lakhs (as on 31 March 2018 ₹ 0.34 lakhs; as on 31 March 2017 ₹ 0.22 lakhs) due to related parties [Refer Note 34].

### 13. TRADE PAYABLES

(Currency: INR in Lakhs)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Total outstanding dues of micro enterprises and small enterprises	—	—	—
Total outstanding dues of creditors other than micro enterprises and small enterprises			
— Payable to vendors *	273.49	269.91	82.70
— Accrued expenses	744.90	603.74	599.69
<b>Total</b>	<u>1,018.39</u>	<u>873.65</u>	<u>682.39</u>

Payable to vendors includes ₹ Nil (as on 31 March 2018 ₹ Nil; as on 31 March 2017 ₹ Nil) payable to suppliers covered under the Micro, Small and Medium Enterprises Development Act, 2006 ("MSMED"). The information as required to be disclosed under 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. The amount of principal and interest outstanding during the year is given below.

(Currency: INR in Lakhs)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
(a) Amount outstanding but not due as at year end	—	—	—
(b) Amount due but unpaid as at the year end	—	—	—
(c) Amounts paid after appointed date during the year	—	—	—
(d) Amount of interest accrued and unpaid as at year end	—	—	—
(e) The amount of further interest due and payable even in the succeeding year	—	—	—
	<u>—</u>	<u>—</u>	<u>—</u>

\* Trade Payables includes ₹ 11.56 lakh (as on 31 March 2018 ₹ Nil; as on 31 March 2017 ₹ Nil) due to related parties [Refer Note 34].

## Notes to the Financial Statements (Continued)

### 14. DEBT SECURITIES - AT AMORTISED COST

See Accounting Policy in Note No. 3.2

Particulars	(Currency: INR in Lakhs)		
	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Secured non convertible debentures [Refer Note 14.1]	<b>149,872.36</b>	129,842.86	109,859.44
Commercial Paper [Refer Note 14.2]	<b>56,476.01</b>	51,860.43	27,201.42
<b>Total (A)</b>	<b><u>206,348.37</u></b>	<b><u>181,703.29</u></b>	<b><u>137,060.86</u></b>
Debt securities in India	<b>206,348.37</b>	181,703.29	137,060.86
Debt securities outside India	—	—	—
<b>Total (B) to tally with (A)</b>	<b><u>206,348.37</u></b>	<b><u>181,703.29</u></b>	<b><u>137,060.86</u></b>

Terms of repayment, nature of security & rate of interest in case of debt securities:

#### 14.1 Secured non convertible debentures

**Nature of Security:** Pari-passu charge on education loan receivables

**Terms of Repayment:** Bullet repayment on maturity date.

Name of Security	Maturity Date	(Currency: INR in Lakhs)		
		As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
8.99% Secured non-convertible debentures	07/08/2017	—	—	19,993.32
9.00% Secured non-convertible debentures	26/02/2019	—	19,989.95	19,975.58
7.65% Secured non-convertible debentures	26/03/2019	—	19,981.93	—
9.00% Secured non-convertible debentures	28/06/2019	<b>19,997.34</b>	19,986.67	19,976.88
7.50% Secured non-convertible debentures	07/08/2019	<b>19,995.22</b>	19,982.05	—
8.25% Secured non-convertible debentures	25/11/2021	<b>29,951.31</b>	29,930.78	29,946.34
8.00% Secured non-convertible debentures	25/02/2022	<b>19,975.99</b>	19,971.48	19,967.32
9.00% Secured non-convertible debentures	24/09/2020	<b>29,977.36</b>	—	—
9.40% Secured non-convertible debentures	20/11/2020	<b>29,975.14</b>	—	—
<b>Total</b>		<b><u>149,872.36</u></b>	<b><u>129,842.86</u></b>	<b><u>109,859.44</u></b>



## Notes to the Financial Statements (Continued)

### 14.2 Commercial paper

**Nature of Security:** Unsecured

**Terms of Repayment:** Bullet repayment on maturity date.

(Currency: INR in Lakhs)

Name of security	Maturity Date	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
7.245% Commercial paper	13/04/2017	—	—	7,482.45
6.90% Commercial paper	02/06/2017	—	—	9,886.61
7.20% Commercial paper	28/06/2017	—	—	9,832.36
7.93% Commercial paper	04/05/2018	—	9,929.23	—
7.95% Commercial paper	25/05/2018	—	14,826.89	—
7.95% Commercial paper	25/05/2018	—	4,942.30	—
7.85% Commercial paper	08/06/2018	—	9,856.23	—
7.92% Commercial paper	13/06/2018	—	12,305.79	—
7.90% Commercial paper	24/04/2019	9,951.17	—	—
7.80% Commercial paper	15/05/2019	24,769.32	—	—
9.34% Commercial paper	16/08/2019	9,672.01	—	—
9.25% Commercial paper	27/11/2019	2,832.49	—	—
8.55% Commercial paper	13/03/2020	9,251.02	—	—
<b>Total</b>		<b>56,476.01</b>	<b>51,860.43</b>	<b>27,201.42</b>

During the year, the Company raised ₹ 60,000 lakhs (F.Y. 2017-18 ₹ 40,000 lakhs) through issue of Long Term, Secured, Non Convertible Debentures. All these Non Convertible Debentures are secured by pari passu charge by way of hypothecation of education loan receivables of the Company's underlying portfolio of education loans.

### 15. BORROWINGS (OTHER THAN DEBT SECURITIES) — AT AMORTISED COST

See Accounting Policy in Note No. 3.2

(Currency: INR in Lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
<b><u>Secured</u></b>			
Term Loans from Banks [Refer note 15.1]	199,143.77	152,847.15	132,766.79
Loans repayable on demand from banks	23,500.61	—	—
<b>Total (A)</b>	<b>222,644.38</b>	<b>152,847.15</b>	<b>132,766.79</b>
Borrowings in India	222,644.38	152,847.15	132,766.79
Borrowings outside India	—	—	—
<b>Total (B) to tally with (A)</b>	<b>222,644.38</b>	<b>152,847.15</b>	<b>132,766.79</b>

## Notes to the Financial Statements (Continued)

Terms of repayment, nature of security & rate of interest in case of borrowings (other than debt securities):

### 15.1 Term Loans from Banks

Nature of Security: Pari-passu charge on education loan receivables

Terms of Repayment: As per repayment schedule

(Currency: INR in Lakhs)

Name of Security	Terms of repayment	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Rupee term loan secured by pari-passu charge on education loan receivables	28 quarterly instalments commencing from Dec 2016	7,598.53	9,348.35	11,098.34
	28 quarterly instalments commencing from Oct 2016	—	—	8,997.63
	20 quarterly instalments commencing from April 2016	—	5,999.99	7,999.86
	20 quarterly instalments commencing from June 2017	—	7,999.95	9,999.23
	28 quarterly instalments commencing from December 2014	7,137.83	9,996.69	12,856.00
	28 quarterly instalments commencing from December 2015	4,999.60	6,428.30	7,857.07
	28 quarterly instalments commencing from July 2016	6,070.52	7,498.02	8,926.45
	28 quarterly instalments commencing from June 2017	21,421.49	25,708.65	27,295.76
	23 quarterly instalments commencing from December 2016	5,652.17	7,391.30	9,130.43
	18 quarterly instalments commencing from October 2017	10,000.00	13,333.33	5,000.00
	28 quarterly instalments commencing from January 2017	—	—	16,106.00
	20 quarterly instalments commencing from March 2013	—	—	2,250.00
	20 quarterly instalments commencing from March 2014	—	2,250.00	5,250.00
	18 quarterly instalments commencing from June 2018	19,444.44	25,000.00	—
	28 quarterly instalments commencing from August 2019	9,998.68	9,998.82	—
	28 quarterly instalments commencing from March 2020	9,998.54	7,593.73	—
	28 quarterly instalments commencing from December 2019	19,995.40	4,300.00	—
	11 quarterly instalments commencing from April 2018	6,363.64	10,000.00	—
	3 annual instalments commencing from March 2020	3,800.00	—	—
	28 quarterly instalments commencing from January 2021	2,592.81	—	—
12 quarterly instalments commencing from December 2019	9,921.37	—	—	
20 quarterly instalments commencing from April 2020	9,996.06	—	—	
12 quarterly instalments commencing from October 2019	9,991.89	—	—	
12 quarterly instalments commencing from March 2020	9,995.01	—	—	
28 quarterly instalments commencing from June 2020	19,999.11	—	—	
12 quarterly instalments commencing from November 2018	4,166.67	—	—	
<b>Total</b>		<b>199,143.77</b>	<b>152,847.15</b>	<b>132,766.79</b>

There is no borrowings measured at FVTPL or designated at FVTPL.

Security for Bank overdrafts is pari-passu charge against the education loan receivables.

The borrowings have not been guaranteed by directors or others. Also there is no default in repayment of borrowing and interest on bank term loans and Bank overdrafts.

## Notes to the Financial Statements (Continued)

### 16. SUBORDINATED LIABILITIES — AT AMORTISED COST

See Accounting Policy in Note No. 3.2

(Currency: INR in Lakhs)

Particulars	As at	As at	As at
	31 March 2019	31 March 2018	01 April 2017
Subordinated tier II non convertible debentures [Refer Note 16.1]	19,950.06	19,945.51	9,972.15
Perpetual debt instruments to the extent that do not qualify as equity [Refer Note 16.1]	27,426.71	19,943.26	14,960.74
<b>Total (A)</b>	<b>47,376.77</b>	<b>39,888.77</b>	<b>24,932.89</b>
Subordinated liabilities in India	47,376.77	39,888.77	24,932.89
Subordinated liabilities outside India	—	—	—
<b>Total (B) to tally with (A)</b>	<b>47,376.77</b>	<b>39,888.77</b>	<b>24,932.89</b>

#### 16.1 Terms of repayment, nature of security & rate of interest in case of subordinated liabilities

**Nature of Security:** Unsecured

**Terms of Repayment:** Bullet repayment on maturity date.

(Currency: INR in Lakhs)

Name of Security	Maturity Date	As at	As at	As at
		31 March 2019	31 March 2018	01 April 2017
11.75% Perpetual debt instrument	09/07/2024*	4,989.71	4,987.93	4,986.09
10.50% Perpetual debt instrument	27/01/2025*	4,988.69	4,988.42	4,987.55
10.50% Perpetual debt instrument	17/06/2025*	4,988.97	4,987.06	4,987.10
9.30% Subordinated Tier II non convertible debenture	09/10/2025	9,978.00	9,975.59	9,972.15
8.20% Subordinated Tier II non convertible debenture	23/07/2027	4,986.14	4,985.10	—
8.10% Subordinated Tier II non convertible debenture	16/11/2027	4,985.92	4,984.82	—
8.75% Perpetual debt instrument	08/12/2027*	4,981.24	4,979.85	—
9.35% Perpetual debt instrument	06/06/2028*	7,478.09	—	—
<b>Total</b>		<b>47,376.77</b>	<b>39,888.77</b>	<b>24,932.89</b>

During the year, the Company raised ₹ 7,500 lakhs (2017-18 ₹ 5,000 lakhs) through issue of perpetual debt instruments. ₹ 6,721 lakhs (previous year ₹ 4,717 lakhs) of perpetual debt instrument qualifies as Tier I capital under RBI guidelines.

The subordinated tier II non convertible debentures are subordinated to present and future senior indebtedness of the Company and qualify as Tier II capital under Reserve Bank of India guidelines for assessing capital adequacy. Based on balance term to maturity as on 31 March, 2019, 100% (previous year 100%) of the book value of the subordinated debt is considered as Tier II capital for the purpose of the capital adequacy computation.

\* Call option

**Notes to the Financial Statements** (Continued)**17. OTHER FINANCIAL LIABILITIES**

(Currency: INR in Lakhs)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Interest accrued but not due on borrowing	<u>8,381.70</u>	<u>5,484.78</u>	<u>5,126.18</u>
<b>Total</b>	<b><u>8,381.70</u></b>	<b><u>5,484.78</u></b>	<b><u>5,126.18</u></b>

**18. CURRENT TAX LIABILITIES (NET)**

See accounting Policy in Note No. 3.10

(Currency: INR in Lakhs)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Provision for income tax (Net of advance tax)	<u>264.39</u>	<u>196.27</u>	<u>2.36</u>
	<b><u>264.39</u></b>	<b><u>196.27</u></b>	<b><u>2.36</u></b>

**19. PROVISIONS**

(Currency: INR in Lakhs)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Provision for employee benefits			
- Gratuity [Refer Note 29.2]	<u>184.08</u>	<u>138.27</u>	<u>92.28</u>
- Compensated absences [Refer Note 29.2]	<u>74.71</u>	<u>66.24</u>	<u>53.47</u>
	<b><u>258.79</u></b>	<b><u>204.51</u></b>	<b><u>145.75</u></b>
Impairment allowance on undisbursed commitment [Refer Note 37.1.2]	<u>29.89</u>	<u>8.78</u>	<u>6.43</u>
<b>Total</b>	<b><u>288.68</u></b>	<b><u>213.29</u></b>	<b><u>152.18</u></b>

**20. OTHER NON FINANCIAL LIABILITIES**

(Currency: INR in Lakhs)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Instalments on education loans received in advance (including interest received in advance)	<u>228.36</u>	<u>336.34</u>	<u>426.94</u>
Statutory remittances	<u>116.75</u>	<u>119.36</u>	<u>34.77</u>
Others (Stale Cheque)	<u>2.25</u>	<u>1.47</u>	<u>1.30</u>
<b>Total</b>	<b><u>347.36</u></b>	<b><u>457.17</u></b>	<b><u>463.01</u></b>

## Notes to the Financial Statements (Continued)

### 21. SHARE CAPITAL

(Currency: INR in Lakhs)

	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
<b>Authorised</b>			
8,80,00,000 (Previous year 7,00,00,000) Equity shares of ₹ 10 each [Refer Note 21.1 & 21.2]	<b>8,800.00</b>	7,000.00	7,000.00
6,70,00,000 (Previous year 8,50,00,000) Compulsorily convertible preference shares ("CCPS") of ₹10 each	<b>6,700.00</b>	8,500.00	8,500.00
	<b>15,500.00</b>	15,500.00	15,500.00
<b>Issued, subscribed and fully paid up</b>			
6,90,20,786 (Previous year 6,45,26,403) Equity shares of ₹ 10 each	<b>6,902.08</b>	6,452.64	6,074.20
	<b>6,902.08</b>	6,452.64	6,074.20

**Note:** compulsorily convertible preference shares are classified as other equity [Refer note no 22].

#### 21.1 Reconciliation of number of shares outstanding at the beginning and at the end of the reporting period:

Particulars	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
	Number	₹ in lakh	Number	₹ in lakh	Number	₹ in lakh
<b>Equity shares</b>						
At the beginning of the year	6,45,26,403	6,452.64	6,07,42,003	6,074.20	5,37,42,003	5,374.20
Issued during the year	44,94,383	449.44	37,84,400	378.44	70,00,000	700.00
At the end of the year	6,90,20,786	6,902.08	6,45,26,403	6,452.64	6,07,42,003	6,074.20
<b>0.01% Compulsorily convertible preference shares ("CCPS")</b>						
At the beginning of the year	6,69,99,956	6,700.00	6,69,99,956	6,700.00	6,69,99,956	6,700.00
At the end of the year	6,69,99,956	6,700.00	6,69,99,956	6,700.00	6,69,99,956	6,700.00

## Notes to the Financial Statements (Continued)

### 21.2 Details of shareholders holding more than 5 percent shares in the Company are given below:

(Currency: INR in Lakhs)

Particulars	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
	Number	% shareholding	Number	% shareholding	Number	% shareholding
<b>Equity shares held by</b>						
Housing Development Finance Corporation Limited	5,75,50,786	83.38%	5,30,56,403	82.22%	4,92,72,003	81.12%
Mr. Anil Bohora	57,35,000	8.31%	57,35,000	8.89%	57,35,000	9.44%
Mr. Ajay Bohora	57,35,000	8.31%	57,35,000	8.89%	57,35,000	9.44%
<b>Total</b>	<b>6,90,20,786</b>	<b>100%</b>	<b>6,45,26,403</b>	<b>100%</b>	<b>6,07,42,003</b>	<b>100.00%</b>
<b>0.01% Compulsorily convertible preference shares ("CCPS") held by</b>						
Housing Development Finance Corporation Limited	6,69,99,956	100.00%	6,69,99,956	100.00%	6,69,99,956	100.00%

### 21.3 Terms and rights attached to equity shares

The Company has only one class of equity shares having Par Value of ₹ 10 each. Each holder of equity share is entitled to one vote per share. The holders of equity shares are entitled to dividends, if any, proposed by the Board of Directors and approved by Shareholders at the Annual General Meeting.

In the event of liquidation of the Company, the holder of equity shares will be entitled to receive any of 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.

The Company has not allotted any share pursuant to contracts without payment being received in cash or as bonus shares nor has it bought back any shares during the preceding period of 5 financial years.

### 21.4 The rights, preferences and restrictions attached to Preference Shares including restrictions on distribution of dividends and the repayment of capital and terms of conversion into Equity Shares

#### (a) Dividend terms:

Dividend per annum on compulsorily convertible preference shares shall be equivalent to 0.01 % on the subscription amount on a preferential basis, subject to the availability of distributable profits.

#### (b) Terms of conversion of compulsorily convertible preference shares:

##### **49,99,995 compulsorily convertible preference shares- Round V (CCPS-V) of ₹ 10 each**

CCPS-V of ₹ 10 each shall be converted into equity shares of face value of ₹ 10 each at a premium of ₹ 3 each with a final conversion price of ₹ 13 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of issue i.e. 30 April, 2012, which was extended to May 10, 2019 on mutual agreement.

##### **99,99,990 compulsorily convertible preference shares- Round VI (CCPS-VI) of ₹ 10 each**

CCPS-VI of ₹ 10 each shall be converted into equity shares of face value of ₹ 10 each at a premium of ₹ 3 each with a final conversion price of ₹ 13 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of issue i.e. 6 July, 2012.

##### **49,99,995 compulsorily convertible preference shares- Round VII (CCPS-VII) of ₹ 10 each**

CCPS-VII of ₹ 10 each shall be converted into equity shares of face value of ₹ 10 each at a premium of ₹ 3 each with a final conversion price of ₹ 13 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of issue i.e. 13 August, 2012.

## Notes to the Financial Statements (Continued)

### 50,00,000 compulsorily convertible preference shares - Round VIII (CCPS-VIII) of ₹ 10 each

CCPS-VIII of ₹ 10 each shall be converted into equity shares of face value of ₹ 10 each at a premium of ₹ 8 each with a final conversion price of ₹ 18 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of issue i.e. 30 August, 2013.

### 60,00,000 compulsorily convertible preference shares – Round I (CCPS-I) of ₹ 10 each

CCPS-I of ₹ 10 each shall be converted into equity shares at a price of ₹ 10 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of conversion of OCPS in to CCPS i.e. 2 September, 2013.

### 90,00,000 compulsorily convertible preference shares – Round II (CCPS-II) of ₹ 10 each

CCPS-II of ₹ 10 each shall be converted into equity shares at price of ₹ 10 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of conversion of OCPS in to CCPS i.e. 2 September, 2013.

### 1,49,99,992 compulsorily convertible preference shares- Round III (CCPS-III) of ₹ 10 each

CCPS-III of ₹ 10 each shall be converted into equity shares of face value of ₹ 10 each at a premium of ₹ 2 each with a final conversion price of ₹ 12 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of conversion of OCPS in to CCPS i.e. 2 September, 2013.

### 99,99,984 compulsorily convertible preference shares- Round IV (CCPS-IV) of ₹ 10 each

49,99,992 CCPS-IV of ₹ 10 each shall be converted into equity shares of face value of ₹ 10 each at a premium of ₹ 2 each with a final conversion price of ₹ 12 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of issue i.e. 27 February, 2012, which was extended to May 10, 2019 on mutual agreement. The balance 49,99,992 CCPS-IV of ₹ 10 each shall be converted into equity shares of face value of ₹ 10 each at a premium of ₹ 2 each with a final conversion price of ₹ 12 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of conversion of OCPS into CCPS i.e. 2 September, 2013.

### 20,00,000 compulsorily convertible preference shares- Round IX (CCPS-IX) of ₹ 10 each

CCPS-IX of ₹ 10 each shall be converted into equity shares of face value of ₹ 10 each at a premium of ₹ 10 each with a final conversion price of ₹ 20 each at any time at the option of the subscriber i.e. HDFC or at maturity which is 7 years from the date of issue i.e. 28 March, 2014.

## 22. OTHER EQUITY

	(Currency: INR in Lakhs)		
	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
Non cumulative compulsorily convertible preference shares (6,69,99,956 Shares of ₹ 10 each fully paid up)	6,700.00	6,700.00	6,700.00
Capital reserve	109.46	109.46	109.46
Securities premium	17,839.25	10,296.59	5,680.04
Statutory reserve	7,106.94	5,073.09	3,331.59
Retained earnings	24,397.96	16,263.38	9,348.15
Employee benefit expenses through other comprehensive income	(9.42)	0.12	—
<b>Total</b>	<b>56,144.19</b>	<b>38,442.64</b>	<b>25,169.24</b>

## Notes to the Financial Statements (Continued)

### 22.1 Nature of reserves

**Capital reserve:** During transition to Ind AS, NCD issue cost to the extent adjusted to securities premium in earlier years is transferred to capital reserve.

**Securities premium reserve:** Securities premium reserve is credited when shares are issued at premium. It can be used to issue bonus shares, to provide for premium on redemption of redeemable preference shares or debentures, write-off of expenses on issue of equity shares, etc.

**Statutory reserve:** It has been created in terms of Section 45-IC (1) of The Reserve Bank of India Act, 1931 (the "RBI Act") and the Company transfers at least 20% of its net profits every year to this reserve before any dividend is declared.

**Retained earnings:** Retained earnings are the profits that the Company has earned till date, less any transfers to statutory reserve and dividends paid to investors.

**Employee benefit expenses through other comprehensive income:** It represents the gain/(loss) on account of actuarial valuation of defined benefit obligation.

### 23. INTEREST INCOME

See Accounting Policy in Note No. 3.1.1

Particulars	For the year ended 31 March 2019 On Financial Assets measured at Amortised Cost	For the year ended 31 March 2018 On Financial Assets measured at Amortised Cost
Interest		
— Interest on education loans	58,475.45	47,432.93
— Interest on fixed deposits with banks	630.15	10.07
<b>Total</b>	<b>59,105.60</b>	<b>47,443.00</b>

### 24. FEES AND COMMISSION INCOME

See Accounting Policy in Note Nos. 3.1.2, 3.1.3 & 3.1.4

	For the year ended 31 March 2019	For the year ended 31 March 2018
Commission [Refer Note 34.2]	1,054.21	897.90
Other Fees	48.27	123.36
<b>Total</b>	<b>1,102.48</b>	<b>1,021.26</b>

### 25. FINANCE COSTS

See Accounting Policy in Note No. 3.13

Particulars	For the year ended 31 March 2019 On Financial Liabilities measured at Amortised Cost	For the year ended 31 March 2018 On Financial Liabilities measured at Amortised Cost
Interest on		
— Debt securities	17,382.14	14,168.11
— Borrowing (other than debt securities)	15,449.31	10,948.56
— Subordinated liabilities	4,392.34	3,136.25
Other charges	158.98	131.07
<b>Total</b>	<b>37,382.77</b>	<b>28,383.99</b>



**Notes to the Financial Statements** (Continued)**26. EMPLOYEE BENEFIT EXPENSES**

See Accounting Policy in Note No. 3.8

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Salaries and bonus [Refer Note 34.2]	2,708.82	2,377.21
Contribution to provident fund	97.01	90.89
Gratuity [Refer Note 29.2]	43.15	58.19
Compensated absences [Refer Note 29.2]	10.45	14.72
Staff welfare expenses [Refer Note 34.2]	83.19	78.84
<b>Total</b>	<b>2,942.62</b>	<b>2,619.85</b>

**27. OTHER EXPENSES**

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Electricity expenses	43.41	41.14
Rent [Refer Note 27.1]	264.53	244.29
Repairs and maintenance	71.26	58.66
Computer expenses [Refer Note 27.4]	165.12	137.86
Corporate social responsibility expenses [Refer Note 27.3]	202.87	139.37
Rates and taxes	42.94	38.28
Travelling and conveyance	113.80	118.10
Communication costs	102.37	120.01
Advertisement and publicity [Refer Note 27.4]	342.32	256.86
Outsourcing charges	1,688.24	1,634.36
Legal and professional charges [Refer Note 27.4]	482.52	448.99
Loss on property, plant and equipment discarded	1.38	0.30
Auditor's fees and expenses [Refer Note 27.2]	42.17	23.08
Directors' insurance [Refer Note 34.2]	1.05	1.04
Directors' fees [Refer Note 34.2]	17.40	20.90
Interest on delayed payment of statutory dues	—	58.08
Printing and stationery	40.11	36.23
Other expenditure	355.34	340.90
<b>Total</b>	<b>3,976.84</b>	<b>3,718.44</b>

## Notes to the Financial Statements (Continued)

### 27.1 Rent expenses

In accordance with the Indian Accounting Standard 17 - "Leases" the Company has entered into operating lease arrangements for office premises. Certain leases are cancellable after completion of the notice period of 1 month to 3 months and are for a period of 2 to 3 years and may be renewed for a further period of 11 months to 3 years based on mutual agreement of both the parties. The lease agreements provide for an increase in the lease payments by 5% to 10% every year or 15% after every 3 years.

(Currency: INR in Lakhs)

Period	For the year ended 31 March 2019	For the year ended 31 March 2018
Lease payments recognised in the Statement of Profit and Loss	<b>232.93</b>	216.04
The total of future minimum lease payments under non-cancellable operating leases for each of the following periods:		
Not later than one year	<b>58.45</b>	83.23
Later than one year but not later than five years	<b>103.74</b>	158.14

### 27.2 Payments to auditors

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Audit fees	<b>13.00</b>	10.00
ICFR fees	<b>3.00</b>	3.00
Limited reviews	<b>9.00</b>	5.00
Other matters and certification	<b>12.75</b>	4.13
Reimbursement of expenses	<b>4.42</b>	0.95
<b>Total</b>	<b>42.17</b>	23.08

Auditors' remuneration above is excluding Goods and Service Tax.

### 27.3 Expenditure incurred for corporate social responsibility

(a) Gross amount required to be spent by the Company during the year is ₹ 202.87 lakhs (for 2017-18: ₹ 139.37 lakhs)

(b) The details of amounts spent towards CSR are as under:

#### During the year 2018-19

(Currency: INR in Lakhs)

Particulars	In cash	Yet to be paid	Total
(a) Construction/acquisition of any asset	—	—	—
(b) On purposes other than (a) above	202.87	—	<b>202.87</b>

#### During the year 2017-18

Particulars	In cash	Yet to be paid	Total
(a) Construction/acquisition of any asset	—	—	—
(b) On purposes other than (a) above	139.37	—	<b>139.37</b>

## Notes to the Financial Statements (Continued)

### 27.4 Expenditure in foreign currency

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
Legal and professional charges	6.83	12.62
Advertisement and publicity	115.27	97.57
Computer expenses	13.74	16.93
Communication costs	—	0.20
Travelling and conveyance	0.69	—
Other expenses	—	0.10

### 28. IMPAIRMENT ON FINANCIAL INSTRUMENTS

See Accounting Policy in Note No. 3.2.5

The below table show impairment loss on financial instruments charge to statement of profit and loss based on category of financial instrument.

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
On Financial instruments measured at Amortised Cost		
Loans	243.49	122.96
Loans written off	6.17	9.43
Loan commitments	21.10	2.35
<b>Total</b>	<b>270.76</b>	<b>134.74</b>

The table below shows the ECL charges on financial instruments for the year recorded in the profit and loss based on evaluation stage:

(Currency: INR in Lakhs)

Particulars	2018-19				2017-18			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	196.75	9.15	37.60	243.49	36.60	87.53	(1.17)	122.96
Loans written off	—	—	6.17	6.17	—	—	9.43	9.43
Loan commitments	21.04	0.06	—	21.10	2.24	0.12	—	2.35
<b>Total impairment loss</b>	<b>217.79</b>	<b>9.21</b>	<b>43.77</b>	<b>270.76</b>	<b>38.84</b>	<b>87.65</b>	<b>8.26</b>	<b>134.74</b>

### 29. Employee benefit expenses

See Accounting Policy in Note No. 3.8

As required by Indian Accounting Standard 19 — “Employee Benefits”, the following disclosures have been made:

#### 1. Defined contribution plans

The Company makes provident fund and employee state insurance scheme contributions which are defined contribution plans, for qualifying employees. Under the schemes, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. The Company recognised ₹ 97.01 lakhs (previous year ₹ 90.89 lakhs) for provident fund contributions and ₹ Nil (previous year ₹ Nil) for employee state insurance scheme contributions in the Statement of Profit and Loss. The contributions payable to these plans by the Company are at rates specified in the rules of the schemes.

## Notes to the Financial Statements (Continued)

### 29. Employee benefit expenses (Continued)

#### 2. Defined benefit plan

The Company has an obligation towards gratuity, a funded defined benefit plan covering certain eligible employees. The plan provides for lump sum payment to vested employees at retirement, death while in employment or on termination of the employment of an amount equivalent to 15 days salary payable for each completed year of service or part thereof in excess of six months subject to a limit of ₹ 20 lakhs. Vesting occurs upon completion of five year of service.

Details of Company's funded post-retirement benefit plans for its employees are given below which is as certified by the actuary:

#### (a) Characteristics of the defined benefit plan -

The benefits are governed by the Payment of Gratuity Act, 1972 or company scheme rules, whichever is higher. The key features are as under:

Plan features -

Benefits offered -  $15/26 \times \text{salary} \times \text{duration of service}$

Salary definition - Basic salary including dearness allowance (if any)

Benefit ceiling - Benefit ceiling of ₹ 20 lakhs was applied

Vesting conditions - 5 years of continuous service (not applicable in case of death/disability)

Benefit eligibility - upon death or resignation/withdrawal or retirement

Retirement age - 58 years

#### (b) Risks associated with defined benefit plan -

##### i) Actuarial risk:

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

**Adverse salary growth experience:** Salary hikes that are higher than the assumed salary escalation will result into an increase in obligation at a rate that is higher than expected.

**Variability in mortality rates:** If actual mortality rates are higher than assumed mortality rate assumption than the gratuity benefits will be paid earlier than expected. Since there is no condition of vesting on the death benefit, the acceleration of cashflow will lead to an actuarial loss or gain depending on the relative values of the assumed salary growth and discount rate.

**Variability in withdrawal rates:** If actual withdrawal rates are higher than assumed withdrawal rate assumption then the gratuity benefits will be paid earlier than expected. The impact of this will depend on whether the benefits are vested as at the resignation date.

##### ii) Investment risk:

For funded plans that rely on insurers for managing the assets, the value of assets certified by the insurer may not be the fair value of instruments backing the liability. In such cases, the present value of the assets is independent of the future discount rate. This can result in wide fluctuations in the net liability or the funded status if there are significant changes in the discount rate during the inter-valuation period.

##### iii) Liquidity risk:

Employees with high salaries and long durations or those higher in hierarchy, accumulate significant level of benefits. If some of such employees resign/retire from the Company there can be strain on the cashflows of the plan.

## Notes to the Financial Statements (Continued)

### 29. Employee benefit expenses (Continued)

#### iv) Market risk:

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

#### v) Legislative risk:

Legislative risk is the risk of increase in the plan liabilities or reduction in the plan assets due to change in the legislation/regulation. The government may amend the Payment of Gratuity Act thus requiring the companies to pay higher benefits to the employees. This will directly affect the present value of the defined benefit obligation and the same will have to be recognised immediately in the year when any such amendment is effective.

- (c) Details of Company's funded post-retirement benefit plans for its employees are given below which is as certified by the actuary :

(Currency: INR in Lakhs)

I Components of employer expense:	Compensated absences		Gratuity	
	2018-19 ₹	2017-18 ₹	2018-19 ₹	2017-18 ₹
1. Current service cost	20.29	17.48	33.79	27.70
2. Interest cost	4.97	3.86	13.44	8.82
3. Expected return on plan assets	—	—	(4.08)	(3.02)
4. Actuarial loss/(gain)	(14.81)	(6.62)	—	—
5. Losses/(gains) on curtailments & settlement	—	—	—	24.69
6. Total expense recognised in the statement of profit and loss	10.45	14.72	43.15	58.19

(Currency: INR in Lakhs)

II Net liability recognised in the balance sheet:	Compensated absences		Gratuity	
	2018-19 ₹	2017-18 ₹	2018-19 ₹	2017-18 ₹
1. Present value of defined benefit obligation	74.71	66.24	219.08	177.13
2. Fair value of plan assets	—	—	35.00	38.86
3. Unrecognised past service cost	—	—		
4. Net liability recognised in the balance sheet	74.71	66.24	184.08	138.27
— Short-term provisions	9.46	3.39	31.19	33.65
— Long-term provisions	65.26	62.85	152.89	104.62

## Notes to the Financial Statements (Continued)

### 29. Employee benefit expenses (Continued)

(Currency: INR in Lakhs)

III Changes in defined benefit obligation:	Compensated absences		Gratuity	
	2018-19 ₹	2017-18 ₹	2018-19 ₹	2017-18 ₹
1. Present value of defined benefit obligation as at the beginning of the year	66.23	53.47	177.27	122.53
2. Current service cost	20.27	17.48	33.65	27.84
3. Interest cost	4.97	3.86	13.43	8.82
4. Actuarial loss/(gain)	(14.81)	(6.62)	13.88	(0.76)
5. Prior year charges	0.02	—	—	24.55
6. Benefits paid	(1.97)	(1.95)	(19.15)	(5.85)
7. Present value of defined benefit obligation as at the end of the year	74.71	66.24	219.08	177.13

(Currency: INR in Lakhs)

IV Reconciliation of Liability:	Compensated absences		Gratuity	
	2018-19 ₹	2017-18 ₹	2018-19 ₹	2017-18 ₹
1. Opening net liability	66.24	53.47	138.27	92.28
2. Expenses recognised	10.45	14.72	43.15	58.19
3. Other comprehensive income	—	—	14.66	(0.20)
4. Benefits paid	(1.98)	(1.95)	—	(1.53)
5. Contribution to plan assets	—	—	(12.00)	(10.47)
6. Amount recognised in the balance sheet under provision for employee benefits	74.71	66.24	184.08	138.27
— Short-term provisions	9.46	3.39	31.19	33.65
— Long-term provisions	65.25	62.85	152.89	104.62

(Currency: INR in Lakhs)

V Reconciliation of Plan Assets:	Compensated absences		Gratuity	
	2018-19 ₹	2017-18 ₹	2018-19 ₹	2017-18 ₹
1. Opening value of plan assets	—	—	38.86	30.24
2. Expenses incurred in the fund	—	—	—	—
3. Expected return	—	—	4.08	3.02
4. Actuarial gains and (losses)	—	—	(0.78)	(0.55)
5. Contribution by employer	—	—	12.00	10.47
6. Benefits paid	—	—	(19.16)	(4.32)
7. Closing value of plan assets	—	—	35.00	38.86

## Notes to the Financial Statements (Continued)

### 29. Employee benefit expenses (Continued)

(Currency: INR in Lakhs)

VI Actual return on Plan Assets:	Compensated absences		Gratuity	
	2018-19 ₹	2017-18 ₹	2018-19 ₹	2017-18 ₹
1. Expected return on plan assets	—	—	4.08	3.02
2. Actuarial gain on plan assets	—	—	(0.78)	(0.55)
3. Actual return on plan assets	—	—	—	—

VII Actuarial assumptions:	Compensated absences		Gratuity	
	2018-19 ₹	2017-18 ₹	2018-19 ₹	2017-18 ₹
1. Discount rate	7.60%	7.70%	7.60%	7.70%
2. Return on plan assets		NA		—
3. Attrition rate	7% - 30%	1% - 5%	7% - 30%	1% - 5%
4. Salary escalation rate	7.00%	7.00%	7.00%	7.00%
5. Mortality rate	Indian Assured Lives Mortality (2006-08) Ult.		Indian Assured Lives Mortality (2006-08) Ult.	

### VIII Sensitivity analysis for actuarial assumptions:

#### Sensitivity to key assumptions

(Currency: INR in Lakhs)

Particulars	31-Mar-2019 (12 months)	31-Mar-2018 (12 months)
<b>Discount rate sensitivity</b>		
Increase by 0.5%	211.13	167.05
(% change)	-3.63%	-5.77%
Decrease by 0.5%	227.59	188.44
(% change)	3.88%	6.30%
<b>Salary growth rate sensitivity</b>		
Increase by 0.5%	225.15	186.90
(% change)	2.77%	5.43%
Decrease by 0.5%	213.25	168.35
(% change)	-2.66%	-5.03%
<b>Withdrawal rate (W.R.) Sensitivity</b>		
W.R. x 110%	219.69	177.63
(% change)	0.28%	0.20%
W.R. x 90%	218.21	176.86
(% change)	-0.40%	-0.23%

A description of methods used for sensitivity analysis and its limitations:

Sensitivity analysis is performed by varying a single parameter while keeping all the other parameters unchanged.

Sensitivity analysis fails to focus on the interrelationship between underlying parameters. Hence, the results may vary if two or more variables are changed simultaneously.

The method used does not indicate anything about the likelihood of change in any parameter and the extent of the change if any.

## Notes to the Financial Statements (Continued)

### 29. Employee benefit expenses (Continued)

IX The assumption of the future salary increases, considered in actuarial valuation, takes into account the inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market. The discount rate is based on the prevailing market yields of Government of India securities as at the balance sheet date for the estimated term of the obligations.

#### X Experience adjustments

##### (a) Compensated Absences

(Currency: INR in Lakhs)

Particulars	Compensated Absences				
	2018-19	2017-18	2016-17	2015-16	2014-15
1. Present value of defined benefit obligation	<b>74.71</b>	66.24	53.47	25.26	17.64
2. Present value of defined benefit assets	—	—	—	—	—
3. Experience adjustment on plan liabilities	<b>(14.44)</b>	(7.66)	13.12	(4.58)	(7.59)
4. Experience adjustment on plan assets	—	—	—	—	—
5. Unrecognised past service cost	—	—	—	—	—
6. (Excess)/short of obligation over plan assets	<b>74.71</b>	66.24	53.47	25.26	17.64

##### (b) Gratuity

(Currency: INR in Lakhs)

Particulars	Gratuity				
	2018-19	2017-18	2016-17	2015-16	2014-15
1. Present value of defined benefit obligation	<b>219.08</b>	177.13	122.53	84.97	67.05
2. Present value of defined benefit assets	<b>(35.00)</b>	(38.86)	(30.25)	(18.35)	(6.08)
3. Experience adjustment on plan liabilities	<b>3.22</b>	5.82	9.77	(4.49)	2.85
4. Experience adjustment on plan assets	<b>0.78</b>	0.56	1.59	0.22	—
5. Unrecognised past service cost	—	—	—	—	—
6. (Excess)/short of obligation over plan assets	<b>184.08</b>	138.27	92.28	66.62	60.97

The Company expects to contribute approximately ₹ 184.08 lakhs (previous year ₹ 138.27 lakhs) to the gratuity fund in the next year.



## Notes to the Financial Statements (Continued)

### 29. Employee benefit expenses (Continued)

XI Investment pattern:	Compensated absences		Gratuity	
	2018-19	2017-18	2018-19	2017-18
Government of India securities	0%	0%	0%	0%
State government securities	0%	0%	0%	0%
High quality corporate bonds	0%	0%	0%	0%
Equity shares of listed companies	0%	0%	0%	0%
Property	0%	0%	0%	0%
Special deposit scheme	0%	0%	0%	0%
Policy of insurance*	0%	0%	100%	100%
Bank balance	0%	0%	0%	0%
Other investments	0%	0%	0%	0%
<b>Total</b>	<b>0%</b>	<b>0%</b>	<b>100%</b>	<b>100%</b>

\* Components of investment by the insurance company are:

Particulars	Gratuity	
	2018-19	2017-18
Government securities	21.99%	25.53%
Corporate bonds -		
AAA	36.09%	30.71%
AA+	16.81%	22.32%
AA	13.89%	14.84%
Cash, deposits, MMI	11.22%	6.60%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>

### 30 INCOME TAXES

#### 30.1 Income tax recognised in profit or loss

See Accounting Policy in Note No. 3.10

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Current tax</b>		
In respect of the current year	5,688.00	4,906.00
In respect of prior years	6.20	178.98
<b>Total current tax</b>	<b>5,694.20</b>	<b>5,084.98</b>
<b>Deferred tax</b>		
In respect of the current year: origination & reversal of temporary differences	(172.88)	(181.09)
<b>Total income tax expense recognised in the current year</b>	<b>5,521.32</b>	<b>4,903.89</b>

## Notes to the Financial Statements (Continued)

### 30.2 Reconciliation of current tax expense with the accounting profit:

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2019	For the year ended 31 March 2018
<b>Profit before tax</b>	<b>15,690.56</b>	13,561.43
Income tax expense calculated at 34.944% (2017-18: 34.608%)	<b>5,483.00</b>	4,693.00
Effect of expenses that are not deductible in determining taxable profit	<b>123.00</b>	214.00
Effect of incomes which are exempt from tax	<b>(22.82)</b>	(6.18)
Adjustments in respect of current income tax of prior years	<b>6.20</b>	178.98
Others	<b>104.82</b>	5.18
<b>Income tax expense recognised in statement of profit and loss</b>	<b>5,694.20</b>	<b>5,084.98</b>

The tax rate used for the reconciliations above is the corporate tax rate of 34.944% for the year 2018-19 and 34.608% for 2017-18 payable by corporate entities in India on taxable profits under tax law in Indian jurisdiction.

### 30.3 Deferred tax

See Accounting Policy in Note No. 3.10

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

#### (a) FY 2018-19

(Currency: INR in Lakhs)

Particulars	31 March 2019		2018-19	
	Deferred Tax Assets	Deferred Tax Liabilities	Income Statement	Other Compre- hensive Income
Depreciation		(4.00)	10.00	
Application of effective interest rate on financial assets	1,036.00		74.00	
Application of effective interest rate on financial liabilities		100.00	(3.00)	
Impairment allowance for financial assets	163.00		80.00	
Provisions for employee benefits	90.00	—	11.88	5.12
<b>Total deferred tax asset</b>	<b>1,289.00</b>	<b>96.00</b>	<b>172.88</b>	<b>5.12</b>

#### (b) FY 2017-18

(Currency: INR in Lakhs)

Particulars	31 March 2018		2017-18	
	Deferred Tax Assets	Deferred Tax Liabilities	Income Statement	Other Compre- hensive Income
Depreciation		6.00	2.00	
Application of effective interest rate on financial assets	962.00		136.00	
Application of effective interest rate on financial liabilities		97.00	(21.00)	
Impairment allowance for financial assets	83.00		42.00	
Provisions for employee benefits	73.00	—	22.09	(0.00)
<b>Total deferred tax asset</b>	<b>1,118.00</b>	<b>103.00</b>	<b>181.09</b>	<b>(0.09)</b>

## Notes to the Financial Statements (Continued)

### (c) As on 01 April 2017

(Currency: INR in Lakhs)

Particulars	Deferred Tax Assets	Deferred Tax Liabilities
	01 April 2017	01 April 2017
Depreciation		8.00
Application of effective interest rate on financial assets	826.00	
Application of effective interest rate on financial liabilities		76.00
Impairment allowance for financial assets	41.00	
Provisions for employee benefits	51.00	
<b>Total deferred tax asset</b>	<b>918.00</b>	<b>84.00</b>

### 31. EARNINGS PER SHARE

See Accounting Policy in Note No. 3.16

Basic earnings per share (EPS) is calculated by dividing the net profit for the year attributable to equity holders of Company by the weighted average number of equity shares outstanding during the year.

Diluted EPS is calculated by dividing the net profit attributable to equity shareholders of Company (after adjusting for dividend on the convertible preference shares, net of tax) by the weighted average number of equity shares outstanding during the year plus the weighted average number of equity shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

In accordance with the Ind AS 33 - "Earnings Per Share", following disclosures are made:

(Currency: INR in Lakhs)

Particulars	Units	2018-19	2017-18
Profit after tax	₹	10,169.24	8,657.54
Less: Dividend on preference shares and attributable tax thereon	₹	0.81	0.81
Profit after tax for basic EPS	₹	10,168.43	8,656.73
Weighted average number of equity shares for calculating basic earnings per share	Numbers	67,580,121	61,684,692
Face value of equity shares	₹	10	10
<b>Basic earnings per share</b>	₹	<b>15.05</b>	<b>14.03</b>
Profit after tax for diluted EPS		10,169.24	8,657.54
Weighted average number of equity shares for calculating diluted earnings per share	Numbers	122,575,812	116,680,383
Face value of equity shares	₹	10	10
<b>Diluted earnings per share</b>	₹	<b>8.30</b>	<b>7.42</b>

**Notes to the Financial Statements** (Continued)

Weighted average number of shares outstanding during the year for diluted earnings per share:

Particulars	2018-19	2017-18
	Numbers	Numbers
Weighted average number of shares of ₹ 10 each outstanding during the year – for calculating basic earnings per share	<b>67,580,121</b>	61,684,692
Add: Diluted effect of potential equity shares of ₹ 10 each that could arise on conversion of 6,69,99,956 (previous year 6,69,99,956) compulsorily convertible preference shares	<b>54,995,691</b>	54,995,691
Weighted average number of shares of ₹ 10 each outstanding during the year – for calculating diluted earnings per share	<b>122,575,812</b>	116,680,383

The reconciliation between basic and diluted earnings per share is as follows:

Particulars	2018-19	2017-18
Basic earnings per share	<b>15.05</b>	14.03
Effect of dilution of compulsorily convertible preference shares	<b>6.75</b>	6.61
Diluted earnings per share	<b>8.30</b>	7.42

## Notes to the Financial Statements (Continued)

### 32. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled, based on the rollover and prepayment assumptions approved by the Asset Liability Management Committee of the Company. With regard to loans and advances to customers, the Company uses the same basis of expected repayment behaviour as used for estimating the effective interest rate.

(Currency: INR in Lakhs)

Particulars	31 March 2019			31 March 2018			01 April 2017		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
<b>Assets</b>									
<b>Financial assets</b>									
Cash and cash equivalents	14,295.74	–	14,295.74	1,288.48	–	1,288.48	1,018.35	–	1,018.35
Bank balance other than cash and cash equivalents	141.61	–	141.61	141.61	–	141.61	136.99	–	136.99
Trade receivables	27.13	–	27.13	35.84	–	35.84	19.68	–	19.68
Loans	93,906.37	439,490.72	533,397.10	69,101.41	354,317.72	423,419.13	54,298.19	275,737.35	330,035.54
Other financial assets	80.19	155.34	235.53	78.13	93.27	171.40	33.84	105.14	138.98
<b>Non-financial assets</b>	–	–	–	–	–	–	–	–	–
Current tax asset	60.44	–	60.44	68.16	–	68.16	6.76	–	6.76
Deferred tax assets (net)	–	1,193.00	1,193.00	–	1,015.00	1,015.00	–	834.00	834.00
Property, plant and equipment	–	191.29	191.29	–	226.49	226.49	–	185.19	185.19
Other intangible assets	–	56.95	56.95	–	57.80	57.80	–	11.53	11.53
Capital work in progress	–	–	–	–	–	–	–	3.82	3.82
Intangible assets under development	–	–	–	–	2.00	2.00	–	–	–
Other non-financial assets	117.52	–	117.52	133.74	0.00	133.74	39.26	(0.00)	39.26
<b>Total assets</b>	<b>108,629.00</b>	<b>441,087.30</b>	<b>549,716.31</b>	<b>70,847.37</b>	<b>355,712.28</b>	<b>426,559.65</b>	<b>55,553.07</b>	<b>276,877.03</b>	<b>332,430.10</b>
<b>Liabilities</b>									
<b>Financial liabilities</b>									
Trade payables									
i) Total outstanding dues of creditors micro enterprises and small enterprises	–	–	–	–	–	–	–	–	–
ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	1,018.39	–	1,018.39	873.65	–	873.65	682.39	–	682.39
Debt securities	28,940.57	177,407.80	206,348.37	18,366.46	163,336.83	181,703.29	9,438.95	127,621.91	137,060.86
Borrowings (other than debt securities)	9,232.30	213,412.08	222,644.38	6,674.62	146,172.53	152,847.15	6,105.08	126,661.71	132,766.79
Subordinated liabilities	–	47,376.77	47,376.77	–	39,888.77	39,888.77	–	24,932.89	24,932.89
Other financial liabilities	8,381.70	–	8,381.70	5,484.78	–	5,484.78	5,126.18	–	5,126.18
<b>Non-financial liabilities</b>									
Current tax liability	264.39	–	264.39	196.27	–	196.27	2.36	–	2.36
Provisions	40.63	248.05	288.68	37.05	176.24	213.29	53.47	98.71	152.18
Other non-financial liabilities	322.78	24.58	347.36	428.35	28.82	457.17	69.98	393.03	463.01
<b>Total liabilities</b>	<b>48,200.76</b>	<b>438,469.28</b>	<b>486,670.04</b>	<b>32,061.18</b>	<b>349,603.19</b>	<b>381,664.37</b>	<b>21,478.41</b>	<b>279,708.25</b>	<b>301,186.66</b>
<b>Net</b>	<b>60,428.24</b>	<b>2,618.02</b>	<b>63,046.27</b>	<b>38,786.19</b>	<b>6,109.09</b>	<b>44,895.28</b>	<b>34,074.66</b>	<b>(2,831.22)</b>	<b>31,243.44</b>

**Notes to the Financial Statements** (Continued)**33. CHANGE IN LIABILITIES ARISING FROM FINANCING ACTIVITIES****33.1 For the period ended 31 March 2019**

(Currency: INR in Lakhs)

Particulars	31 March 2018	Cash flows	Other	31 March 2019
Debt securities	181,703.29	24,615.58	29.50	206,348.37
Borrowings other than debt securities	<u>192,735.92</u>	<u>77,319.84</u>	<u>(34.61)</u>	<u>270,021.15</u>
<b>Total liabilities from financing activities</b>	<b><u>374,439.21</u></b>	<b><u>101,935.42</u></b>	<b><u>(5.11)</u></b>	<b><u>476,369.52</u></b>

**33.2 For the period ended 31 March 2018**

(Currency: INR in Lakhs)

Particulars	01 April 2017	Cash flows	Other	31 March 2018
Debt securities	137,060.86	44,659.01	(16.58)	181,703.29
Borrowings other than debt securities	<u>157,699.68</u>	<u>35,187.31</u>	<u>(151.07)</u>	<u>192,735.92</u>
<b>Total liabilities from financing activities</b>	<b><u>294,760.54</u></b>	<b><u>79,846.32</u></b>	<b><u>(167.65)</u></b>	<b><u>374,439.21</u></b>

Other column includes the effect of accrued but not paid interest on borrowing, amortisation of processing fees etc.

**34. RELATED PARTY DISCLOSURES**

As per the Indian Accounting Standard on "Related Party Disclosure" (Ind AS 24), following disclosure are made:

**34.1 Details of related parties**

1. Holding Company:  
Housing Development Finance Corporation Limited
2. Other related parties with whom transactions have taken place during the year
  - (a) Fellow Subsidiaries:  
HDFC ERGO General Insurance Company Limited  
HDFC Life Insurance Company Limited (*erstwhile HDFC Standard Life Insurance Company Limited*)  
HDFC Sales Private Limited
  - (b) Associate of Holding Company  
HDFC Bank Limited
  - (c) Trust owned by holding company  
H T Parekh Foundation
  - (d) Key Management Personnel:  
Mr. V. Srinivasa Rangan, Chairman  
Mr. B. Mahapatra, Independent Director  
Mr. Amitabh Chaudhry, Independent Director (Upto October 14, 2018)  
Mr. Sudhin Choksey, Independent Director  
Ms. Madhumita Ganguli, Non- Executive Director  
Mr. Subodh Salunke, Executive Vice Chairman  
Mr. Suresh Badami, Additional Director (Independent Director) (From January 11, 2019 Upto April 19, 2019)  
Mr. Anil Bohora, Managing Director  
Mr. Ajay Bohora, Managing Director & CEO

## Notes to the Financial Statements (Continued)

### 34. RELATED PARTY DISCLOSURES (Continued)

#### 34.2 The nature and volume of transactions of the Company with the above Related parties were as follows:

(Currency: INR in Lakhs)

Particulars	Holding Company		Fellow subsidiaries		Associate of holding company		Key management personnel		Trust owned by holding company		Total	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
1. Commission received for sourcing home loans	6.54	4.85	—	—	—	—	—	—	—	—	6.54	4.85
2. Commission received for sourcing of fixed deposits	42.02	49.50	—	—	—	—	—	—	—	—	42.02	49.50
3. Commission received for sourcing insurance	—	—	56.26	9.22	—	—	—	—	—	—	56.26	9.22
4. Interest on deposits	—	—	—	—	0.69	0.71	—	—	—	—	0.69	0.71
5. Staff expenses of executive vice chairman on deputation	59.36	—	—	—	—	—	—	—	—	—	59.36	—
6. Staff expenses of employee on deputation	9.13	—	—	—	—	—	—	—	—	—	9.13	—
7. Staff welfare expenses	1.77	—	22.31	17.27	—	—	—	—	—	—	24.08	17.27
8. Reimbursement of GST expenses	3.60	—	—	—	—	—	—	—	—	—	3.60	—
9. Interest paid on NCD	—	—	—	—	5,100.00	3,595.06	—	—	—	—	5,100.00	3,595.06
10. Directors' insurance	—	—	1.05	1.04	—	—	—	—	—	—	1.05	1.04
11. Bank charges	—	—	—	—	1.50	1.56	—	—	—	—	1.50	1.56
12. Brokerage or commission paid	—	—	21.07	—	473.61	414.49	—	—	—	—	494.68	414.49
13. Gratuity funding	—	—	12.00	12.00	—	—	—	—	—	—	12.00	12.00
14. Preference share dividend provided	0.67	0.67	—	—	—	—	—	—	—	—	0.67	0.67
15. Directors' fees	—	—	—	—	—	—	17.40	20.90	—	—	17.40	20.90
16. Right shares issued (including premium)	8,000.00	4,999.99	—	—	—	—	—	—	—	—	8,000.00	4,999.99
17. Contribution towards corporate social responsibility	—	—	—	—	—	—	—	—	101.44	69.68	101.44	69.68
18. Remuneration												
Commission to Key Management Personnel	—	—	—	—	—	—	140.00	112.00	—	—	140.00	112.00
Salaries and other employee benefits to Key Management Personnel	—	—	—	—	—	—	202.85	196.10	—	—	202.85	196.10

## Notes to the Financial Statements (Continued)

34. RELATED PARTY DISCLOSURES (Continued)  
34.3 Balance outstanding at the end of the year

Particulars	Holding company			Fellow subsidiaries			Associate of holding company			Key management personnel			Total		
	2018-19	2017-18	2016-17	2018-19	2017-18	2016-17	2018-19	2017-18	2016-17	2018-19	2017-18	2016-17	2018-19	2017-18	2016-17
	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
1. Commission receivable for sourcing home loans	0.09	2.42	0.15	-	-	-	-	-	-	-	-	-	0.09	2.42	0.15
2. Commission receivable for sourcing fixed deposits	-	0.31	0.84	-	-	-	-	-	-	-	-	-	-	0.31	0.84
3. Commission receivable for sourcing insurance	-	-	-	1.77	9.79	-	-	-	-	-	-	-	1.77	9.79	-
4. Staff expenses of executive vice chairman on deputation payable	5.52	-	-	-	-	-	-	-	-	-	-	-	5.52	-	-
5. Staff expenses of employee on deputation payable	1.71	-	-	-	-	-	-	-	-	-	-	-	1.71	-	-
6. Staff welfare expenses payable	0.73	-	-	-	-	-	-	-	-	-	-	-	0.73	-	-
7. Reimbursement of GST expenses payable	3.60	-	-	-	-	-	-	-	-	-	-	-	3.60	-	-
8. Advance employee health insurance premium	-	-	-	0.51	0.34	0.22	-	-	-	-	-	-	0.51	0.34	0.22
9. Employee health insurance premium (prepaid expense)	-	-	-	2.68	2.22	1.64	-	-	-	-	-	-	2.68	2.22	1.64
10. Directors' insurance premium (prepaid expense)	-	-	-	0.92	0.92	0.91	-	-	-	-	-	-	0.92	0.92	0.91
11. Balance in current accounts	-	-	-	-	-	-	3,978.42	1,017.83	573.11	-	-	-	3,978.42	1,017.83	573.11
12. Non convertible debentures	-	-	-	-	-	-	100,000.00	60,000.00	40,000.00	-	-	-	100,000.00	60,000.00	40,000.00
13. Commercial papers (net of unamortised discount)	-	-	-	-	-	-	-	-	19,718.97	-	-	-	-	-	19,718.97
14. Interest payable of secured NCD	-	-	-	-	-	-	4,757.92	2,507.67	1,510.68	-	-	-	4,757.92	2,507.67	1,510.68
15. Trade payables	-	-	-	-	-	-	2.98	2.09	1.01	-	-	-	2.98	2.09	1.01
16. Deposits	-	-	-	-	-	-	10.00	10.00	10.00	-	-	-	10.00	10.00	10.00
17. Security deposit	-	-	-	2.00	2.00	2.00	-	-	-	-	-	-	2.00	2.00	2.00
18. Remuneration payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Commission to Key Management Personnel	-	-	-	-	-	-	-	-	-	-	-	-	140.00	112.00	200.00



## Notes to the Financial Statements (Continued)

### 35. CAPITAL

The Company maintains an actively managed capital base to cover risks inherent in the business and is meeting the capital adequacy requirements of Reserve Bank of India (RBI). The adequacy of the Company's capital is monitored using, among other measures, the regulations issued by RBI.

#### Capital management

The Company's objectives when managing capital are

- to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with general industry practice, the Company monitors capital on the basis of the Capital Adequacy Ratio requirements of the RBI and of the following gearing ratio: Net debt (total borrowings net of cash and cash equivalents) divided by Total 'equity' (as shown in the balance sheet).

### 36. FAIR VALUE MEASUREMENTS

**36.1** There are no financial assets or liabilities that are measured at FVTPL or FVOCI.

#### **36.2 Fair value of financial instruments not measured at fair value**

Set out below is a comparison, by class, of the carrying amounts and fair values of the Company's financial instruments that are not carried at fair value in the financial statements. This table does not include the fair values of non-financial assets and non-financial liabilities. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the three levels prescribed under the accounting standard. An explanation of each level follows underneath the table.

##### (a) As at 31 March 2019

(Currency: INR in Lakhs)

Particulars	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Loans	5,33,397.10	—	—	5,33,397.10	5,33,397.10
<b>Total financial assets</b>	<b>5,33,397.10</b>	<b>—</b>	<b>—</b>	<b>5,33,397.10</b>	<b>5,33,397.10</b>
<b>Financial liabilities</b>					
Debt securities	2,12,105.34	—	—	2,12,472.99	2,12,472.99
Borrowings (other than debt securities)	2,22,753.11	—	—	2,22,753.11	2,22,753.11
Subordinated liabilities	49,892.77	—	—	50,822.34	50,822.34
<b>Total financial liabilities</b>	<b>4,84,751.22</b>	<b>—</b>	<b>—</b>	<b>4,86,048.44</b>	<b>4,86,048.44</b>

**Notes to the Financial Statements** (Continued)**(b) As at 31 March 2018**

(Currency: INR in Lakhs)

Particulars	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Loans	4,23,419.13	—	—	4,23,419.13	4,23,419.13
<b>Total financial assets</b>	<b>4,23,419.13</b>	<b>—</b>	<b>—</b>	<b>4,23,419.13</b>	<b>4,23,419.13</b>
<b>Financial liabilities</b>					
Debt securities	1,85,220.00	—	—	1,84,579.26	1,84,579.26
Borrowings (other than debt securities)	1,52,873.17	—	—	1,52,873.17	1,52,873.17
Subordinated liabilities	41,830.83	—	—	42,981.52	42,981.52
<b>Total financial liabilities</b>	<b>3,79,924.00</b>	<b>—</b>	<b>—</b>	<b>3,80,433.95</b>	<b>3,80,433.95</b>

**(c) As at 01 April 2017**

(Currency: INR in Lakhs)

Particulars	Carrying Value	Fair Value			Total
		Level 1	Level 2	Level 3	
<b>Financial assets</b>					
Loans	3,30,035.54	—	—	3,30,035.54	3,30,035.54
<b>Total financial assets</b>	<b>3,30,035.54</b>	<b>—</b>	<b>—</b>	<b>3,30,035.54</b>	<b>3,30,035.54</b>
<b>Financial liabilities</b>					
Debt securities	1,40,797.32	—	—	1,41,969.99	1,41,969.99
Borrowings (other than debt securities)	1,32,781.26	—	—	1,32,781.26	1,32,781.26
Subordinated liabilities	26,308.14	—	—	27,946.19	27,946.19
<b>Total financial liabilities</b>	<b>2,99,886.72</b>	<b>—</b>	<b>—</b>	<b>3,02,697.44</b>	<b>3,02,697.44</b>

**Valuation methodologies of financial instruments not measured at fair value****Short term and other financial assets and liabilities**

The management assessed that cash and bank balances, trade receivables, trade payables and other financial assets and liabilities approximate their carrying amounts, net of impairments, if any, largely due to the short term maturities of these instruments.

**Loans**

Since substantially all loans reprice to reflect current market price, the carrying values of these loans approximate their fair values.

**Debt securities, borrowings (other than debt securities) and subordinated liabilities**

For fixed rate borrowings, fair value is estimated at portfolio level by discounted cash flow model incorporating market interest rates and the Company's own credit risk or based on market-observable data, as relevant. Since floating rate borrowings are linked to MCLR which reflects the fair value, hence carrying amount approximates the fair value.

## Notes to the Financial Statements (Continued)

### 37. FINANCIAL RISK MANAGEMENT

The Company's activities expose it to credit risk, liquidity risk and market risk. The Company places emphasis on risk management practices to ensure an appropriate balance between risks and returns. Risk management is driven by the board of directors, with the overall responsibility assigned to the Risk Management Committee of the board. The Company manages key risks based on the risk management framework and policy formulated and adopted by the risk management committee.

This note explains the sources of risk which the Company is exposed to and how the Company manages the risk

Risk	Exposure arising from	Measurement	Management
Credit risk	Financial assets measured at amortised cost, Trade receivables.	Aging analysis	Credit policy and underwriting norms, family member taken as co-borrowers, collateral security, etc.
Liquidity risk	Borrowings and other liabilities	ALM Reports	Availability of committed credit lines and borrowing facilities, monitoring forecast and actual cash flow and by matching the maturity profiles of financial assets and liabilities.
Market risk – interest rate risk	Long-term borrowings at variable rates	Sensitivity analysis	Financial assets are at floating rate

The Company's risk management is carried out by the senior management under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas.

#### 37.1 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 is governed by the Credit policy approved by the board of directors.

##### 37.1.1 Credit risk assessment methodology

###### Analysis of risk concentration

Since the Company provides only retail education loans, there is not significant concentration risk at the borrower/counterparty level.

Concentration based on the geographic study location of student being funded is as follows:

(Currency: INR in Lakhs)

Principal Outstanding	India	USA	Other Countries	Total
As on 31 March 2019	53,787.31	3,46,471.08	133,640.71	533,899.10
As on 31 March 2018	51,975.97	288,696.39	83,005.29	423,677.65
As on 1 April 2017	50,014.11	226,958.40	53,198.58	330,171.09

##### 37.1.2 Expected credit loss

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive. Because expected credit losses consider the amount and timing of payments, a credit loss arises even if the entity expects to be paid in full but later than when contractually due.

## Notes to the Financial Statements (Continued)

### (a) Key components of Credit Risk assessment

The key components of Credit Risk assessment are:

- Probability of Default (PD): represents the likelihood of default over a defined time horizon.
- Exposure at Default (EAD): represents how much the counter-party is likely to be borrowing at the time of default.
- Loss Given Default (LGD): represents the proportion of EAD that is likely to be lost post-default.
- The ECL is computed as a product of PD, LGD and EAD.

### (b) Analysis of inputs to the ECL model under multiple economic scenarios

The company considers PD estimates that have been adjusted using the macroeconomic overlay. A macroeconomic overlay has been applied taking into account portfolio specific macroeconomic factors that affect Probability of Default which capture the economic conditions of the country. A macroeconomic scalar has been computed using statistical and regression analysis. The scalar has been forecasted for six years. The scalar is then multiplied with the PD term structure on a rolling basis to arrive at the macroeconomic adjusted PD term structure.

The company has considered Macro economic variables specific to the country of study of the student. Gross Domestic Product has been considered as India-specific variable and Housing Price Index as USA-specific variable. To ensure completeness and accuracy, the data from reliable sources (International Monetary Fund, Federal Reserve etc.) and Credit Risk Department; with the help of external consultants verifies the accuracy of inputs to the Company's ECL models including determining the weights attributable to the three scenarios considered; i.e. a base case, an upside and a downside.

### (c) Definition and assessment of default

The Company considers the following as constituting an event of default:

- the borrower is past due more than 90days on any material credit obligation to the Company; or
- the borrower is unlikely to pay its credit obligations to the Company in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Company takes into account both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation to the Company of the same counterparty are key inputs in this analysis.

Delinquency buckets have been considered as the primary basis for the staging of all loans with:

- 0-30 days past due loans classified as stage 1
- 31-90 days past due loans classified as stage 2 and
- Above 90 days past due loans classified as stage 3
- Alongwith delinquency buckets; the criterias developed internally to analyse whether there is increase in credit risk are considered for staging of loans.

### (d) Other Inputs to the ECL Computation

The following inputs are explained in the Significant Accounting Policies (Note 3.2.5).

- Significant increase in credit risk of the credit exposure
- ECL computation methodology
- Policy on write off of loan assets

## Notes to the Financial Statements (Continued)

### (e) Internal grading system

The Company's independent Credit Risk Department operates as per internal rating models. The Company runs separate models for its portfolio in which its customers are rated from 'Standard' to 'NPA' using internal grades. The models incorporate quantitative information specific to the borrower.

The Company's internal credit rating grades:

Internal rating grade	Internal rating description
Standard	Principal or interest payment not overdue
SMA-1	Principal or interest payment overdue between 31-60 days
SMA-2	Principal or interest payment overdue between 61-90 days
NPA	Principal or interest payment overdue more than 90 days

### (f) Credit quality of assets

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances.

Particulars	As at 31 March 2019				As at 31 March 2018				As at 01 April 2017			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Internal rating grade												
Standard	5,32,108.19	272.84	-	5,32,381.03	4,21,868.00	456.02	-	4,22,324.02	3,28,939.24	466.55	-	3,29,405.79
SMA - 1	-	732.05	-	732.05	-	706.71	-	706.71	-	479.42	-	479.42
SMA - 2	-	384.77	-	384.77	-	453.08	-	453.08	-	121.12	-	121.12
Non Performing Assets	-	-	401.26	401.26	-	-	193.84	193.84	-	-	164.76	164.76
<b>Total</b>	<b>5,32,108.19</b>	<b>1,389.65</b>	<b>401.26</b>	<b>5,33,899.10</b>	<b>4,21,868.00</b>	<b>1,615.81</b>	<b>193.84</b>	<b>4,23,677.65</b>	<b>3,28,939.24</b>	<b>1,067.09</b>	<b>164.76</b>	<b>3,30,171.09</b>

### (g) An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to lending is, as follows:

#### (I) Reconciliation of the gross carrying amount:

Particulars	As at 31 March 2019				As at 31 March 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	4,21,868.00	1,615.81	193.84	4,23,677.65	3,28,939.24	1,067.09	164.76	3,30,171.09
New assets originated or purchased	2,06,321.32	181.05	-	2,06,502.37	1,62,320.21	264.58	-	1,62,584.79
Assets derecognised or repaid (excluding write offs)	(95,864.65)	(326.55)	(95.88)	(96,287.09)	(68,767.06)	(216.34)	(104.27)	(69,087.67)
Transfers to Stage 1	890.93	(887.43)	(3.51)	-	661.15	(646.45)	(14.70)	-
Transfers to Stage 2	(986.69)	991.10	(4.42)	-	(1,179.92)	1,185.09	(5.17)	-
Transfers to Stage 3	(120.73)	(184.34)	305.06	-	(105.63)	(38.15)	143.78	-
Amounts written off	-	-	6.17	6.17	-	-	9.43	9.43
<b>Gross carrying amount closing balance</b>	<b>5,32,108.19</b>	<b>1,389.65</b>	<b>401.26</b>	<b>5,33,899.10</b>	<b>4,21,868.00</b>	<b>1,615.81</b>	<b>193.84</b>	<b>4,23,677.65</b>

## Notes to the Financial Statements (Continued)

### (II) Reconciliation of impairment loss allowance on gross carrying value of loan is given below: (Refer note 7)

Particulars	For the year ended As at 31 March 2019				For the year ended As at 31 March 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance - opening balance	73.84	153.42	31.26	258.52	37.23	65.89	32.43	135.55
New assets originated or purchased	21.38	4.88	-	26.27	9.45	3.52	-	12.97
Assets derecognised or repaid (excluding write offs)	(12.92)	(19.50)	(10.80)	(43.21)	(4.78)	(2.02)	(10.39)	(17.19)
Transfers to Stage 1	73.46	(70.95)	(2.52)	-	44.11	(39.15)	(4.96)	-
Transfers to Stage 2	(0.41)	1.54	(1.13)	-	(0.18)	1.86	(1.68)	-
Transfers to Stage 3	(0.04)	(23.99)	24.03	-	(0.01)	(5.17)	5.18	-
Impact on year end ECL of exposures transferred between stages during the year	(71.52)	115.89	28.62	72.99	(43.33)	127.04	13.99	97.70
Changes to models and inputs used for ECL calculations	186.78	1.27	0.70	188.75	31.34	1.45	(3.32)	29.47
Amounts written off	-	-	(1.31)	(1.31)	-	-	-	-
ECL allowance - closing balance	270.58	162.56	68.86	502.00	73.84	153.42	31.26	258.52

The increase in ECLs of the portfolio was driven by an increase in the gross size of the portfolio and movements between stages as a result of increases in credit risk.

### (III) Reconciliation of impairment loss allowance on undisbursed commitments is given below: (Refer note 19)

Particulars	For the year ended As at 31 March 2019				For the year ended As at 31 March 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
ECL allowance - opening balance	8.64	0.14	-	8.78	6.41	0.02	-	6.43
New assets originated or purchased	6.93	0.05	-	6.98	3.30	0.07	-	3.37
Assets derecognised or repaid (excluding write offs)	(2.46)	(0.03)	-	(2.50)	(1.07)	(0.01)	-	(1.09)
Transfers to Stage 1	0.09	(0.09)	-	-	-	-	-	-
Transfers to Stage 2	(0.03)	0.03	-	-	(0.01)	0.01	-	-
Transfers to Stage 3	-	(0.01)	0.01	0.00	-	-	-	-
Impact on year end ECL of exposures transferred between stages during the year	(0.08)	0.13	(0.01)	0.04	-	0.05	-	0.05
Changes to models and inputs used for ECL calculations	16.59	(0.01)	-	16.58	0.02	-	-	0.03
ECL allowance - closing balance	29.68	0.21	-	29.89	8.64	0.14	-	8.78

#### 37.1.3 Collateral held and other credit enhancements

Based on the Board approved credit policy, the Company provides fully secured, partially secured and unsecured education loans to individuals. The parameters relating to acceptability and valuation of each type of collateral are a part of the Credit Policy of the Company. The Company obtains collateral in the form of mortgages over immovable properties, fixed deposits and insurance policies. The Company does not have any credit enhancement arrangement.

In its normal course of business, the Company does not physically repossess properties. For other collaterals the Company liquidates the assets and recover the amount due against the loan. Any surplus funds are returned to the customers/obligors.

Disclosure of credit quality and the maximum exposure for credit risk and year-end stage classification are further disclosed in Note 37.1.2.

The tables set out below show the maximum exposure to credit risk by class of financial asset. They also shows the total fair value of collateral and the net exposure to credit risk. The fair value of the collateral is done as per the Credit Policy at the time of sanction of the loan.

## Notes to the Financial Statements (Continued)

### (a) As on 31 March 2019

(Currency: INR in Lakhs)

	Maximum exposure to credit risk	Fair value of collaterals and credit enhancements held					Net exposure	Associated ECLs
		Immovable properties	Fixed deposits	Insurance policies	Total collateral			
<b>Financial assets</b>								
Cash & bank balance	14,437.35	–	–	–	–	14,437.35	–	
Loans	533,397.10	220,093.09	6,534.06	–	226,627.15	306,769.95	502.00	
Trade receivables	27.13	–	–	–	–	27.13	–	
Other financial assets	235.53	–	–	–	–	235.53	–	
<b>Total financial assets at amortised cost</b>	<b>548,097.11</b>	<b>220,093.09</b>	<b>6,534.06</b>	<b>–</b>	<b>226,627.15</b>	<b>321,469.96</b>	<b>502.00</b>	

### (b) As on 31 March 2018

(Currency: INR in Lakhs)

	Maximum exposure to credit risk	Fair value of collaterals and credit enhancements held					Net exposure	Associated ECLs
		Immovable properties	Fixed deposits	Insurance policies	Total collateral			
<b>Financial assets</b>								
Cash & bank balance	1,430.09	–	–	–	–	1,430.09	–	
Loans	423,419.13	186,931.45	6,050.00	1.60	192,983.05	230,436.08	258.52	
Trade receivables	35.84	–	–	–	–	35.84	–	
Other financial assets	171.40	–	–	–	–	171.40	–	
<b>Total financial assets at amortised cost</b>	<b>425,056.46</b>	<b>186,931.45</b>	<b>6,050.00</b>	<b>1.60</b>	<b>192,983.05</b>	<b>232,073.41</b>	<b>258.52</b>	

### (c) As on 01 April 2017

(Currency: INR in Lakhs)

	Maximum exposure to credit risk	Fair value of collaterals and credit enhancements held					Net exposure	Associated ECLs
		Immovable properties	Fixed deposits	Insurance policies	Total collateral			
<b>Financial assets</b>								
Cash & bank balance	1,155.34	–	–	–	–	1,155.34	–	
Loans	330,035.54	158,958.60	5,012.61	2.81	163,974.02	166,061.52	135.55	
Trade receivables	19.68	–	–	–	–	19.68	–	
Other financial assets	138.98	–	–	–	–	138.98	–	
<b>Total financial assets at amortised cost</b>	<b>331,349.54</b>	<b>158,958.60</b>	<b>5,012.61</b>	<b>2.81</b>	<b>163,974.02</b>	<b>167,375.52</b>	<b>135.55</b>	

## 37.2 Market risk

It is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates.

### 37.2.1 Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

## Notes to the Financial Statements (Continued)

Interest rate risk primarily arises from floating rate financial instruments. Exposure to fluctuations in interest rates is also measured by way of gap analysis, providing a static view of the maturity and re-pricing characteristic of Balance sheet positions. An interest rate sensitivity gap report is prepared by classifying all rate sensitive assets and rate sensitive liabilities into various time period categories according to contracted/ behavioural maturities or anticipated re-pricing date. The difference in the amount of rate sensitive assets and rate sensitive liabilities maturing or being re-priced in any time period category, gives an indication of the extent of exposure to the risk of potential changes in the margins on new or re-priced assets and liabilities.

### (a) Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates (all other variables being constant) on the statement of profit and loss.

The sensitivity of the statement of profit and loss is the effect of the assumed changes in interest rates on the profit or loss for a year, based on the floating rate financial instruments held at the year end :-

Particulars	Impact on profit after tax	
	31 March 2019	31 March 2018
Interest rates — increase by 50 basis	1,012.45	880.96
Interest rates — decrease by 50 basis	(1,012.45)	(880.96)

### 37.2.2 Foreign currency exchange rate risk

The Company's financial assets and financial liabilities are primarily in INR. Hence, the Company is not significantly exposed to currency risk.

### 37.3 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.

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 manages liquidity risk by maintaining sufficient cash and cash equivalents and by having access to funding through an adequate amount of committed credit lines. 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.

#### Maturities of non derivative financial liabilities

The tables below analyses the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all financial liabilities for which the contractual maturities are essential for an understanding of the timing of the cash flows.



## Notes to the Financial Statements (Continued)

The amounts disclosed in the table are the contractual undiscounted cash flows.

Non derivative financial liabilities 31 March 2019	Due in 1 year	Between 1 and 2 years	Between 3 and 5 years	Beyond 5 years	Total
Trade payables	1,018.39	—	—	—	1,018.39
Debt securities	96,468.58	109,879.80	—	—	206,348.37
Borrowings (other than debt securities)	59,465.83	92,666.11	44,274.60	26,237.83	222,644.38
Subordinated liabilities	—	—	—	47,376.77	47,376.77
Other financial liabilities	8,381.70	—	—	—	8,381.70
<b>Total</b>	<b>165,334.50</b>	<b>202,545.91</b>	<b>44,274.60</b>	<b>73,614.60</b>	<b>485,769.61</b>

  

Non derivative financial liabilities 31 March 2018	Due in 1 year	Between 1 and 2 years	Between 3 and 5 years	Beyond 5 years	Total
Trade payables	873.65	—	—	—	873.65
Debt securities	91,832.31	39,968.72	49,902.26	—	181,703.29
Borrowings (other than debt securities)	33,538.45	70,239.65	36,350.26	12,718.79	152,847.15
Subordinated liabilities	—	—	—	39,888.77	39,888.77
Other financial liabilities	5,484.78	—	—	—	5,484.78
<b>Total</b>	<b>131,729.19</b>	<b>110,208.37</b>	<b>86,252.53</b>	<b>52,607.56</b>	<b>380,797.64</b>

  

Non derivative financial liabilities 01 April 2017	Due in 1 year	Between 1 and 2 years	Between 3 and 5 years	Beyond 5 years	Total
Trade payables	682.39	—	—	—	682.39
Debt securities	47,194.74	39,952.46	49,913.65	—	137,060.86
Borrowings (other than debt securities)	24,905.40	47,443.19	40,758.86	19,659.34	132,766.79
Subordinated liabilities	—	—	—	24,932.89	24,932.89
Other financial liabilities	5,126.18	—	—	—	5,126.18
<b>Total</b>	<b>77,908.70</b>	<b>87,395.65</b>	<b>90,672.51</b>	<b>44,592.23</b>	<b>300,569.10</b>

38. Disclosures pursuant to Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17 dated September 01, 2016, to the extent applicable to the Company

### 38.1 Capital to risk assets ratio (CRAR)

(Currency: INR in Lakhs)

Items	2018-19	2017-18
CRAR (%)	<b>18.45</b>	17.65
CRAR - Tier I capital (%)	<b>11.55</b>	10.24
CRAR - Tier II capital (%)	<b>6.90</b>	7.41
Amount of subordinated debt raised as Tier-II capital (₹)	—	10,00,000
Amount raised by issue of Perpetual Debt Instrument (₹)	<b>7,50,000</b>	5,00,000

## Notes to the Financial Statements (Continued)

### 38.2 Investments

(Currency: INR in Lakhs)

Items	2018-19	2017-18
<b>1. Value of investments</b>		
i) Gross value of investments	—	—
(a) In India	—	—
(b) Outside India	—	—
ii) Provision for depreciation	—	—
(a) In India	—	—
(b) Outside India	—	—
iii) Net value of investments	—	—
(a) In India	—	—
(b) Outside India	—	—
<b>2. Movement of provisions held towards depreciation on investments</b>		
i) Opening balance	—	—
ii) Add: Provisions made during the year	—	—
iii) Less: Write-off/write-back of excess provisions during the year	—	—
iv) Closing balance	—	—

**38.3** The Company is not registered under any other regulator other than Reserve Bank of India and Insurance Regulatory & Development Authority of India (IRDAI).

**38.4** During financial year under audit, no penalty has been levied by any regulator.

### 38.5 Exposure to real estate sector

The primary purpose of the loan is for education. Considering the nature of business, the management believes that there is no direct/indirect exposure to real estate, hence the same has not been considered in current and previous financial year.

**38.6** Rating assigned by credit rating agencies and migration of ratings during the year:

Sr. No.	Rating Agency	Type	Current year (2018-19)	Previous year (2017-18)
1	CARE	Issuer rating*	CARE AAA (Is)	CARE AAA (Is)
		Perpetual debt instrument	CARE AA+	CARE AA+
		Non-convertible debenture	CARE AAA	CARE AAA
		Subordinated debt	CARE AAA	CARE AAA
2	ICRA	Bank Loan	ICRA AAA	-
		Commercial paper	ICRA A1+	ICRA A1+
		Perpetual debt instrument	ICRA AA+	ICRA AA+
3	CRISIL	Non-convertible debenture	CRISIL AAA	CRISIL AAA
		Commercial paper	CRISIL A1+	CRISIL A1+
		Subordinated debt	CRISIL AAA	CRISIL AAA

\* Company has requested to withdraw the rating and rating is placed on notice of withdrawal for 1 year.

**38.7** The Company does not have any capital market exposure.

**38.8** The Company does not have any exposure to derivatives including forward rates agreements, interest rate swaps and exchange traded derivatives.

**38.9** The Company has not securitised/assigned any of its exposures during the year.

## Notes to the Financial Statements (Continued)

**38.10** The Company has neither purchased nor sold any non-performing financial assets during the year.

**38.11** There is no financing of parent company product during the current year.

**38.12** The Company has not exceeded single borrower limit (SGL) and nor has exceeded the group borrower limit (GBL).

**38.13** The Company has not given any loans against intangible securities.

**38.14** The Company has made no drawdown from existing reserves.

### 38.15 Provisions and contingencies

(Currency: INR in Lakhs)

<b>Break up of 'Provisions and contingencies' shown under the head expenses in Statement of Profit and Loss</b>	<b>Current year (2018-19)</b>	<b>Previous year (2017-18)</b>
	₹	₹
Provisions for depreciation on investment	—	—
Provision towards NPA	43.77	8.26
Provision made towards tax expenses (net)	5,521.32	4,903.89
<b>Other provision and contingencies (with details)</b>		
Provision for employee benefits		
— Compensated absences	10.45	14.72
— Gratuity	43.15	58.19
Provision for standard assets	227.00	126.49

### 38.16 Concentration of advances, exposures and NPAs:

#### (a) Concentration of advances

(Currency: INR in Lakhs)

	<b>Current year (2018-19)</b>	<b>Previous year (2017-18)</b>
	₹	₹
Total advances to twenty largest borrowers	1,802.89	1,710.37
Percentage of advances to twenty largest borrowers to Total advances of the NBFC	0.34%	0.40%

#### (b) Concentration of exposures [on limit basis or outstanding basis whichever is higher]

(Currency: INR in Lakhs)

	<b>Current year (2018-19)</b>	<b>Previous year (2017-18)</b>
	₹	₹
Total exposure to twenty largest borrowers/customers	2,931.00	2,670.00
Percentage of exposures to twenty largest borrowers/customers to Total exposure of the NBFC on borrowers/customers	0.39%	0.44%

#### (c) Concentration of NPAs

(Currency: INR in Lakhs)

	<b>Current year (2018-19)</b>	<b>Previous year (2017-18)</b>
	₹	₹
Total exposure to top four NPA accounts	167.73	65.26

## Notes to the Financial Statements (Continued)

### (d) Sector-wise NPAs

Sr. No.Sector	Percentage of NPAs to total advances in that sector Current year (2018-19)	Percentage of NPAs to total advances in that sector Previous year (2017-18)
1. Agriculture & allied activities	—	—
2. MSME	—	—
3. Corporate borrowers	—	—
4. Services	—	—
5. Unsecured personal loans	—	—
6. Auto loans	—	—
7. Other personal loans	—	—
8. Education loans	0.08%	0.05%

### (e) Movement of NPAs

Sr. No.Particulars	(Currency: INR in Lakhs)	
	Current year (2018-19) ₹	Previous year (2017-18) ₹
i) Net NPAs to net advances	0.06%	0.04%
ii) Movement of NPAs (Gross)*		
(a) Opening balance	193.84	164.76
(b) Additions during the year	568.59	390.24
(c) Reductions during the year	(361.17)	(361.17)
(d) Closing balance	401.26	193.84
(iii) Movement of Net NPAs*		
(a) Opening balance	162.58	132.33
(b) Additions during the year	472.41	314.80
(c) Reductions during the year	(302.58)	(284.56)
(d) Closing balance	332.40	162.58
(iv) Movement of provisions for NPAs (excluding provisions on standard assets)*		
(a) Opening balance	31.26	32.43
(b) Provisions made during the year	96.19	75.44
(c) Write-off/write-back of excess provisions	(58.59)	(76.61)
(d) Closing balance	68.86	31.26

\* The Company has considered quarterly accruals and recoveries in presentation of Movement of NPAs.

### 38.17 Segment reporting

There is no separate reportable segment as per Ind AS 108 on 'operating segments' in respect of the Company.

The Company operates in single segment only. There are no operations outside India and hence there is no external revenue or assets which requires disclosure.

## Notes to the Financial Statements (Continued)

**38.18** The Company does not have any overseas assets.

**38.19** The Company has not sponsored any off-balance sheet SPVs.

**38.20** The Company is a non deposit accepting NBFC and as such does not have any depositors.

### **38.21 Customer complaints**

Sr. No. Particulars	Current year (2018-19) ₹	Previous year (2017-18) ₹
(a) No. of complaints pending at the beginning of the year	—	—
(b) No. of complaints received during the year	<b>132</b>	<b>94</b>
(c) No. of complaints redressed during the year	<b>131</b>	<b>94</b>
(d) No. of complaints pending at the end of the year	<b>1</b>	—

## Notes to the Financial Statements (Continued)

38.22 Schedule to the balance sheet of a non-deposit taking non-banking financial Company [as required in terms of paragraph 18 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016]

(Currency: INR in Lakhs)

Particulars	As at 31 March 2019		As at 31 March 2018		As at 01 April 2017	
	Amount outstanding	Amount overdue	Amount outstanding	Amount overdue	Amount outstanding	Amount overdue
<b>LIABILITIES SIDE:</b>						
<b>1. Loans and advances availed by the non banking financial company inclusive of interest accrued thereon but not paid:</b>						
(a) Debentures - Secured	155,738.06	-	133,385.58	-	113,610.37	-
- Unsecured (Other than falling within the meaning of public deposit)	49,892.77	-	41,830.83	-	26,308.14	-
(b) Deferred credit	-	-	-	-	-	-
(c) Term loan	199,143.77	-	152,847.15	-	132,766.79	-
(d) Inter - corporate loans and borrowing	-	-	-	-	-	-
(e) Commercial paper	56,476.01	-	51,860.43	-	27,201.42	-
(f) Other loan	23,500.61	-	-	-	-	-
(g) Book overdraft	-	-	-	-	-	-
<b>ASSETS SIDE:</b>						
<b>2. Break-up of loans and advances including bills receivables [other than those included in (4) below]:</b>						
(a) Secured	236,363.43	-	200,092.09	-	168,570.52	-
(b) Unsecured	297,535.67	-	223,585.56	-	161,600.57	-
<b>3. Break up of leased assets and stock on hire and other assets counting towards AFC activities</b>						
i) Lease assets including lease rentals under sundry debtors:						
(a) Financial lease	-	-	-	-	-	-
(b) Operating lease	-	-	-	-	-	-
ii) Stock on hire including hire charges under sundry debtors:						
(a) Assets on hire	-	-	-	-	-	-
(b) Repossessed Assets	-	-	-	-	-	-
iii) Other loans counting towards AFC activities						
(a) Loans where assets have been repossessed	-	-	-	-	-	-
(b) Loans other than (a) above	-	-	-	-	-	-

**Notes to the Financial Statements** (Continued)

**38.22** Schedule to the balance sheet of a non-deposit taking non-banking financial Company [as required in terms of paragraph 18 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016] (Continued)  
(Currency: INR in Lakhs)

Particulars	As at 31 March 2019	As at 31 March 2018	As at 01 April 2017
<b>ASSETS SIDE:</b>			
<b>4. Breakup of investments:</b>			
<b>Current investments:</b>			
<b>1. Quoted:</b>			
i) Shares:			
(a) Equity	-	-	-
(b) Preference	-	-	-
ii) Debentures and bonds	-	-	-
iii) Units of mutual funds	-	-	-
iv) Government securities	-	-	-
v) Others (please specify)	-	-	-
<b>2. Unquoted:</b>			
i) Shares:			
(a) Equity	-	-	-
(b) Preference	-	-	-
ii) Debentures and bonds	-	-	-
iii) Units of mutual funds	-	-	-
iv) Government securities	-	-	-
v) Others (please specify)	-	-	-
<b>Long term investments:</b>			
<b>1. Quoted:</b>			
i) Shares:			
(a) Equity	-	-	-
(b) Preference	-	-	-
ii) Debentures and bonds	-	-	-
iii) Units of mutual funds	-	-	-
iv) Government securities	-	-	-
v) Others (please specify)	-	-	-
<b>2. Unquoted:</b>			
i) Shares:			
(a) Equity	-	-	-
(b) Preference	-	-	-
ii) Debentures and bonds	-	-	-
iii) Units of mutual funds	-	-	-
iv) Government securities	-	-	-
v) Others (please specify)	-	-	-

## Notes to the Financial Statements (Continued)

**38.22** Schedule to the balance sheet of a non-deposit taking non-banking financial Company [as required in terms of paragraph 18 of Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016] (Continued)  
(Currency: INR in Lakhs)

**5. Borrower group-wise classification of assets financed as in (2) and (3) above:**

Category	As at 31. March 2019			As at 31. March 2018			As at April 1, 2017		
	Amount net of provisions			Amount net of provisions			Amount net of provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total	Secured	Unsecured	Total
<b>1. Related parties</b>									
(a) Subsidiaries	—	—	—	—	—	—	—	—	—
(b) Companies in the same group	—	—	—	—	—	—	—	—	—
(c) Other related parties	—	—	—	—	—	—	—	—	—
<b>2. Other than related parties</b>	<b>236,363</b>	<b>297,536</b>	<b>533,899</b>	<b>200,092</b>	<b>223,586</b>	<b>423,678</b>	<b>168,571</b>	<b>161,601</b>	<b>330,172</b>
<b>Total</b>	<b>236,363</b>	<b>297,536</b>	<b>533,899</b>	<b>200,092</b>	<b>223,586</b>	<b>423,678</b>	<b>168,571</b>	<b>161,601</b>	<b>330,172</b>

**6. 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)	Market value/ break up or fair value or NAV	Book value (Net of provisions)	Market value/ break up or fair value or NAV	Book value (Net of provisions)	Market value/ break up or fair value or NAV	Book value (Net of provisions)
<b>1. Related parties</b>								
(a) Subsidiaries	—	—	—	—	—	—	—	—
(b) Companies in the same group	—	—	—	—	—	—	—	—
(c) Other related parties	—	—	—	—	—	—	—	—
<b>2. Other than related parties</b>	—	—	—	—	—	—	—	—
<b>Total</b>	—	—	—	—	—	—	—	—

**7. Other information**

Particulars	As at March 31, 2019		As at March 31, 2018		As at April 1, 2017	
	Market value/ break up or fair value or NAV	Book value (Net of provisions)	Market value/ break up or fair value or NAV	Book value (Net of provisions)	Market value/ break up or fair value or NAV	Book value (Net of provisions)
i) Gross non performing assets						
(a) Related parties	—	—	—	—	—	—
(b) Other than related parties	<b>401.26</b>	<b>193.84</b>	<b>164.76</b>	<b>132.33</b>	<b>164.76</b>	<b>132.33</b>
ii) Net non performing assets						
(a) Related parties	—	—	—	—	—	—
(b) Other than related parties	<b>332.40</b>	<b>162.58</b>	<b>132.33</b>	<b>132.33</b>	<b>132.33</b>	<b>132.33</b>
iii) Assets acquired in satisfaction of debt	—	—	—	—	—	—



**Notes to the Financial Statements** (Continued)

**38.23 Asset liability management**

**(a) Maturity pattern of certain items of assets and liabilities as at 31 March 2019:**

Particulars	(Currency: INR in Lakhs)									
	1 day to 30 days (one month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total	
<b>Liabilities</b>										
Borrowings*	3,615.18	7,555.80	7,321.07	11,084.64	33,396.88	154,973.98	169,414.80	89,007.17	476,369.52	
Foreign currency liabilities	8.69	—	—	—	—	—	—	—	8.69	
<b>Assets</b>										
Advances	8,195.72	8,089.22	7,995.80	23,639.62	45,986.01	177,442.82	136,933.65	125,547.40	533,830.24	
Investments	—	—	—	—	—	—	—	—	—	
Deposits	—	—	—	—	—	—	—	—	—	
Foreign currency assets	—	—	—	—	—	—	—	—	—	

\*Excludes interest accrued and due on borrowings ₹ Nil and interest accrued but not due ₹ 8,381.70 lakhs.

**(b) Maturity pattern of certain items of assets and liabilities as at 31 March 2018:**

Particulars	(Currency: INR in Lakhs)									
	1 day to 30 days (one month)	Over 1 month to 2 months	Over 2 months to 3 months	Over 3 months to 6 months	Over 6 months to 1 year	Over 1 year to 3 years	Over 3 years to 5 years	Over 5 years	Total	
<b>Liabilities</b>										
Borrowings*	519.88	5,939.68	5,618.67	1,706.15	11,262.31	1,04,868.15	1,75,165.80	69,358.55	3,74,439.21	
Foreign currency liabilities	10.92	—	—	—	—	—	—	—	10.92	
<b>Assets</b>										
Advances	5,950.36	5,888.84	5,819.21	17,330.01	34,112.99	1,35,968.81	1,13,539.38	1,05,036.78	4,23,646.39	
Investments	—	—	—	—	—	—	—	—	—	
Deposits	—	—	—	—	—	—	—	—	—	
Foreign currency assets	—	—	—	—	—	—	—	—	—	

\*Excludes interest accrued and due on borrowings ₹ Nil and interest accrued but not due ₹ 5,484.78 lakhs.

## Notes to the Financial Statements (Continued)

### 39. FIRST TIME ADOPTION OF IND AS:

These financial statements, for the year ended 31st March 2019, are the first financial statements that the Company has prepared in accordance with Ind AS. For the periods upto and including the year ended 31st March 2018, the Company prepared its financial statements in accordance with the accounting standards notified under Section 133 of the Companies Act, 2013, read together with paragraph 7 of the Companies (Accounts) Rules, 2014 (Previous GAAP). Accordingly, the Company has prepared its financial statements to comply with Ind AS for the year ending 31st March 2019, together with comparative information as at and for the year ended 31st March 2018, as described in the summary of significant accounting policies. In preparing these financial statements, the Company's opening Balance Sheet was prepared as at 1st April 2017 i.e. the transition date to Ind AS for the Company.

This note explains the principal adjustment made by the Company in restating its Previous GAAP financial statements, including the Balance Sheet as at 1st April 2017, and the financial statements as at and for the year ended 31st March 2018.

#### Exemptions availed:

In preparing these financial statements, the Company has applied the below mentioned optional and mandatory exceptions:

- **Deemed cost for property, plant and equipment and intangible assets:**

The Company has elected to continue with the carrying value of all of its property, plant and equipment and intangible assets recognised as of 1st April, 2017, measured as per the Previous GAAP and use that carrying value as its deemed cost as of the transition date under Ind AS.

- **Classification and measurement of financial assets:**

The Company has classified the financial assets in accordance with Ind AS 109 on the basis of facts and circumstances that exist at the date of transition to Ind AS.

- **Fair value of financial assets and liabilities:**

As per Ind AS exemption, the Company has not fair valued the financial assets and liabilities retrospectively and has measured the same prospectively.

- **Estimates:**

The estimates at 1 April 2017 and at 31 March 2018 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following item where application of Indian GAAP did not require estimation:

- Impairment of financial assets based on expected credit loss model

The estimates used by the Company to present these amounts in accordance with Ind AS reflect conditions at 1 April 2017, the date of transition to Ind AS and as of 31 March 2018.

## Notes to the Financial Statements (Continued)

## 39.1 Reconciliation of equity as previously reported under IGAAP to Ind AS

(Currency: INR in Lakhs)

Particulars	Note	Opening balance sheet as at 01 April 2017			Balance sheet as at 31 March 2018		
		IGAAP	Adjustments	Ind AS	IGAAP	Adjustments	Ind AS
<b>ASSETS</b>							
<b>1. Financial assets</b>							
(a) Cash and cash equivalents		1,018.35	—	1,018.35	1,288.48	—	1,288.48
(b) Bank balances other than (a) above		136.99	—	136.99	141.61	—	141.61
(c) Trade receivables		19.68	—	19.68	35.84	—	35.84
(d) Loans	1, 2, 3	332,542.63	(2,507.09)	330,035.54	426,422.17	(3,003.04)	423,419.13
(e) Other financial assets		138.98	—	138.98	171.40	—	171.40
<b>Total financial assets</b>		<b>333,856.63</b>		<b>331,349.54</b>	<b>428,059.50</b>		<b>425,056.46</b>
<b>2. Non-financial assets</b>							
(a) Current tax assets (net)		6.76	—	6.76	112.25	(44.09)	68.16
(b) Deferred tax assets (net)	4	465.00	369.00	834.00	682.00	333.00	1,015.00
(c) Property, plant and equipment		185.19	—	185.19	226.49	—	226.49
(d) Other intangible assets		11.53	—	11.53	57.80	—	57.80
(e) Capital work in progress		3.82	—	3.82	—	—	—
(f) Intangible assets under development		—	—	—	2.00	—	2.00
(g) Other non-financial assets		39.26	—	39.26	133.74	—	133.74
<b>Total non-financial assets</b>		<b>711.55</b>		<b>1,080.55</b>	<b>1,214.28</b>		<b>1,503.19</b>
<b>Total assets</b>		<b>334,568.18</b>		<b>332,430.09</b>	<b>429,273.78</b>		<b>426,559.65</b>

## Notes to the Financial Statements (Continued)

(Currency: INR in Lakhs)

Particulars	Note	Opening balance sheet as at 01 April 2017			Balance sheet as at 31 March 2018		
		IGAAP	Adjustments	Ind AS	IGAAP	Adjustments	Ind AS
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
<b>1. Financial liabilities</b>							
(a) Trade payables		682.39	—	682.39	873.65	—	873.65
(b) Debt securities	1	137,201.42	(140.56)	137,060.86	181,860.42	(157.14)	181,703.29
(c) Borrowings (other than debt securities)	1	132,777.67	(10.88)	132,766.79	152,861.72	(14.57)	152,847.15
(d) Subordinated liabilities	1	25,000.00	(67.11)	24,932.89	40,000.00	(111.23)	39,888.77
(e) Other financial liabilities		5,126.18	—	5,126.18	5,484.78	—	5,484.78
<b>Total financial liabilities</b>		<b>300,787.66</b>	<b>—</b>	<b>300,569.11</b>	<b>381,080.57</b>	<b>—</b>	<b>380,797.64</b>
<b>2. Non-financial Liabilities</b>							
(a) Current tax liabilities (net)		2.36	—	2.36	196.27	—	196.27
(b) Provisions		1,388.80	(1,236.62)	152.18	1,993.09	(1,779.79)	213.29
(c) Other non-financial liabilities		463.36	(0.35)	463.01	459.78	(2.61)	457.17
<b>Total non-financial liabilities</b>		<b>1,854.52</b>	<b>—</b>	<b>617.55</b>	<b>2,649.14</b>	<b>—</b>	<b>866.73</b>
<b>Total liabilities</b>		<b>302,642.18</b>	<b>—</b>	<b>301,186.65</b>	<b>383,729.71</b>	<b>—</b>	<b>381,664.38</b>
<b>EQUITY</b>							
(a) Equity share capital		6,074.20	—	6,074.20	6,452.64	—	6,452.64
(b) Other equity		25,851.80	(682.56)	25,169.24	39,091.43	(648.79)	38,442.64
<b>Total equity</b>		<b>31,926.00</b>	<b>—</b>	<b>31,243.44</b>	<b>45,544.07</b>	<b>—</b>	<b>44,895.28</b>
<b>Total equity and liabilities</b>		<b>334,568.19</b>	<b>—</b>	<b>332,430.09</b>	<b>429,273.78</b>	<b>—</b>	<b>426,559.66</b>

\* The previous GAAP figures have been reclassified to conform to Ind AS presentation requirements for the purposes of this note.

## Notes to the Financial Statements (Continued)

### 39.2 Reconciliation statement of profit & loss as previously reported under IGAAP to Ind AS

(Currency: INR in Lakhs)

Particulars	Note	For the year ended 31 March 2018		
		IGAAP	Adjustments	Ind AS
<b>Revenue from operations</b>				
(a) Interest income	1	47,818.65	(375.65)	47,443.00
(b) Dividend income		17.85	—	17.85
(c) Fee & commission income		1,021.26	—	1,021.26
<b>I. Total revenue from operations</b>		<b>48,857.76</b>		<b>48,482.11</b>
<b>II. Other income</b>		<b>0.05</b>		<b>0.05</b>
<b>III. Total income (I + II)</b>		<b>48,857.81</b>		<b>48,482.16</b>
<b>IV. Expenses</b>				
(a) Finance costs	1	28,320.99	63.00	28,383.99
(b) Impairment on financial instruments (Expected credit loss)	2, 3	554.92	(420.18)	134.74
(c) Employee benefit expense	6	2,619.65	0.20	2,619.85
(d) Depreciation and amortisation expense		63.70	0.01	63.71
(e) Other expenses		3,723.38	(4.94)	3,718.44
<b>V. Total expenses</b>		<b>35,282.64</b>		<b>34,920.73</b>
<b>VI. Profit before tax (III-V)</b>		<b>13,575.17</b>		<b>13,561.43</b>
Income tax expense				
- Current tax		5,084.98	—	5,084.98
- Deferred tax	4	(217.00)	35.91	(181.09)
Total tax expense		<b>4,867.98</b>		<b>4,903.89</b>
<b>VII. Net profit after tax</b>		<b>8,707.19</b>		<b>8,657.54</b>
<b>VIII. Other comprehensive income</b>	5, 6	—	0.12	0.12
<b>IX. Total comprehensive income (VII + VIII)</b>		<b>8,707.19</b>		<b>8,657.66</b>

## Notes to the Financial Statements (Continued)

### 39.3 Summary reconciliation between Ind AS and IGAAP for equity and profit:

#### a. Reconciliation of equity attributable to shareholders of the Company as on 31 March 2018 and 01 April 2017

(Currency: INR in Lakhs)

Particulars	As at 31 March 2018	As at 01 April 2017
<b>Equity under previous Indian GAAP</b>	<b>45,544.07</b>	<b>31,926.00</b>
Impact on loans and advances using effective rate of interest and net interest on credit impaired loans	(2,744.54)	(2,371.55)
Impact on borrowing using effective rate of interest	238.86	218.55
Impact on expected credit loss	1,521.27	1,101.08
Reclassification of net actuarial loss on employee defined benefit obligation to other comprehensive income	(0.20)	-
Impact due to other adjustments	2.61	0.35
Tax on Ind AS adjustments	333.09	369.00
<b>Net equity reserve before other comprehensive income as per Ind AS</b>	<b>44,895.16</b>	<b>31,243.44</b>
Other comprehensive income after tax	0.12	-
<b>Equity under Ind AS</b>	<b>44,895.28</b>	<b>31,243.44</b>

#### b. Reconciliation of net profit (net of tax) for the year ended 31 March 2018

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2018
<b>Net profit after tax as per the previous GAAP</b>	<b>8,707.19</b>
Adjustment on account of effective interest rate/ net interest on credit impaired loans	(237.87)
Adjustment on account of effective interest rate method relating to borrowing cost	(83.99)
Adjustment on account of reclassification of net actuarial gain on employee benefit obligation to other comprehensive income	(0.12)
Adjustment on account of provision for expected credit loss	270.08
Other adjustments	2.25
<b>Net profit after tax as per Ind AS</b>	<b>8,657.54</b>
Other comprehensive income (net of tax)	0.12
<b>Total comprehensive income (net of tax) as per Ind AS</b>	<b>8,657.66</b>

### 39.4 Impact on statement of cash flows

There is no significant impact on cash flows from operating, investing and financing activities on transition to Ind AS.

### 39.5 Footnotes to the reconciliation of equity as at 1 April 2017 and 31 March 2018 and profit or loss for the year ended 31 March 2018

#### 1. Effective interest rate (EIR)

Under Indian GAAP, Origination Fees (net of DSA Commission) charged to customers was recognised upfront while under Ind AS, such Origination Fees (net of DSA Commission) is included in the initial recognition amount of financial asset and recognised as interest income using the effective interest method. Consequently interest income for the year ended 31 March 2018 has decreased by ₹ 375.65 Lakhs.

## Notes to the Financial Statements (Continued)

### 39.5 Footnotes to the reconciliation of equity as at 1 April 2017 and 31 March 2018 and profit or loss for the year ended 31 March 2018 (Continued)

Also, borrowing costs incurred on borrowings was charged to statement of profit and loss upfront while under Ind AS, such borrowing costs are included in the initial recognition amount of financial liabilities and recognised as interest expense using the effective interest method. Consequently interest expense for the year ended 31 March 2018 has increase by ₹ 63.00 Lakhs.

#### 2. Reclassification of provision of standard/non-performing assets (NPA)

Under Indian GAAP provision for NPA and standard asset were presented under provisions. However, under Ind AS financial assets measured at amortised cost are presented net of provision for expected credit losses. Consequently, the Company has reclassified the Indian GAAP provisions for standard assets and NPA's amounting to ₹ 1,243.06 lakhs and ₹ 1,788.56 lakhs as on 01 April 2017 and 31 March 2018 respectively.

#### 3. Expected credit loss (ECL)

Under Indian GAAP, the Company has created provision for impairment of loans to customer consists only in respect of specific amount for incurred losses. Under Ind AS, impairment allowance has been determined based on Expected Loss model (ECL). Due to ECL model, the Company impaired its loans to customer by ₹ 1101.08 lakhs on 01 April 2017 which has been eliminated against retained earnings. The impact of ₹ 420.18 lakhs for year ended on 31 March 2018 has been recognised in the statement of profit and loss.

#### 4. Deferred tax

The Indian GAAP requires deferred tax accounting using the income statement approach, which focuses on differences between taxable profits and accounting profits for the period. Ind AS 12 requires entities to account for deferred taxes using the Balance Sheet approach, which focuses on temporary differences between the carrying amount of an asset or liability in the Balance Sheet and its tax base.

In addition, the various transitional adjustments lead to temporary differences. According to the accounting policies, the Company has to account for such differences. Deferred tax adjustments are recognised in correlation to the underlying transaction in retained earnings.

#### 5. Other comprehensive income

Under Indian GAAP, the Company has not presented other comprehensive income (OCI) separately. Under Ind AS, re-measurement of defined benefit plan liability is recognised in OCI.

#### 6. Defined benefit obligation

Both under Indian GAAP and Ind AS, the Company recognised costs related to its post-employment defined benefit plan on an actuarial basis. Under Previous GAAP, the entire cost, including actuarial gain and losses, are charged to profit or loss. Under Ind AS, remeasurements (comprising of actuarial gains and losses, the effect of assets ceiling, excluding amounts included in net interest on the net defined benefit liability and return on plan assets excluding amount included in net interest on the net defined benefit liability) are recognised in the Balance Sheet through Other Comprehensive Income (OCI). Thus, employee benefit expense is reduced by ₹ 0.20 Lakh and is recognised in OCI during the year ended 31st March 2018.

The current tax amounting to ₹ 0.08 Lakh is also regrouped from profit or loss to OCI for the year ended 31st March 2018. The above change does not affect total equity as at 31st March 2018. However profit before tax and profit for the year ended 31st March 2018, is reduced by ₹ 0.20 Lakh and ₹ 0.12 Lakh respectively.

40. The Company does not have any capital commitments and contingent liabilities as on the balance sheet date,

## Notes to the Financial Statements (Continued)

except as below:

There has been a Supreme Court (SC) judgement dated 28th February, 2019, relating to components of salary structure that need to be taken into account while computing the contribution to provident fund under the EPF Act. There are interpretative aspects related to the Judgement including the effective date of application. The Company will continue to assess any further developments in this matter for the implications on financial statements, if any.

41. The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended 31 March 2019.
42. There are no subsequent events after the reporting date that requires disclosure in the financial statements.

As per our report of even date attached.

For **B S R & Co. LLP**  
Chartered Accountants  
Firm's Regn. No.: 101248W/W-100022

**Akeel Master**  
Partner  
Membership No: 046768

Place : Mumbai  
Date : 10 May 2019

For and on behalf of Board of Directors of  
**HDFC Credila Financial Services Private Limited**  
CIN No: U67190MH2006PTC159411

**V.S. Rangan**  
Chairman  
(DIN - 00030248)

**Madhumita Ganguli**  
Director  
(DIN - 00676830)

**Sudhin Choksey**  
Director  
(DIN - 00036085)

Place : Mumbai  
Date : 10 May 2019

**Anil Bohora**  
Managing Director  
(DIN - 00694396)

**Subodh Salunke**  
Executive Vice Chairman  
(DIN - 03053815)

**Sebastian Fernandez**  
Chief Financial Officer  
(FCA: 112793)

**Ajay Bohora**  
Managing Director & CEO  
(DIN - 00694444)

**Biswamohan Mahapatra**  
Director  
(DIN - 06990345)

**Akanksha Kandoi**  
Company Secretary  
(FCS: 6883)