HDFC CREDILA FINANCIAL SERVICES PRIVATE LIMITED

A Wholly Owned Subsidiary of

Housing Development Finance Corporation Limited

Fifteenth Annual Report 2019-2020

Board of Directors

MR. V. SRINIVASA RANGAN *(DIN: 00030248)*
Non-Executive Chairman
MR. SUBODH SALUNKE *(DIN: 03053815)*
Non-Executive Vice Chairman
MR. ARIJIT SANYAL *(DIN: 08386684)*
Managing Director & Chief Executive Officer
Appointed with effect from January 17, 2020
MR. BISWAMOHAN MAHAPATRA *(DIN: 06990345)*
Independent Director
MR. SUNIL SHAH *(DIN: 00137105)*
Independent Director
Appointed with effect from July 05, 2019
MR. RAJESH GUPTA *(DIN: 00229040)*
Independent Director
Appointed with effect from January 17, 2020
MS. MADHUMITA GANGULI *(DIN: 00676830)*
Non-Executive Director
MR. ANIL BOHORA *(DIN: 00694396)*
Managing Director
Resigned with effect from December 12, 2019
MR. AJAY BOHORA *(DIN: 00694444)*
Managing Director and Chief Executive Officer
Resigned with effect from December 12, 2019
MR. SUDHIN CHOKSEY *(DIN: 08386684)*
Independent Director
Resigned with effect from October 11, 2019
MR. SURESH BADAMI *(DIN: 08224871)*
Independent Director
Resigned with effect from April 19, 2019

Senior Executives
MR. SHRIDHAR HEBBAR
Chief Operating Officer
Interim Chief Financial officer
Up to May 10, 2020
MR. MANJEET BIJLANI
Chief Financial officer
Appointed with effect from May 11, 2020
MR. SEBASTIAN FERNANDEZ
Chief Risk Officer
MS. AKANKSHA KANDOI
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: http://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 Fifteenth Annual Report of the Company with the audited accounts for the year ended on March 31, 2020.

Financial Results	**For the year ended March 31, 2020 (₹ in crore)**	For the year ended March 31, 2019 (₹ in crore)
Total Income	**726.58**	603.53
Less: Total Operating Expenses	**92.05**	71.90
Gross Profit Before Interest and Depreciation	**634.53**	531.63
Less: Interest and Finance Charges	**462.27**	373.83
Less: Depreciation	**3.00**	0.89
Profit before Tax	**169.26**	156.91
Less: Provision for Taxation	**45.68**	56.94
Less: Provision for Deferred Tax	**0.48**	(1.73)
Profit after Tax	**123.10**	101.70
Other Comprehensive Income	**(16.84)**	(0.10)
Total Comprehensive Income	**106.26**	101.60
Less: Transfer to Reserve as per Section 45- IC (1) of RBI Act	**24.62**	20.34
Less: Dividend on Compulsorily Convertible Preference Shares	**0.01**	0.01
Less: Dividend Distribution Tax	**0.001**	0.001
Balance carried to Balance Sheet	**81.63**	81.25

Dividend

In order to conserve the resources for future growth, your Directors do not recommend any dividend on equity shares for the year ended on March 31, 2020.

Review of Operations

During the financial year ended on March 31, 2020, the Company earned a profit before tax of ₹ 169.26 crore as compared to the profit before tax of ₹ 156.91 crore in the previous year. The Company's loan book has grown by 17% in this financial year and its total income has increased by 20%. While achieving a robust growth, the Company has continued to maintain quality of its 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.

Profit to be carried forward to Reserves

Your Directors propose to transfer ₹ 25 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, 2020.

Repayments

During the year under review, the Company received ₹ 1,379 crore by way of repayment of principal including prepayments, as compared to ₹ 1,134 crore received during the previous year.

Resource Mobilization

Perpetual Debt

As at March 31, 2020, the Company's outstanding Perpetual Debt stood at ₹ 275 crore and was considered as Tier I and 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

During the year under review, the Company issued Unsecured, Rated, Listed and Redeemable, Non - Convertible Subordinated Tier- II Debentures amounting to ₹ 150 crore.

As at March 31, 2020, the Company's outstanding Subordinated Debt stood at ₹ 350 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, 2020, ₹ 350 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 ₹ 900 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', 'CARE AAA' and 'ICRA AAA' by CRISIL, CARE and ICRA respectively. As at March 31, 2020, the Company's outstanding NCDs stood at ₹ 2000 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, 2020, the total term loans outstanding from banks amounted to ₹ 2,256 crore as compared to ₹ 1,991 crore as at March 31, 2019. Bank Loans have been assigned the highest rating of 'ICRA AAA' by ICRA.

External Commercial Borrowings

During the year under review, the Company has availed External Commercial Borrowing (ECBs) of USD 100 million for further lending of education loans as per the ECB guidelines issued by Reserve Bank of India ("RBI"). As at March 31, 2020, the ECBs Outstanding stood at ₹ 748 crore in rupee terms.

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 ligations. The face value of the Commercial Papers outstanding as at March 31, 2020 was ₹ 225 crore as compared to ₹ 580 crore as at March 31, 2019.

The Company has listed its commercial papers during the year with the BSE Ltd.

Deposits

The Company has not accepted any deposit during the financial year 2019-20. Pursuant to the RBI regulations applicable to a Systemically Important Non-Deposit taking NBFC (ND-SI-NBFC), no amount of principal or interest was outstanding as at March 31, 2020.

Authorized Share Capital

The Authorized Share Capital of the Company was reclassified by means of passing Shareholders' Resolution on August 5, 2019. The Authorized Equity Share Capital of ₹ 88,00,00,000 divided into 8,80,00,000 Equity Shares of ₹ 10 each was increased to ₹ 108,00,00,000 divided into 10,80,00,000 Equity Shares of ₹ 10/- each and the Authorized Preference Share Capital of ₹ 67,00,00,000 divided into 6,70,00,000 Compulsorily Convertible Preference Shares of ₹ 10 each was reduced to ₹ 47,00,00,000 divided into 4,70,00,000 Compulsorily Convertible Preference Shares of ₹ 10/- each, thus the total Authorized Share Capital remaining the same. The Authorized Share Capital of the Company was further reclassified by means of passing Shareholders' Resolution on March 18, 2020. The Authorized Equity Share Capital of ₹ 108,00,00,000 divided into 10,80,00,000 Equity Shares of ₹ 10 each was increased to ₹ 133,00,00,000 divided into 13,30,00,000 Equity Shares of ₹ 10/-

each and the Authorized Preference Share Capital of ₹ 47,00,00,000 divided into 4,70,00,000 Compulsorily Convertible Preference Shares of ₹ 10 each was reduced to ₹ 22,00,00,000 divided into 2,20,00,000 Compulsorily Convertible Preference Shares of ₹ 10/- each, thus the total Authorized Share Capital remaining the same.

Conversion of Compulsorily Convertible Preference Shares

i. 49,99,992 CCPS-IV of ₹ 10 each were converted into equity shares of face value of ₹ 10 each at a premium of ₹ 2 per share

ii. 49,99,995 CCPS-V of ₹ 10 each were converted into equity shares of face value of ₹ 10 each at a premium of ₹ 3 per share

iii. 99,99,990 CCPS-VI of ₹ 10 each were converted into equity shares of face value of ₹ 10 each at a premium of ₹ 3 per share

iv. 49,99,995 CCPS-VII of ₹ 10 each were converted into equity shares of face value of ₹ 10 each at a premium of ₹ 3 per share

v. 50,00,000 CCPS-VIII of ₹ 10 each were into equity shares of face value of ₹ 10 each at a premium of ₹ 8 per share

vi. 60,00,000 CCPS- I of ₹ 10 each were converted into equity shares of face value of ₹ 10 each

vii. 90,00,000 CCPS- II of ₹ 10 each were converted into equity shares of face value of ₹ 10 each

viii. 1,49,99,992 CCPS-III of ₹ 10 each were converted into equity shares of face value of ₹ 10 each at a premium of ₹ 2 per share

ix. 49,99,992 CCPS-IV (series -2) of ₹ 10 each were converted into equity shares of face value of ₹ 10 each at a premium of ₹ 2 per share

x. 20,00,000 CCPS-IX of ₹ 10 each were converted into equity shares at a price of ₹ 10 each at a premium of ₹ 10 per share

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 22.27% as on March 31, 2020, of which Tier I capital was 14.70% and Tier II capital was 7.57%. As per the regulatory norms, the minimum requirement for the CAR and Tier I capital as at March 31, 2020 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 258 employees as of March 31, 2020. During the year, one employee employed throughout the year was in receipt of remuneration of ₹1.02 crore or more per annum and two employees employed for part of the year were 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 (excluding the annexure) is being sent to all shareholders of the Company. 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. 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 and 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 or her in good faith.

The policy is placed on the website of the Company at 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 regards investments made by the Company, the details of the same are provided in notes to the financial statements of the Company for the year ended March 31, 2020 (Note 9).

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 http://www.hdfccredila.com.

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

During the financial year 2019 -20, the Company expended ₹ 12.74 crore, including upfront fees and interest expenses on external commercial borrowing of ₹ 11.77 crore, (previous year ₹ 1.37 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

Mr. Suresh Badami, Independent Director, resigned from the Board with effect from April 19, 2019. Mr. Sudhin Choksey, Independent Director, resigned from the Board with effect from October 11, 2019. The Board placed on record its sincere appreciation for the invaluable contribution made by the Independent Directors to the Board

The Board and the shareholders appointed Mr. Sunil Shah as Independent Director of the Company for a term of five consecutive years with effect from July 5, 2019.

The Board appointed Mr. Rajesh Gupta with effect from January 17, 2020 as Independent Director of the Company for a term of five consecutive years. His appointment is subject to the approval of the shareholders of the Company at the ensuing Annual General Meeting

The Board has approved the re-appointment of Mr. Biswamohan Mahapatra as Independent Director of the Company for a term of five consecutive years with effect from March 30, 2020, subject to the approval of the shareholders at the ensuing Annual General Meeting as his first term of five years expired on March 29, 2020. The Board deliberated on the contributions made by Mr. Biswamohan Mahapatra and concluded that given his experience, knowledge and strategic inputs to the Board, it would be beneficial for the Company to retain him as Director.

In accordance with the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Mr. V. Srinivasa Rangan retires by rotation at the ensuing Annual General Meeting. He is eligible for re-appointment.

The necessary resolutions for the appointment/re-appointment of the Directors and their brief profiles have been included in the notice convening the ensuing Annual General Meeting All the directors of the Company have confirmed that they satisfy the fit and proper criteria as prescribed under the applicable regulations and that they are not disqualified from being appointed as directors in terms of Section 164(2) of the Companies Act, 2013. The details on the number of Board/ Committee Meetings held are provided in the Report of the Directors on Corporate Governance, which forms part of this Report.

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 Annual General Meeting held on May 30, 2017, for a term of 5 consecutive years to hold office as such until the conclusion of the 17th Annual General Meeting.

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 of Directors.

Internal Auditors

Messrs. Chandabhoy & Jassoobhoy, Chartered Accountants, are the internal auditors of the Company appointed to 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

The COVID-19 pandemic has caused widespread disruption to the business environment both globally as well as in India since its outbreak in December 2019 and is expected to impact the Company and its operations as well. Subsequent to the outbreak of COVID-19 in India, the Company has diligently followed RBI's Circular on COVID-19 - Operational and Business Continuity Measures dated March 16, 2020. However, the Company awaits the opening of embassies and universities across the world for more clarity on the university admissions cycle as well as visibility of visa issuances. It is very difficult at this stage in the absence of reliable information to assess the impact on the US and Abroad Business where approximately 90% of the Company`s business is done.

A government of India directive dated March 22, 2020 has directed a lockdown of offices and commercial establishments across the country and continues till date.

The Company in response to such directives has shut all its offices and the employees are working from home. Given that the admission to the Indian colleges happen during the months from March to June 2020, this could impact the growth of India business as well. The RBI, vide circular RBI/2019-20/186 and Statement on Developmental and Regulatory Policies dated March 27, 2020, permitted banks and financial institutions to provide a moratorium for all payments (both principal and interest) due between March 1, 2020 and May 30, 2020. This relief measure was announced for customers who are repaying loans of any kind, to tide over their financial difficulty in servicing the debts. The Company has extended this benefit of deferment of payment to all its customers, except those who voluntarily opted out of this facility.

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 2019-20 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

f) Systems to ensure compliance with the provisions of all applicable laws are 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 2019-20 has also been uploaded at http://www.hdfccredila.com/about/investor-relation.html

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 11, 2020

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 2019-20

Name	Designation	Ratio of remuneration to the median employees' remuneration
Mr. V. Srinivasa Rangan	Chairman	1.93
Mr. Subodh Salunke[1]	Vice Chairman	13.18
Mr. Arijit Sanyal[2]	Managing Director & Chief Executive Officer	2.85
Mr. Biswamohan Mahapatra	Independent Director	1.27
Mr. Sunil Shah[3]	Independent Director	1.07
Mr. Sudhin Choksey[4]	Independent Director	0.25
Mr. Suresh Badami[5]	Independent Director	-
Mr. Rajesh Gupta[6]	Independent Director	0.36
Ms. Madhumita Ganguli	Non- Executive Director	0.59
Mr. Anil Bohora[##]	Managing Director	16.98
Mr. Ajay Bohora[##]	Managing Director & Chief Executive Officer	16.75

[1]Designation changed from Executive Vice Chairman to Non-Executive Vice Chairman with effect from January 18, 2020

[2] Appointed as Managing Director & Chief Executive Officer with effect from January 17, 2020

[3]Appointed with effect from July 5, 2019

[4]Resigned with effect from October 11, 2019

[5]Resigned with effect from April 19, 2019

[6]Appointed with effect from January 17, 2020

[##]Resigned with effect from December 12, 2019

Percentage increase in the remuneration of each director and key managerial personnel in the financial year 2019-20

Name	Designation	Increase in Remuneration (%)
Mr. Subodh Salunke[1]	Vice Chairman	-
Mr. Anil Bohora[##]	Managing Director	-
Mr. Ajay Bohora[##]	Managing Director & Chief Executive Officer	-
Mr. Arijit Sanyal[2]	Managing Director & Chief Executive Officer	-
Mr. Sebastian Fernandez[3]	Chief Risk Officer (erstwhile Chief Financial Officer)	-
Mr. Shridhar Hebbar[4]	Chief Financial Officer	-
Ms. Akanksha Kandoi	Company Secretary	17%

[1] *Designation Changed from Executive Vice Chairman to Non-Executive Vice Chairman with effect from January 18, 2020. Since, the remuneration drawn is only for part of the year, the percentage increase in the remuneration is not comparable and hence not mentioned.*

[2]*Appointed as Managing Director and Chief Executive Officer with effect from January 17, 2020. Since, the remuneration drawn is only for part of the year, the percentage increase in the remuneration is not comparable and hence not mentioned.*

[3]*Designation changed from Chief Financial Officer to Chief Risk Officer with effect from August 19, 2019. Since, the remuneration drawn is only for part of the year, the percentage increase in the remuneration is not comparable and hence not mentioned.*

[4] *Appointed as Interim Chief Financial Officer with effect from January 17, 2020. (Stepped down as the Interim Chief Financial Officer with effect from May 10, 2020. Mr. Manjeet Bijlani was appointed as the Chief Financial Officer with effect from May 11, 2020). Since, the remuneration drawn is only for part of the year, the percentage increase in the remuneration is not comparable and hence not mentioned.*

[##] *Resigned with effect from December 12, 2019. Since, the remuneration drawn is only for part of the year, the percentage increase in the remuneration is not comparable and hence not mentioned.*

Sitting fees of the directors was revised and approved at the Board Meeting of the Company held on January 17, 2020.

Sitting fees for Board Meetings was revised from ₹ 40,000 to ₹ 75,000 per meeting and for Committee Meetings from ₹ 25,000 to ₹ 75,000 per meeting during the year under review.

Number of permanent employees

The number of employees in the Company as at March 31, 2020 was 258.

Average percentile increase already incorporated 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 2019-20.

During the year, 1 employee who was employed throughout the year was in receipt of remuneration of ₹ 1.02 crore or more per annum and there were 2 employees employed for part of the year who were in receipt of remuneration of ₹ 8.5 lakhs 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 Remuneration Policy of the Company is uploaded on the website of the Company at https://www.hdfccredila.com/about/corporate-governance.html

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 previous financial year.

Annex to Directors' Report - 2

HDFC Credila Financial Services Private Limited (HDFC Credila) is India's first dedicated education loans company. The Company provides education loan to Indian students to pursue higher education in India and abroad.

HDFC Credila is registered as a Non-Deposit taking Non-Banking Financial Institution (NBFI-ND) with the Reserve Bank of India (RBI). The Company is classified as a Systemically Important Non-Deposit taking Non-Banking Financial Institution (NBFC-ND-SI) as per RBI regulations.

HDFC Credila has a AAA credit rating from all the major rating agencies: CRISIL, CARE & ICRA. Further, HDFC Credila has been notified as an eligible financial institution for purpose of section 80E of the Income Tax Act, 1961, vide Notification No. 79/2010[F.No.178/49/2008-ITA-I], dated 13-10-2010 whereby customers of the Company can avail benefits of income tax deduction in respect of the interest paid by them on their education loan, subject to certain conditions as laid under the Income Tax Act, 1961 and amendments made thereto hereinafter.

Industry Structure and Scope

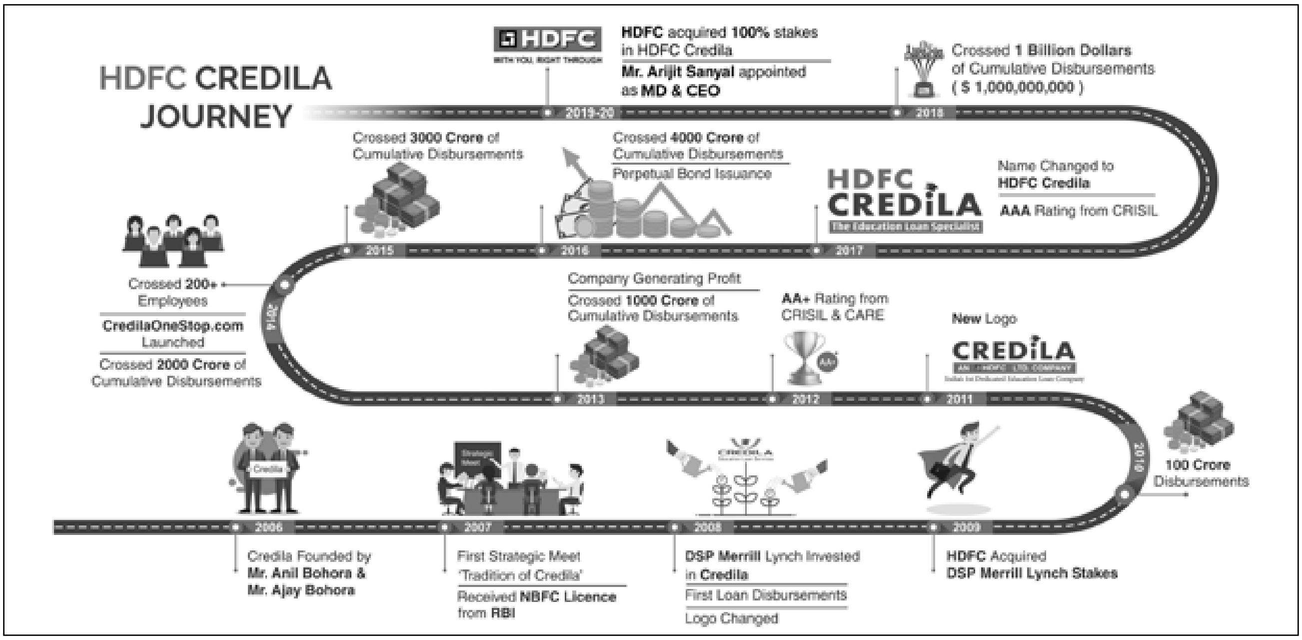
India's education sector offers a great opportunity as India has the largest population in the world in the age bracket of 5 - 24 years. India's higher education segment is expected to increase to ₹ 2,44,824 crore (US$ 35.03 billion) by 2025[1].

As per the Ministry of Human Resource Development report[2] dated March 2018, over 26 crore students are in K-12 (Kindergarten to Std. XII) in India, more than any other country. This constitutes a huge pool of talented youth who will enter the Indian higher education system. Currently, as per AICTE data, over 3,070[3] management institutes are operational in India with total intake capacity of over 3.7[3] lakh students. Most of these institutes are private. Unlike the past, where there was a mismatch between demand and supply of management institutes, today there is an ample supply of such institutes.

Education continues to be a priority for Indian families. Increasing cost of education is making it imperative for students to avail an education loan. India has around 3.7[1] crore students who are pursuing higher education in over 993 Universities, 39,931[1] institutes and 10,725 standalone Institutes. The complexity and dynamics of the sector warrants a growing need for specialized education loan providers. A combination of students' academic and personal background and future potential is considered to analyze the credit worthiness and risk profile. HDFC Credila leverages its domain knowledge and expertise in education loans to offer customized products for students, making HDFC Credila standout as one of the leaders in the Education Finance industry.

Most public sector banks and some NBFCs in India offer education loans. As per RBI, education loans outstanding under priority sector for Banks in India stands at ₹ 59,106[4] crore on March 2020.

Also, the trend among Indian students



Annex to Directors' Report - 2 (Continued)

to pursue their dreams of higher education abroad continues as the annual number of students going abroad is rising. This is primarily due to the rising awareness, higher aspirations, on-campus grooming experience, availability of specialized courses etc.

Road Ahead[1]

It is estimated that India's higher education will undergo the following changes by 2030:

- The combination training method, which involves online learning and games, is expected to grow by up to 38% in the next 2-4 years
- Adoption of transformative and innovative approaches in Higher education
- Augmented Gross Enrolment Ratio will rise to 50%
- Emerge as a single largest provider of global talent, with one in four graduates in the world being a product of the Indian higher education system
- Have more than 20 universities among the global top 200

India has become the second largest market for e-learning after the US. The sector is expected to reach US$ 1.96 billion by 2021 with around 9.5 million users. Various government initiatives are being adopted to boost the growth of distance education market, besides focusing on new education techniques, such as E-learning and M-learning. Furthermore, with online modes of education being used by several educational organizations, the higher education sector in India is set for some major changes and developments in the years to come. The impact of COVID-19 on the overall global macro-economy, classroom teaching and pedagogy in general may also potentially accelerate some of the above structural shifts in the Education Finance industry.

Opportunities

Education loans as an asset class is in a nascent stage in India with huge growth potential. Gross Enrollment Ratio (GER)* in India for higher education is 26.30%[5] 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.

The Domestic market opportunity:
3.7[1] crore students currently enrolled in Higher Education in India.

International Education Loan Market opportunity:

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, the education loans outstanding stands at $1.5 trillion (₹ 114.27 lakh crore)[6] on December 2019. This indicates a much higher penetration as compared to that in India and hence a huge potential for the Indian Education Loan Industry.

Fintech companies have also entered the education loans sector over the last few years. While most were initially focused on school-fee finance, many are now expanding to higher education loans for online courses, executive/professional courses, etc. Some fintech companies are even extending loans to students pursuing higher education in the US, UK etc. Some others are not in the business of lending themselves but are more in the nature of platforms or marketplaces offering various cross-sell services with banks and NBFCs.

The presence of fintech companies poses both a source of competition as well as a potential opportunity for HDFC Credila.

HDFC Credila is exploring partnerships as well as co-lending opportunities with such companies. This presents an opportunity to expand sourcing channels, product offerings and also to leverage technology for future lending.

Threats

Employment opportunities are uncertain in India as well as in the rest of the world. Various factors like automation and digitization further accelerated by the impact of COVID-19, coupled with job creation not keeping pace with ever increasing additions to the workforce has further added to uncertainty in employment opportunities. This has contributed to the relatively slow growth in salary levels of fresh graduates which has been lagging the rising cost of education over the last few years. This could result in higher levels of delinquency in education loans.

The vast geographical reach and corresponding distribution capabilities of banks is another threat. Many new NBFCs, Fintech companies and Indian Banks have entered the education loan market. Many of these are offering competitive products in the same segments/target markets as HDFC Credila. While high delinquencies and limited access to funds for some NBFCs and Fintech companies have resulted in slower growth, they are now beginning to expand in the

Annex to Directors' Report - 2 (Continued)

Indian market. Some international education loan companies are also enhancing their presence in India to take advantage of the increasing number of Indian students pursuing higher education abroad.

As a lender in the education loans sector, the biggest threat that the Company faces is the dynamic macroeconomic environment in India and abroad. The ever-changing immigration & visa laws, work permits and other policies etc. impact employment opportunities across the world. This requires constant tracking and monitoring in order to assess and mitigate risks.

Impact of COVID-19

The ongoing COVID-19 crisis has not only created a worldwide health emergency but has also stressed the financial situation of individuals and businesses alike. HDFC Credila has strictly adhered to the guidelines and directions issued by the Government and the Reserve Bank of India (RBI). The RBI, vide COVID-19 Regulatory Package dated March 27, 2020, had permitted banks and financial institutions to provide a moratorium for all payments (both principal & interest) due between March 1 and May 30, 2020.This relief measure was announced for customers with term loans of any kind. HDFC Credila has extended this benefit of deferment of payment to all customers, except those who specifically communicated their preference to continue loan repayments as per their regular payment schedule.

HDFC Credila has also adapted its operating process to enable employees to work from home during the period of the lockdown. Besides the above measures, HDFC Credila has also been encouraging its customers to use online and digital platforms to carry out transactions.

HDFC Credila is also assessing the cost of disruptions to its business due to the ongoing COVID-19 crisis. Considering the fact that the COVID-19 crisis is not over yet, it is too early to quantify its impact. The company will continue to closely monitor the situation as it evolves and to work closely with all its stakeholders while following the regulations imposed by the government.

Segment of Focus & Performance

The Company focuses only on education loans. The Company has two main product categories - secured education loans and unsecured education loans. Currently, 43% of the Company's education loans portfolio is secured and 57% is unsecured. Both these product categories continue to perform well. The Non-Performing Assets of the Company is only 0.12%, as compared to 8% of the Industry.

With more than a decade's experience in the education loans segment, HDFC Credila has developed strong domain expertise and built a brand name as one of the most trusted education loan providers in India, providing tailor-made solutions for students. The Company has an 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, constant monitoring of portfolio performance and fine tuning of policies.

Risks and Concerns

The Company inculcates and nurtures a conscientious risk culture, driven by a clear governance structure whilst incorporating the 'Three lines of Defense'. The Company has formalized a principled approach towards taking risks responsibly.

The Company's risk management processes are guided by well-defined policies, independent risk oversight and periodic monitoring through the sub-committees of the Board of Directors. There are two Board level sub-committees (Risk Management Committee and Audit Committee) to deal with risk management related specific matters and has delegated powers for different functional areas.

The following specialized committees comprising senior management personnel ensure oversight and effective implementation of the overall Risk Management Framework:

- Internal Risk Management Committee (IRMC)
- HDFC Credila Credit Committee (HCCC)
- Asset Liability Committee (ALCO)
- Outsourcing Management Committee (OMC)

Annex to Directors' Report - 2 (Continued)

- IT Steering Committee

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 risk: The risk of loss due to the failure of the borrowers to repay their debt obligations as per the contractual terms agreed upon. The Credit risk of the Company is managed by adhering to the Credit Policy of the Company which lays down a set of credit and underwriting norms, along with structured credit approval process which includes a thorough check of various qualitative and quantitative information to ascertain the credit-worthiness of the borrower considering that education loans as an asset class across the world and in India have relatively higher NPAs.
- Finance and compliance: Fluctuations in interest rate affect spread, liquidity risk can affect fund raising, non-compliance with laws and regulations are potential risks. For carrying on its daily operations, the Company raises its funds from both the banking system as well as market instruments, which are vulnerable to interest rate movements in the market. The Asset Liability Management Committee (ALCO) of the Company comprising of senior management ensures a diversified strategy while raising resources which ensures optimal cost of funds while ensuring stability of resource raising. While raising funds through different instruments, the Company also faces an asset-liability mismatch caused by difference in maturity profile of its assets and liabilities. The ALCO monitors the liquidity position to ensure it can meet all borrowers and lenders related funds requirement.
- 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. The Company is constantly working on reducing its cost of borrowing, product innovation and research, training and improving the distribution channels.
- Operational risks: Operational risks are very broad and intrinsic to any business. These may vary from non-adherence to the processes and policy, improper authorization, a change in key management personnel, information technology risks relating to the loan processing system, risk of fraud, employee errors, lack of training and knowledge, etc. Operational risk is mitigated through a comprehensive system of internal controls and training. Additionally, regular internal audits and branch audits are conducted to check on any deviation from process laid down in the Standard Operating Practices and Policies.

Most importantly, 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, in addition to other macro-economic factors, global policies on visas, work-permits, etc. can be a concern.

Internal Control System

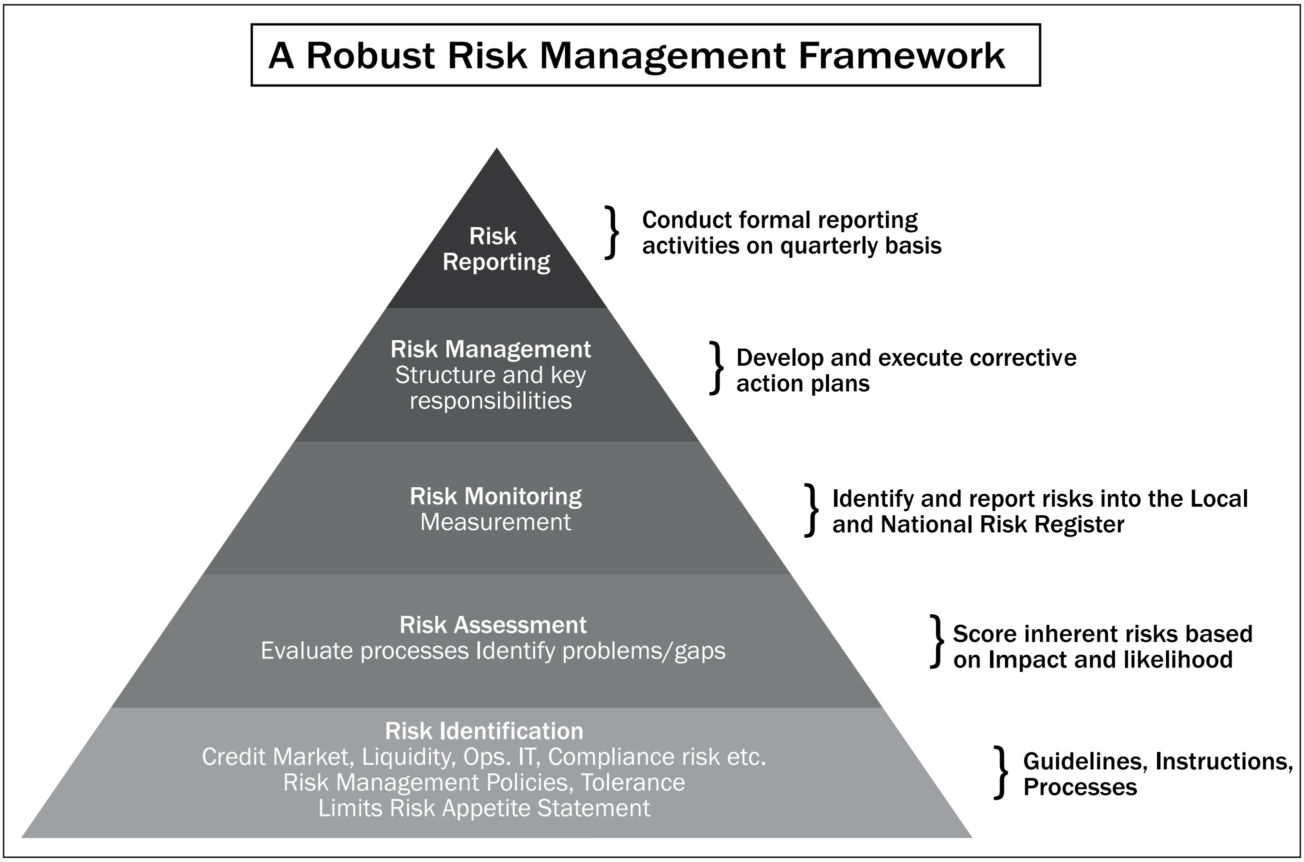
The Internal Audits are carried out by an independent Chartered Accountants firm. All significant Internal Audit observations are reported to the Audit Committee of the Board of Directors of the Company. The Audit Committee has been constituted under section 177 of the Companies Act, 2013 with specified 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 are commensurate with the nature and size of the business.

Secretarial Audit is conducted by a firm of practicing company secretaries. During the year, the Internal Auditors carried out

Annex to Directors' Report - 2 (Continued)

compliance audit of filing of returns with the RBI. A snapshot of the company's risk management framework is given below: been good with an increase in the loan book by 17%. The Company has also seen an increase in net profit after tax of over 21% to ₹ 123 crore. judgment including the effective date of application. The Company will continue to assess any further developments in this matter.



Discussion on Financial Performance with respect to Operational Performance

During the financial year 2019 - 20, education loans disbursed by the Company grew by 1% from ₹ 2,082 crore in the previous year to ₹ 2,094 crore. The Company disbursed education loans to 9,206 students (previous year 9,726 students).

The financial and operational performance of the Company for the year ended on March 31, 2020 has

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

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

There has been no industrial dispute during the year.

Sources:

[1]https://www.ibef.org/industry/education-presentation

[2]https://mhrd.gov.in/sites/upload_files/mhrd/files/statistics-new/ESAG-2018.pdf

[3]https://facilities.aicte-india.org/dashboard/pages/dashboardaicte.php

[4]https://rbidocs.rbi.org.in/rdocs/content/docs/PR2298SD30042020.xlsx

[5]http://aishe.nic.in/aishe/viewDocument.action;jsessionid=DFA54282723906954E58686D9C111E6F?documentId=262

[6]https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2019Q4.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 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. Sunil Shah (Chairman), Mr. Biswamohan Mahapatra, Mr. V. Srinivasa Rangan, Ms. Madhumita Ganguli

3. Average net profit of the Company for last three financial years : ₹ 130,75,14,587

4. Prescribed CSR Expenditure (2% of the amount as in item 3 above) : ₹ 2,61,50,292

5. Details of CSR spent during the financial year:
(a) Total amount to be spent for the financial year (2019-20) : ₹ 2,61,50,292
(b) Amount unspent, if any : NIL
Manner in which the amount spent during the financial year is detailed below:

Sl. No.	CSR Project/Activity Identified	Sector	Location	Project/ Programme wise budget (₹)	Amount Spent (₹)	Cumulative expenditure up to the reporting period (₹)	Directly or through Implementing Agency
1	Promoting education among underprivileged children by providing an improved learning environment and building a movement of Leaders to eliminate educational inequality	Promoting education	Pune (Maharashtra) and Bangalore (Karnataka)	98,16,198	98,16,198	98,16,198	Implementing Agency: Teach for India
2	Treating the less fortunate children born with facial deformities of cleft, lip and palate	Treatment of underprivileged children	Mumbai (Maharashtra) and Bangalore (Karnataka)	74,95,600	75,19,228	75,19,228	Implementing Agency INGA Health Foundation
3	Promoting education	Promoting education	Mumbai and Igatpuri-Nashik (Maharashtra)	87,91,965	87,91,965	87,91,965	Implementing Agency: Aseema Charitable Trust
4	Overheads	Overhead expenses including capacity building of CSR core staff	Administrative Overheads	46,529	22,901	22,901	
		Total		**2,61,50,292**	**2,61,50,292**	**2,61,50,292**	

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.

Annex to Directors' Report - 3 (Continued)

7. Total amount of CSR is spent through implementation 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	Mr. Arijit Sanyal	Mr. Sunil Shah
May 11, 2020	Managing Director & Chief Executive Officer	Chairman of the CSR Committee

Annex to Directors' Report - 4

Form No. MGT-9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on March 31, 2020

[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	**HDFC CREDILA FINANCIAL SERVICES PRIVATE LIMITED**
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	64,920	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	**HOUSING DEVELOPMENT FINANCE CORPORATION LIMITED** Ramon House, H T Parekh Marg, 169 Backbay Reclamation, Churchgate, Mumbai, 400020.	L70100MH1977PLC019916	Holding Company	100%	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 end of the beginning of the year (April 01, 2019)				No. of Shares held at the end of the year (March 31, 2020)				% Change during the year
	Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
A. Promoters									
(1) Indian									
(a) Individual/ HUF	57,35,000	–	57,35,000	8.31	0	–	0	0.00	(-) 8.31
(b) Central Govt.	–	–	–	–	–	–	–	–	–
(c) State Govt.(s)	–	–	–	–	–	–	–	–	–
(d) Bodies Corp.	–	–	–	–	–	–	–	–	–
(e) Banks / FI	5,75,50,786	0	5,75,50,786	83.38	13,17,98,226	–	–	100.00	(+) 16.62
(f) Any other	–	–	–	–	–	–	–	–	–
Sub-total (A) (1)	**6,32,85,786**	**–**	**6,32,85,786**	**91.69**	**13,17,98,226**	**–**	**–**	**100.00**	**(+) 8.31**
(2) Foreign									
(a) NRIs-Individuals	57,35,000	–	57,35,000	8.31	0	–	0	0.00	(-) 8.31
(b) Other-Individuals	–	–	–	–	–	–	–	–	–
(c) Bodies Corp.	–	–	–	–	–	–	–	–	–
(d) Banks / FI	–	–	–	–	–	–	–	–	–
(e) Any Other	–	–	–	–	–	–	–	–	–
Sub-total (A) (2)	**57,35,000**	**–**	**57,35,000**	**8.31**	**0**	**–**	**0**	**0.00**	(-) 8.31
Total Shareholding of Promoter (A) = (A)(1)+(A)(2)	**6,90,20,786**	**–**	**6,90,20,786**	**100**	**13,17,98,226**	**–**	**–**	**100**	**–**
B. Public Shareholding									
1. Institutions	–	–	–	–	–	–	–	–	–
Sub-total (B)(1)	–	–	–	–	–	–	–	–	–
2. Non-Institutions	–	–	–	–	–	–	–	–	–
Sub-total (B)(2)	–	–	–	–	–	–	–	–	–
Total Public Shareholding (B)=(B)(1)+(B)(2)	–	–	–	–	–	–	–	–	–
C. Shares held by Custodian for GDRs and ADRs	–	–	–	–	–	–	–	–	–
Grand Total (A+B+C)	**6,90,20,786**	**–**	**6,90,20,786**	**100**	**13,17,98,226**	**–**	**–**	**100**	**–**

Annex to Directors' Report - 4 (Continued)

(ii) Shareholding of Promoters

Sr. No.	Shareholder's Name	Shareholding at the beginning of the year (April 01, 2019)			Shareholding at the end of the year (March 31, 2020)			% change in shareholding during theyear
		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	5,75,50,786	83.38	–	13,17,98,226	100.00	–	(+) 16.62
2	Anil Bohora	57,35,000	8.31	–	0	0	–	(-) 8.31
3	Ajay Bohora	57,35,000	8.31	–	0	0	–	(-) 8.31
	Total	**6,90,20,786**	**100.00**	**–**	**13,17,98,226**	**100.00**	**–**	**–**

(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				
	At the beginning of the year	5,75,50,786	83.38%		
10/05/2019	Allotment of equity shares on Conversion	80,12,810		6,55,63,596	85.11%
06/07/2019	Allotment of equity shares on Conversion of CCPS	76,92,300		7,32,55,896	86.46%
13/08/2019	Allotment of equity shares on Conversion of CCPS	38,46,150		7,71,02,046	87.05%
23/08/2019	Allotment of equity shares on Right Basis	18,11,600		7,89,13,646	87.31%
12/12/2019	Transfer of Shares from Mr. Anil Bohora and Mr. Ajay Bohora (Individual Promoters)	1,14,70,000		9,03,83,645	100.00%
18/03/2020	Allotment of equity shares on Conversion of CCPS	1,66,66,653		10,70,50,298	100.00%
19/03/2020	Allotment of equity shares on Conversion of CCPS	1,87,77,778		12,58,28,077	100.00%
31/03/2020	Allotment of equity shares on Right Basis	59,70,149		13,17,98,226	100.00%
	At the end of the year	**13,17,98,226**	**100.00%**	**13,17,98,226**	**100.00%**

Annex to Directors' Report - 4 (Continued)

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
	Mr. Anil Bohora				
	At the beginning of the year	**57,35,000**			
12/12/2019	Transfer of Shares to Housing Development Finance Corporation Limited	(-) 57,35,000			
	At the end of the year	**0**	**0.00%**	**0**	**0.00%**
	Mr. Ajay Bohora				
	At the beginning of the year	**57,35,000**			
12/12/2019	Transfer of Shares to Housing Development Finance Corporation Limited	(-) 57,35,000			
	At the end of the year	**0**	**0.00%**	**0**	**0.00%**

Note: Housing Development Finance Corporation Limited transferred 6 shares to 6 individual nominees. The number of shareholders increased to seven during the year under review.

(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:** Nil

Annex to Directors' Report - 4 (Continued)

V. INDEBTEDNESS

(₹ in crore)

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	3,725.17	1,038.53	—	4,763.70
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	58.66	25.16	—	83.82
Total (i+ii+iii)	**3,783.82**	**1,063.69**	**—**	**4,847.51**
Change in Indebtedness during the financial year				
• **Addition**	1299.93	—	—	1,299.93
• **Reduction**	—	-181.00	—	-181.00
Net Change	**1299.93**	**-181.00**	**—**	**1,118.93**
Indebtedness at the end of the financial year				
i) Principal Amount	5,012.14	846.29	—	5,858.44
ii) Interest due but not paid	—	—	—	—
iii) Interest accrued but not due	71.61	36.40	—	108.01
Total (i+ii+iii)	**5,083.76**	**882.69**	**—**	**5,966.45**

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. Arijit Sanyal (Appointed as Managing Director & Chief Executive Officer w.e.f January 17, 2020) (₹)	Mr. Subodh Salunke (Ceased to be Whole Time Director w.e.f January 17, 2020) (₹)	Mr. Anil Bohora (Resigned as Managing Director w.e.f December 12, 2019) (₹)	Mr. Ajay Bohora (Resigned as Managing Director & Chief Executive Officer w.e.f December 12, 2019) (₹)	Total Amount (₹)
1	Gross salary					
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	–	–	1,05,83,890	1,04,40,140	2,10,24,030
	(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	–	–	–	–	–
5	Others - Deputation cost	17,77,452	77,65,047	–	–	95,42,499
	Total	**17,77,452**	**77,65,047**	**1,05,83,890**	**1,04,40,140**	**3,05,66,529**
	Overall Ceiling as per the Companies Act, 2013	₹ 8.46 crore each (5% of the net profits of the Company)				₹ 16.92 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	12,05,000	–	–	12,05,000
Mr. Biswamohan Mahapatra	7,90,000	–	–	7,90,000
Mr. Sunil Shah[1]	6,65,000	–	–	6,65,000
Mr. Rajesh Gupta[2]	2,25,000	–	–	2,25,000
Mr. Subodh Salunke[3]	4,50,000	–	–	4,50,000
Ms. Madhumita Ganguli	3,65,000	–	–	3,65,000
Mr. Sudhin Choksey[4]	1,55,000	–	–	1,55,000
Total	38,55,000	–	–	38,55,000
Overall Ceiling as per the Companies Act, 2013	100,000#	1.69 crores (1% of the Net Profits) ##		

[1]Appointed as Independent Director with effect from July 05, 2019

[2]Appointed as Independent Director with effect from. January 17, 2020

[3]Ceased to be a Whole Time Director and designation changed from "Executive Vice Chairman" to "Non Executive Vice Chairman"

[4]Resigned as Independent Director with effect from October 11, 2019

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 - ₹ 75,000 per meeting
- ₹ 40,000 per meeting up to January 17,2020

For Committee Meeting - ₹ 75,000 per meeting
- ₹ 25,000 per meeting up to January 17,2020

Excludes sitting fees

Annex to Directors' Report - 4 (Continued)

C. Remuneration to Key Managerial Personnel other than Managing Director / Manager / Whole Time Director:

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total Amount (₹)
		Mr. Shridhar Hebbar[1] (Chief Financial Officer) (₹)	Mr. Sebastian Fernandez[2] (Chief Financial Officer) (₹)	Ms. Akanksha Kandoi (Company Secretary) (₹)	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	23,73,855	16,45,803	35,02,062	75,21,720
	(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- tax Act, 1961	—	—	—	—
2	Stock Option	—	—	—	—
3	Sweat Equity	—	—	—	—
4	Commission	—	—	—	—
	- as % of profit	—	—	—	—
	- others, specify	—	—	—	—
5	Others, please specify	—	—	—	—
	Total	**23,73,855**	**16,45,803**	**35,02,062**	**75,21,720**

[1]Appointed as Interim Chief Financial Officer with effect from January 17, 2020. Resigned as Interim Chief Financial Officer with effect from May 10, 2020.

[2]Resigned as Chief Financial Officer with effect from August 18, 2019. Appointed as Chief Risk Officer with effect from August 19,2019.

Note: Mr. Manjeet Bijlani has been appointed as Chief Financial Officer with effect from May 11, 2020.

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, 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 primary 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. They must also provide appropriate directions, with regard to leadership, vision, strategies, policies, monitoring, supervision and 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 recognized 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 Regulations 8 and 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, 2020, the Board comprised of seven members, comprising of three Independent Directors, three Non-Executive Directors and one Managing Director & Chief Executive Officer. Three Non-Executive Directors include one Woman Director.

The Board 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)

The Board is of the opinion that the Independent Directors appointed during the year possess integrity, expertise and experience relevant for performing their duties and responsibilities.

Change in Board Composition

Sl. No	Name of Director	Nature of Change	Effective Date
1	Mr. Suresh Badami	Resigned as Independent Director	April 19, 2019
2	Mr. Sunil Shah	Appointed as Independent Director	July 05, 2019
3	Mr. Sudhin Choksey	Resigned as Independent Director	October 11, 2019
4	Mr. Ajay Bohora	Resigned as Managing Director & Chief Executive Officer	December 12, 2019
5	Mr. Anil Bohora	Resigned as Managing Director	December 12, 2019
6	Mr. Arijit Sanyal	Appointed as Managing Director & Chief Executive Officer	January 17, 2020
7	Mr. Subodh Salunke	Change in Designation from "Executive Vice Chairman" to "Non-Executive Vice Chairman"	January 18, 2020
8	Mr. Rajesh Gupta	Appointed as Independent Director	January 17, 2020
9	Mr. Biswamohan Mahapatra	Reappointed as Independent Director subject to approval of shareholders	January 17, 2020

The Board placed on record its sincere appreciation for the invaluable contributions made by the resigning directors to the Company during their tenures.

The Board appointed Mr. Sunil Shah as Independent Director of the Company for a term of 5 consecutive years each. His appointment was approved by the members of the Company at the last Annual General Meeting.

The Board also appointed Mr. Rajesh Gupta as Independent Director of the Company for a term of 5 consecutive years. His appointment is subject to the approval of the members of the Company at the ensuing Annual General Meeting.

The Board also reappointed Mr. Biswamohan Mahapatra as Independent Director of the Company for a term of 5 consecutive years. His appointment is subject to the approval of the members of the Company at the ensuing Annual General Meeting.

The Board also appointed Mr. Arijit Sanyal as Chief Executive Officer on December 12, 2019. He was subsequently appointed as Managing Director & Chief Executive Officer of the Company for a term of 5 consecutive years on January 17, 2020 subject to the approval of the members of the Company at the ensuing Annual General Meeting.

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 in the Notice convening the Annual General Meeting of the Company.

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.

Annex to Directors' Report - 5 (Continued)

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 met nine times. The meetings were held on May 10, 2019, July 27, 2019, September 27, 2019, October 23, 2019, December 11, 2019, December 12, 2019, January 17, 2020, March 18, 2020 and March 19, 2020.

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

Directors	Board meetings			
	Number of meetings held during their tenure	Number of meetings attended	% of meetings attended	Sitting fees* paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	9	9	100.00%	4,30,000
Mr. Subodh Salunke[1] (Vice Chairman)	9	8	89.00%	1,50,000
Mr. Biswamohan Mahapatra	9	8	89.00%	3,90,000
Mr. Sudhin Choksey[2]	3	2	66.67%	80,000
Mr. Sunil Shah[3]	8	8	100.00%	3,90,000
Mr. Rajesh Gupta[4]	2	2	100.00%	1,50,000
Ms. Madhumita Ganguli	9	6	67.00%	2,40,000
Mr. Arijit Sanyal[5]	2	2	100.00%	–
Mr. Anil Bohora[6]	5	4	80.00%	–
Mr. Ajay Bohora[7]	5	5	100.00%	–

*Sitting fees was increased from ₹ 40,000 to ₹ 75,000 per meeting from March 18, 2020

[1] Mr. Subodh Salunke`s designation changed from "Executive Vice Chairman" to "Non-Executive Vice Chairman with effect from January 18, 2020. Hence entitled to sitting fees.

Annex to Directors' Report - 5 (Continued)

[2]Mr. Sudhin Choksey resigned as Director and Chairman of the Committee with effect from October 11, 2019.

[3]Mr. Sunil Shah was appointed as Director and a member of the Audit Committee with effect from July 05, 2019.

[4]Mr. Rajesh Gupta was inducted as Director at the Board Meeting held on January 17, 2020 with effect from the same date.

[5]Mr. Arijit Sanyal was appointed as Managing Director & Chief Executive Officer at the Board Meeting held on January 17, 2020 with effect from the same date.

[6]Mr. Anil Bohora resigned as Managing Director with effect from December 12, 2019

[7]Mr. Ajay Bohora resigned as Managing Director & Chief Executive Officer with effect from December 12, 2019

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

The Board also met on May 11, 2020 and inter-alia considered and approved the audited financial statements for the year ended March 31, 2020.

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 Committee 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 Committee. The Company has constituted the following Committees of the Board of Directors of the Company 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

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 during the year and the present members of the Committee are Mr. Biswamohan Mahapatra (Chairman), Mr. Sunil Shah, Mr. Subodh Salunke, Mrs. Madhumita Ganguli and Mr. Rajesh Gupta.

The Chairman of the Committee is an Independent Director. 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

Annex to Directors' Report - 5 (Continued)

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 May 10, 2019, July 27, 2019, October 23, 2019 and January 17, 2020.

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 held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Biswamohan Mahapatra (Chairman)	4	4	100.00%	1,00,000
Mr. Sudhin Choksey[1]	2	2	100.00%	50,000
Mr. Subodh Salunke	4	3	75.00%	–
Ms. Madhumita Ganguli	4	3	75.00%	75,000
Mr. Sunil Shah[2]	3	3	100.00%	75,000
Mr. Rajesh Gupta[3]	0	0	–	–

[1] *Mr. Sudhin Choksey resigned as Director and Chairman of the Committee with effect from October 11, 2019.*

[2] *Mr. Sunil Shah was appointed as Director and a Member of the Committee with effect from July 05, 2019*

[3] *Mr. Rajesh Gupta was inducted as a Member of the Committee by the Board, post the Committee Meeting held on January 17, 2020 with effect from the same date.*

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

The Committee also met on May 11, 2020 for review of the audited financial statements for the year ended March 31, 2020 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.

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 quarterly basis, which is reviewed by the Internal Risk Management Committee. During the year, the Internal Risk Management Committee met twice. The Committee 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 and 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 was reconstituted during the year and present members of the Committee are Mr. V. Srinivasa Rangan (Chairman), Mr. Subodh Salunke, Mr. Biswamohan Mahapatra, Mr. Sunil Shah and Mr. Arijit Sanyal.

During the year, the Committee met three times. The meetings were held on July 27, 2019, October 23, 2019 and January 17, 2020.

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 held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	3	3	100.00%	75,000
Mr. Subodh Salunke	3	2	66.67%	–
Mr. Biswamohan Mahapatra[1]	2	2	100.00%	50,000
Mr. Sunil Shah[1]	2	2	100.00%	50,000
Mr. Arijit Sanyal[2]	0	0	–	–
Mr. Ajay Bohora[3]	2	2	100.00%	–

[1]Mr. Biswamohan Mahapatra and Mr. Sunil Shah were appointed as Members of the Committee with effect from October 16, 2019

[2]Mr. Arijit Sanyal was inducted as a Member of the Committee by the Board, post the Committee Meeting held on January 17, 2020 with effect from the same date

[3]Mr. Ajay Bohora resigned as Managing Director & CEO and Member of the Committee with effect from December 12, 2019

Nomination and Remuneration Committee (NRC)

The Nomination & Remuneration Committee consists of two Independent Directors. The Committee was reconstituted during the year and present members of the Committee are Mr. Biswamohan Mahapatra (Chairman), Mr. V.S. Rangan and Mr. Sunil Shah.

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 four times during the year. The meetings were held on May 10, 2019, October 23, 2019, December 12, 2019 and January 17, 2020.

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 held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. B. Mahapatra (Chairman)	4	3	75.00%	75,000
Mr. V. Srinivasa Rangan	4	4	100.00%	1,00,000
Mr. Sunil Shah[1]	3	3	100.00%	75,000
Mr. Sudhin Choksey[2]	1	1	100.00%	25,000

[1]*Mr. Sunil Shah was appointed as Member of the Committee with effect from October 16, 2019*

[2]*Mr. Sudhin Choksey resigned as Director and Member of the Committee with effect from October 11, 2019*

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. Sunil Shah (Chairman), Mr. Biswamohan Mahapatra, Mr. V. Srinivasa Rangan and Ms. Madhumita Ganguli. 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.

The Committee met two times during the year. The meetings were held on May 10, 2019 and October 23, 2019.

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

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Sunil Shah[1] (Chairman)	0	0	–	–
Mr. V. Srinivasa Rangan	2	2	100.00%	50,000
Ms. Madhumita Ganguli	2	2	100.00%	50,000
Mr. Biswamohan Mahapatra	2	2	100.00%	50,000

[1]Mr. Sunil Shah was inducted as a Member and Chairman of the Committee with effect from January 17, 2020

[2]Mr. Ajay Bohora resigned as Managing Director & CEO and Member of the Committee with effect from December 12, 2019

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

Allotment Committee

The Allotment Committee of the Company comprises of Mr. V. Srinivasa Rangan (Chairman) and Mr. Subodh Salunke. 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.

Annex to Directors' Report - 5 (Continued)

During the year, the Committee met ten times. The Meetings were held on June 06, 2019, June 17 2019, July 06, 2019, July 08, 2019, August 01, 2019, August 13, 2019, August 23, 2019, January 31, 2020, February 25, 2020 and March 31, 2020.

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 held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. V. Srinivasa Rangan (Chairman)	10	10	100.00%	4,00,000
Mr. Subodh Salunke[1]	10	10	100.00%	2,25,000
Mr. Anil Bohora[2]	7	6	85.71%	–

* Sitting fees was increased from ₹ 25,000 to ₹ 75,000 per meeting with effect from the Committee Meeting held on January 31, 2020

[1] Mr. Subodh Salunke's designation changed from "Executive Vice Chairman" to "Non-Executive Vice Chairman with effect from January 18, 2020. Hence entitled to sitting fees.

[2] Mr. Anil Bohora resigned as Director and Member of the Committee with effect from December 12, 2019

Asset Liability Management Committee

The Asset Liability Management Committee of the Company was reconstituted during the year and the current members of the Committee are Mr. Arijit Sanyal (chairman), Mr. V. Srinivasa Rangan, Mr. Subodh Salunke, 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 28, 2019, September 19, 2019, December 20, 2019 and March 17, 2020.

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 held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Arijit Sanyal (Chairman)[1]	1	1	100.00%	–
Mr. V. Srinivasa Rangan	4	4	100.00%	1,50,000
Mr. Subodh Salunke[2]	3	2	66.67%	75,000
Mr. Ajay Bohora[3]	2	0	0	–
Mr. Shridhar Hebbar	3	3	100.00%	–
Mr. Sebastian Fernandez	3	3	100.00%	–
Mr. Laxmikant Tople	3	3	100.00%	–

** Sitting fees was increased from ₹ 25,000 to ₹ 75,000 per meeting with effect from March 17, 2020*

[1]Mr. Arijit Sanyal was appointed as Member and Chairman of the Committee with effect from January 17, 2020.

[2] Mr. Subodh Salunke`s designation changed from "Executive Vice Chairman" to "Non-Executive Vice Chairman with effect from January 18, 2020. Hence entitled to sitting fees.

[3]Mr. Ajay Bohora resigned as Director and Member of the Committee with effect from December 12, 2019

Annex to Directors' Report - 5 (Continued)

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 and Chief Executive Officer, Chief Information Officer, Chief Technology Officer, Information Security Officer and Head - Innovation and Development, National Sales Manager, VP - Legal, Manager - Finance and Compliance. The Committee was reconstituted during the year and present members of the committee are Mr. Biswamohan Mahapatra (Chairman), Mr. Arijit Sanyal, Mr. Subodh Salunke, Mr. Sebastian Fernandez, Mr. Shridhar Hebbar, Mr. Prashant Koli, Mr. Rakesh Ahuja.

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 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 two times. The meetings were held on May 31, 2019 and November 28, 2019.

Members	Number of meetings held during their tenure	Number of meetings attended	% of attendance	Sitting fees paid (₹)
Mr. Biswamohan Mahapatra (Chairman)	2	2	100.00%	50,000
Mr. Subodh Salunke[1]	2	1	50.00%	–
Mr. Arijit Sanyal[2]	0	0	–	–
Mr. Ajay Bohora[3]	2	1	50.00%	–
Mr. Sebastian Fernandez	2	2	100.00%	–
Mr. Shridhar Hebbar	2	2	100.00%	–
Mr. Prashant Koli	2	2	100.00%	–
Mr. Rakesh Ahuja	2	2	100.00%	–

[1]*Mr. Subodh Salunke`s designation changed from "Executive Vice Chairman" to "Non-Executive Vice Chairman with effect from January 18,2020. Hence not entitled to sitting fees for meetings held prior to January 18, 2020*

[2]*Mr. Arijit Sanyal was appointed as Member of the Committee with effect from January 17, 2020*

[3]*Mr. Ajay Bohora resigned as Director and Member of the Committee with effect from December 12, 2019*

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

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 9, 2020. All the Independent Directors attended the meeting and were paid sitting fees of ₹ 75,000 each.

Annex to Directors’ Report - 5 (Continued)

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. Biswamohan 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, 2020

[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, 2019 to March 31, 2020 (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, 2020, according to the provisions of:

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

ii. The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;

iii. The Depositories Act, 1996 and the regulations and bye-laws framed thereunder;

iv. Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment and External Commercial Borrowing;

v. The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'), to the extent applicable:

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);

e. Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993

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

j. Reserve Bank Commercial Paper Directions, 2017;

vii. 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 the Secretarial Standards for Board Meetings [SS-1], and for General Meetings [SS-2] 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.

Recommendations as a Matter of Best Practice:

In the course of our audit, we have made certain recommendations for good corporate practices to the compliance team, for its necessary consideration and implementation by the Company.

We have also observed that all the recommendations made by us in the past have been accepted / put into practice by 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, except in case of certain meetings held at shorter notice in compliance with provisions of the Act, 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.

Majority decision was carried through, while there were no minuted instances of dissent in Board or Committee meetings.

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

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. Transfer of shares between the shareholders of the Company, resulting in the Company becoming a Wholly Owned Subsidiary ('WOS') of Housing Development Finance Corporation Limited ('HDFC Ltd.')

During the period under review, Mr. Ajay Bohora and Mr. Anil Bohora, promoters of the Company, sold their entire shareholding to HDFC Ltd. on 12th December, 2019, pursuant to the Share Purchase Agreement ('SPA') executed between the shareholders. Pursuant to the said transfer, the Company has become the Wholly Owned Subsidiary of Housing Development Finance Corporation Limited with effect from 12th December, 2019.

Consequent to execution of SPA, Mr. Anil Bohora (erstwhile Managing Director) and Mr. Ajay Bohora (erstwhile Managing Director & Chief Executive Officer) resigned from the Board, with effect from 12th December, 2019. While, the resignation resulted in change of more than 30 per cent of the directors, excluding independent directors, as confirmed by the client, prior approval of Reserve Bank of India under Para 66 of Master Direction – Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 was not applicable as the resignation was due to sale of stake.

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

During the Audit Period, the Company allotted equity shares pursuant to rights issue as detailed hereunder:

a) 20,95,250 equity shares of face value INR 10 at a premium of INR 266 per share were approved to be issued by way of rights at the Board meeting held on July 27, 2019. In the event of no-response from Mr. Ajay Bohora and Mr. Anil Bohora, the Company allotted 18,11,600 equity shares, being the rights entitlement, only to HDFC Limited, the holding company on August 23, 2019.

b) 59,70,149 equity shares of face value INR 10 each at premium of INR 325/- per share were approved to be issued by way of rights at the Board meeting held on March 19, 2020. The said shares were allotted on March 31, 2020 to HDFC Ltd.

3. **Private Placement Of Non-Convertible Debentures (Ncds):**

Date of Allotment	Subscriber to the issue	Amount (INR in crores)	Nature & Terms of security
June 06, 2019 (Redeemable Sub-debt)	ICICI Bank Limited	150	Unsecured
June 17, 2019 (Redeemable NCDs)	Allahabad Bank	100	Secured
July 08, 2019 (Redeemable NCDs)	Darashaw & Company ICICI Bank Limited	200	Secured
August 01, 2019 (Redeemable NCDs)	ICICI Bank Limited	200	Secured
January 31, 2020 (Redeemable NCDs)	ICICI Bank Limited	200	Secured
February 25, 2020 (Redeemable NCDs)	ICICI Prudential Corporate Bond Fund	200	Secured
	Total	1,050	

4. **Allotment of Equity Shares Pursuant to Conversion of Compulsorily Convertible Preference Shares (Ccps):**

During the Audit Period, the Company issued equity shares to HDFC Ltd, the holding company pursuant to conversion of CCPS of INR 10/-:

Series	No of CCPS	No of Equity shares allotted	Date of allotment of equity shares	Conversion price in INR	Due Date for conversion
CCPS- Round IV	49,99,992	41,66,660	May 10, 2019	12	Feb 27, 2019 (Extended to May 10, 2019)
CCPS- Round V	49,99,995	38,46,150	May 10, 2019	13	April 30, 2019 (Extended to May 10, 2019)
CCPS – Round VI	99,99,990	76,92,300	July 06, 2019	13	July 06, 2019
CCPS- Round VII	49,99,995	38,46,150	August 13, 2019	13	August 13, 2019
CCPS – Round III	14,999,992	12,499,993	March 18, 2020	12	September 02, 2020
CCPS – Round IV (Balance part)	49,99,992	41,66,660	March 18, 2020	12	September 02, 2020
CCPS – Round VIII	50,00,000	27,77,778	March 19, 2020	18	August 30, 2020
CCPS - Round I	60,00,000	60,00,000	March 19, 2020	10	September 02, 2020
CCPS - Round II	90,00,000	90,00,000	March 19, 2020	10	September 02, 2020
CCPS -Round IX	20,00,000	10,00,000	March 19, 2020	20	March 28, 2021
Total	**6,69,99,956**	**5,49,95,691**			

5. **Alteration Of Memorandum of Association Due to Re-Classification of Authorised Share Capital:**

During the Audit Period, the Company reclassified the authorized share capital and amended the Capital Clause of the Memorandum of Association pursuant to resolution passed in terms of section 13 read with section 61, in the Extraordinary General Meeting ('EGM') held on August 05, 2019 and March 18, 2020 in the manner provided hereunder:

Authorised Share capital	**Equity Share Capital**	**Preference Share Capital**	**Total (₹)**
Authorized Share Capital as on April 1, 2019	INR 88,00,00,000 divided into 8,80,00,000Equity Shares of INR 10/- each.	INR 67,00,00,000 divided into 6,70,00,000 Compulsorily Convertible Preference Shares of INR 10/- each.	155,00,00,000
Re-classification of Authorized Share Capital as approved in EGM held on August 05, 2019	INR 108,00,00,000 divided into 10,80,00,000 Equity Shares of INR 10/- each.	INR 47,00,00,000 divided into 4,70,00,000 Compulsorily Convertible Preference Shares of INR 10/- each.	155,00,00,000
Re-classification of Authorized Share Capital as approved in EGM held on March 18, 2020	INR 133,00,00,000 divided into 13,30,00,000 Equity Shares of INR 10/- each	INR 22,00,00,000 divided into 2,20,00,000 Compulsorily Convertible Preference Shares of INR 10/- each	155,00,00,000

6. **Increase in the Borrowing Limits of the Company to INR 15,000 Crore**

Special resolution, in terms of section 180 (1) (c) was passed in the Extraordinary General Meeting held on March 18, 2020 to affirm the borrowing powers of the Company to the extent of INR 15,000 Crore as per details provided in the resolution passed.

7. **Redemption of NCDS**

During the period under review, the Company redeemed NCDs amounting to INR 400 crore pursuant to maturity.

For M/s Vinod Kothari & Company
Practising Company Secretaries
Firm Registration No.: P1996WB042300

Vinita Nair
Senior Partner
Membership No.: F10559
C P No.: 11902
UDIN: F010559B000209439

Place: Mumbai
Date: May 6, 2020

ANNEXURE I

LIST OF DOCUMENTS

i. Minutes books for the meeting of the following were provided:
   a) Board of Directors
   b) Audit Committee
   c) Nomination and Remuneration Committee
   d) Corporate Social Responsibility Committee
   e) Risk Management Committee
   f) Asset Liability Management Committee
   g) IT Strategy Committee
   h) General Meetings
ii. Agenda papers for Board Meeting and Committee (s) along with Notice
iii. Annual Report 2019, Memorandum and Articles of Association.
iv. Disclosures under Act, 2013 and Rules made thereunder
v. Policies framed under Act, 2013 and RBI regulations for NBFCs
vi. RBI returns and entity master registration details
vii. Documents pertaining to applicable SEBI Regulations
viii. Forms and returns filed with the ROC and RBI
ix. Documents relating to issue of Non-Convertible Debentures, Rights Issue and ECB
x. Returns filed with IRDAI

Independent Auditor's Report

To the Members of HDFC Credila Financial Services Private Limited

Report on the audit of the financial statements

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 2020, 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 accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2020, and profit and other comprehensive income, 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 on the financial statements.

Emphasis of matter

As described in Note 43 to the financial statements, in respect of accounts overdue but standard at 29 February 2020 where moratorium benefit has been granted, the staging of those accounts at 31 March 2020 is based on the days past due status as on 29 February 2020 in accordance with the Reserve Bank of India COVID-19 Regulatory Package.

As described in Note 43 to the financial statements, the extent to which the COVID-19 pandemic will impact the Company's financial performance is dependent on future developments, which are highly uncertain.

Our opinion is not modified in respect of the above matters.

Key Audit Matters

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

Independent Auditors’ Report (Continued)

<table>
<tr><th>Key Audit Matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td colspan="2">Impairment loss allowance
Charge: INR 2,281 lakhs for year ended 31 March 2020
Provision: INR 2,806 lakhs at 31 March 2020</td></tr>
<tr><td colspan="2">Refer to the accounting policies in “Note 31 to the Financial Statements: Impairment on financial instruments”, “Note 2.4 to the Financial Statements: Use of estimates and judgements” and “Note 8 to the Ind AS Financial Statements: Loans.</td></tr>
<tr><td>Subjective estimate

Under Ind AS 109, Financial Instruments, allowance for loan losses are determined using 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.

The following are the major impact areas:
- Segmentation of loan book
- Determination of exposure at default
- Loan staging criteria
- Calculation of probability of default / Loss given default
- Consideration of probability weighted scenarios and forward looking macro- economic factors

The application of ECL model requires several data inputs. This increases the risk of completeness and accuracy of the data that has been used to create assumptions in the model. In some cases, data is unavailable and reasonable alternatives have been applied to allow calculations to be performed.</td><td>Our key audit procedures included:

Design / controls
• Evaluation of the appropriateness of the impairment principles used by management based on the requirements of Ind AS 109, our business understanding and industry practice.
• Assessing the design and implementation of key internal financial controls over loan impairment process used to calculate the impairment charge.
• Understanding management’s revised processes, systems and controls implemented in relation to impairment allowance process, particularly in view of COVID-19 regulatory package.
• Evaluating management’s controls over collation of relevant information used for determining estimates for management overlays on account of COVID-19.
• Testing the controls over ‘Governance Framework’ in line with the RBI guidance.
• Testing of review controls over measurement of impairment allowances and disclosures in financial statements.</td></tr>
</table>

Independent Auditors' Report (Continued)

Key Audit Matter (Continued)

Key Audit Matters	How the matter was addressed in our audit
Impact of COVID-19	
On 11 March 2020, the World Health Organisation declared the Novel Coronavirus (COVID-19) outbreak to be a pandemic. On March 24, 2020, the Indian government announced a strict 21-day lockdown across the country to contain the spread of the virus followed by two extensions of the lockdown by another 19 days and 14 days respectively. Similar measures were announced by the governments in other countries globally. We have identified the impact of, and uncertainty related to the COVID 19 pandemic as a key element and consideration for recognition and measurement of impairment of loans and advances on account of: - Short and long term macroeconomic effect on businesses in the country and globally and its consequential first order and cascading negative impact on revenue and employment generation opportunities; - impact of the pandemic on the Company's customers and their ability to repay dues; and - application of regulatory package announced by the Reserve Bank of India (RBI) on asset classification and provisioning. Management has conducted a qualitative assessment of impact on the credit risk of the loan portfolio with respect to the moratorium benefit to borrowers prescribed by the RBI and considered updated macroeconomic scenarios and the use of management overlays to reflect potential impact of COVID-19 on expected credit losses on its loan portfolio.	**Substantive tests** • Focus on appropriate application of accounting principles, validating completeness and accuracy of the data and reasonableness of assumptions used in the model. • Using our specialists to test the model methodology and reasonableness of assumptions used, including management overlays. • Test of details over of calculation of impairment allowance for assessing the completeness, accuracy and relevance of data. • Model calculations testing through reperformance where possible. • The appropriateness of management's judgments was also independently reconsidered in respect of calculation methodologies, segmentation, economic factors, the period of historical loss rates used and the valuation of recovery assets and collateral. • Assessing the appropriateness of management rationale for determination of criteria for SICR considering both: adverse effects of COVID 19 and mitigants in the form of the RBI / Government financial relief package. • Assessing the appropriateness of changes made in macroeconomic factors and management overlays to calibrate the risks that are not yet fully captured by the existing model. • Corroborate through independent check and enquiries the reasonableness of management's assessment of grading of severity of impact of COVID-19 on segments of its loan portfolio and the resultant impairment provision computed. • Assessing the factual accuracy and appropriateness of the additional financial statements disclosures made by the Company regarding impact of COVID-19.

Independent Auditors' Report (Continued)

Key Audit Matter (Continued)

<table>
<tr><th>Key Audit Matters</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>Information technology (IT)

IT systems and controls relating to Loan Management System
The Company's processes related to sanctioning, 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.

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</td><td>Our audit procedures to assess the IT system controls relating to Loan Management System included the following:
• 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.
• Understood IT infrastructure i.e. operating systems and databases supporting the in-scope system;
• Test checked the General IT Controls for design and operating effectiveness for the audit period over the Loan Management System;
• Understood IT application controls covering –
- user access and roles, segregation of duties, and
- reports and system processing;
• Test checked the IT application controls for design and operating effectiveness for the audit period;
• Performed testing to determine that these controls remained unchanged during the audit period or were changed following the standard change management process;
• Test checked controls over the IT infrastructure covering user access (including privilege users) and system change (e.g. patches)</td></tr>
</table>

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.

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 and Board of Director'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

Independent Auditors' Report (Continued)

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 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 the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 estimates and related disclosures in the financial statements made by the management and Board of Directors.
- Conclude on the appropriateness of the management and Board of Directors 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

Independent Auditors' Report (Continued)

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2016 (the 'Order') issued by the Central Government in terms of Section 143 (11) of the Act, we give in the 'Annexure A', a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

2.(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 Cash Flow Statement dealt with by this Report are in agreement with the books of account;

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

e) on the basis of the written representations received from the Directors as on 31 March 2020 and taken on record by the Board of Directors, none of the Directors are disqualified as on 31 March 2020 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 2020 on its financial position in its standalone financial statements - Refer Note 42 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 6.1 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; and

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 2020.

(C) With respect to the matter to be included in the Auditor's Report under Section 197(16):

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
UDIN: 20046768AAAAHU2774

Mumbai
11 May 2020

Annexure A to the Independent Auditor's Report – 31 March 2020

(Referred to in our report of even date)

(i) a. The Company has maintained proper records showing full particulars, including quantitative details and situation of property, plant and equipment ('PPE').

b. The Company has a programme of physical verification of its PPE by which all PPE are verified once in three years in line with its updated policy as compared to the earlier policy of verifying PPE once in 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.

c. According to 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.

(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.

(iii) According to the information and explanations given to us and based on the audit procedures conducted by us, the Company has granted loans, secured or unsecured to companies, firms, limited liability partnerships or other parties covered in the register maintained under section 189 of the Act, in respect of which:

a) The terms and conditions of the grant of such loans are, in our opinion, prima facie, not prejudicial to the Corporation's interest;

b) The schedule of repayment of principal and payment of interest has been stipulated and repayments or receipts of principal amounts and interest have been regular as per stipulations;

c) There is no overdue amount remaining outstanding as at the year end.

(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.

(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.

(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.

(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, goods and services tax, cess and other material statutory dues have generally been regularly deposited by the Company with the appropriate authorities. With the advent of Central Goods and Services Tax Act, 2017 and the respective State Goods and Services tax Act, Service tax, and value added tax have been subsumed into goods and services tax. As explained to us, the Company did not have any dues on account of service tax, sales tax, duty of customs, value added tax and duty of excise.

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 2020 for a period of more than six months from the date they became payable.

b) According to the information and explanations given to us, there are no dues of income tax, service tax, goods and services tax which have not been deposited with the appropriate authorities on account of any dispute. The Company did not have any dues on account of Sales Tax, duty of customs and duty of excise.

(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

Annexure A to the Independent Auditor's Report – 31 March 2020 (Continued)

to financial institutions, banks, Government or debenture holders.

(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.

(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 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(xv) 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.

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

Akeel Master
Partner
Membership No: 046768
UDIN: 20046768AAAAHU2774

Mumbai
11 May 2020

Annexure - B to the Independent Auditor's Report – 31 March 2020

(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 (the 'Act')

(Referred to in paragraph (2)(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 2020 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 2020, 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 Act.

Auditor's 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 financial 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 accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of

Annexure B to the Independent Auditor's Report – 31 March 2020 (Continued)

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
UDIN: 20046768AAAAHU2774

Mumbai
11 May 2020

Balance sheet as at 31 March 2020

(Currency: INR in Lakhs)

Particulars	Note No	As at 31 March 2020	As at 31 March 2019
ASSETS			
1. Financial assets			
(a) Cash and cash equivalents	4	**38,139.26**	14,295.74
(b) Bank balances other than (a) above	5	**141.32**	141.61
(c) Derivative financial instruments	6	**4,877.90**	—
(d) Trade receivables	7	**69.36**	27.13
(e) Loans	8	**6,22,889.93**	5,33,981.90
(f) Investments	9	**31,072.99**	—
(g) Other financial assets	10	**260.00**	235.53
Total financial assets		**6,97,450.76**	5,48,681.91
2. Non-financial assets			
(a) Current tax assets (net)	11	**15.57**	60.44
(b) Deferred tax assets (net)	12	**1,711.00**	1,193.00
(c) Property, plant and equipment	13	**667.62**	191.29
(d) Other intangible assets	13	**38.14**	56.95
(e) Other non-financial assets	14	**230.74**	117.52
Total non-financial assets		**2,663.07**	1,619.20
Total assets		**7,00,113.83**	5,50,301.11
LIABILITIES AND EQUITY			
LIABILITIES			
1. Financial liabilities			
(a) Derivative financial instruments	6	**2,073.92**	—
(b) Payables			
(i) Trade payables			
— Total outstanding dues of micro enterprises and small enterprises	15	**4.80**	—
— Total outstanding dues of creditors other than micro enterprises and small enterprises	15	**792.10**	1,018.39
(c) Debt securities	16	**2,22,912.41**	2,06,348.37
(d) Borrowings (other than debt securities)	17	**3,00,603.29**	2,22,644.38
(e) Subordinated liabilities	18	**62,327.90**	47,376.77
(f) Other financial liabilities	19	**11,715.38**	8,610.05
Total financial liabilities		**6,00,429.80**	4,85,997.96
2. Non-financial liabilities			
(a) Current tax liabilities (net)	20	**14.15**	264.39
(b) Provisions	21	**362.98**	288.68
(c) Other non-financial liabilities	22	**660.62**	703.81
Total non-financial liabilities		**1,037.75**	1,256.88
Total liabilities		**6,01,467.55**	4,87,254.84
EQUITY			
(a) Equity share capital	23	**13,179.82**	6,902.08
(b) Other equity	24	**85,466.46**	56,144.19
Total equity		**98,646.28**	63,046.27
Total liabilities and equity		**7,00,113.83**	5,50,301.11

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 : 11 May 2020

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

V.S.Rangan
Chairman
(DIN – 00030248)

Arijit Sanyal
Managing Director & CEO
(DIN – 08386684)

Manjeet Bijlani
Chief Financial Officer
(ACA - 102472)

Akanksha Kandoi
Company Secretary
(FCS - 6883)

Place : Mumbai
Date : 11 May 2020

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

(Currency: INR in Lakhs)

Particulars			Note No	For the year ended 31 March 2020	For the year ended 31 March 2019
I.	**Revenue from operations**				
	(a)	Interest income	25	**70,512.50**	59,105.60
	(b)	Dividend income		**—**	65.30
	(c)	Fees and commission income	26	**1,141.31**	1,102.48
	(d)	Net gain on fair value changes	27	**1,004.45**	79.05
	Total revenue from operations			**72,658.26**	60,352.43
II.	**Other income**			**0.03**	0.11
III.	**Total income (I + II)**			**72,658.29**	60,352.54
IV.	**Expenses**				
	(a)	Finance costs	28	**46,226.89**	37,382.77
	(b)	Impairment on financial instruments (Expected credit loss)	31	**2,280.52**	270.76
	(c)	Employee benefit expense	29	**3,093.80**	2,942.62
	(d)	Depreciation and amortisation	13	**299.69**	88.99
	(e)	Other expenses	30	**3,830.87**	3,976.84
V.	**Total expenses**			**55,731.77**	44,661.98
VI.	**Profit before Tax (III — V)**			**16,926.52**	15,690.56
	Tax expense				
	–	Current tax	33.1	**4,568.00**	5,694.20
	–	Deferred Tax	33.1	**48.39**	(172.88)
	Total tax expense			**4,616.39**	5,521.32
VII.	**Net profit after tax**			**12,310.13**	10,169.24
	Other comprehensive income				
	(a)	Items that will not be reclassified to profit or loss			
		– Remeasurement of the defined benefit plans		**(41.69)**	(14.66)
		– Income Tax relating to items that will not be reclassifed to proft or loss		**10.38**	5.12
	(b)	Items that will be reclassified to profit or loss			
		– Cash flow hedge reserves		**(2,209.01)**	—
		– Income tax relating to items that will be reclassifed to proft or loss		**556.01**	—
VIII.	**Other comprehensive income**			**(1,684.31)**	(9.54)
IX.	**Total comprehensive income (VII + VIII)**			**10,625.82**	10,159.70
X.	**Earnings per equity share:**				
	(a)	Basic (in ₹)	33	**14.18**	15.05
	(b)	Diluted (in ₹)	33	**14.18**	8.30
	(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

Akeel Master
Partner
Membership No: 046768

Place : Mumbai
Date : 11 May 2020

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

V.S.Rangan
Chairman
(DIN – 00030248)

Arijit Sanyal
Managing Director & CEO
(DIN – 08386684)

Manjeet Bijlani
Chief Financial Officer
(ACA - 102472)

Akanksha Kandoi
Company Secretary
(FCS - 6883)

Place : Mumbai
Date : 11 May 2020

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

A. Equity share capital

(Currency: INR in Lakhs)

Particulars	Amount
Issued, Subscribed and fully paid up:	
Balance as at 01 April 2018	**6,452.64**
Issued during the year:	
— Rights issue to Housing Development Finance Corporation Limited (the Holding Company)	449.44
Balance as at 31 March 2019	**6,902.08**
Balance as at 01 April 2019	**6,902.08**
Issued during the year:	
— Rights issue to Housing Development Finance Corporation Limited (the Holding Company)	778.17
— Compulsorily convertible preference shares converted into equity shares	5,499.57
Balance as at 31 March 2020	**13,179.82**

B. Other equity

(Currency: INR in Lakhs)

Particulars	Note No.	Compulsorily convertible preference shares	Reserves and surplus				Other comprehensive income		Total
			Capital reserve	Securities premium	Retained earnings	Statutory reserve	Employee benefit expenses	Cash flow hedge reserve	
Balance as at 01 April 2018		**6,700.00**	**109.46**	**10,296.59**	**16,263.38**	**5,073.09**	**0.12**	**–**	**38,442.64**
Profit for the year		–	–	–	10,169.24	–	–	–	10,169.24
Other comprehensive income for the year		–	–	–	–	–	(9.54)	–	(9.54)
Total comprehensive income for the year		**–**	**–**	**–**	**10,169.24**	**–**	**(9.54)**	**–**	**10,159.70**
Transfer from retained earnings		–	–	–	(2,033.85)	2,033.85	–	–	–
Expenses incurred in respect of issue of equity capital		–	–	(8.00)	–	–	–	–	(8.00)
Transactions with owners, recorded directly in equity									
Dividend on compulsorily convertible preference shares		–	–	–	(0.67)	–	–	–	(0.67)
Dividend distribution tax		–	–	–	(0.14)	–	–	–	(0.14)
Securities premium on fresh equity shares issued		–	–	7,550.66	–	–	–	–	7,550.66
Total transactions with owners, recorded directly in equity		**–**	**–**	**7,550.66**	**(0.81)**	**–**	**–**	**–**	**7,549.85**
Balance as at 31 March 2019		**6,700.00**	**109.46**	**17,839.25**	**24,397.96**	**7,106.94**	**(9.42)**	**–**	**56,144.19**
Balance as at 01 April 2019		**6,700.00**	**109.46**	**17,839.25**	**24,397.96**	**7,106.94**	**(9.42)**	**–**	**56,144.19**
Profit for the year		–	–	–	12,310.13	–	–	–	12,310.13
Other comprehensive income for the year		–	–	–	–	–	(31.31)	(1,653.00)	(1,684.31)
Total comprehensive income for the year		**–**	**–**	**–**	**12,310.13**	**–**	**(31.31)**	**(1,653.00)**	**10,625.82**
Transfer from retained earnings		–	–	–	(2,462.03)	2,462.03	–	–	–
Expenses incurred in respect of issue of equity capital		–	–	(25.01)	–	–	–	–	(25.01)
Transactions with owners, recorded directly in equity									
Dividend on compulsorily convertible preference shares		–	–	–	(0.67)	–	–	–	(0.67)
Dividend distribution tax		–	–	–	(0.14)	–	–	–	(0.14)
Securities premium on fresh equity shares issued	24	–	–	24,221.84	–	–	–	–	24,221.84
CCPS converted into equity shares		(6,700.00)	–	1,200.43	–	–	–	–	(5,499.57)
Total transactions with owners, recorded directly in equity		**(6,700.00)**	**–**	**25,422.27**	**(0.81)**	**–**	**–**	**–**	**18,721.46**
Balance as at 31 March 2020		**–**	**109.46**	**43,236.51**	**34,245.25**	**9,568.97**	**(40.73)**	**(1,653.00)**	**85,466.46**

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 : 11 May 2020

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

V.S.Rangan
Chairman
(DIN – 00030248)

Arijit Sanyal
Managing Director & CEO
(DIN – 08386684)

Manjeet Bijlani
Chief Financial Officer
(ACA - 102472)

Akanksha Kandoi
Company Secretary
(FCS - 6883)

Place : Mumbai
Date : 11 May 2020

Statement of Cash Flow for the period ended 31 March 2020

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
A. Operating activities		
Profit before tax	**16,926.52**	15,690.56
Adjustments to reconcile profit before tax to net cash flows :		
Depreciation & amortisation	**299.69**	88.99
Impairment on financial instruments	**2,280.52**	270.76
(Profit)/loss on property, plant and equipment discarded	**(0.35)**	1.26
Interest expense	**46,020.77**	37,223.79
Interest income	**(70,512.50)**	(59,105.60)
Provision for employee benefits	**32.62**	53.60
Net gain on fair value changes	**(1,004.45)**	—
Realised gain on fair value changes	**934.08**	—
Working capital changes		
Loans	**(69,645.81)**	(92,930.60)
Trade receivables	**(42.24)**	8.71
Trade payable	**(221.49)**	144.73
Other financial assets	**(24.48)**	(64.13)
Other non financial assets	**(113.22)**	16.22
Other financial liabilities	**128.40**	—
Other non financial liabilities	**(43.18)**	(118.68)
Purchase of investments	**(3,29,200.00)**	(1,67,500.00)
Sale of investments	**2,98,190.61**	1,67,500.00
Bank balances other than cash and cash equivalents		
– Placed	**(135.00)**	(1,10,001.00)
– Matured	**135.00**	1,10,001.00
Income tax paid	**(4,832.50)**	(5,618.35)
Income tax refund	**59.13**	—
Interest received	**48,968.66**	41,808.58
Interest paid	**(39,964.94)**	(29,972.65)
Net cash flows from/(used in) operating activities	**(1,01,764.16)**	(92,502.81)
B. Investing activities		
Purchase of fixed and intangible assets	**(14.24)**	(52.33)
Proceeds from sale of property and equipment	**—**	0.15
Net cash flows from/(used in) investing activities	**(14.24)**	(52.18)
C. Financing activities		
Debt securities issued	**1,94,227.02**	3,02,719.20
Debt securities repaid	**(1,83,000.00)**	(2,82,500.00)
Borrowings (other than debt securities) issued	**2,75,728.12**	3,38,052.12
Borrowings (other than debt securities) repaid	**(2,01,004.16)**	(2,68,177.14)
Subordinated liabilities issued	**14,933.93**	7,476.87
Proceeds from issue of equity shares (net of issue expenses)	**24,975.02**	7,992.00
Dividends paid including DDT	**(0.81)**	(0.81)
Lease payments	**(237.20)**	—
Net cash flows from financing activities	**1,25,621.92**	1,05,562.24
Net increase/(decrease) in cash and cash equivalents (A+B+C+D)	**23,843.53**	13,007.26
Cash and cash equivalents at the beginning of the year	**14,295.74**	1,288.48
Cash and cash equivalents at the end of the year [Refer note no 4]	**38,139.26**	14,295.74

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 : 11 May 2020

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

V.S.Rangan
Chairman
(DIN – 00030248)

Arijit Sanyal
Managing Director & CEO
(DIN – 08386684)

Manjeet Bijlani
Chief Financial Officer
(ACA - 102472)

Akanksha Kandoi
Company Secretary
(FCS - 6883)

Place : Mumbai
Date : 11 May 2020

Notes to the Financial Statements for the period ended 31 March 2020

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 09 July 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"). On 12 December 2019, HDFC acquired 12.69% of equity stake held by Mr. Anil Bohora and Mr. Ajay Bohora and with this acquisition the Company has become a 100% wholly owned subsidiary of HDFC.

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 there under (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. 19 February 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.

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 11 May 2020.

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 36.

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 certain 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.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

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 31 & 8.1.

   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 expected credit loss ("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.
   - 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.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

2. Effective Interest Rate ("EIR") Method–Note 25 and Note 28

   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 12

4. Measurement of defined benefit obligations; key actuarial assumptions–Note 32 and

5. Provisions and other contingent liabilities–Note 21 & 42

   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.

3.1.1Interest income - EIR 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 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 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 ECL).

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

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 represent 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 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
- Fair value through other comprehensive income ("FVTOCI")
- Fair value through profit and loss ("FVTPL")

– **Amortised cost**

The Company measures cash and bank balances, loans, 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.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

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

- **Fair value through other comprehensive income**

  The Company classifies and measures certain debt instruments at FVOCI when the investments are held within business model, the objective of which is achieved by both, collecting contractual cash flows and selling the financial instruments and the contractual terms of the financial instruments meet the SPPI test.

  The Company measures all equity investments at fair value through profit or loss, unless the investments is not for trading and Company's management has elected to classify irrevocably some of its equity investments as equity instruments at FVOCI, when such instruments meet the definition of Equity under Ind AS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis.

- **Fair Value through Profit and Loss**

  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.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

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.

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**

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

  Financial liabilities are classified as measured at amortised cost except the borrowings which are designated for fair value hedge.

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.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

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 ECL are disclosed in Note 8.1.

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 result 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

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

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 assets and financial liabilities are offset and the net amount is reported in the balance sheet when the Company has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

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 ECL for loans 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 results from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

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 ECL. Stage1 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.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

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 considered a (partial) de-recognition of the financial asset.

Measurement of expected credit losses

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

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 drawdowns 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 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:

- 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 PD which affects both the measurement of ECL and the identification of a significant increase in credit risk.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

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 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 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, it recognises impairment loss allowance based on lifetime ECL 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 case of delinquent customers, 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

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

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.

3.2.9 Derivative Financial Instruments

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange risk and interest rate risk. Derivatives held include principal only swaps and interest rate swaps.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently premeasured to their fair value at each Balance Sheet date. The resulting gain/loss is recognised in the statement of profit and loss immediately unless the derivative is designated and is effective as a hedging instrument, in which event the timing of the recognition in the statement of profit and loss depends on the nature of the hedge relationship. The Company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities (fair value hedges) or hedges of highly probable forecast transactions (cash flow hedges).

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability.

Hedge Accounting

The Company makes use of derivative instruments to manage exposures to interest rate and foreign currency. In order to manage particular risks, the Company applies hedge accounting for transactions that meet specified criteria.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes the Company's risk management objective and strategy for undertaking hedge, the hedging / economic relationship, the hedged item or transaction, the nature of the risk being hedged, hedge ratio and how the Company would assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the criteria for hedge accounting are accounted for, as described below:

Fair Value Hedges

Fair value hedges hedge the exposure to changes in the fair value of a recognised asset or liability or an identified portion of such an asset, liability, that is attributable to a particular risk and could affect profit or loss.

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging derivatives recognised in the statement of profit and loss in net gain on fair value changes. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item in the balance sheet and is also recognised in the statement of profit and loss in net gain on fair value changes.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

The Company classifies a fair value hedge relationship when the hedged item (or group of items) is a distinctively identifiable asset or liability hedged by one or a few hedging instruments. The financial instruments hedged for interest rate risk in a fair value hedge relationship fixed rate debt issued and other borrowed funds. If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is discontinued prospectively. If the relationship does not meet hedge effectiveness criteria, the Company discontinues hedge accounting from the date on which the qualifying criteria are no longer met. For hedged items recorded at amortised cost, the accumulated fair value hedge adjustment to the carrying amount of the hedged item on termination of the hedge accounting relationships amortised over the remaining term of the original hedge using the recalculated EIR method by recalculating the EIR at the date when the amortisation begins. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of profit and loss.

Cash Flow Hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction and could affect profit or loss.

For designated and qualifying cash flow hedges, the effective portion of the cumulative gain or loss on the hedging instrument is initially recognised directly in other comprehensive income (“OCI”) within equity (cash flow hedge reserve). The ineffective portion of the gain or loss on the hedging instrument is recognised immediately as Finance Cost in the statement of profit and loss.

When the hedged cash flow affects the statement of profit and loss, the effective portion of the gain or loss on the hedging instrument is recorded in the corresponding income or expense line of the statement of profit and loss.

When a hedging instrument expires, is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss that has been recognised in OCI at that time remains in OCI and is recognised when the hedged forecast transaction is ultimately recognised in the statement of profit and loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in OCI is immediately transferred to the statement of profit and loss.

3.3 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.

3.4 Property, plant and equipment (“PPE”)

Recognition and measurement

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

Items PPE are measured at cost, which includes capitalised borrowing costs is any, less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item of PPE comprises the cost of materials and direct labour, if any, other costs directly attributable to bringing the item to working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which is located, if any.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

Any gain or loss on disposal of as item of PPE is recognised in profit or loss.

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 PPE 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.

3.5 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’.

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.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

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.

3.6 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.

3.7 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 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.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

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.

3.8 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.

A contract is considered as onerous when the expected economic benefits to be derived by the Company from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the lower of the expected cost of terminating the contract

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract.

3.9 Taxes

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

Off-set of Current tax assets and tax liabilities

Current tax assets and liabilities are offset only if, the Company:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

Deferred tax

Deferred tax assets and liabilities are recognized 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 recognized 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.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities

3.10 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

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

- 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.

3.11 Securities premium Account

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

3.12 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.

3.13 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 assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of transaction.

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.

3.14 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.

3.15 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.

3.16 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.

3.17 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:

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

- 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.

3.18 Leases

3.18.1 Lease accounting as per Ind AS 116 (from 1 April 2019 onwards)

The Company's leases consists primarily leases for office premises. The Company assesses whether a contract contains a lease, at inception of a contract. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether:

(i) the contract involves the use of an identified asset

(ii) the Company has substantially all of the economic benefits from use of the asset through the period of the lease and

(iii) the Company has the right to direct the use of the asset.

At the date of commencement of the lease, the Company recognizes a right-of-use asset ("ROU asset") and a corresponding lease liability for all lease arrangements in which it is a lessee.

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

The ROU assets are initially recognized at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or prior to the commencement date of the lease plus any significant initial direct costs less any lease incentives. They are subsequently measured at cost less accumulated depreciation and impairment losses.

ROU assets are depreciated from the commencement date on a straight-line basis over the shorter of the lease term and useful life of the underlying asset.

The lease liability is initially measured at amortized cost at the present value of the future lease payments. The lease payments are discounted using the interest rate implicit in the lease or, if not readily determinable, using the incremental borrowing rates in the country of domicile of these leases. Lease liabilities are remeasured with a corresponding adjustment to the related right of use asset if the Company changes its assessment if whether it will exercise an extension or a termination option.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

Transition

Effective 1 April 2019 the Company has adopted Ind AS 116 - Leases, which requires any lease arrangement to be recognised in the balance sheet of the lessee as a right-of-use asset with a corresponding lease liability. Accordingly depreciation has been charged on such assets as against lease rental expenses in the previous year. Similarly interest expense has been recognised on lease liabilities under finance costs. As permitted by the standard, the Company has applied this standard w.e.f. 1 April 2019 and comparatives for the previous period / year have not been restated.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

3.18.2 Lease accounting as per Ind AS 17 (prior to 1 April 2019)

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.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

4. CASH AND CASH EQUIVALENTS

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Balances with bank		
— In current accounts	**24,756.48**	14,295.74
— In deposits accounts having original maturity less than 3 months	**13,382.78**	—
	38,139.26	14,295.74

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. The Company places deposits as per the requirement.

5. BANK BALANCES OTHER THAN CASH AND CASH EQUIVALENTS

(Currency: INR in Lakhs)

	As at 31 Ma rch 2020	As at 31 March 2019
In deposits accounts having original maturity more than 3 months	**16.32**	16.61
Deposits with banks to the extent held as security against the borrowings and guarantees*	**125.00**	125.00
	141.32	141.61

* Deposits of ₹ 100 lakhs (as on 31 March 2019 ₹ 100 lakhs) are marked as lien for overdraft facility from Punjab National Bank and Deposits of ₹ 25 lakhs (as on 31 March 2019 ₹ 25 lakhs) are marked as lien for bank guarantee given to UIDAI.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

(Currency: INR in Lakhs)

6. DERIVATIVE FINANCIAL INSTRUMENTS

The Company enters into derivatives for risk management purposes. Derivatives held for risk management purposes include hedges that meet the hedge accounting requirements.

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts.

The notional amounts indicate the value of transactions outstanding at the year end and are not indicative of either the market risk or credit risk.

(Currency: INR in Lakhs)

	As at 31 March 2020			As at 31 March 2019		
	Notional Amounts	**Fair Value - Assets**	**Fair Value - Liabilities**	Notional Amounts	Fair Value - Assets	Fair Value - Liabilities
Part I						
(i) Currency derivatives:						
– Currency swaps (Principal Only Swaps)	75,670.00	3,977.91	–	–	–	–
Sub total (i)	**75,670.00**	**3,977.91**	**–**	–	–	–
(ii) Interest rate derivatives						
– Interest Rate Swaps (USD/USD)	75,670.00	–	2,073.92	–	–	–
– Interest Rate Swaps (INR/INR)	20,000.00	899.99	–	–	–	–
Sub total (ii)	**95,670.00**	**899.99**	**2,073.92**	–	–	–
Total Derivative Financial Instruments (i)+(ii)	**1,71,340.00**	**4,877.90**	**2,073.92**	–	–	–
Part II						
Included in above (Part I) are derivatives held for hedging and risk management purposes as follows:						
(i) Fair value hedging:						
– Interest rate derivatives	20,000.00	899.99	–	–	–	–
Sub total (i)	**20,000.00**	**899.99**	**–**	–	–	–
(ii) Cash flow hedging:						
– Currency derivatives	75,670.00	3,977.91	–	–	–	–
– Interest rate derivatives	75,670.00	–	2,073.92	–	–	–
Subtotal (ii)	**1,51,340.00**	**3,977.91**	**2,073.92**	–	–	–
Total Derivative Financial Instruments (i)+(ii)	**1,71,340.00**	**4,877.90**	**2,073.92**	–	–	–

6.1 The Company has a process whereby periodically all long term contracts (including derivative contracts) are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that adequate provision as required under Ind AS for material foreseeable losses on such long term contracts (including derivative contracts) has been made in the books of accounts.

6.2 Refer note 39.3.2.2 for foreign currency risk.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

7. TRADE RECEIVABLES

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Unsecured; considered good	**69.36**	27.13
Unsecured; which have significant increase in credit risk	**—**	—
	69.36	27.13
Impairment loss allowance	**—**	—
	69.36	27.13

Trade Receivables includes amounts due from the related parties ₹ 0.09 lakh (as on 31 March 2019: ₹ 1.28 lakhs) [Refer Note 38].

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

(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, 2020	Estimated total gross carrying amount at default	69.36	–	–	–	–	–	69.36
	ECL- simplified approach	–	–	–	–	–	–	–
	Net carrying amount	69.36	–	–	–	–	–	69.36
March 31, 2019	Estimated total gross carrying amount at default	27.13	–	–	–	–	–	27.13
	ECL- simplified approach	–	–	–	–	–	–	–
	Net carrying amount	27.13	–	–	–	–	–	27.13

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

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

8. LOANS AND ADVANCES (at amortised cost)

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Term loans:		
Individual loans	**6,25,666.15**	5,34,483.91
Total – Gross (A)	**6,25,666.15**	5,34,483.91
Less: Impairment loss allowance*	**2,776.22**	502.00
Total – Net (A)	**6,22,889.93**	5,33,981.90
(a) Secured by tangible assets	**2,68,553.27**	2,36,363.43
(b) Unsecured	**3,57,112.88**	2,98,120.48
Total – Gross (B)	**6,25,666.15**	5,34,483.91
Less: Impairment loss allowance*	**2,776.22**	502.00
Total – Net (B)	**6,22,889.93**	5,33,981.90

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

8. LOANS AND ADVANCES (at amortised cost) (Continued)

(Currency: INR in Lakhs)

I. Loans in India		
i) Public sector	—	—
ii) Others		
Education loans to individuals	6,25,666.15	5,34,483.91
Total (C) – Gross	6,25,666.15	—
Less: Impairment loss allowance*	2,776.22	502.00
Total (C) (I) – Net	6,22,889.93	5,33,981.90
II. Loans outside India	—	—
Total (C) (I + II)	6,22,889.93	5,33,981.90

*Impairment loss allowance does not include ₹ 29.88 lakhs (as on 31 March 2019: ₹ 29.89 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 ₹ 2,68,553.27 lakhs (as on 31 March 2019: ₹ 2,36,363.43 lakhs) are secured or partly secured by one or a combination of the following collaterals:

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

₹ 5,46,955.56 lakhs (as on 31 March 2019: ₹ 4,10,774.09 lakhs) amount of loans are given as collateral against secured borrowing from Banks and non-convertible debentures.

8.1 Expected credit loss ("ECL")

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.

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 macro economic overlay. A macroeconomic overlay has been applied taking into account portfolio specific macroeconomic factors that affect PD 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. A variant of Gross Domestic Product has been considered as India—specific variable and Housing Price Index as USA specific variable. Following the outbreak of COVID —19 during the quarter ended March 31, 2020 there has been a considerable slowdown in economic activities across the globe. In order to reflect the current economic environment, the probabilities assigned to the various scenarios associated with the above macroeconomic indicators were revised.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

8.1 Expected credit loss (“ECL”) (Continued)

c. Definition and assessment of default

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.

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

– Along with delinquency buckets; the internally developed criteria’s to analyse whether there is increase in credit risk (SICR criteria) 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

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 incorporates 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. Management overlay in addition the traditional expected credit loss due to COVID-19

The COVID-19 pandemic and measures to contain it are having an impact on the world economy. The Company has identified some of the sectors of portfolio which are expected to be affected more severely than the others for short term. Accordingly, in relation to the segments identified based on the qualitative assessment, the Company has made adequate provision for credit losses against the potential impact of COVID-19 by way of a management overlay of ₹ 2072.89 lakhs.

The Company does not considers the cases identified in the segmented portfolio as having increase in the credit risk (SICR case) and hence has continued to classify it as Stage 1 case for computation of regular expected credit loss provision.

The final impact of the global health pandemic is very uncertain and the actual impact may be different than that estimated based on the conditions prevailing as at the date of approval of these financial results/ statements. The management will continue to closely monitor the material changes in the macro-economic factors impacting the portfolio of the Company.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

8.1 Expected credit loss ("ECL") (Continued)

(Currency: INR in Lakhs)

g. 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 2020				As at 31 March 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Internal rating grade								
Standard	**6,23,866.49**	**227.54**	**–**	**6,24,094.03**	5,32,693.00	272.84	–	5,32,965.84
SMA – 1	**–**	**768.08**	**–**	**768.08**	–	732.05	–	732.05
SMA – 2	**–**	**47.49**	**–**	**47.49**	–	384.77	–	384.77
Non Performing Assets	**–**	**–**	**756.55**	**756.55**	–	–	401.26	401.26
Total	**6,23,866.49**	**1,043.11**	**756.55**	**6,25,666.15**	5,32,693.00	1,389.65	401.26	5,34,483.91

Note: The cash and cash equivalents are held with bank and financial institution counterparties with acceptable credit ratings.

h. An analysis of changes in the gross carrying amount and the corresponding impairment loss allowances in relation to lending is as follows:

I. Reconciliation of the gross carrying amount: (Currency: INR in Lakhs)

Particulars	As at 31 March 2020				As at 31 March 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount opening balance	**5,32,693.00**	**1,389.65**	**401.26**	**5,34,483.91**	4,21,868.00	1,615.81	193.84	4,23,677.65
New assets originated or purchased	**1,65,312.86**	**78.98**	**–**	**1,65,391.84**	1,65,360.41	100.13	–	1,65,460.53
Assets derecognised or repaid (excluding write offs)	**(74,390.48)**	**(70.05)**	**(11.81)**	**(74,472.34)**	(61,831.91)	(168.63)	(65.03)	(62,065.56)
Transfers to Stage 1	**900.87**	**(835.71)**	**(65.17)**	**–**	961.18	(946.33)	(14.85)	–
Transfers to Stage 2	**(687.60)**	**695.36**	**(7.76)**	**–**	(923.73)	930.32	(6.59)	–
Transfers to Stage 3	**(271.15)**	**(171.92)**	**443.07**	**–**	(122.86)	(179.30)	302.16	–
Impact on year end exposures transferred between stages during the year	**(113.10)**	**(18.42)**	**(2.91)**	**(134.44)**	(70.25)	60.78	2.90	(6.56)
Changes to contractual cash flows due to modifications not resulting in derecognition	**422.09**	**(24.78)**	**26.39**	**423.70**	7,452.16	(23.14)	(0.58)	7,428.45
Amounts written off	**–**	**–**	**(26.52)**	**(26.52)**	–	–	(10.59)	(10.59)
Gross carrying amount closing balance	**6,23,866.49**	**1,043.11**	**756.55**	**6,25,666.15**	5,32,693.00	1,389.65	401.26	5,34,483.91

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

8.1 Expected credit loss ("ECL") (Continued)

(Currency: INR in Lakhs)

II. Reconciliation of impairment loss allowance on gross carrying value of loan is given below:

Particulars	For the year ended 31 March 2020				For the year ended 31 March 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance – opening balance	**270.58**	**162.56**	**68.86**	**502.00**	73.84	153.42	31.26	258.52
New assets originated or purchased	**29.84**	**0.24**	**–**	**30.08**	21.38	4.88	–	26.27
Management Overlay	**2,072.89**	**–**	**–**	**2,072.89**	–	–	–	–
Assets derecognised or repaid (excluding write offs)	**(47.42)**	**(10.72)**	**(4.07)**	**(62.22)**	(12.92)	(19.50)	(10.80)	(43.21)
Transfers to Stage 1	**97.81**	**(86.32)**	**(11.49)**	**–**	73.46	(70.95)	(2.52)	–
Transfers to Stage 2	**(1.72)**	**3.15**	**(1.43)**	**–**	(0.41)	1.54	(1.13)	–
Transfers to Stage 3	**(0.25)**	**(25.40)**	**25.65**	**–**	(0.04)	(23.99)	24.03	–
Impact on year end ECL of exposures transferred between stages during the year	**(95.63)**	**103.95**	**53.55**	**61.87**	(71.52)	115.89	28.62	72.99
Changes to models and inputs used for ECL calculations	**171.74**	**2.68**	**(0.79)**	**173.64**	186.78	1.27	0.70	188.75
Amounts written off	**–**	**–**	**(2.04)**	**(2.04)**	–	–	(1.31)	(1.31)
Impairment loss allowance – closing balance	**2,497.83**	**150.14**	**128.24**	**2,776.22**	270.58	162.56	68.86	502.00

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

III. Reconciliation of impairment loss allowance on undisbursed commitments is given below:

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2020				For the year ended 31 March 2019			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance – opening balance	**29.68**	**0.21**	**–**	**29.89**	8.64	0.14	–	8.78
New assets originated or purchased	**9.82**	**0.07**	**–**	**9.88**	6.93	0.05	–	6.98
Assets derecognised or repaid (excluding write offs)	**(9.81)**	**(0.04)**	**–**	**(9.85)**	(2.46)	(0.03)	–	(2.49)
Transfers to Stage 1	**0.14**	**(0.14)**	**–**	**–**	0.09	(0.09)	–	–
Transfers to Stage 2	**(0.01)**	**0.01**	**–**	**–**	(0.03)	0.03	–	–
Transfers to Stage 3	**(0.00)**	**(0.02)**	**0.02**	**–**	–	(0.01)	0.01	0.00
Impact on year end ECL of exposures transferred between stages during the year	**(0.14)**	**0.01**	**(0.02)**	**(0.15)**	(0.08)	0.13	(0.01)	0.04
Changes to models and inputs used for ECL calculations	**0.11**	**–**	**–**	**0.11**	16.59	(0.01)	–	16.58
Impairment loss allowance – closing balance	**29.79**	**0.09**	**–**	**29.88**	29.68	0.21	–	29.89

The provision referred above was computed based on amount of undisbursed commitment of ₹ 77,473 lakhs (previous year ₹ 88,503 lakhs).

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

(Currency: INR in Lakhs)

9. INVESTMENTS (at fair value through profit or loss)

	As at 31 March 2020	As at 31 March 2019
Investment in Mutual Funds	**31,072.99**	—
Total – Gross (A)	**31,072.99**	–
Investments in India	**31,072.99**	–
Investments outside India	**—**	–
Total – Gross (B)	**31,072.99**	–
Less: Impairment loss allowance (expected credit loss) (C)	**—**	–
Total – Net (D) = (A – C)	**31,072.99**	–

10. OTHER FINANCIAL ASSETS

	As at 31 March 2020	As at 31 March 2019
Security deposits – unsecured; considered good	**214.65**	214.53
Other loan & advances – advances to employees	**27.81**	21.00
Amounts receivable on swaps and other derivatives	**17.54**	—
Total	**260.00**	235.53

11. CURRENT TAX ASSETS (net)

See accounting policy in note no 3.9

	As at 31 March 2020	As at 31 March 2019
Advance tax (net of provision)	**15.57**	60.44
Total	**15.57**	60.44

12. DEFERRED TAX ASSETS (net)

See accounting policy in note no 3.9

The major components of deferred tax assets and liabilities are : (Currency: INR in Lakhs)

Particulars	As at 31 March 2020		As at 31 March 2019	
	Assets	Liabilities	Assets	Liabilities
Depreciation		(11.00)		(4.00)
Application of effective interest rate on financial assets	711.00		1,036.00	
Application of effective interest rate on financial liabilities		333.00		100.00
Impairment allowance for financial assets	676.00		163.00	
Provisions for employee benefits	84.00		90.00	
Lease liabilities & Right of use assets	8.00			
Derivative financial assets	–	1,228.00		
Derivative financial liability	522.00			
External commercial borrowings revaluation	1,035.00			
Debt securities	225.00			
Total	**3,261.00**	**1,550.00**	**1,289.00**	**96.00**
Net deferred tax asset		**1,711.00**		**1,193.00**

In compliance with the Indian Accounting Standard (Ind AS) 12 relating to 'Accounting for Taxes on Income', the Company has recognised ₹ (48.39) lakhs (2018 – 19 : ₹ 172.88 lakhs) in the Statement of Profit and Loss and ₹ (333.6) lakhs (2018 – 19 : ₹ (5.12) lakhs) in other comprehensive income for the year ended 31 March 2020 towards deferred tax asset (net) for the year, arising on account of deductible temporary differences.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

12.1 Movements in deferred tax assets

(Currency: INR in Lakhs)

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	Lease liabilities and Right to use assets	Derivative financial assets	Derivative financial liability	External commercial borrowings revaluation	Debt securities	Total
FY 2019-20											
As at 1 April 2019	**4.00**	**1,036.00**	**(100.00)**	**163.00**	**90.00**	**–**	**–**	**–**	**–**	**–**	**1,193.00**
Credited/(charged)											
- to statement of profit or loss	7.00	(325.00)	(233.00)	513.00	(16.38)	7.99	(227.00)	–	–	225.00	**(48.39)**
- to other comprehensive income	–	–	–	–	10.38	–	(1,001.24)	522.01	1,035.24	–	**566.39**
As at 31 March 2020	**11.00**	**711.00**	**(333.00)**	**676.00**	**84.00**	**7.99**	**(1,228.24)**	**522.01**	**1,035.24**	**225.00**	**1,711.00**
FY 2018-19											
As at 1 April 2018	**(6.00)**	**962.00**	**(97.00)**	**83.00**	**73.00**	**–**	**–**	**–**	**–**		**1,015.00**
Credited/(charged)											
- to statement of profit or loss	10.00	74.00	(3.00)	80.00	11.88	–	–	–	–		**172.88**
- to other comprehensive income	–	–	–	–	5.12	–	–	–	–		**5.12**
As at 31 March 2019	**4.00**	**1,036.00**	**(100.00)**	**163.00**	**90.00**	**–**	**–**	**–**	**–**		**1,193.00**

13. PROPERTY, PLANT AND EQUIPMENT & INTANGIBLE ASSETS

See accounting policy in note no 3.4 & 3.5

The changes in the carrying value of property, plant and equipment & intangible assets for the period ended 31 March 2020 are as follows:

(Currency: INR in Lakhs)

	Particulars	Gross Block					Accumulated depreciation/amortisation				Net Block	
		As at 1 April 2019	Additions during the year	Transition impact of Ind AS 116	Deletions/ Write-off during the year	As at 31 March 2020	As at 1 April 2019	For the year	Deletions/ Write-off during the year	As at 31 March 2020	As at 31 March 2020	As at 31 March, 2019
A.	**Tangible assets:**											
	Office equipment	82.17	6.02	–	1.04	87.15	24.87	19.33	1.02	43.19	43.96	57.30
	Computers	117.27	7.22	–	0.49	124.00	56.52	31.90	0.15	88.28	35.72	60.74
	Furniture & fixtures	89.79	1.00	–	–	90.79	16.54	11.42	–	27.96	62.83	73.25
	Right of use asset (RoU asset)	–	–	741.28	–	741.28	–	216.18	–	216.18	525.10	–
	Sub-total (A)	**289.23**	**14.24**	**741.28**	**1.52**	**1,043.22**	**97.94**	**278.84**	**1.17**	**375.61**	**667.62**	**191.29**
B.	**Intangible assets:**											
	Other software	81.99	2.04	–	–	84.03	25.04	20.85	–	45.89	38.14	56.95
	Sub-total (B)	**81.99**		**–**		**84.03**	**25.04**	**20.85**	**–**	**45.89**	**38.14**	**56.95**
C.	**Capital work in progress (C)**	**–**	–	–	–		–	–	–	–	–	–
	Total (A+B+C)	**371.22**	**14.24**	**741.28**	**1.52**	**1,127.26**	**122.98**	**299.69**	**1.17**	**421.50**	**705.76**	**248.24**

Note: As at 31 March 2020, property plant and equipment includes right-of-use assets of ₹ 525.10 lakhs related to leased branches and office premises. (See Note 19.1)

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

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	Transition impact of Ind AS 116	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 1 April 2018
A.	**Tangible assets:**											
	Office equipment	76.00	12.34		6.17	82.17	11.81	18.51	5.45	24.87	57.30	64.19
	Computers	117.28	10.66		10.67	117.27	28.51	38.53	10.52	56.52	60.74	88.77
	Furniture & fixtures	81.28	11.08		2.56	89.79	7.74	10.84	2.04	16.54	73.25	73.54
	Sub-total (A)	**274.55**	**34.08**	**–**	**19.40**	**289.23**	**48.06**	**67.89**	**18.01**	**97.94**	**191.29**	**226.49**
B.	**Intangible assets:**											
	Other software	61.74	20.25		–	81.99	3.94	21.10	–	25.04	56.95	57.80
	Sub-total (B)	**61.74**	**20.25**	**–**	**–**	**81.99**	**3.94**	**21.10**	**–**	**25.04**	**56.95**	**57.80**
C.	**Capital work in progress (C)**	–			–	–	–	–	–	–	–	–
D.	**Intangible assets under development (D)**	2.00			2.00	–	–	–	–	–	–	2.00
	Total (A+B+C+D)	**338.30**	**54.33**	**–**	**21.40**	**371.22**	**52.00**	**88.99**	**18.01**	**122.98**	**248.24**	**286.30**

(Currency: INR in Lakhs)

14. OTHER NON FINANCIAL ASSETS

	As at 31 March 2020	As at 31 March 2019
Prepaid expenses	**29.60**	39.08
Receivable from government authorities	**169.64**	68.40
Others *	**31.50**	10.04
	230.74	117.52

* Others includes ₹ 19.61 lakhs (as on 31 March 2019 ₹ 0.51 lakh) due from related parties [Refer note 38].

15. TRADE PAYABLES

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Total outstanding dues of micro enterprises and small enterprises	**4.80**	—
Total outstanding dues of creditors other than micro enterprises and small enterprises		
– Payable to vendors*	**282.78**	273.49
– Accrued expenses	**509.32**	744.90
Total	**796.90**	1,018.39

* Trade payables include ₹ 4.8 lakhs (as on 31 March 2019 ₹ 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 and the Auditors have placed reliance on the same. The amount of principal and interest outstanding during the year is given below.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
a) Amount outstanding but not due as at year end	—	—
b) Amount due but unpaid as at the year end	**4.80**	—
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	—	—
Total	**4.80**	—

Note: Trade Payables includes ₹ 137.83 lakhs (as on 31 March 2019 ₹ 186.18 lakhs) due to related parties [Refer note 38].

16. DEBT SECURITIES

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

Particulars	As at 31 March 2020		As at 31 March 2019	
	FVTPL	Amortised Cost	FVTPL	Amortised Cost
Secured non convertible debentures [Refer note 16.1.1]	**20,850.65**	**1,79,760.31**	—	1,49,872.36
Commercial Paper [Refer note 16.1.2]	—	**22,301.44**	—	56,476.01
Total (A)	**20,850.65**	**2,02,061.76**	—	2,06,348.37
Debt securities in India	**20,850.65**	**2,02,061.76**	—	2,06,348.37
Debt securities outside India	—	—	—	—
Total (B) to tally with (A)	**20,850.65**	**2,02,061.76**	—	2,06,348.37

16.1 **Terms of repayment, nature of security & rate of interest in case of debt securities.**

16.1.1 **Secured non convertible debentures**

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

Terms of Repayment: Bullet repayment on maturity date.

(Currency: INR in Lakhs)

Name of Security	Maturity date	As at 31 March 2020	As at 31 March 2019
9.00% Secured non–convertible debentures	28-06-2019	—	19,997.34
7.50% Secured non–convertible debentures	07-08-2019	—	19,995.22
9.00% Secured non–convertible debentures	24-09-2020	**29,992.42**	29,977.36
9.40% Secured non–convertible debentures	20-11-2020	**29,990.00**	29,975.14
8.25% Secured non–convertible debentures	25-11-2021	**29,971.22**	29,951.31
8.00% Secured non–convertible debentures	25-02-2022	**19,980.86**	19,975.99
7.10% Secured non–convertible debentures	25-02-2022	**19,964.28**	—
8.62% Secured non–convertible debentures	17-06-2024	**9,963.52**	—
8.00% Secured non–convertible debentures	31-01-2025	**19,947.00**	—
8.85% Secured non–convertible debentures	06-07-2029	**19,951.00**	—
8.70% Secured non–convertible debentures	01-08-2029	**19,957.43**	—
Total		**1,99,717.75**	1,49,872.36

The above table does not include unrealised loss (₹ 893.21 lakhs) on fair valuation of non-convertible debentures designated at FVTPL.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

16.1.2 **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 2020	As at 31 March 2019
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
5.75% Commercial paper	20-05-2020	**19,847.77**	—
8.03% Commercial paper	01-07-2020	**2,453.67**	—
Total		**22,301.44**	56,476.01

During the year, the Company raised ₹ 90,000 lakhs (previous year ₹ 60,000 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.

17. 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 2020	As at 31 March 2019
<u>**Secured**</u>		
Term Loans from Banks [Refer note 17.1]	**2,25,568.61**	1,99,143.77
Loans repayable on demand from banks	**200.66**	23,500.61
External commercial borrowing	**74,834.02**	—
Total (A)	**3,00,603.29**	2,22,644.38
Borrowings in India	**2,25,769.27**	2,22,644.38
Borrowings outside India	**74,834.02**	—
Total (B) to tally with (A)	**3,00,603.29**	2,22,644.38

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

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

(Currency: INR in Lakhs)

Name of Security	Terms of repayment	As at 31 March 2020	As at 31 March 2019
Rupee term loans secured by pari-passu on education loan receivables	28 quarterly intallments commencing from Dec 2016	**—**	7,598.53
	28 quarterly intallments commencing from December 2014	**4,280.73**	7,137.83
	28 quarterly intallments commencing from December 2015	**3,571.93**	4,999.60
	28 quarterly intallments commencing from July 2016	**4,643.10**	6,070.52
	28 quarterly intallments commencing from June 2017	**17,140.74**	21,421.49
	23 quarterly intallments commencing from December 2016	**3,913.04**	5,652.17
	18 quarterly intallments commencing from October 2017	**6,666.67**	10,000.00
	18 quarterly intallments commencing from June 2018	**13,888.89**	19,444.44
	28 quarterly intallments commencing from August 2019	**8,927.06**	9,998.68
	28 quarterly intallments commencing from March 2020	**9,641.17**	9,998.54
	28 quarterly intallments commencing from December 2019	**18,569.52**	19,995.40
	11 quarterly intallments commencing from April 2018	**2,727.27**	6,363.64
	3 annual intallments commencing from March 2020	**—**	3,800.00
	28 quarterly intallments commencing from January 2021	**—**	2,592.81
	12 quarterly intallments commencing from December 2019	**(38.01)**	9,921.37
	20 quarterly intallments commencing from April 2020	**9,997.15**	9,996.06
	12 quarterly intallments commencing from October 2019	**9,162.30**	9,991.89
	12 quarterly intallments commencing from March 2020	**9,996.97**	9,995.01
	28 quarterly intallments commencing from June 2020	**19,998.27**	19,999.11
	12 quarterly intallments commencing from November 2018	**2,500.00**	4,166.67
	8 half yearly intallments commencing from December 2020	**10,000.00**	—
	12 quarterly intallments commencing from December 2020	**20,000.00**	—
	12 quarterly intallments commencing from June 2021	**20,000.00**	—
	28 quarterly intallments commencing from December 2021	**19,995.03**	—
	28 quarterly intallments commencing from March 2022	**9,986.79**	—
Total		**2,25,568.61**	1,99,143.77

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

Security for Bank term loans and 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.

Term loans and overdrafts are borrowed at floating rate of interest.

External Commercial Borrowings

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

Terms of Repayment: Bullet repayment on maturity date.

(Currency: INR in Lakhs)

Name of Security	Maturity date	As at 31 March 2020	As at 31 March 2019
External Commercial Borrowings (Tranche I)	17-12-2022	**26,192.20**	—
External Commercial Borrowings (Tranche II)	14-01-2023	**17,960.36**	—
External Commercial Borrowings (Tranche III)	03-02-2023	**12,721.92**	—
External Commercial Borrowings (Tranche IV)	06-03-2023	**17,960.36**	—
Total		**74,834.85**	—

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

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

The Company had availed External Commercial Borrowing (ECBs) of USD 100 million for further lending of education loans as per the ECB guidelines issued by Reserve Bank of India ("RBI") from time to time. The borrowing has a maturity of three years. In terms of RBI guidelines, borrowings have been swapped into rupees by way of principal only swaps. The coupon on the borrowing is hedged through interest rate swap. The currency exposure on the interest on ECB has not been hedged.

18. SUBORDINATED LIABLITIES – AT AMORTISED COST

See accounting policy in note no 3.2

(Currency: INR in Lakhs)

Particulars	As at 31 March 2020	As at 31 March 2019
Subordinated tier II non convertible debentures [Refer note 18.1]	**34,892.46**	19,950.06
Perpetual debt instruments to the extent that do not qualify as equity [Refer note 18.1]	**27,435.43**	27,426.71
Total (A)	**62,327.90**	47,376.77
Subordinated liablities in India	**62,327.90**	47,376.77
Subordinated liablities outside India	**—**	—
Total (B) to tally with (A)	**62,327.90**	47,376.77

18.1 **Terms of repayment, nature of security & rate of interest in case of subordinated liablities**

Nature of Security: Unsecured

Terms of Repayment: Bullet repayment on maturity date.

(Currency: INR in Lakhs)

Name of a Security	Maturity date	As at 31 March 2020	As at 31 March 2019
11.75% Perpetual debt instrument	09-07-2024	4,991.26	4,989.71
10.50% Perpetual debt instrument	27-01-2025	4,991.14	4,988.69
10.50% Perpetual debt instrument	17-06-2025	4,990.56	4,988.97
9.30% Subordinated Tier II non convertible debenture	09-10-2025	9,980.64	9,978.00
8.20% Subordinated Tier II non convertible debenture	23-07-2027	4,987.27	4,986.14
8.10% Subordinated Tier II non convertible debenture	16-11-2027	4,987.11	4,985.92
8.75% Perpetual debt instrument	08-12-2027	4,982.78	4,981.24
9.35% Perpetual debt instrument	06-06-2028	7,479.69	7,478.09
9.12% Subordinated Tier II non convertible debenture	06-06-2029	14,937.44	—
Total		**62,327.90**	**47,376.77**

During the year, the Company raised Nil (previous year ₹ 7,500 lakhs) through issue of perpetual debt instruments. ₹ 9,319 lakhs (previous year ₹ 6,721 lakhs) of perpetual debt instrument qualifies as Tier I capital under RBI guidelines.

During the year, the Company raised ₹ 15,000 lakhs (previous year Nil) through issue of subordinated debts. As on 31 March, 2020, the Company's outstanding subordinated debt is ₹ 35,000 lakhs (previous year ₹ 20,000 lakhs). These 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, 2020, 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.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

19. OTHER FINANCIAL LIABILITIES

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Interest accrued but not due on borrowing	**10,801.17**	8,381.70
Lease liabilities [Refer note 19.1]	**557.45**	—
Amounts payable on swaps and other derivatives	**183.01**	—
Instalments on education loans received in advance (including interest received in advance)	**173.75**	228.36
Total	**11,715.38**	8,610.05

19.1 **Leases:**

See accounting policy in note no 3.18

The Company has adopted Ind AS 116 effective from 01 April 2019, using the modified retrospective method. The Company has applied the standard to its leases with cumulative impact recognised on the date of initial application (01 April 2019). Accordingly, previous period information has not been restated. The Company has recognised lease liability and right to use asset as follows:

(Currency: INR in Lakhs)

Particulars	Amount
I. Lease liabilities	
Opening balance	—
Add: Lease liabilities recognised as on 01 April 2019 on application of Ind AS 116	684.82
Add: Lease liabilities recognised during the year	56.47
Add: Interest accrued on lease liabilities	53.36
Less: Lease payments	(237.20)
Closing lease liability as on 31 March 2020	**557.45**
II. Right of use asset (RoU asset)	
Opening balance	—
Add: RoU asset recognised as on 01 April 2019 on application of Ind AS 116	684.82
Add: RoU asset recognised during the year	56.46
Less: Amortisation of RoU asset	(216.18)
Closing RoU asset as on 31 March 2020	**525.10**

Lease liabilities and lease cash flows (Currency: INR in Lakhs)

Particulars	Amount
Maturity analysis–contractual undiscounted cash flows	
Less than one year	233.72
One to five years	428.41
More than five years	27.12
Total undiscounted lease liabilities as on 31 March 2020	**689.26**
Lease liabilities included in the financial statements as on 31 March 2020	**557.45**
Current	190.00
Non—Current	367.45

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

(Currency: INR in Lakhs)

Impact of adoption of Ind AS 116 on statement of profit & loss	
Particulars	Amount
Lease expenses if Ind AS 17 would have applied	237.20
Total charge to statement of profit & loss if Ind AS 17 would have applied	**237.20**
Interest on lease liabilities charged to finance cost as per Ind AS 116	53.36
Amortisation of RoU asset as per Ind AS 116	216.18
Total charge to statement of profit & loss under Ind AS 116	**269.54**
Additional charge to statement of profit & loss due to adoption of Ind AS 116	**32.35**

20. CURRENT TAX LIABILITY (NET)

See accounting policy in note no 3.9

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Provision for income tax (net of advance tax)	**14.15**	264.39
	14.15	264.39

21. PROVISIONS

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Provision for employee benefits		
— Gratuity [Refer Note 32.2]	**257.77**	184.08
— Compensated absenses [Refer Note 32.2]	**75.33**	74.71
	333.10	258.79
Provision for expected credit loss on undisbursed commitment	**29.88**	29.89
	29.88	29.89
Total	**362.98**	288.68

22. OTHER NON FINANCIAL LIABILITIES

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Net front end origination fees received in advance*	**539.41**	584.81
Statutory remittances	**119.74**	116.75
Others (stale cheque)	**1.47**	2.25
Total	**660.62**	703.81

*This amount pertains to front end origination fees (net of DSA commission) which is currently not forming integral part of the financial assets — loans and not getting amortized as per effective interest rate method.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

23. SHARE CAPITAL

(Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Authorised		
13,30,00,000 (previous year 8,80,00,000) Equity shares of ₹ 10 each	**13,300.00**	8,800.00
2,20,00,000 (previous year 6,70,00,000) Compulsorily convertible preference shares ("CCPS") of ₹ 10 each	**2,200.00**	6,700.00
	15,500.00	15,500.00
Issued, subscribed and fully paid up		
13,17,98,226 (previous year 6,90,20,786) Equity shares of ₹ 10 each	**13,179.82**	6,902.08
	13,179.82	6,902.08

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

Particulars	As at 31 March 2020		As at 31 March 2019	
	Number	₹ in lakh	Number	₹ in lakh
Equity shares				
At the beginning of the year	**6,90,20,786**	**6,902.08**	6,45,26,403	6,452.64
Issued during the year against Rights Issue	**77,81,749**	**778.17**	44,94,383	449.44
Allotment against conversion of CCPS – Round IV (1)	**41,66,660**	**416.67**	–	–
Allotment against conversion of CCPS – Round V	**38,46,150**	**384.62**	–	–
Allotment against conversion of CCPS – Round VI	**76,92,300**	**769.23**	–	–
Allotment against conversion of CCPS – Round VII	**38,46,150**	**384.62**	–	–
Allotment against conversion of CCPS – Round III	**1,24,99,993**	**1,250.00**	–	–
Allotment against conversion of CCPS – Round IV (2)	**41,66,660**	**416.67**	–	–
Allotment against conversion of CCPS – Round I	**60,00,000**	**600.00**	–	–
Allotment against conversion of CCPS – Round III	**90,00,000**	**900.00**	–	–
Allotment against conversion of CCPS – Round VIII	**27,77,778**	**277.78**	–	–
Allotment against conversion of CCPS – Round IX	**10,00,000**	**100.00**	–	–
At the end of the year	**13,17,98,226**	**13,179.82**	6,90,20,786	6,902.08

0.01% Compulsorily convertible preference shares ("CCPS")

At the beginning of the year	**6,69,99,956**	**6,700.00**	6,69,99,956	6,700.00
Conversion of CCPS – Round IV (1)	(49,99,992)	(500.00)	–	–
Conversion of CCPS – Round V	(49,99,995)	(500.00)	–	–
Conversion of CCPS – Round VI	(99,99,990)	(1,000.00)	–	–
Conversion of CCPS – Round VII	(49,99,995)	(500.00)	–	–
Conversion of CCPS – Round III	(1,49,99,992)	(1,500.00)	–	–
Conversion of CCPS – Round IV (2)	(49,99,992)	(500.00)	–	–
Conversion of CCPS – Round I	(60,00,000)	(600.00)	–	–
Conversion of CCPS – Round III	(90,00,000)	(900.00)	–	–
Conversion of CCPS – Round VIII	(50,00,000)	(500.00)	–	–
Conversion of CCPS – Round IX	(20,00,000)	(200.00)	–	–
At the end of the year	**–**	**–**	**6,69,99,956**	**6,700.00**
Issued and subscribed share capital	**13,17,98,226**	**13,180**	**13,60,20,742**	**13,602.07**

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

23. SHARE CAPITAL (Continued) (Currency: INR in Lakhs)

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

Particulars	As at 31 March 2020		As at 31 March 2019	
	Number	% shareholding	Number	% shareholding
Equity shares held by				
Housing Development Finance Corporation Limited*	**13,17,98,226**	**100.00%**	5,30,56,403	82.22%
Mr. Anil Bohora	—	—	57,35,000	8.89%
Mr. Ajay Bohora	—	—	57,35,000	8.89%
Total	**13,17,98,226**	**100.00%**	6,45,26,403	100.00%
0.01% Compulsorily convertible preference shares ("CCPS") held by				
Housing Development Finance Corporation Limited	—	—	6,69,99,956	100.00%

* including the shares held by Nominee Shareholders on behalf of HDFC Limited

23.3 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.

24. OTHER EQUITY (Currency: INR in Lakhs)

	As at 31 March 2020	As at 31 March 2019
Non cumulative compulsorily convertible preference shares [Nil (previous year 6,69,99,956) shares of ₹ 10 each fully paid up]	—	6,700.00
Capital reserve	**109.46**	109.46
Securities premium	**43,236.51**	17,839.25
Statutory reserve	**9,568.97**	7,106.94
Retained earnings	**34,245.25**	24,397.96
Employee benefit expenses through other comprehensive income	**(40.73)**	(9.42)
Cash flow hedge reserves through other comprehensive income	**(1,653.00)**	—
Total	**85,466.46**	56,144.19

24.1 Nature of reserves

Capital reserve: It was created on account of NCD issue cost which were transferred to securities premium account (during the FY 2016-17).

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.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

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.

Other Comprehensive Income:–

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

Cash flow hedge reserves through other comprehensive income: It represents the cumulative gains/(losses) arising on revaluation of the derivative instruments designated as cash flow hedges through OCI.

Reconciliation of movements in Cash flow hedge: (Currency: INR in Lakhs)

Risk category	As at 31 March 2020
Derivative instruments	
Cash flow hedging reserve	
As at 31 March 2019	—
Add: Revaluation of External Commercial Borrowings	(4,113.00)
Add: Changes in fair value of interest rate swaps	(2,073.92)
Less: Changes in fair value of principal only swaps	3,977.91
Less: Deferred tax relating to above (net)	556.01
As at 31 March 2020	**(1,653.00)**

25. INTEREST INCOME

See accounting policy in note no 3.1.1 (Currency: INR in Lakhs)

	For the year ended 31 March 2020	For the year ended 31 March 2019
	On financial assets measured at amortised cost	On financial assets measured at amortised cost
Interest		
— Interest on education loans	**70,281.14**	58,475.45
— Interest on fixed deposits with banks	**231.36**	630.15
Total	**70,512.50**	59,105.60

Interest income includes ₹ 1,786.44 lakhs (previous year ₹ 1,526.43 lakhs) of origination fees received (net of DSA commission) which is amortized as per effective interest rate ("EIR") method. Amortization as per EIR method is based on interest to total interest of financial assets along with prepayment assumption.

Interest income on stage 3 assets is recognised on the net carrying value (the gross carrying value as reduced by the impairment loss allowance). Accordingly the total interest income is net of such interest on credit impaired assets amounting to ₹ 36.24 lakhs (previous year ₹ 17.30 lakhs).

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

26. FEES AND COMMISSION INCOME

See accounting policy in note no 3.1.2, 3.1.3 & 3.1.4

(Currency: INR in Lakhs)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Type of service		
Commission [Refer Note 38.2]	**1,115.99**	1,054.21
Other fees	**25.32**	48.27
Total	**1,141.31**	1,102.48
Geographical markets		
India	**1,141.31**	1,102.48
Outside India	**—**	—
Total	**1,141.31**	1,102.48
Timing of recognition of revenue		
Performance obligation satisfied at a point in time	**1,141.31**	1,102.48
Performance obligation satisfied over a period of time	**—**	—
Total	**1,141.31**	1,102.48

Trade receivables

(Currency: INR in Lakhs)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Trade receivables	**69.36**	27.13
Total	**69.36**	27.13

No revenue from transactions with a single external customer amounted to 10 percent or more of the Company's total revenue in year ended 31 March 2020 or 31 March 2019.

27. NET GAIN ON FAIR VALUE CHANGES

(Currency: INR in Lakhs)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Net gain/(loss) on financial instrumentsat at FVTPL		
– Investments	**997.68**	79.05
– Derivatives	**6.77**	—
Total	**1,004.45**	79.05
Fair value changes :		
– Realised	**934.08**	79.05
– Unrealised	**70.37**	—
Total	**1,004.45**	79.05

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

28. FINANCE COSTS

See accounting policy in note no 3.12

(Currency: INR in Lakhs)

	For the year ended 31 March 2020	For the year ended 31 March 2019
	On Financial Liabilities measured at Amortised Cost	On Financial Liabilities measured at Amortised Cost
Interest on		
– Debt securities	**18,570.54**	17,382.14
– Borrowing (other than debt securities) [Refer Note 30.1.3]	**21,749.34**	15,449.31
– Subordinated liabilities	**5,647.53**	4,392.34
– Lease liabilities [Refer Note 19.1]	**53.36**	—
Other charges	**206.12**	158.98
Total	**46,226.89**	37,382.77

29. EMPLOYEE BENEFIT EXPENSES

See accounting policy in note no 3.7

(Currency: INR in Lakhs)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Salaries and bonus [Refer Note 38.2]	**2,858.47**	2,708.82
Contribution to provident fund	**107.20**	97.01
Gratuity [Refer Note 32.2]	**44.00**	43.15
Compensated absenses [Refer Note 32.2]	**11.81**	10.45
Staff welfare expenses [Refer Note 38.2]	**72.32**	83.19
Total	**3,093.80**	2,942.62

30. OTHER EXPENSES

(Currency: INR in Lakhs)

	For the year ended 31 March 2020	For the year ended 31 March 2019
Electricity expenses	**38.99**	43.41
Rent [Refer Note 19.1]	**39.65**	264.53
Repairs and maintenance	**72.18**	71.26
Computer expenses [Refer Note 30.1.3]	**199.26**	165.12
Corporate social responsibility expenses [Refer Note 30.1.2]	**261.50**	202.87
Rates and taxes	**46.62**	42.94
Travelling and conveyance [Refer Note 30.1.3]	**120.63**	113.80
Communication costs	**86.37**	102.37
Advertisement and publicity [Refer Note 30.1.3]	**272.23**	342.32
Outsourcing charges	**1,662.29**	1,688.24
Legal and professional charges [Refer Note 30.1.3]	**477.83**	482.52
Loss on property, plant and equipment discarded	**0.35**	1.38
Auditor's fees and expenses [Refer Note 30.1.1]	**38.94**	42.17
Directors' insurance [Refer Note 38.2]	**1.05**	1.05
Directors' fees [Refer Note 38.2]	**38.55**	17.40
Printing and stationery	**38.43**	40.11
Other expenditure	**435.98**	355.34
Total	**3,830.87**	3,976.84

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

30.1 OTHER EXPENSES

30.1.1 Payments to auditor

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Audit fees	**15.00**	13.00
Internal control over financial reporting fees	**3.00**	3.00
Limited reviews	**12.00**	9.00
Other matters and certification	**5.60**	12.75
Reimbursement of expenses	**3.34**	4.42
Total	**38.94**	42.17
Auditor's remuneration above is excluding Goods and Service Tax.		

30.1.2 Expenditure incurred for corporate social responsibility

a. Gross amount required to be spent by the Company during the year is ₹ 261.50 lakhs (for 2018—19: ₹ 202.87 lakhs)

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

During the year 2019-20

(Currency: INR in Lakhs)

Particulars	In cash	Yet to be paid
a) Construction/acquisition of any asset	**—**	—
b) On purposes other than (a) above	**261.50**	—

During the year 2018-19

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

30.1.3 Expenditure in foreign currency

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Interest on borrowings (other than debt securities)	**387.61**	—
Other finance costs	**64.56**	—
Legal and professional charges	**7.11**	6.83
Advertisement and publicity	**69.02**	115.27
Computer expenses	**15.72**	13.74
Travelling and conveyance	**5.29**	0.69

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

31. 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 2020	For the year ended 31 March 2019
	On Financial instruments measured at amortised cost	On Financial instruments measured at amortised cost
Loans	**2,280.52**	270.76
Trade receivables	—	—
Total	**2,280.52**	270.76

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	2019-20				2018–19			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loans and advances to customers	**154.36**	**(12.42)**	**59.38**	**201.32**	196.75	9.15	37.60	243.49
Loans written off	—	—	**6.32**	**6.32**	—	—	6.17	6.17
Loan commitments	**0.11**	**(0.12)**	—	**(0.01)**	21.04	0.06	—	21.10
Trade receivables	—	—	—	—	—	—	—	—
Management Overlay	**2,072.89**	—	—	**2,072.89**	—	—	—	—
Total impairment loss allowance	**2,227.36**	**(12.54)**	**65.70**	**2,280.52**	217.79	9.21	43.77	270.76

32. EMPLOYEE BENEFIT EXPENSES

See accounting policy in note no 3.7

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 ₹ 107.20 lakhs (previous year ₹ 97.01 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.

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.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

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 × salary × 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.

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

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

thus requiring the companies to pay higher benefits to the employees. This will directly affect the present value of the defined benefit obligation and the same will have to be recognized immediately in the year when any such amendment is effective.

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 absenses		Gratuity	
	2019-20 ₹	2018-19 ₹	**2019-20** ₹	2018-19 ₹
1. Current service cost	**22.02**	20.29	**31.19**	33.79
2. Interest cost	**5.32**	4.97	**15.77**	13.44
3. Expected return on plan assets	—	—	**(2.97)**	(4.08)
4. Actuarial loss/ (gain)	**(15.54)**	(14.81)		—
5. Losses/(gains) on curtailments & settlement		—		—
6. Total expense recognised in the statement of profit and loss	**11.81**	10.45	**44.00**	43.15

(Currency: INR in Lakhs)

II. Net liability recognised in the balance sheet	Compensated absenses		Gratuity	
	2019-20 ₹	2018-19 ₹	**2019-20** ₹	2018-19 ₹
1. Present value of defined benefit obligation	**75.33**	74.71	**266.17**	219.08
2. Fair value of plan assets	—	—	**(8.40)**	(35.00)
3. Unrecognised past service cost	—	—		
4. Net liability recognised in the balance sheet	**75.33**	74.71	257.77	184.08
– Short-term provisions	**12.09**	9.46	**40.58**	31.19
– Long-term provisions	**63.24**	65.26	**217.20**	152.89

(Currency: INR in Lakhs)

III. Changes in defined benefit obligation	Compensated absenses		Gratuity	
	2019-20 ₹	2018-19 ₹	**2019-20** ₹	2018-19 ₹
1. Present value of defined benefit obligation as at the beginning of the year	**74.71**	66.23	**219.09**	177.27
2. Current service cost	**22.02**	20.27	**31.19**	33.65
3. Interest cost	**5.32**	4.97	**15.77**	13.43
4. Actuarial loss/(gain)	**(15.54)**	(14.81)	**41.04**	13.88
5. Prior year charges	—	0.02	—	—
6. Benefits paid	**(11.19)**	(1.97)	**(40.92)**	(19.15)
7. Present value of defined benefit obligation as at the end of the year	**75.33**	74.71	**266.17**	219.08

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

32. EMPLOYEE BENEFIT EXPENSES (Continued)

(Currency: INR in Lakhs)

IV. Reconciliation of Liability	Compensated absenses		Gratuity	
	2019-20 ₹	2018-19 ₹	**2019-20** ₹	2018-19 ₹
1. Opening net liability	**74.71**	66.24	**184.08**	138.27
2. Expenses recognised	**11.81**	10.45	**44.00**	43.15
3. Other comprehensive income	–	–	**41.69**	14.66
4. Benefits paid	**(11.19)**	(1.98)	–	–
5. Contribution to plan assets		–	**(12.00)**	(12.00)
6. Amount recognised in the balance sheet under provision for employee benefits	**75.33**	74.71	**257.77**	184.08
– Short-term provisions	**12.09**	9.46	**40.58**	31.19
– Long-term provisions	**63.24**	65.25	**217.20**	152.89

(Currency: INR in Lakhs)

V. Reconciliation of Plan Assets	Compensated absenses		Gratuity	
	2019-20 ₹	2018-19 ₹	**2019-20** ₹	2018-19 ₹
1. Opening value of plan assets	**–**	–	**35.00**	38.86
2. Expenses incurred in the fund	**–**	–	–	–
3. Expected return	**–**	–	**2.97**	4.08
4. Actuarial gains and (losses)	**–**	–	**(0.65)**	(0.78)
5. Contribution by employer	**–**	–	**12.00**	12.00
6. Benefits paid	**–**	–	**(40.92)**	(19.16)
7. Closing value of plan assets	**–**	–	**8.40**	35.00

(Currency: INR in Lakhs)

VI. Actual return on Plan Assets	Compensated absenses		Gratuity	
	2019-20 ₹	2018-19 ₹	**2019-20** ₹	2018-19 ₹
1. Expected return on plan assets	**–**	–	**2.97**	4.08
2. Actuarial gain on plan assets	**–**	–	**0.65**	(0.78)
3. Actual return on plan assets	**–**	–	**–**	–

(Currency: INR in Lakhs)

VII. Actuarial assumptions	Compensated absenses		Gratuity	
	2019-20 ₹	2018-19 ₹	**2019-20** ₹	2018-19 ₹
1. Discount rate	**6.25%**	7.60%	**6.25%**	7.60%
2. Return on plan assets	**–**	–	**6.25%**	7.60%
3. Attrition rate	**15%**	0% – 30%	**15%**	0% – 30%
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.	

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

32. EMPLOYEE BENEFIT EXPENSES (Continued)

VIII. Sensitivity analysis for actuarial assumptions

Sensitivity to key assumptions

(Currency: INR in Lakhs)

Particulars	**31 March 2020 (12 months)**	31 March 2019 (12 months)
Discount rate sensitivity	₹	₹
Increase by 0.5%	**259.02**	211.13
(% change)	**–2.69%**	–3.63%
Decrease by 0.5%	**273.72**	227.59
(% change)	**2.83%**	3.88%
Salary growth rate sensitivity		
Increase by 0.5%	**272.33**	225.15
(% change)	**2.31%**	2.77%
Decrease by 0.5%	**260.06**	213.25
(% change)	**–2.30%**	–2.66%
Withdrawal rate (W.R.) Sensitivity		
W.R. x 110%	**265.21**	219.69
(% change)	**–0.36%**	0.28%
W.R. x 90%	**267.07**	218.21
(% change)	**0.34%**	–0.40%

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.

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 Absenses

(Currency: INR in Lakhs)

Particulars	**2019-20 ₹**	2018-19 ₹	2017-18 ₹	2016-17 ₹	2015-16 ₹
1. Present value of defined benefit obligation	**75.33**	74.71	66.24	53.47	25.26
2. Present value of defined benefit assets	—	—	—	—	—
3. Experience adjustment on plan liabilities	**(18.35)**	(14.44)	(7.66)	13.12	(4.58)
4. Experience adjustment on plan assets	—	—	—	—	—
5. Unrecognised past service cost	—	—	—	—	—
6. (Excess)/short of obligation over plan assets	75.33	74.71	66.24	53.47	25.26

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

32. EMPLOYEE BENEFIT EXPENSES (Continued)

(b) Gratuity

(Currency: INR in Lakhs)

Particulars		**2019-20** ₹	2018-19 ₹	2017-18 ₹	2016-17 ₹	2015-16 ₹
1.	Present value of defined benefit obligation	**266.17**	219.08	177.13	122.53	84.97
2.	Present value of defined benefit assets	**(8.40)**	(35.00)	(38.86)	(30.25)	(18.35)
3.	Experience adjustment on plan liabilities	**4.87**	3.22	5.82	9.77	(4.49)
4.	Experience adjustment on plan assets	**0.65**	0.78	0.56	1.59	0.22
5.	Unrecognised past service cost	—	—	—	—	—
6.	(Excess)/short of obligation over plan assets	**257.77**	184.08	138.27	92.28	66.62

The Company expects to contributes approximately ₹ 257.77 lakhs (previous year ₹ 184.08 lakhs) to the gratuity fund in the next year.

(Currency: INR in Lakhs)

XI. Investment pattern	**Compensated absenses**		**Gratuity**	
	2019-20	2018-19	**2019-20**	2018-19
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%
Total	**0%**	0%	**100%**	100%

* Components of investment by the insurance company are:

(Currency: INR in Lakhs)

Particulars	**Gratuity**	
	2019-20	2018-19
Government securities	**18.66%**	21.99%
Corporate bonds -		
AAA	**54.64%**	36.09%
AA+	**16.92%**	16.81%
AA	**8.37%**	13.89%
Cash, deposits, MMI	**1.41%**	11.22%
Total	**100.00%**	100.00%

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

33. INCOME TAXES

33.1 Income tax recognised in profit or loss

See accounting policy in note no 3.9

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Current tax		
In respect of the current year	**4,568.00**	5,688.00
In respect of prior years	**—**	6.20
Total current tax	**4,568.00**	5,694.20
Deferred tax		
In respect of the current year: origination & reversal of temporary differences	**48.39**	(172.88)
Total income tax expense recognised in the current year relating to continuing operations	**4,616.39**	5,521.32

33.2 Reconciliation of income tax expense of the year can be reconciled to the accounting profit as follows:

(Currency: INR in Lakhs)

Particulars	For the year ended 31 March 2020	For the year ended 31 March 2019
Standalone profit before tax	**16,926.52**	15,690.56
Income tax expense calculated at 25.168% (2018-19: 34.944%)	**4,260.07**	5,482.91
Effect of expenses that are not deductible in determining taxable profit	**32.91**	35.45
Effect of incomes which are exempt from tax	**—**	(22.82)
Adjustments in respect of current income tax of prior years	**—**	6.20
Effect on deferred tax balances due to the changes in income tax rate	**333.76**	—
Others	**(10.35)**	19.58
Income tax expense recognised in statement of profit and loss	**4,616.39**	5,521.32

The tax rate used for the reconciliations above is the corporate tax rate of 25.168% for the year 2019-20 and 34.944% for 2018-19 payable by corporate entities in India on taxable profits under tax law in Indian jurisdiction.

The Company has elected to exercise the option permitted under section 115BAA of the Income Tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised provision for income tax for the year ended 31 March 2020 and remeasured its deferred tax assets basis the rate prescribed in the said section. The full impact of this change has been recognised in the statement of profit and loss for the year ended 31 March 2020.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

34. DEFERRED TAX

See accounting policy in note no 3.9

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

(a) FY 2019-20

(Currency: INR in Lakhs)

Particulars	31 March 2020		2019-20	
	Deferred tax assets	Deferred tax liabilities	Income statement	Other comprehensive income
Depreciation	–	(11.00)	7.00	–
Application of effective interest rate on financial assets	711.00	–	(325.00)	–
Application of effective interest rate on financial liabilities	–	333.00	(233.00)	–
Impairment allowance for financial assets	676.00	–	513.00	–
Provisions for employee benefits	84.00	–	(16.39)	10.38
Lease liabilities & Right of use assets	8.00	–	8.00	–
Derivative financial assets	–	1,228.00	(227.00)	(1,001.24)
Derivative financial liability	522.00	–	–	522.01
External commercial borrowings revaluation	1,035.00	–	–	1,035.24
Debt securities	225.00	–	225.00	–
Total deferred tax asset	**3,261.00**	**1,550.00**	**(48.39)**	**566.39**

(b) FY 2018-19

(Currency: INR in Lakhs)

Particulars	31 March 2019		2018-19	
	Deferred tax assets	Deferred tax liabilities	Income statement	Other comprehensive 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
Total deferred tax asset	**1,289.00**	**96.00**	**172.88**	**5.12**

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

35. EARNINGS PER SHARE ("EPS")

See accounting policy in note no 3.15

Basic 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 holders 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	2019-20	2018-19
Profit after tax	₹ in lakhs	**12,310.13**	10,169.24
Less: Dividend on preference shares and attributable tax thereon	₹ in lakhs	**0.81**	0.81
Profit after tax for basic EPS	₹ in lakhs	**12,309.32**	10,168.43
Weighted average number of equity shares for calculating basic earnings per share	Numbers	**8,67,81,356**	6,75,80,121
Face value of equity shares	₹	**10**	10
Basic earnings per share	₹	**14.18**	15.05
Profit after tax for diluted EPS	₹ in lakhs	**12,310.13**	10,169.24
Weighted average number of equity shares for calculating diluted earnings per share	Numbers	**8,67,81,356**	12,25,75,812
Face value of equity shares	₹	**10**	10
Diluted earnings per share	₹	**14.18**	8.30

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

(Currency: INR in Lakhs)

Particulars	2019-20	2018-19
	Numbers	Numbers
Weighted average number of shares of ₹ 10 each outstanding during the year – for calculating basic earnings per share	**8,67,81,356**	6,75,80,121
Add: Diluted effect of potential equity shares of ₹ 10 each that could arise on conversion of nil (previous year 6,69,99,956) compulsorily convertible preference shares	**—**	5,49,95,691
Weighted average number of shares of ₹ 10 each outstanding during the year – for calculating diluted earnings per share	**8,67,81,356**	12,25,75,812

The reconciliation between basic and diluted earnings per share is as follows: (Currency: INR in Lakhs)

Particulars	2019-20	2018-19
Basic earnings per share	**14.18**	15.05
Effect of dilution of compulsorily convertible preference shares	**—**	6.75
Diluted earnings per share	**14.18**	8.30

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

36. 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 EIR.

(Currency: INR in Lakhs)

Particulars	31 March 2020			31 March 2019		
	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets						
Financial assets						
Cash and cash equivalents	38,139	—	38,139	14,296	—	14,296
Bank balance other than (a) above	141	—	141	142	—	142
Derivative financial instruments	1,149	3,729	4,878	—	—	—
Trade receivables	69	—	69	27	—	27
Loans	1,14,793	5,08,096	6,22,890	93,983	4,39,999	5,33,982
Investments	31,073	—	31,073	—	—	—
Other financial assets	153	107	260	80	155	236
Non-financial assets	—					
Current tax asset	16	—	16	60	—	60
Deferred tax assets (net)	—	1,711	1,711	—	1,193	1,193
Property, plant and equipment	—	668	668	—	191	191
Other intangible assets	—	38	38	—	57	57
Other non-financial assets	231	—	231	118	—	118
Total assets	1,85,765	5,14,349	7,00,114	1,08,706	4,41,595	5,50,301
Liabilities						
Financial liabilities						
Derivative financial instruments	—	2,074	2,074	—	—	—
Trade payables		—				
(i) Total outstanding dues of creditors micro enterprises and small enterprises	5	—	5	—	—	—
(ii) Total outstanding dues of creditors other than micro enterprises and small enterprises	792	—	792	1,018	—	1,018
Debt securities	24,685	1,98,227	2,22,912	28,941	1,77,408	2,06,348
Borrowings (other than debt securities)	13,684	2,86,919	3,00,603	34,290	1,88,354	2,22,644
Subordinated liabilities	—	62,328	62,328	—	47,377	47,377
Other financial liabilities	11,321	395	11,715	8,585	25	8,610
Non-financial liabilities						
Current tax liability	14	—	14	264	—	264
Provisions	53	310	363	41	248	289
Other non-financial liabilities	661	—	661	704	0	704
Total liabilities	51,215	5,50,253	6,01,468	73,843	4,13,411	4,87,255
Net	1,34,551	(35,904)	98,646	34,862	28,184	63,046

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

37. CHANGE IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

37.1 For the period ended 31 March 2020

(Currency: INR in Lakhs)

Particulars	31 March 2019	Cash flows	Other	31 March 2020
Debt securities	2,06,348.37	15,825.43	738.61	2,22,912.41
Borrowings other than debt securities	2,70,021.15	89,643.14	3,266.90	3,62,931.19
Total liabilities from financing activities	**4,76,369.52**	**1,05,468.57**	**4,005.50**	**5,85,843.60**

37.2 For the period ended 31 March 2019

(Currency: INR in Lakhs)

Particulars	31 March 2018	Cash flows	Other	31 March 2019
Debt securities	1,81,703.29	24,615.58	29.50	2,06,348.37
Borrowings other than debt securities	1,92,735.92	77,319.84	(34.61)	2,70,021.15
Total liabilities from financing activities	**3,74,439.21**	**1,01,935.42**	**(5.11)**	**4,76,369.52**

Other column includes the effect of amortisation of processing fees, MTM on Bond valuation etc.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

38. RELATED PARTY DISCLOSURES

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

38.1 Details of related parties

1. Holding Company:
   Housing Development Finance Corporation Limited

2. Fellow subsidiaries with whom transactions have taken place during the year
   HDFC ERGO General Insurance Company Limited
   HDFC Life Insurance Company Limited
   HDFC Sales Private Limited

3. Associate of Holding Company
   HDFC Bank Limited

4. Trust owned by Holding Company
   H T Parekh Foundation

5. Key Management Personnel
   Mr. V. Srinivasa Rangan, Chairman
   Mr. B. Mahapatra, Independent Director
   Ms. Madhumita Ganguli, Non-Executive Director
   Mr. Amitabh Chaudhry, Independent Director (Upto 14 October 2018)
   Mr. Suresh Badami, Additional Director (Independent Director) (From 11 January 2019 upto 19 April 2019)
   Mr. Sudhin Choksey (Upto 11 October 2019)
   Mr. Sunil Shah, Independent Director (From 05 July 2019)
   Mr. Rajesh Gupta, Independent Director (From 17 January 2020)
   Mr. Subodh Salunke, Non Executive Vice Chairman
   Mr. Arijit Sanyal, Managing Director & CEO (From 13 December 2019)
   Mr. Anil Bohora, Managing Director (Upto 12 December 2019)
   Mr. Ajay Bohora, Managing Director & CEO (Upto 12 December 2019)

6. Key Management Personnel of Holding Company
   Mr. Deepak S. Parekh, Non-Executive Chairman of Holding Company
   Mr. Keki M. Mistry, Vice Chairman & CEO of Holding Company
   Ms. Renu Sud Karnad, Managing Director of Holding Company
   Mr. V. Srinivasa Rangan, Executive Director of Holding Company
   Mr. Nasser Munjee, Independent Director of Holding Company
   Dr. Jamshed J. Irani, Independent Director of Holding Company
   Mr. Upendra K. Sinha, Independent Director of Holding Company
   Mr. Jalaj Ashwin Dani, Independent Director of Holding Company
   Dr. Bhaskar Ghosh, Independent Director of Holding Company
   Ms. Ireena Vittal, Independent Director of Holding Company
   Mr. Ajay Agarwal, Company Secretary of Holding Company

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

38. RELATED PARTY DISCLOSURES (Continued)

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

	Particulars	Holding company		Fellow subsidiaries		Associate company of holding company		Key management personnel		Relative of key management personnel		Trust owned by Holding company		Total	
		2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
		₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
1.	Commission received for sourcing home loans	4.54	6.54	–	–	–	–	–	–	–	–	–	–	4.54	6.54
2.	Commission received for sourcing of fixed deposits	37.95	42.02	–	–	–	–	–	–	–	–	–	–	37.95	42.02
3.	Commission received for sourcing insurance	–	–	49.74	56.26	–	–	–	–	–	–	–	–	49.74	56.26
4.	Interest on deposits	–	–		–	92.95	0.69	–		–	–	–	–	92.95	0.69
5.	Interest income	–	–	–	–	–	–	–	–	3.25	–	–	–	3.25	–
6.	Processing fees income	–	–	–	–	–	–	–	–	0.05	–	–	–	0.05	–
7.	Staff expenses of non executive vice chairman on deputation	77.65	59.36	–	–	–	–	–	–	–	–	–	–	77.65	59.36
8.	Staff expenses of managing director & CEO on deputation	17.77	–	–	–	–	–	–	–	–	–	–	–	17.77	–
9.	Staff expenses of employee on deputation	27.86	9.13	–	–	–	–	–	–	–	–	–	–	27.86	9.13
10.	Staff welfare expenses	2.45	1.77	15.86	22.31	–	–	–	–	–	–	–	–	18.31	24.08
11.	Reimbursement of GST expenses	3.05	3.60		–	–	–	–	–	–	–	–	–	3.05	3.60
12.	Interest paid on NCD	–	–		–	8,820.00	5,100.00	–	–	–	–	–	–	8,820.00	5,100.00
13.	Directors' insurance	–	–	1.05	1.05	–	–	–	–	–	–	–	–	1.05	1.05
14.	Education loan given	–	–	–	–	–	–	–	–	53.00	–	–	–	53.00	–
15.	Bank charges	–	–		–	25.07	1.50	–	–	–	–	–	–	25.07	1.50
16.	Brokerage or commission paid	–	–	27.82	21.07	510.05	473.61	–	–	–	–	–	–	537.87	494.68
17.	Gratuity funding	–	–	12.00	12.00	–	–	–	–	–	–	–	–	12.00	12.00
18.	Preference share dividend provided	0.67	0.67	–	–	–	–	–	–	–	–	–	–	0.67	0.67
19.	Directors' fees		–	–	–	–	–	38.55	17.40	–	–	–	–	38.55	17.40
20.	Right shares issued (including premium)	25,000.02	8,000.00	–	–	–	–	–	–	–	–	–	–	25,000.02	8,000.00
21.	Contribution towards corporate social responsibility	–	–	–	–	–	–	–	–	–	–	–	101.44	–	101.44
22.	Remuneration to Key Management Personnel														
	(a) Short-term employee benefits:	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	Commission to Key Management Personnel	–	–	–	–	–	–	–	140.00	–	–	–	–	–	140.00
	Salaries and other employee benefits to Key Management Personnel	–	–	–	–	–	–	210.24	209.60	–	–	–	–	210.24	209.60
	(b) Post-employment benefits	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	(c) Other long-term benefits	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	(d) Termination benefits	–	–	–	–	–	–	–	–	–	–	–	–	–	–
	(e) Share-based payment	–	–	–	–	–	–	–	–	–	–	–	–	–	–

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

38. RELATED PARTY DISCLOSURES (Continued)

38.3 Balance outstanding at the end of the year

(Currency: INR in Lakhs)

	Particulars	Holding company		Fellow subsidiaries		Associate company of holding company		Key management personnel		Relative of key management personnel		Total	
		2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19	2019-20	2018-19
		₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹	₹
1.	Commission receivable for sourcing home loans	0.09	0.09	–	–	–	–	–	–	–	–	0.09	0.09
2.	Commission receivable for sourcing fixed deposits		–	–	–	–	–	–	–	–	–	–	–
3.	Commission receivable for sourcing insurance		–	–	1.77	–	–	–	–	–	–	–	1.77
4.	Staff expenses of managing director & CEO on deputation payable	5.15	5.52	–	–	–	–	–	–	–	–	5.15	5.52
5.	Staff expenses of employee on deputation payable	4.41	1.71	–	–	–	–	–	–	–	–	4.41	1.71
6.	Staff welfare expenses payable	1.27	0.73	–	–	–	–	–	–	–	–	1.27	0.73
7.	Reimbursement of GST expenses payable	–	3.60	–	–	–	–	–	–	–	–	–	3.60
8	Advance employee health insurance premium	–	–	0.37	0.51	–	–	–	–	–	–	0.37	0.51
9	Advance cyber security insurance premium	–		19.23	–	–		–	–	–	–	19.23	–
10	Employee insurance premium (prepaid expense)	–	–	1.99	2.68	–	–	–	–	–	–	1.99	2.68
11	Directors' insurance premium (prepaid expense)	–	–	0.88	0.92	–	–	–	–	–	–	0.88	0.92
12	Education loan	–	–	–	–	–	–	–	–	55.52	–	55.52	–
13	Balance in current accounts	–	–	–	–	3,683.93	3,978.42	–	–	–	–	3,683.93	3,978.42
14	Non convertible debentures	–	–	–	–	60,000.00	1,00,000.00	–	–	–	–	60,000.00	1,00,000.00
15	Commercial papers (net of unamortised discount)	–	–	–	–		–	–	–	–	–	–	–
16	Interest payable of secured NCD	–	–	–	–	2,426.39	4,757.92	–	–	–	–	2,426.39	4,757.92
17	Trade payables	–	–	0.37	–	118.29	178.22	–	–	–	–	118.67	178.22
18	Directors' fees payable	–	–	–	–	–	–	8.33	–	–	–	8.33	–
19	Deposits	–	–	–	–	7,030.42	10.00	–	–	–	–	7,030.42	10.00
20	Security deposit	–	–	2.00	2.00		–	–	–	–	–	2.00	2.00
21	Remuneration payable												
	– Commission to Key Management Personnel	–	–	–	–		–	–	140.00	–	–	–	140.00

Notes: 1. There were no guaranty given or security provided during the year to the related parties.

2. All aforesaid transactions are in ordinary course of business and at arm's length basis.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

39 Financial Instruments

39.1 Capital Management

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.

The Company has complied in full with all its externally imposed capital requirements over the reported period.

(Currency: INR in Lakhs)

Particulars	31 March 2020	March 31, 2019
Net debt*	**5,47,704.34**	4,62,073.78
Total equity	**96,897.14**	61,796.32
Net debt to equity ratio	**5.65**	7.48

* Cash and cash equivalents have been reduced from gross debt amount for net debt to equity ratio calculated above.

Loan Covenants

Under the terms of the major borrowing facilities, the Company has complied with the covenants throughout the reporting period.

39.2 Categories of financial instruments

(Currency: INR in Lakhs)

Particulars	31 March 2020			31 March 2019		
	FVTPL	FVOCI / Cash Flow Hedge Reserve	Amortised cost	FVTPL	FVOCI / Cash Flow Hedge Reserve	Amortised cost
Financial assets						
Derivative financial assets	899.99	3,977.91	–	–	–	–
Trade receivables	–	–	69.36	–	–	27.13
Loans	–	–	6,22,889.93	–	–	5,33,981.90
Investments	31,072.99	–	–	–	–	–
Other financial assets	–	–	260.00	–	–	235.53
Total financial assets	**31,972.98**	**3,977.91**	**6,23,219.29**	**–**	**–**	**5,34,244.56**
Financial liabilities						
Derivative financial liabilities	–	2,073.92	–	–	–	–
Trade payables	–	–	796.90	–	–	1,018.39
Debt securities	20,850.65	–	2,02,061.76	–	–	2,06,348.37
Borrowings (other than debt securities)	–	–	3,00,603.29	–	–	2,22,644.38
Subordinated liabilities	–	–	62,327.90	–	–	47,376.77
Other financial liabilities	–	–	11,715.38	–	–	8,610.05
Total financial liabilities	**20,850.65**	**2,073.92**	**5,77,505.23**	**–**	**–**	**4,85,997.96**

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

39.2 Categories of financial instruments (Continued)

39.2.1 Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are (a) recognised and measured at fair value and (b) measured at amortised cost and for which fair values are disclosed in the financial statements. 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.

(Currency: INR in Lakhs)

Financial assets and liabilities measured at fair value – recurring fair value measurements	Level 1	Level 2	Level 3	Total
As at 31 March 2020				
Financial assets				
Financial Investments at FVTPL				
Mutual Funds	31,072.99	–	–	31,072.99
Derivatives designated as fair value hedges				
Interest Rate Swaps	–	899.99	–	899.99
Derivatives designated as cash flow hedges				
Currency swaps – Principal Only swaps	–	3,977.91	–	3,977.91
Total financial assets	**31,072.99**	**4,877.89**	**–**	**35,950.88**
Financial liabilities				
Financial Investments at FVTPL				
Non-Convertible Debentures	–	20,850.65	–	20,850.65
Derivatives designated as fair value hedges				
Interest Rate Swaps	–	–	–	–
Derivatives designated as cash flow hedges				
Interest rate swaps – USD IRS	–	2,073.92	–	2,073.92
Total financial liabilities	**–**	**22,924.57**	**–**	**22,924.57**

As a 31 March 2019 – Nil

Level 1: Level 1 hierarchy includes financial instruments measured using quoted prices. This includes units of mutual funds (open ended).

Level 2: The fair value of financial instruments that are not traded in an active market for example, derivative instruments is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There has been no transfers between level 1, level 2 and level 3 for the year ended 31 March 2020 and 31 March 2019.

39.2.2 Valuation technique used to determine fair value

The fair value of a financial instrument on initial recognition is normally the transaction price (fair value of the consideration given or received). Subsequent to initial recognition, the Company determines the fair value of financial instruments that are quoted in active markets using the quoted bid prices (financial assets held) or quoted ask prices (financial liabilities held) and using valuation techniques for other instruments. Valuation techniques include discounted cash flow method using the closing curves available on the market terminals as at the end of reporting period.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

39.2 Categories of financial instruments (Continued)

The Company measures financial instruments, such as investments at fair value.

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

The carrying amounts of trade receivables, trade payables and cash and cash equivalents are considered to be the same as their fair values, due to their short-term nature.

For financial assets and liabilities that are measured at fair value, the carrying amounts are equal to the fair values.

39.2.3 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.

(Currency: INR in Lakhs)

Particulars	31 March 2020		31 March 2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial liabilities at amortised cost				
Non convertible debentures	1,85,583.97	1,88,158.26	1,55,629.33	1,55,996.98
Perpetual debt instruments	29,082.87	31,498.61	29,067.34	30,072.72
Subordinated liabilities	36,884.86	38,026.75	20,825.43	20,749.62
Total financial liabilities	**2,51,551.71**	**2,57,683.61**	**2,05,522.10**	**2,06,819.31**

1) **Note:** The fair value of the financial liabilities are considered at the amount, at which the instrument could be exchanged in current transaction between willing parties, other than in forced or liquidation sale. Carrying value includes interest accrued as on year end.

2) **Loans:**

Substantially all loans reprice frequently, with interest rates reflecting current market pricing, the carrying value of these loans amounting to ₹ 6,25,666.15 lakhs (as at 31 March 2019 ₹ 5,34,483.91 lakhs) approximates their fair value.

3) **Other financial assets and liabilities**

With respect to bank balances and cash and cash equivalents (Refer Note 4 and 5), trade receivables (Refer Note 7), other financial assets (Refer Note 10), trade payables (Refer Note 15) and other financial liabilities (Refer Note 19), the carrying value approximates the fair value.

a. **Fair Value hierarchy of the above mentioned financial asset and financial liability**

(Currency: INR in Lakhs)

Particulars	Level 1	Level 2	Level 3	Total
As at 31 March 2020				
Financial liabilities at amortised cost				
Non convertible debentures	–	–	1,88,158.26	1,88,158.26
Perpetual debt instruments	–	–	31,498.61	31,498.61
Subordinated liabilities	–	–	38,026.75	38,026.75
Total financial liabilities	**–**	**–**	**2,57,683.61**	**2,57,683.61**

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

39.2 Categories of financial instruments (Continued)

b. Fair Value hierarchy of the above mentioned financial asset and financial liability

(Currency: INR in Lakhs)

Particulars	Level 1	Level 2	Level 3	Total
As at 31 March 2019				
Financial liabilities at amortised cost				
Non Convertible Debentures	–	–	1,55,996.98	1,55,996.98
Perpetual Debt Instruments	–	–	30,072.72	30,072.72
Subordinated liabilities	–	–	20,749.62	20,749.62
Total financial liabilities	**–**	**–**	**2,06,819.31**	**2,06,819.31**

39.3 Financial risk management

The Company has to manage various risks associated with the lending business. These risks include credit risk, liquidity risk, foreign exchange risk, interest rate risk and counterparty risk.

The Liquidity Risk Management Framework and Financial Risk Management Policy as approved by the Board of Directors sets limits for exposures on currency and other parameters. The Company manages its interest rate and currency risk in accordance with the guidelines prescribed therein.

Interest rate risks is mitigated by entering into interest rate swaps. The currency risk on the borrowings is actively managed mainly through a principal only swaps. Counterparty risk is reviewed periodically to ensure that exposure to various counterparties is well diversified and is within the limits fixed by the Derivative Committee.

As a part of Asset Liability Management, the Company has started entering into interest rate swaps from the current financial year, wherein it has converted a portion of its fixed rate rupee liabilities into floating rate linked to various benchmarks.

39.3.1 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. The Credit policy outlines the type of products that can be offered, customer categories, the targeted customer profile and the credit approval process and limits.

The Company monitors and manages credit risk at an individual borrower level as well as at portfolio level. The Company has a structured and standardized credit approval process, which includes an established procedure for credit appraisal, loan disbursal, collection and recovery. The Risk Management Policy addresses the recognition, measurement, monitoring and reporting of the Credit risk.

39.3.1.1 Education Loans

Our customers for retail loans are primarily low, middle and high-income, salaried and self-employed individuals. The Company's credit officers evaluate credit proposals on the basis of active credit policies as on the date of approval. The criteria typically include factors such as the student academic & entrance scores, Country/ University/College/Course of Study, Future potential for the student, co-borrower's income & obligations, the loan-to-value ratio and demographic parameters subject to regulatory guidelines. Any deviations need to be approved at the designated levels.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

The various process controls such as PAN check, CERSAI database scrubbing, Credit bureau report analysis are undertaken prior to approval of a loan. In addition External agencies such as field investigation agencies facilitate a comprehensive due diligence process including visits to offices and homes.

The Company analyses the portfolio performance of each product segment regularly, and use these as inputs in revising our product programs, target market definitions and credit assessment criteria to meet our twin objectives of combining volume growth and maintenance of asset quality. The Company obtains collateral depending upon the loan amount, country of study, etc. as per the product group matrix.

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

Principal Outstanding	India	USA	Other Countries	Total
As on 31 March 2020	9%	63%	28%	100%
As on 31 March 2019	10%	65%	25%	100%

39.3.1.2 Risk management and portfolio review

The Company reviews the portfolio regularly on various parameters to look at the trend in defaults and take necessary measures.

The credit team does multi level checks and ensure adherence to the terms of the credit policy prior to the commitment and disbursement of credit facilities. The central operations team monitors compliance with the terms and conditions for credit facilities prior to disbursement. It also reviews the completeness of documentation, creation of security and compliance with regulatory guidelines.

The branch credit team/operations team monitors compliance with the terms and conditions for credit facilities prior to disbursement. It also reviews the completeness of documentation, creation of security and insurance policy of the student.

The Credit Committee of the Company, apart from approving proposals, regularly reviews the credit quality of the portfolio and various sub—portfolios. An actionable summary of the reviews carried out by the Credit Committee of the Company is shared with the Branches & Management Team through regular interaction and communication.

39.3.1.3 Collateral 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 case of delinquent customers the Company has the right to repossess the collaterals pledged as security and liquidate the same to recover the amounts due against the outstanding loan. Any surplus funds after adjusting such outstanding dues are returned to the customers/obligors.

Disclosure of credit quality and the gross carrying value for credit risk and year-end stage classification are further disclosed in Note 8.1.

The tables set out below show the maximum exposure to credit risk by class of financial asset. They also show 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 for the period ended 31 March 2020 (Continued)

Fair value of collaterals and credit enhancements held

a. As on 31 March 2020 (Currency: INR in Lakhs)

Education Loans					
Gross Carrying Value	Immovable properties	Fixed deposits	Total collateral	Net exposure	Associated ECLs
6,25,666.15	2,47,338.08	7,864.62	2,55,202.71	3,70,463.44	2,776.22

b. As on 31 March 2019 (Currency: INR in Lakhs)

Education Loans					
Gross Carrying Value	Immovable properties	Fixed deposits	Total collateral	Net exposure	Associated ECLs
5,34,483.91	2,20,093.09	6,534.06	2,26,627.14	3,07,856.76	502.00

39.3.2 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.

39.3.2.1 Interest rate risk

The Company's core business is providing education loans. The Company raises money from diversified sources like market borrowings, term loans and foreign currency borrowings amongst others. In view of the financial nature of the assets and liabilities of the Company, changes in market interest rates can adversely affect its financial condition. The fluctuations in interest rates can be due to internal and external factors. Internal factors include the composition of assets and liabilities across maturities, existing rates and re-pricing of various sources of borrowings. External factors include macro economic developments, competitive pressures, regulatory developments and global factors. The rise or fall in interest rates impact the Company's Net Interest Income depending on whether the Balance sheet is asset sensitive or liability sensitive.

The Company uses traditional gap analysis report to determine the Company's vulnerability to movements in interest rates. The Gap is the difference between Rate Sensitive Assets ("RSA") and Rate Sensitive Liabilities ("RSL") for each time bucket. It indicates whether the Company is in a position to benefit from rising interest rates by having a positive Gap (RSA > RSL) or whether it is in a position to benefit from declining interest rates by a negative Gap (RSL > RSA). The Company also fixes tolerance limits for the same under the Liquidity Risk Management Framework, Asset Liability Management ("ALM") & Financial Risk Management ("FRM") Policy.

(1) Interest rate risk exposure

The break-up of the Company's borrowings into variable rate and fixed rate at the end of the reporting periods are as below:

(Currency: INR in Lakhs)

Particulars	31 March 2020	31 March 2019
Variable rate borrowing	41%	41%
Fixed rate borrowing	59%	59%
Total borrowing	100%	100%

(2) Interest rate sensitivity

On increase of 10 bps in interest rate of term loans, profit after tax for the year ended 31 March 2020 will decrease by ₹ 13.91 lakhs (previous year: ₹ 13 lakhs). On increase of 10 bps in interest rate of interest rate swap, profit after tax for the year ended 31 March 2020 will increase by ₹ 10.79 lakhs (previous year: nil).

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

39.3.2 Market risk (Continued)

39.3.2.2 Foreign currency exchange rate risk

The Company has availed an external commercial borrowing during the year and hence is exposed to foreign currency exchange risk. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency i.e. INR. The objective of the hedges is to minimise the volatility of the INR cash flows.

The Company's risk management policy allows it to keep the foreign currency risk open upto 5% of the total borrowings.

The Company currently uses currency swaps to hedge its exposure in foreign currency risk. The Company designates the fair value of the currency swaps contracts as hedging instruments. In case the hedge effectiveness is 100%, the change in the fair value of the currency swaps contracts and the change in carrying value of the underlying foreign currency liability are compared and the difference is recognised in cash flow hedge reserve. During the year ended 31 March 2020, the Company did not have any hedging instruments with terms which were not aligned with those of the hedged items.

(1) Foreign currency risk exposure:

The Company's exposure to foreign currency risk at the end of the reporting period expressed in INR, are as follows

(Currency: INR in Lakhs)

Particulars	31 March 2020 USD	31 March 2019 USD
Derivative financial instruments		
Foreign exchange derivative contracts	75,670.00	–
Exposure to foreign currency risk (assets) – (a)	**75,670.00**	**–**
Financial liabilities		
Foreign currency loan	(75,670.00)	–
Interest accrued on foreign currency loan	(94.65)	
Exposure to foreign currency risk (liabilities) (b)	**(75,764.65)**	**–**
Net exposure to foreign currency risk (c) = (b) + (a)	**(94.65)**	**–**

(2) Foreign currency sensitivity analysis:

The sensitivity of profit or loss to changes in the exchange rates arises mainly from foreign currency denominated financial instruments and the impact on other components of equity arises from foreign exchange swap contracts designated as cash flow hedges.

(Currency: INR in Lakhs)

Particulars	Impact on profit after tax		Impact on other components of equity	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
USD sensitivity				
INR/USD – increase by 1%*	–	–	39.78	–
INR/USD – decrease by 1%*	–	–	(39.78)	–

* Assuming all other variable is constant

(3) Hedging Policy

The Company's hedging policy only allows for effective hedging relationships to be considered as hedges as per the relevant Ind AS. Hedge effectiveness is determined at the inception of the hedge relationship and through

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

39.3.2 Market risk (Continued)

periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument. The Company enters into hedge relationships where the critical terms of the hedging instrument match with the terms of the hedged item and so a qualitative and quantitative assessment of effectiveness is performed. Economic relationship between the hedged item and the hedging instrument is being assessed at the end of the reporting period by performing the hedge effectiveness testing.

A. Cash Flow Hedge

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

Hedging Instrument (Currency: INR in Lakhs)

Particulars	Notional amount	Carrying amount	Line item in the statement of financial position	"Weighted average contract / strike price of the hedging instrument"	Change in fair value used for measuring ineffectiveness for the period - (profit) / loss
As on 31 March 2020					
INR USD – Principal Only Swaps	75,670.00	3,977.91	Derivative Financial Instrument	71.56	4,113.00
INR USD – Interest Rate Swap	75,670.00	(2,073.92)		–	–
Total	**1,51,340.00**	**1,903.99**		**71.56**	**4,113.00**

Hedging Instrument (Currency: INR in Lakhs)

Particulars	Notional amount	Carrying amount	Line item in the statement of financial position	Weighted average contract /strike price ofthe hedging instrument	Change in fair value used for measuring ineffectiveness for the period - (profit) / loss
As on 31 March 2019					
INR USD – Principal Only Swaps	–	–	Derivative Financial Instrument	–	–
INR USD – Interest Rate Swap	–	–		–	–
Total	**–**	**–**		**–**	**–**

Hedged Item (Currency: INR in Lakhs)

Particulars	Change in the value of hedged item used as the basis for recognising hedge ineffectiveness	Cash flow hedge reserve as at March 31, 2020
As on 31 March 2020		
External Commercial Borrowings	4,113.00	(4,113.00)
As on 31 March 2019		
External Commercial Borrowings	–	–

The impact of the cashflow hedges in the statement of profit and loss and other comprehensive income:

(Currency: INR in Lakhs)

Particulars	Hedging gains or (losses) recognised in OCI		Hedging ineffectiveness recognised in statement of profit and loss		Line item in the statement of profit or loss
	31 March 2020	31 March 2019	31 March 2020	31 March 2019	
Principal Only Swap	3,977.91	–	–	–	Finance Cost
USD-INR Interest Rate Swap	(2,073.92)	–	–	–	

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

39.3.2 Market risk (Continued)

B. Fair Value Hedge

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

Hedging Instrument (Currency: INR in Lakhs)

Particulars	Notional amount	Carrying amount — Asset	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period - (profit) / loss
Interest Rate Swap as at				
31 March 2020	20,000.00	899.99	Derivative Financial Instruments	899.99
31 March 2019	—	—		—

Hedged Item (Currency: INR in Lakhs)

Particulars	Notional amount	Accumulated fair value adjustment	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
Non-Convertible Debentures				
March 31, 2020	20,000.00	893.21	Debt Securities	893.21
March 31, 2019	—	—		—

The impact of the fair value hedges in the statement of profit and loss:

(Currency: INR in Lakhs)

Particulars	Hedging ineffectiveness recognised in statement of profit and lossprofit/(loss)		Line item in the statement of profit or loss
	31-Mar-20	31-Mar-19	Net gain on fair value changes
Interest Rate Swaps	6.77	—	

(4) Hedge Ratio

The foreign exchange currency swap contracts are denominated in the same currency as the highly probable foreign currency cash flow on principle payments, therefore the hedge ratio is 1:1. The notional amount of interest rate swap is equal to the portion of variable rate loans that is being hedged, and therefore the hedge ratio for interest rate swap is also 1:1.

39.3.3 Liquidity risk

(1) Maturities of financial liabilities

The tables below analyses the Company's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities, and net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

39.3.3 Liquidity risk (Continued)

The amounts disclosed in the table are the contractual undiscounted cash flows.

(Currency: INR in Lakhs)

Contractual maturities of financial liabilities 31 March 2020	Due in 1 year	Between 1 and 3 years	Between 3 and 5 years	Beyond 5 years	Total
Non-Derivatives					
Trade payables	796.90	–	–	–	796.90
Debt securities at amortised cost	82,283.87	69,916.36	29,910.52	19,951.00	2,02,061.76
Debt securities at FVTPL	–	–	–	20,850.65	20,850.65
Borrowings (other than debt securities)	45,146.06	1,75,871.84	48,110.98	31,474.42	3,00,603.29
Subordinated liabilities	–	–	9,982.40	52,345.49	62,327.90
Other financial liabilities	11,174.19	155.31	121.86	90.27	11,541.63
Total Non—Derivatives Liabilities	**1,39,401.01**	**2,45,943.51**	**88,125.76**	**1,24,711.83**	**5,98,182.12**
Derivatives (net settled)					
Interest Rate Swaps		2,073.92			2,073.92
Total Derivatives Liabilities	**—**	**2,073.92**	**—**	**—**	**2,073.92**

(Currency: INR in Lakhs)

Contractual maturities of financial liabilities 31 March 2019	Due in 1 year	Between 1 and 3 years	Between 3 and 5 years	Beyond 5 years	Total
Non-Derivatives					
Trade payables	1,018.39	–	–	–	1,018.39
Debt securities	96,468.58	1,09,879.80	–	–	2,06,348.37
Borrowings (other than debt securities)	59,465.83	92,666.11	44,274.60	26,237.83	2,22,644.38
Subordinated liabilities	–	–	–	47,376.77	47,376.77
Other financial liabilities	8,381.70	–	–	–	8,381.70
Total	**1,65,334.50**	**2,02,545.91**	**44,274.60**	**73,614.60**	**4,85,769.61**
Derivatives (net settled)	–	–	–	–	–

40. Disclosures pursuant to Reserve Bank of India Master Direction DNBR. PD. 008/03.10.119/2016-17 dated 01 September 2016, to the extent applicable to the Company

The Company has prepared financial statements for the year ended 31 March 2020, in accordance with Ind AS. Accordingly, except for the disclosure of CRAR covered in the next paragraph, the relevant disclosures are based on the carrying values as reflected in the financial statements prepared per requirements of Ind AS.

The CRAR as of 31 March 2019 as disclosed in the comparative period numbers below was computed based on the carrying values as reflected in the financial statements prepared in accordance with requirements of Ind AS. The Reserve Bank of India vide its circular reference RBI/2019-20/170 DOR (NBFC).CC.PD. No.109/22.10.106/2019-20 dated 13 March 2020 outlines the regulatory guidance in relation to Ind AS financial statements from financial year 2019-20 onwards. This included guidance for computation of ‘owned funds’, ‘net owned funds’ and ‘regulatory capital’. Accordingly, the CRAR as of 31 March 2020 has been computed in accordance with these requirements read with the requirements of the Master Direction DNBR. PD. 008/03.10.119/2016-17 dated 01 September 2016 (as amended).

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.1 Capital to risk assets ratio (CRAR)

(Currency: INR in Lakhs)

Items	2019-20	2018-19
CRAR (%)	22.27	18.45
CRAR – Tier I capital (%)	14.70	11.55
CRAR – Tier II capital (%)	7.57	6.90
Amount of subordinated debt raised as Tier – II capital (₹)	15,000	—
Amount raised by issue of Perpetual Debt Instrument (₹)	—	7,500

40.2 Investments

(Currency: INR in Lakhs)

Items		Current Year (2019-20) ₹	Previous Year (2018-19) ₹
1.	**Value of investments**		
	i) Gross value of investments	31,072.99	—
	a) In India	31,072.99	—
	b) Outside India	—	—
	ii) Provision for depreciation	—	—
	a) In India	—	—
	b) Outside India	—	—
	iii) Net value of investments	31,072.99	—
	a) In India	31,072.99	—
	b) Outside India	—	—
2.	**Movement of provisions held towards depreciation on investments**		
	i) Opening balance	—	—
	ii) Add : Provisions made during the year	—	—
	iii) Less : Write-off / write-back of excess provisions during the year	—	—
	iv) Closing balance	—	—

40.3 Derivatives

40.3.1 Forward Rate Agreement / Interest Rate Swap

(Currency: INR in Lakhs)

	Particulars	Current Year (2019-20) ₹	Previous Year (2018-19) ₹
(i)	The notional principal of swap agreements	1,71,340.00	—
(ii)	Losses which would be incurred if counterparties failed to fulfill their obligations under the agreements	2,545.24	—
(iii)	Collateral required by the applicable NBFC upon entering into swaps	—	—
(iv)	Concentration of credit risk arising from the swaps*	100%	—
(v)	The fair value of the swap book @	2,803.98	—

@ Fair value of swap book includes Principle only swap (“POS”), USD IRS and INR OIS.

* Concentration of credit risk arising from swap is with banks.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.3.1 Forward Rate Agreement / Interest Rate Swap (Continued)

Benchmark	Current year	Previous year	Terms
	Notional Principal (INR in Lakhs)		
OIS	20,000.00	–	Fixed Receivable V/s Floating Payable
USD IRS	75,670.00		Fixed Payable V/s Floating Receivable
POS	75,670.00		
	Notional Principal (USD Mn.)		
USD LIBOR	100.00	–	Fixed Payable V/s Floating Receivable

40.3.2 Exchange Traded Interest Rate (IR) Derivatives

The Company has not entered into any exchange traded derivative.

40.3.3 Disclosures on Risk Exposure in Derivatives

a. Qualitative Disclosure

Financial Risk Management

The Company has to manage various risks associated with the lending business. These risks include liquidity risk, exchange risk, interest rate risk and counterparty risk.

The Financial Risk Management Policy as approved by the Board sets limits for exposures on currency and other parameters. The Company manages its interest rate and currency risk in accordance with the guidelines prescribed therein.

Liquidity risk and Interest rate risks arising out of maturity mismatch of assets and liabilities are managed through regular monitoring of maturity profiles. The currency risk on the borrowings is actively managed mainly through principal only swaps. Counter party risk is reviewed periodically to ensure that exposure to various counter parties is well diversified and is within the limits fixed by the Derivative Committee.

As a part of Asset Liability Management, the Company has entered into interest rate swaps wherein it has converted a portion of its fixed rate rupee liabilities into floating rate linked to a benchmark.

Constituents of Derivative Business

Financial Risk Management of the Company constitutes the Audit Committee, Risk Management Committee, Asset Liability Committee (“ALCO”) and Derivative Committee.

The Company periodically monitors various counter party risk and market risk limits, within the risk architecture and processes of the Company.

Hedging Policy

The Company has a Financial Risk Management policy approved by the Board of Directors. For derivative contracts designated as hedges, the Company documents at inception, the relationship between the hedging instrument and hedged item. Hedge effectiveness is ascertained periodically on a forward looking basis and is reviewed by the Derivative Committee at each reporting period. Hedge effectiveness is measured by the degree to which changes in the fair value or cashflows of the hedged item that are attributed to the hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

Measurement and Accounting

All derivative contracts are recognised on the balance sheet and measured at fair value. Hedge accounting is applied to all the derivative instruments as per Ind AS 109. Gain / loss arising on account of fair value changes are recognised in the Statement of Profit and Loss to the extent of ineffective portion of hedge instruments and hedged items. The gains / losses of effective portion of hedge instrument are offset against gain / losses of hedged items in other comprehensive Income.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

The Company has entered into fair value hedges like interest rate swaps on fixed rate rupee liabilities as a part of the Asset Liability management whereby a portion of the fixed rate liabilities are converted to floating rate. The Company has a mark to market gain of ₹ 899 lakhs on outstanding fair value hedges.

The Company has entered into cashflow hedges to hedge currency risk and interest rate risk on certain foreign currency loans. Under the cashflow hedge, the hedging instrument is measured at fair value and any gain or loss that is determined to be an effective hedge is recognized in equity i.e., cash flow hedge reserve.

Movements in the cash flow hedge reserve are as follows (as per Ind AS financials):

(Currency: INR in Lakhs)

Particulars	Current Year	Previous Year
Opening balance	**—**	—
(Credits) / debit in the cash flow reserve	**(1,653.00)**	—
Closing balance	**(1,653.00)**	—

b. Quantitative disclosures **(Currency: INR in Lakhs)**

Sl. No.	Particular	Currency derivatives	Interest rate derivatives
(i)	Derivatives (notional principal amount)	75,670.00	95,670.00
(ii)	Marked to market positions [1]		
	a) Asset (+)	3,977.91	899.99
	b) Liability (–)	–	(2,073.92)
(iii)	Credit exposure [2]	5,085.02	1,356.70
(iv)	Unhedged exposures	94.65	–

40.4 Disclosures relating to Securitisation

a. The Company has not securitised any of its exposures during the year.

b. The Company has neither purchased nor sold any non-performing financial assets during the year.

40.5 Exposures

40.5.1 Exposure to real estate sector

(Currency: INR in Lakhs)

Category	Current Year (2019-20) ₹	Previous Year (2018-19) ₹
Direct exposure		
(i) Residential mortgages –		
Lending fully secured by mortgages on residential property	**Nil**	Nil
(ii) Commercial real estate —		
Lending secured by mortgages on commercial real estates	**Nil**	Nil
(iii) Investments in mortgage backed securities (MBS) and other securitised exposures –		
a. Residential mortgages –	**—**	—
b. Commercial real estate –	**—**	—
Total exposure to real estate sector [on limit basis or outstanding basis whichever is higher]	**—**	—

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 financial year.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.5.2 The Company does not have any capital market exposure.

40.5.3 There is no financing of parent company product during the current year.

40.5.4 The Company has not exceeded single borrower limit (“SGL”) and nor has exceeded the group borrower limit (“GBL”).

40.5.5 The Company has not given any loans against intangible securities.

40.6 The Company is not registered under any other regulator other than Reserve Bank of India and Insurance Regulatory & Development Authority of India (“IRDAI”).

40.7 During financial year under audit, no penalty has been levied by any regulator.

40.8 Rating assigned by credit rating agencies and migration of rating during the year:

Sr. No.	Rating agency	Type	Current year (2019-20)	Previous year (2018-19)
1	CARE Ratings Limited	Perpetual debt instrument	**CARE AA+**	CARE AA+
		Non-convertible debenture	**CARE AAA**	CARE AAA
		Subordinated debt	**CARE AAA**	CARE AAA
2	ICRA Limited	Bank Loan	**ICRA AAA**	ICRA AAA
		Commercial paper	**ICRA A1+**	ICRA A1+
		Perpetual debt instrument	**ICRA AA+**	ICRA AA+
		Subordinated debt	**ICRA AAA**	ICRA AAA
		Non-convertible debenture	**ICRA AAA**	—
3	CRISIL Limited	Non-convertible debenture	**CRISIL AAA**	CRISIL AAA
		Commercial paper	**CRISIL A1+**	CRISIL A1+
		Subordinated debt	**CRISIL AAA**	CRISIL AAA

There were no changes in any of the ratings or outlook during the year.

40.9 Provisions and contingencies **(Currency: INR in Lakhs)**

Break up of ‘provisions and contingencies’ shown under the head expenses in statement of profit and loss	Current Year (2019-20) ₹	Previous Year (2018-19) ₹
Provisions for depreciation on investment	**—**	—
Provision towards NPA (Stage III)	**59**	38
Provision made towards tax expenses	**4,616**	5,521
Other provision and contingencies (with details)		
Provision for employee benefits		
– Compensated absences	**12**	10
– Gratuity	**44**	43
Provision for standard assets	**2,215**	227

40.10 The Company has not made any drawdown from existing reserves.

40.11 Concentration of advances, exposures and NPAs :

40.11.1 The Company is a non deposit accepting NBFC and hence does not have any depositors.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.11 Concentration of advances, exposures and NPAs : (Continued)

40.11.2

(Currency: INR in Lakhs)

Concentration of advances	**Current Year (2019-20) ₹**	Previous Year (2018-19) ₹
Total advances to twenty largest borrowers	**1,983**	1,803
Percentage of advances to twenty largest borrowers to total advances of the NBFC	**0.32%**	0.34%

40.11.3

(Currency: INR in Lakhs)

Concentration of exposures [on limit basis or outstanding basis whichever is higher]	**Current Year (2019-20) ₹**	Previous Year (2018-19) ₹
Total exposure to twenty largest borrowers / customers	**2,903**	2,931
Percentage of exposures to twenty largest borrowers/ customers to Total exposure of the NBFC on borrowers / customers	**0.33%**	0.39%

40.11.4

(Currency: INR in Lakhs)

Concentration of NPAs	**Current Year (2019-20) ₹**	Previous Year (2018-19) ₹
Total exposure to top four NPA accounts	**217**	168

40.11.5 Sector-wise NPAs

Sr. No.	**Sector**	**Percentage of NPAs to total advances in that sector current year (2019-20)**	Percentage of NPAs to total advances in that sector previous year (2018-19)
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	**0.12%**	0.08%

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.11 Concentration of advances, exposures and NPAs : (Continued)

40.11.6 Movement of NPAs **(Currency: INR in Lakhs)**

Sr. No.	Particulars	Current Year (2019-20) ₹	Previous Year (2018-19) ₹
(i)	Net NPAs to net advances	**0.10%**	0.06%
(ii)	Movement of NPAs (Gross)		
	(a) Opening balance	**401.26**	193.84
	(b) Additions during the year	**564.28**	568.59
	(c) Reductions during the year	**(208.98)**	(361.17)
	(d) Closing balance	**756.55**	401.26
(iii)	Movement of Net NPAs		
	(a) Opening balance	**332.40**	162.58
	(b) Additions during the year	**469.06**	472.41
	(c) Reductions during the year	**(173.15)**	(302.58)
	(d) Closing balance	**628.31**	332.40
(iv)	Movement of provisions for NPAs (excluding provisions on standard assets)		
	(a) Opening balance	**68.86**	31.26
	(b) Provisions made during the year	**95.22**	96.19
	(c) Write-off / write-back of excess provisions	**(35.84)**	(58.59)
	(d) Closing balance	**128.24**	68.86

40.12 The Company does not have any overseas assets.

40.13 The Company has not sponsored any off-balance sheet SPVs.

40.14 Customer complaints **(Currency: INR in Lakhs)**

Sr. No.	Particulars	Current Year (2019-20) ₹	Previous Year (2018-19) ₹
a.	No. of complaints pending at the beginning of the year	**1**	–
b.	No. of complaints received during the year	**129**	132
c.	No. of complaints redressed during the year	**130**	131
d.	No. of complaints pending at the end of the year	**–**	1

40.15 Asset liability management

40.15.1 Maturity pattern of certain items of assets and liabilities As on 31 March 2020: **(Currency: INR in Lakhs)**

Particulars	1 day to 30 days (one month)	Over 1 month to 2 months	Over 2 months up 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
Liabilities									
Borrowings*	968	6,186	1,761	12,778	16,674	1,42,497	1,82,351	1,47,794	5,11,010
Foreign currency liabilities**	94.89	–	–	–	–	29,934	41,308	3,592	74,929
Assets									
Advances***	7,295	6,697	10,451	30,866	59,485	2,18,092	1,50,294	1,42,359	6,25,538
Investments	31,073	–	–	–	–	–	–	–	31,073
Deposits	–	–	–	–	–	–	–	–	–
Foreign currency assets	–	–	–	–	–	–	–	–	–

* Excludes interest accrued and due on borrowings ₹ Nil and interest accrued but not due ₹ 10,801 lakhs.

** Includes External Commercial Borrowings ₹ 74,834 lakhs.

*** Advances shown as net off impairment loss allowance on stage III cases.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.15 Asset liability management (Continued)

40.15.2 Maturity pattern of certain items of assets and liabilities As on 31 March 2019: **(Currency: INR in Lakhs)**

Particulars	1 day to 30 days (one month)	Over 1 month to 2 months	Over 2 months up 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
Liabilities									
Borrowings*	3,615	7,556	7,320	11,083	33,656	1,55,316	1,68,892	88,930	4,76,370
Foreign currency liabilities	9	–	–	–	–	–	–	–	9
Assets									
Advances	8,203	8,096	8,002	23,659	46,023	1,77,575	1,37,031	1,25,825	5,34,415
Investments	–	–	–	–	–	–	–	–	–
Deposits	–	–	–	–	–	–	–	–	–
Foreign currency assets	–	–	–	–	–	–	–	–	–

* Excludes interest accrued and due on borrowings ₹ Nil and interest accrued but not due ₹ 8,382 lakhs.

40.16 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				
	Liabilities side :	**As at 31 March 2020**		As at 31 March 2019	
1)	**Loans and advances availed by the non banking financial company inclusive of interest accrued thereon but not paid:**	**Amount outstanding**	**Amount overdue**	Amount outstanding	Amount overdue
	a) Debentures – Secured	**2,07,595**	—	1,55,629	—
	– Unsecured	**65,968**	—	49,893	—
	(Other than falling within the meaning of public deposit)				
	b) Deferred credit	—	—	—	—
	c) Term loan	**3,00,580**	—	1,99,252	—
	d) Inter - corporate loans and borrowing	—		—	
	e) Commercial paper	**22,301**	—	56,476	—
	f) Other loan	**201**	—	23,501	—
	g) Book overdraft	—	—	—	—

(Currency: INR in Lakhs)

	Asset side :	**As at 31 March 2020**		As at 31 March 2019	
2)	**Break-up of loans and advances including bills receivables [other than those included in (4) below] :**	**Amount outstanding**	**Amount overdue**	Amount outstanding	Amount overdue
	a) Secured	**2,68,553**	—	2,36,363	—
	b) Unsecured	**3,57,113**	—	2,98,120	—

(Currency: INR in Lakhs)

3)	**Break up of leased assets and stock on hire and other assets counting towards AFC activities**				
	(i) Lease assets including lease rentals under sundry debtors:				
	(a) Financial lease	–	—	–	–
	(b) Operating lease	–	—	–	–
	(ii) Stock on hire including hire charges under sundry debtors:				
	(a) Assets on hire	–	—	–	–
	(b) Repossessed Assets	–	—	–	–
	(iii) Other loans counting towards AFC activities				
	(a) Loans where assets have been repossessed	–	—	–	–
	(b) Loans other than (a) above	–	—	–	–

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.16 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)

Asset Side :	**As at 31 March 2020**	As at 31 March 2019
4) Break of investments:		
Current investments:		
1. Quoted:		
(i) Shares: (a) Equity	—	—
(b) Preference	—	—
(ii) Debentures and bonds	—	—
(iii) Units of mutual funds	**31,073**	—
(iv) Government securities	—	—
(v) Others (please specify)	—	—
2. Unquoted :		
(i) Shares : (a) Equity	—	—
(b) Preference	—	—
(ii) Debentures and bonds	—	—
(iii) Units of mutual funds	—	—
(iv) Government securities	—	—
(v) Others (please specify)	—	—
Long term investments :		
1. Quoted :		
(i) Shares: (a) Equity	—	—
(b) Preference	—	—
(ii) Debentures and bonds	—	—
(iii) Units of mutual funds	—	—
(iv) Government securities	—	—
(v) Others (please specify)	—	—
2. Unquoted :		
(i) Shares : (a) Equity	—	—
(b) Preference	—	—
(ii) Debentures and bonds	—	—
(iii) Units of mutual funds	—	—
(iv) Government securities	—	—
(v) Others (please specify)	—	—

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.16 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)

5) Borrower group—wise classification of assets financed as in (2) and (3) above : **(Currency: INR in Lakhs)**

Category	As at 31 March 2020			As at 31 March 2019		
	Amount net of provisions			Amount net of provisions		
	Secured	Unsecured	Total	Secured	Unsecured	Total
1. Related parties						
(a) Subsidiaries	—	—	—	—	—	—
(b) Companies in the same group	—	—	—	—	—	—
(c) Other related parties	53	—	53	—	—	—
2. Other than related parties	2,68,500	3,57,113	6,25,613	2,36,363	2,98,120	5,34,483
Total	2,68,500	3,57,113	6,25,613	2,36,363	2,98,120	5,34,483

6) Investor group-wise classification of all investments (current and long term) in shares and securities (both quoted and unquoted):

(Currency: INR in Lakhs)

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)
1. Related parties				
(a) Subsidiaries	—	—	—	—
(b) Companies in the same group	—	—	—	—
(c) Other related parties	—	—	—	—
2. Other than related parties	31,073	—	—	—
Total	**31,073**	—	—	—

7) Other information **(Currency: INR in Lakhs)**

Particulars	As at March 31, 2020	As at March 31, 2019
	Amount	Amount
i) Gross non performing assets		
a) Related parties	—	—
b) Other than related parties	757	401
ii) Net non performing assets		
a) Related parties	—	—
b) Other than related parties	628	332
iii) Assets acquired in satisfaction of debt	—	—

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.17 Disclosure pursuant to RBI notification on "Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies" dated 04 November 2019:

i. Funding Concentration based on significant counterparty *(both deposits and borrowings)

(Currency: INR in Lakhs)

Number of Significant Counterparties	₹ in lakhs	% of Total Deposits	% of Total Liabilities
18 (Eighteen)	5,58,498.69	NA	93%

ii. Top 20 large deposits

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

iii. Top 10 borrowings **(Currency: INR in Lakhs)**

Amount (₹ in lakhs)	% of Total Borrowings
2,85,612.98	49%

iv. Funding Concentration based on significant instrument/product* **(Currency: INR in Lakhs)**

Name of the instrument/product	₹ in lakhs	% of Total Liabilities
Secured Non Convertible Debentures	2,00,610.96	33%
Commercial Paper	22,301.44	4%
Term Loans from Banks	2,25,568.61	38%
External Commercial Borrowings	74,834.02	12%
Overdrafts and Working Capital Limits	200.66	0%
Subordinated Tier II Non convertible debentures	34,892.46	6%
Perpetual debt instruments to the extent that do not qualify as equity	27,435.43	5%
Total Borrowings	**5,85,843.59**	**97%**
Total Liabilities	**6,01,467.55**	

v. Stock Ratios: **(Currency: INR in Lakhs)**

Particulars	as a % of total public funds*	as a % of total liabilities	as a % of total assets
Commercial papers	4%	4%	3%
Non-convertible debentures (original maturity of less than one year)	0%	0%	0%
Other short-term liabilities	20%	20%	17%

vi. Institutional set-up for liquidity risk management

The Liquidity Risk Management of the Company is governed by the Liquidity Risk Management Framework, Asset Liability Management ("ALM") & Financial Risk Management ("FRM") Policy approved by the Board of Directors. The Board has the overall responsibility for management of liquidity risk. The Board decides the strategy, policies and procedures to manage liquidity risk in accordance with the liquidity risk tolerance/limits approved by it. The Risk Management Committee (RMC), which is a committee of the Board, is responsible for evaluating the overall risks faced by the Company including liquidity risk. The Asset Liability Management Committee ("ALCO") is responsible for ensuring adherence to the liquidity risk tolerance/limits set by the Board as well as implementing the liquidity risk management strategy. The role of the ALCO with respect to liquidity risk includes, inter alia, decision on desired maturity profile and mix of incremental assets and liabilities, responsibilities and controls for managing liquidity risk, and overseeing the liquidity positions at an entity level.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

*Notes:

1. Significant counterparty is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03.10.001/2019-20 dated 4 November 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies
2. Significant instrument/product is as defined in RBI Circular RBI/2019-20/88 DOR.NBFC (PD) CC.No.102/03.10.001/2019-20 dated 4 November 2019 on Liquidity Risk Management Framework for Non-Banking Financial Companies and Core Investment Companies .
3. Total Liabilities has been computed as sum of all liabilities (Balance Sheet figure) less Equities and Reserves/ Surplus.
4. Public funds is as defined in Master Direction – Non-Banking Financial Company – Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016.

40.18 Disclosure pursuant to RBI notification on "Implementation of Indian Accounting Standards" dated 13 March 2020

(Currency: INR in Lakhs)

Asset Classification as per RBI Norms as on March 31, 2020	Asset classification as per Ind AS 109	Gross Carrying Amount as per Ind AS	Loss Allowances (Provisions) as required under Ind AS 109	Net Carrying Amount	Provisions required as per IRACP norms	Difference between Ind AS 109 provisions and IRACP norms
(1)	(2)	(3)	(4)	(5)=(3)–(4)	(6)	(7) = (4)–(6)
Performing Assets						
Standard	Stage 1	6,23,866.49	2,497.83	6,21,368.66	2,498.68	(0.85)
	Stage 2	1,043.11	150.14	892.97	4.17	145.97
Subtotal for Performing Assets		**6,24,909.60**	**2,647.97**	**6,22,261.62**	**2,502.85**	**145.12**
Non-Performing Assets (NPA)				–		–
Substandard	Stage 3	440.16	77.15	363.01	41.44	35.71
Doubtful - up to 1 year	Stage 3	220.96	35.54	185.42	141.46	(105.92)
1 to 3 years	Stage 3	64.27	10.67	53.60	55.87	(45.21)
More than 3 years	Stage 3	31.17	4.89	26.27	26.27	(21.38)
Subtotal for doubtful		316.39	51.10	265.29	223.60	(172.51)
Loss	Stage 3	–	–	–	–	–
Subtotal for NPA		**756.55**	**128.24**	**628.31**	**265.04**	**(136.80)**
Other items such as guarantees, loan commitments, etc. which are in the scope of Ind AS 109 but not covered under current Income Recognition, Asset Classification and Provisioning (IRACP) norms	Stage 1	–	29.79	(29.79)	–	29.79
	Stage 2	–	0.09	(0.09)	1.65	(1.56)
	Stage 3	–	–	–	–	–
Subtotal		**–**	**29.88**	**(29.88)**	**1.65**	**28.23**
Total	**Stage 1**	**6,23,866.49**	**2,527.63**	**6,21,338.86**	**2,498.68**	**28.95**
	Stage 2	**1,043.11**	**150.23**	**892.88**	**5.82**	**144.41**
	Stage 3	**756.55**	**128.24**	**628.31**	**265.04**	**(136.80)**
Total		**6,25,666.15**	**2,806.10**	**6,22,860.05**	**2,769.54**	**36.56**

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

40.19 Disclosure pursuant to RBI notification on "COVID-19 Regulatory Package – Asset Classification and Provisioning" dated 17 April 2020.

(Currency: INR in Lakhs)

Particulars	₹ in Lakhs
(i) Respective amounts in SMA/overdue categories, where the moratorium/deferment was extended	1,268.41
(ii) Respective amount where asset classification benefits is extended.	33.01
(iii) Provisions made during the Q4 FY2020 as per RBI circular dated 17 April 2020 Norms*	1.65
(iv) Provisions adjusted during the respective accounting periods against slippages and the residual provisions	—

* Provisions under ECL for these accounts is ₹ 6.29 lakhs

41. 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.

42. The Company does not have any capital commitments and contingent liabilities as on the balance sheet date, except as below:

There has been a Supreme Court judgement dated 28 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.

43. Following the outbreak of COVID-19 during the quarter ended 31 March 2020 there has been a considerable slowdown in economic activities across the globe with most countries initiating lockdown to contain the pandemic. The Reserve Bank of India as a part of its measures to support and boost the economy has vide its notifications titled "COVID-19 Regulatory Package" dated 27 March 2020 and 17 April 2020 directed all Banks, NBFCs and other financial institutions to grant moratorium of three months on the payment of all instalments and/or interest as applicable to all eligible borrowers.

Based on the moratorium plan rolled out by the Company wherein the relaxation of their unpaid installments during the aforesaid period was offered to all the borrowers and the acceptance of the same by a significant portion of our loan portfolio and other information available up to the date of approval of these financial results/ statements the Company assessed the impact on its assets, including valuation of its investments, expected credit loss on its loan portfolio and liabilities including Asset Liability Management ("ALM") position.

Based on the detailed evaluation, the Company has:

a) fair valued its investments to active market prices and as the investments mainly comprise of liquid debt securities, no material volatility is expected,

b) made adequate provision for credit losses on its loan portfolio against the potential impact of COVID-19 by way of a management overlay of ₹ 2072.89 lakhs. The aggregate provisions are adequate vis-a-vis the minimum regulatory provisions prescribed by the Reserve Bank of India vide its circular dated 13 March 2020 on Implementation of Indian Accounting Standards,

c) stress tested its ALM position and the Company has a comfortable liquidity outlook across all maturity buckets and has strong liquidity position maintained in form of high-quality liquid assets and undrawn committed short term and long-term bank lines.

Notes to the Financial Statements for the period ended 31 March 2020 (Continued)

The final impact of the global health pandemic is very uncertain and the actual impact on these financial statements may be different than that estimated based on the conditions prevailing as at the date of approval of these financial results/statements. The management will continue to closely monitor the material changes in the macro-economic factors impacting the operations of the Company.

44. Disclosures under SEBI Circular No SEBI/HO/DDHS/CIR/P/2018/144 dated 26 November 2018

Initial disclosure to be made by entity identified as a Large Corporate

(Currency: INR in Lakhs)

Particulars	Details
Name of the company	HDFC Credila Financial Services Private Limited
CIN	U67190MH2006PTC159411
Outstanding borrowing of the Company as on 31 March 2019	₹ 4,76,369.52/—
Highest credit rating during the FY 2018-19 along with name of the credit rating agency	AAA/stable by ICRA Limited, CRISIL Limited and CARE Ratings Limited
Securities listed	Debt securities
Name of the stock exchange in which the fine shall be paid, in case of shortfall in the required borrowing under the framework	BSE Ltd

We confirm that we are a Large Corporate as per the applicability criteria given under the SEBI circular SEBI/HO/DDHS/CIR/P/2018/144 dated November 26, 2018

Annual disclosure to be made by entity identified as a Large Corporate

Details of the borrowings : **(Currency: INR in Lakhs)**

Particulars	Details
Incremental borrowing done in FY 2019-20 (**a**)	2,23,400.56
Mandatory borrowing to be done through issue of debt securities (**b**) = **25% of** (**a**)	55,850.14
Actual borrowing done through issue of debt securities in FY 2019-20 (**c**)	1,05,000.00
Shortfall in the mandatory borrowing through debt securities, if any. (**d**) = (**b**) – (**c**)	Nil
Reasons for shortfall, if any, in mandatory borrowings through debt securities	Not applicable

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 : 11 May 2020

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

V.S.Rangan
Chairman
(DIN – 00030248)

Arijit Sanyal
Managing Director & CEO
(DIN – 08386684)

Manjeet Bijlani
Chief Financial Officer
(ACA - 102472)

Akanksha Kandoi
Company Secretary
(FCS - 6883)

Place : Mumbai
Date : 11 May 2020